As filed with the Securities and Exchange Commission on August 12, 2004

Registration Statement No. 333-

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-1

REGISTRATION STATEMENT

UNDER
THE SECURITIES ACT OF 1933

Build-A-Bear Workshop, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**5945**	**43-1883836**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

1954 Innerbelt Business Center Drive

St. Louis, Missouri 63114
(314) 423-8000
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Maxine Clark

Chief Executive Bear
Build-A-Bear Workshop, Inc.
1954 Innerbelt Business Center Drive
St. Louis, Missouri 63114
(314) 423-8000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to public: As soon as practicable after the effective date of this registration statement.

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Stock, $0.001 par value per share	$125,000,000	$15,837.50

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933 and includes shares that may be purchased by the underwriters to cover over-allotments, if any.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting any offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED , 2004

Shares

Common Stock

We are offering shares of common stock and the selling stockholders are offering shares of our common stock. We will not receive any of the proceeds from the sale of the shares by the selling stockholders. No public market currently exists for our common stock. We expect the public offering price to be between $ and $ per share.

We intend to apply to have our common stock approved for listing on the under the symbol " ."

The underwriters have a 30-day option to purchase a maximum of additional shares of common stock from certain selling stockholders to cover over-allotments of shares.

Investing in our common stock involves risks. See "Risk Factors" beginning on page 8.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Build-A-Bear Workshop	Proceeds to Selling Stockholders
Per Share	$	$	$	$
Total	$	$	$	$

Delivery of the shares of common stock will be made on or about , 2004.

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

Joint Book-Running Managers

Credit Suisse First Boston **Citigroup**

JPMorgan

A.G. Edwards **Thomas Weisel Partners LLC**

The date of this prospectus is , 2004.

[Intentionally Omitted]

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You should rely only on the information contained in this prospectus or to which we have referred you. We have not, and the underwriters have not, authorized anyone else to provide you with different or additional information. This prospectus may only be used where it is legal to sell these securities. This prospectus is not an offer to sell or a solicitation of an offer to buy securities in any circumstances in which the offer or solicitation is unlawful. The information in this prospectus may only be accurate on the date of this prospectus and is subject to change after such date.

Dealer Prospectus Delivery Obligation

Until , 2004 (the 25th day after commencement of this offering), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before deciding to invest in our common stock. You should read this entire prospectus carefully, especially the risks of investing in our common stock that we discuss under "Risk Factors." As used in this prospectus, references to "we," "our," "us," the "company" and "Build-A-Bear Workshop" refer to Build-A-Bear Workshop, Inc. and its subsidiaries and Build-A-Bear Workshop, L.L.C., our predecessor limited liability company, unless the context requires otherwise.

Except as otherwise indicated, information in this prospectus assumes the conversion of each outstanding share of convertible preferred stock, into shares of common stock and no exercise of the underwriters' over-allotment option. When we refer to average store sales and average net sales per gross square foot for any period, we include in those calculations only those stores that have been open for the entire such period.

When we refer to "store contribution," we mean net income before income tax expense, interest, depreciation and amortization, store pre-opening and general and administrative expense and excluding franchise fees, license revenues and contribution from our webstore and seasonal and event-based locations.

Throughout this prospectus, we refer to our fiscal years ended January 1, 2000, December 30, 2000, December 29, 2001, December 28, 2002 and January 3, 2004 as fiscal years 1999, 2000, 2001, 2002 and 2003, respectively. Our fiscal year consists of 52 or 53 weeks, reported in four 13-week periods, and ends on the Saturday nearest December 31 in each year. Fiscal years 1999, 2000, 2001 and 2002 included 52 weeks and fiscal year 2003 included 53 weeks. When we refer to the first half of fiscal 2003 and 2004, we are referring to the 26-week periods ended June 28, 2003 and July 3, 2004. When we refer to our fiscal quarters, or any three month periods ending as of a specified date, we are referring to the 13-week period prior to that date. All of our fiscal quarters presented in this prospectus included 13 weeks, except for the quarter ended January 3, 2004, which had 14 weeks.

Our Business

Overview

We are the leading, and only national, company providing a "make your own stuffed animal" interactive "retail-tainment" experience. As of July 3, 2004, we operated 157 stores in 37 states and Canada and had five franchised stores internationally under the Build-A-Bear Workshop brand. We offer an extensive and coordinated selection of merchandise, including over 30 different styles of animals to be stuffed and a wide variety of clothing, shoes and accessories for the stuffed animals. Our stores, which are primarily located in major malls, capitalize on what we believe is the relatively untapped demand for experience-based shopping as well as the widespread appeal of stuffed animals. In addition to our stores, we market our products and build our brand through our website and in event-based locations and sports venues.

Build-A-Bear Workshop stores are designed around a distinctive and entertaining "animal-making" process that provides our customers, or "Guests," with the opportunity to participate actively in the creation, personalization and customization of their own stuffed animal. Unlike traditional mall-based stores, our interactive retail concept includes not only a fun merchandise selection, but also a dynamic and hands-on shopping experience. Our stores average approximately 3,100 square feet in size and have a highly visual and colorful appearance, including custom-designed fixtures featuring teddy bears and other themes relating to the Build-A-Bear Workshop experience. Our concept appeals to a broad range of age groups and demographics, including children, teens, parents and grandparents. We believe our stores are destination locations and draw customers from a large geographic reach, resulting in high volume stores that generated average net sales per gross square foot of $502 for fiscal 2003 and $287 for the first half of fiscal 2004.

During fiscal 2003, we developed and tested a targeted, integrated, multi-media marketing program designed to increase our brand awareness and store traffic, thereby attracting more first-time and more repeat customers. We initiated a national rollout of this program in February 2004 and have experienced an increase in our comparable store sales in every month since the rollout.

Since opening our first store in St. Louis, Missouri in October 1997, we have sold over 20 million stuffed animals. We have grown our store base from 14 stores at the end of fiscal 1999 to 157 as of July 3, 2004 and increased our revenues from $106.6 million in fiscal 2001 to $213.4 million in fiscal 2003, for a compound annual revenue growth rate of 41.6%, and increased net income from $1.9 million in fiscal 2001 to $8.0 million in fiscal 2003, for a compound annual net income growth rate of 104.6%.

Competitive Strengths

We offer an exciting interactive shopping experience.

Unlike most other mall-based retail stores, the Build-A-Bear Workshop experience is not exclusively product driven but rather integrates the stuffed animal-making process with our creative merchandise selection. Our highly visual and colorful stores feature a teddy bear theme, displays of numerous, fully-dressed stuffed animals, selective use of “Bearisms” and custom-designed fixtures intended to energize our Guests and add excitement to the shopping experience. We offer our Guests an opportunity to actively participate in the creation, customization and personalization of their own stuffed animal by selecting the amount of stuffing, making a special wish before placing the distinctive fabric heart inside the animal; selecting a pre-recorded message or creating a personalized voice message for the animal; dressing the animal in selected clothing and accessories; and creating the animal’s birth certificate. When finished, our Guests carry their purchases from our stores in our signature packaging, including our “Cub Condo” carrying case, “Beararmoire” clothing carrier, “CubCase” suitcase or “Bear Bunk Trunk,” which also are intended to raise awareness of our brand.

We have a broad and loyal Guest base.

We believe our distinctive retail entertainment shopping experience has made Build-A-Bear Workshop a destination retailer with a broad and loyal customer base that enjoys our concept and therefore returns to make additional purchases. Our major customer segments include families with children, primarily age three to twelve; their grandparents, aunts and uncles; teen girls who occasionally bring along their boyfriends; and child-centric organizations looking for interactive entertainment options. Our active store environment also makes our stores an attractive location for birthday and other parties, which we believe introduces new Guests to our stores. During the first half of fiscal 2004, 90% of Guests who completed our Guest satisfaction survey gave their overall experience the highest or second highest rating, with 74% giving the highest rating of “Beary Best.” Approximately 80% o returning Guests who responded to our surveys in 2003 indicated that they pre-planned their visit to our stores.

We have strong merchandising expertise.

Through our in-house design and product development team, we have developed a coordinated, creative and broad merchandise assortment, the vast majority of which is primarily designed by us. Our exclusive products, which include a variety of animals, clothing, shoes and accessories, are branded with the Build-A-Bear Workshop mark. Through Guest feedback and monitoring the fashion and entertainment markets, we are able to offer current fashions that drive clothing and accessory sales as well as respond to other market influences that generate product line and animal additions. We typically carry approximately 450 stock-keeping units, or “SKUs,” in our stores, as we intend for each item to be highly productive. We believe this merchandising strategy, along with the Build-A-Bear Workshop experience, has created a strong value proposition for our Guests that allows us to emphasize the product and the experience rather than the price, avoiding the need to discount our products to drive sales.

We provide a high level of Guest service through consistent execution.

Because our strategy since inception has been to provide a dynamic, interactive "retail-tainment" experience for our Guests, we have devoted significant resources and attention to Guest service. We carefully select and train our store employees to promote a friendly and personable store environment and to provide a high level of Guest service. Our above average employee retention rates, based on 2003 industry data, contribute to the consistency and quality of the Guest experience. Following store visits, we remain in contact with our Guests through direct mail and email. We provide additional value to our Guests through many events that we plan around holidays, birthdays and other Build-A-Bear Workshop product launches.

We have an attractive store economic model.

We believe that we have developed an appealing retail store model that is profitable and operates successfully in a variety of geographies, malls and non-mall locations. We have a site selection process that utilizes a number of criteria, including economic and demographic variables and our internal sales forecasting tools. For fiscal 2003, our stores open for the entire year averaged $502 in net retail sales per gross square foot and $1.6 million in net retail sales per store. For fiscal 2003, store contribution as a percentage of net retail sales, excluding revenue from our webstore and seasonal and event-based locations, was 22.8% and total company net income as a percentage of total revenues was 3.7%. For the first half of fiscal 2004, our stores open for the entire period averaged $287 in net retail sales per gross square foot and $879 thousand in net retail sales per store. For the first half of fiscal 2004, store contribution as a percentage of net retail sales, excluding revenue from our webstore and seasonal and event-based locations, was 26.4% and total company net income as a percentage of total revenues was 7.5%. For a reconciliation of store contribution to net income, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures." Since our inception, our new stores have generated strong customer traffic and the majority are profitable in the first twelve months of operation. Through value engineering our store development and construction processes, we have reduced the average investment for our new stores. For stores opened in fiscal 2003, our investment per store, which includes the cost of leasehold improvements (net of tenant allowances), fixtures and equipment, inventory (net of trade payables), and pre-opening expenses, averaged $485 thousand, a decrease of 19% from the average investment for stores opened in fiscal 2002.

We have a highly experienced and disciplined management team.

Our senior management team, led by our Chief Executive Bear, Maxine Clark, has extensive experience in a variety of retail sectors and in corporate management. As we have continued to build our company, we have added key leaders in selected areas of our business. We believe we have attracted a highly talented and experienced team to continue to grow the Build-A-Bear Workshop brand and our company. We believe we employ a deliberative and disciplined management process that is brand driven and balances careful measurement and analysis of our business with experienced merchandising and Guest insight.

Growth Strategy

Our growth strategy is to develop and expand the reach of the Build-A-Bear Workshop brand. We believe that the strength of our brand will allow us to continue to attract Guests as well as to develop key strategic relationships. The key elements of our strategy are:

Continue to expand our store base in the United States and Canada.

Since the end of fiscal 1999, we have increased our store base from 14 to 157 locations throughout the United States and Canada as of July 3, 2004. We plan to open a total of 21 Build-A-Bear Workshop stores in the United States and Canada in fiscal 2004, eight of which were open as of July 3, 2004, and 25

to 30 new stores in fiscal 2005. We believe that we could eventually open approximately 350 Build-A-Bear Workshop stores in the United States and Canada.

Continue to expand our retail concept outside the United States and Canada.

We believe that there is continued opportunity to expand our Build-A-Bear Workshop concept and brand outside of the United States and Canada. Our franchisees have retail or real estate experience and have opened five Build-A-Bear Workshop stores in four foreign countries under master franchise agreements on a country-by-country basis. We expect our franchisees to open a total of eight to twelve stores in fiscal 2004, four of which were open as of July 3, 2004, and between 15 and 20 new stores in fiscal 2005 under existing and future franchise agreements. We believe there is a market potential for approximately 350 stores outside the United States and Canada.

Continue to expand non-mall locations.

Based on our experience with non-mall based stores in tourist locations, such as the Downtown Disney® District at the Disneyland® Resort in Anaheim, California, Navy Pier in Chicago, Illinois and Broadway at the Beach in Myrtle Beach, South Carolina, as well as our location at Citizens Bank Park, home of the Philadelphia Phillies baseball club, we believe we have growth opportunities in additional non-mall locations. These locations provide us with high-traffic venues with captive audiences that are generally comprised of a somewhat different demographic than typically visits the malls in which we operate. We believe our presence in these alternative venues enhances our brand awareness and introduce new customers to our concept, which can lead to increased customer traffic for our mall-based stores. While growth opportunities in tourist locations and sports stadiums may be limited, we believe the experience we are gaining from these alternative retail arrangements can be expanded into other non-mall locations, such as theme parks, cruise ships and other tourist locations.

Seek to expand into new lines of experiential retail.

We believe that consumer demand for additional experiential retail concepts is relatively untapped and that our expertise in product development and providing a consistent shopping experience can be applied to other experiential retail brands and concepts. We expect to be able to leverage our extensive Guest database to market these new brands and concepts. In fiscal 2003, we began testing in certain markets our initial brand expansion initiative, our proprietary “Friends 2B Made” line of make-your-own dolls and related products.

Pursue other non-retail opportunities.

We have entered into a series of licensing arrangements with leading manufacturers such as American Greetings, Creative Imaginations, Elan-Polo, HarperCollins, Hasbro® and Springs to develop a collection of lifestyle Build-A-Bear Workshop branded products, including greeting cards, scrapbook supplies, shoes, books, toys and bedding, fabric and bath accessories. For example, in Fall 2004 an exclusive line of Build-A-Bear Workshop mini-plush toy kits and accessories from Hasbro will be featured exclusively in Target® stores. We believe that these licensing initiatives have the potential to expand the reach of our brand, raise brand awareness, reach shoppers in non-mall locations and increase revenues.

We were originally formed on September 8, 1997 as Build-A-Bear Workshop, L.L.C., a Missouri limited liability company. On April 3, 2000, Build-A-Bear Workshop, L.L.C. merged with and into Build-A-Bear Workshop, Inc., a Delaware corporation, with Build-A-Bear Workshop, Inc. as the surviving entity. Our principal executive offices are located at 1954 Innerbelt Business Center Drive, St. Louis, Missouri 63114. Our telephone number is (314) 423-8000. Our website is *www.buildabear.com*. The information contained on our website is not incorporated by reference into and does not form any part of this prospectus.

The Offering

Common stock offered by us	shares
Common stock offered by the selling stockholders	shares
Over-allotment option granted by certain selling stockholders	shares
Common stock to be outstanding after the offering	shares
Use of proceeds	We estimate that the net proceeds to us from this offering will be approximately $ million, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We plan to use the net proceeds from this offering: • to fund the opening of new stores; and • for working capital and general corporate purposes. Pending the application of the net proceeds from this offering, we intend to invest the proceeds in short-term, interest-bearing, investment-grade securities. We will not receive any of the proceeds from the sale of shares by the selling stockholders. See “Use of Proceeds.”
Dividend policy	We paid a special cash dividend in August 2004 of $10.0 million to our stockholders. We do not expect to pay cash dividends in the foreseeable future. See “Dividend Policy.”
Risk factors	You should carefully consider all of the information in this prospectus and, in particular, you should evaluate the specific factors set forth under “Risk Factors” in deciding whether to invest in our common stock.
Proposed Symbol	“ ”

The total number of shares of our common stock referred to above that will be outstanding immediately after completion of this offering is based on the number of shares of our common stock outstanding as of July 3, 2004, after giving effect to the conversion of all of our outstanding shares of preferred stock upon completion of this offering, and excludes, as of that date:

- 1,047,283 shares of our common stock issuable upon exercise of options outstanding as of July 3, 2004 under our 2000 Stock Option Plan and our 2002 Stock Incentive Plan, at a weighted average exercise price of $6.52 per share;
- up to 2,073,820 additional shares of our common stock reserved for issuance under our 2004 Stock Incentive Plan; and
- 315,797 restricted shares subject to promissory notes from the holders of such shares.

Except as otherwise stated in this prospectus, we have assumed that the underwriters will not exercise their over-allotment option.

Summary Consolidated Financial and Operating Data

The following table sets forth summary financial and certain operating data for our business as of and for the periods indicated. Operating results for the first half of fiscal 2004 are not necessarily indicative of the results for the fiscal year ending January 1, 2005 or for any future fiscal period. You should read this Summary Consolidated Financial and Operating Data in conjunction with our "Selected Consolidated Financial and Operating Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus. See the notes to our consolidated financial statements for an explanation of the method used to determine the numbers of shares used in computing basic and diluted earnings per common share.

	Fiscal Year Ended(1)			26 Weeks Ended(1)	
	December 29, 2001	December 28, 2002	January 3, 2004	June 28, 2003	July 3, 2004
	(Dollars in thousands, except per share amounts)				
Statement of operations data:					
Total revenues	$ 106,622	$ 169,138	$ 213,672	$ 92,583	$ 135,727
Costs and expenses:					
Cost of merchandise sold	56,708	90,848	116,515	51,929	70,146
Selling, general and administrative	41,100	65,628	81,091	36,084	48,632
Store preopening	3,124	3,091	3,045	1,491	580
Other expense (income), net(2)	2,620	(88)	(58)	(55)	(98)
Total costs and expenses	103,552	159,479	200,593	89,449	119,260
Income before income taxes	3,192	9,659	13,079	3,134	16,467
Net income	1,905	5,868	7,978	1,849	10,209
Earnings per common share:					
Basic(3)	$ 0.09	$ 0.35	$ 0.57	$ 0.07	$ 0.92
Diluted	$ 0.07	$ 0.32	$ 0.45	$ 0.07	$ 0.57
Shares used in computing per share amounts:					
Basic(3)	217,519	217,519	217,519	217,519	284,731
Diluted	9,101,143	12,055,458	17,546,348	9,367,692	17,938,328
Other financial data:					
Gross margin ($)(4)	$ 49,913	$ 78,275	$ 96,912	$ 40,559	$ 65,273
Gross margin (%)(4)	46.8%	46.3%	45.4%	43.9%	48.2%
Capital expenditures	$ 21,624	$ 18,718	$ 18,362	$ 10,338	$ 4,438
Depreciation and amortization	4,588	7,775	11,065	4,939	6,030
Cash flow data:					
Cash flows provided by (used in) operating activities	$ 14,482	$ 18,664	$ 25,215	$ (1,004)	$ 10,809
Cash flows used in investing activities	(23,280)	(20,232)	(20,480)	(11,177)	(5,095)
Cash flows provided by (used in) financing activities	19,256	(121)	—	—	—

	Fiscal Year Ended(1)			26 Weeks Ended(1)	
	December 29, 2001	December 28, 2002	January 3, 2004	June 28, 2003	July 3, 2004
	(Dollars in thousands, except per gross square foot data)				
Store data(5):					
Number of stores at end of period	71	108	150	123	157
Average net retail sales per store(6)	$2,003	$1,904	$1,605	$ 791	$ 879
Net retail sales per gross square foot(7)	634	582	502	247	287
Comparable store sales change (%)(8)	(6.7)%	(9.7)%	(15.9)%	(16.5)%	13.8%

	As of				
	December 29, 2001	December 28, 2002	January 3, 2004	July 3, 2004	
				Actual	As Adjusted(9)
	(Dollars in thousands)				
Balance sheet data:					
Cash and cash equivalents	$17,555	$15,866	$ 20,601	$ 26,315	$
Working capital	8,983	4,813	7,724	18,656	
Total assets	72,854	93,693	111,964	124,833	
Long-term debt	—	—	—	—	
Redeemable convertible preferred stock	33,964	35,920	37,890	38,875	
Total stockholders' equity	11,628	15,526	21,540	30,728	

(1) Our fiscal year consists of 52 or 53 weeks and ends on the Saturday nearest December 31 in each year. Fiscal years ended December 29, 2001 and December 28, 2002 included 52 weeks and fiscal year ended January 3, 2004 included 53 weeks.

(2) Includes impairment charges of $1,006 and litigation settlement expenses of $1,550 for the fiscal year ended December 29, 2001.

(3) Basic earnings per common share gives effect to the allocation of net income available to common stockholders between common and participating preferred shares on a pro rata basis.

(4) Gross margin represents net retail sales less cost of merchandise sold. Gross margin percentage represents gross margin divided by net retail sales.

(5) Excludes our webstore and seasonal and event-based locations.

(6) Average net retail sales per store represents net retail sales from stores open throughout the entire period divided by the total number of such stores.

(7) Net retail sales per gross square foot represents net retail sales from stores open throughout the entire period divided by the total gross square footage of such stores.

(8) Comparable store sales percentage changes are based on net retail sales and stores are considered comparable beginning in their thirteenth full month of operation.

(9) As adjusted to reflect the sale of shares of common stock offered hereby at the assumed initial public offering price of $ per share after deducting the underwriting discount and estimated offering expenses payable by us.

RISK FACTORS

You should carefully consider each of the following risks, as well as all of the other information contained in this prospectus, before deciding to invest in our common stock. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us, or that we currently see as immaterial, may also harm our business. If any of these risks or uncertainties occurs, the trading price of our common stock could decline, and you might lose part or all of your investment.

Risks Related to Our Business

We may not be able to maintain our current comparable store sales growth.

Our comparable store sales for the first half of fiscal 2004 increased 13.8%. However, our comparable store sales declined 6.7%, 9.7% and 15.9% in fiscal 2001, 2002 and 2003, respectively. Historically, a majority of our stores have generated a high level of sales immediately after opening, followed by a decline in the following year. We believe the principal factors that will affect comparable store results are the following:

- the continuing appeal of our concept;
- the effectiveness of our marketing efforts to attract new and repeat Guests;
- consumer confidence and general economic conditions;
- our ability to anticipate and to respond, in a timely manner, to consumer trends;
- the impact of new stores that we open in existing markets;
- mall traffic;
- competition;
- the timing and frequency of national media appearances and other public relations events; and
- weather conditions.

As a result of these and other factors, we may not be able to maintain comparable stores sales growth in the future. If we are unable to maintain comparable store sales growth our results of operations could be significantly harmed.

Our future growth and profitability will depend in large part upon the effectiveness of our marketing.

During late fiscal 2003, we developed and tested a new targeted, integrated, multi-media marketing program that included television advertising and online components and which was designed to increase brand awareness and drive store traffic. We initiated a national rollout of this program in February 2004. Although we believe this program has been a significant reason for our increase in comparable store sales in the first half of fiscal 2004, we cannot assure you that it will continue to be successful. Our future growth and profitability will depend in large part upon the effectiveness and efficiency of this marketing program and future marketing efforts that we undertake, including our ability to:

- create greater awareness of our brand name, interactive shopping experience and products;
- identify the most effective and efficient level of spending in each market;
- determine the appropriate creative message and media mix for marketing expenditures;
- effectively manage marketing costs (including creative and media) in order to maintain acceptable operating margins and return on marketing investment;
- select the right markets in which to market; and
- convert consumer awareness into actual store visits and product purchases.

Our planned marketing expenditures may not result in increased total or comparable store sales or generate sufficient levels of product and brand name awareness. We may not be able to manage our marketing expenditures on a cost-effective basis.

Our growth strategy requires us to open a significant number of new stores in the United States and Canada each year. If we are not able to open new stores or to effectively manage this growth, it could adversely affect our ability to grow and could significantly harm our financial performance.

Our growth will largely depend on our ability to open and operate new stores successfully in the United States and Canada. We opened 37 stores in fiscal 2002 and 43 stores in fiscal 2003. In fiscal 2004, we plan to open a total of 21 new stores in the United States and Canada and anticipate further store openings in subsequent years. Our ability to identify and open new stores in desirable locations and operate such new stores profitably is a key factor in our ability to grow successfully. We cannot assure you as to when or whether desirable locations will become available, the number of Build-a-Bear Workshop stores that we can or will ultimately open, or as to whether any such new stores can be profitably operated. We have not always succeeded in identifying desirable locations or in operating our stores successfully in those locations. For example, as of July 3, 2004, we have closed two stores and have determined that one of our other stores may be a candidate for future closure. We cannot assure you that we will not have other stores in the future that we may have to close. Our ability to open new stores and to manage our growth also depends on our ability to:

- negotiate acceptable lease terms, including desired tenant improvement allowances;
- finance the preopening costs, capital expenditures and working capital requirements of the stores;
- manage inventory to meet the needs of new and existing stores on a timely basis;
- hire, train and retain qualified store personnel;
- develop cooperative relationships with our landlords; and
- successfully integrate new stores into our existing operations.

Increased demands on our operational, managerial and administrative resources could cause us to operate our business less effectively, which in turn could cause deterioration in our financial performance.

Our growth strategy also depends on our continued expansion outside of the United States and Canada, which we expect to effect through franchising, and which presents increased risk due to our unfamiliarity with franchising and international operations.

We intend to continue expanding outside of the United States and Canada through franchising in several countries over the next several years. In 2003, we began to expand the Build-A-Bear Workshop brand outside of the United States, opening our own stores in Canada and our first franchised location in the United Kingdom. As of July 3, 2004, there were five Build-A-Bear Workshop franchised stores located in the United Kingdom, Japan, South Korea and Denmark. We have limited experience in franchising, and we cannot assure you that our franchisees will be successful in operating their stores or that we will be successful in maintaining and implementing our international franchising strategy. These markets frequently have different demographic characteristics, competitive conditions, consumer tastes and discretionary spending patterns than our existing United States and Canadian markets, which may cause these stores to be less successful than those in our existing markets. Additionally, our franchisees may experience merchandising and distribution challenges that are different from those we currently encounter in our existing markets. The operations and results of our franchisees could be negatively impacted by the financial or political factors in the countries in which they operate. These challenges, as well as others, could have a material adverse effect on our business, financial condition and results of operations.

The success of our franchising strategy will depend upon our ability to attract qualified franchisees with sufficient financial resources to develop and grow the franchise operation and upon the ability of those franchisees to develop and operate new franchised stores. Franchisees may not operate stores in a manner

consistent with our standards and requirements, may not hire and train qualified managers and other store personnel and may not operate their stores profitably. As a result, our franchising strategy may not be profitable to us and, moreover, our image and reputation may suffer. For example, the operations of our franchisee in South Korea have performed below expectations and we are negotiating to transfer the franchise to another party. Furthermore, even if our international franchising strategy is successful, the interests of franchisees might sometimes conflict with our interests. For example, whereas franchisees are concerned with their individual business strategies and objectives, we are responsible for ensuring the success for the entire Build-A-Bear Workshop brand and all of our stores.

The laws of the various foreign countries in which our franchisees operate govern our relationships with our franchisees. These laws, and any new laws that may be enacted, may detrimentally affect the rights and obligations between us and our franchisees and could expose us to additional liability.

Our success depends on our ability to generate interest in and demand for our interactive retail experience, including being able to identify and respond to consumer preferences in a timely manner.

We believe that our success depends in large part upon our ability to continue to attract Guests with our interactive shopping experience and our ability to anticipate, gauge and respond in a timely manner to changing consumer preferences and fashion trends. We cannot assure you that our past success will be sustained or there will continue to be a demand for our "make your own stuffed animal" interactive experience, or for our stuffed animals, animal apparel and accessories. A decline in demand for our interactive shopping experience, our animals, animal apparel or accessories, or a misjudgment of consumer preferences or fashion trends, could have a negative impact on our business, financial condition and results of operations. In addition, if we miscalculate the market for our merchandise or the purchasing preferences of our Guests, we may be required to sell a significant amount of our inventory at discounted prices or even below costs, thereby adversely affecting our financial condition and profitability.

Our ability to attract Guests to our stores depends heavily on the customer traffic generated by the shopping malls in which we are located.

While we invest heavily in integrated marketing efforts and believe we are more of a destination location than traditional retailers, we rely to a great extent on customer traffic in the malls in which our stores are located. In order to generate Guest traffic, we generally attempt to locate our stores in prominent locations within high traffic shopping malls. We rely on the ability of the malls' anchor tenants, generally large department stores, and on the continuing popularity of malls as shopping destinations. We cannot control the development of new shopping malls, the addition or loss of anchors and co-tenants, the availability or cost of appropriate locations within existing or new shopping malls or the desirability, safety or success of shopping malls. If we are unable to generate sufficient Guest traffic, our sales and results of operations would be harmed. A significant decrease in shopping mall traffic could have a material adverse effect on our financial condition and profitability.

A decline in general economic conditions could lead to reduced consumer demand for our products.

Since purchases of our merchandise are dependent upon discretionary spending by our Guests, our financial performance is sensitive to changes in overall economic conditions that affect consumer spending. Consumer spending habits are affected by, among other things, prevailing economic conditions, levels of employment, salaries and wage rates, consumer confidence and consumer perception of economic conditions. A general or perceived slowdown in the United States or Canadian economy or uncertainty as to the economic outlook could reduce discretionary spending or cause a shift in consumer discretionary spending to other products, which would likely cause us to delay or slow our expansion plans, result in lower net sales and could also result in excess inventories, which could, in turn, lead to increased merchandise markdowns and related costs associated with higher levels of inventory and adversely affect our liquidity and profitability.

Our market share may be adversely impacted at any time by a significant number of competitors.

We operate in a highly competitive environment characterized by low barriers to entry. We compete against a diverse group of competitors. Because we are mall-based, we see our competition as those mall-based retailers that compete for prime mall locations, including various apparel, footwear and specialty retailers. We also compete with toy retailers, such as Wal-Mart, Toys "R" Us, Kmart and Target and other discount chains, as well as with a number of manufacturers that sell plush toys in the United States and Canada, including, but not limited to, Ty, Fisher Price, Mattel, Russ Berrie, Applause, Boyd's, Hasbro, Commonwealth, Gund and Vermont Teddy Bear. Since we offer our Guests an experience as well as merchandise, we also view our competition as any company that competes for our Guests' time and entertainment dollars, such as movie theaters, restaurants, amusement parks and arcades. In addition, there are several small companies that operate "create your own" teddy bear and stuffed animal experiences in retail stores and kiosks. Although we believe that currently none of these companies offers the breadth and depth of the Build-A-Bear Workshop products and experience, we cannot assure you that they will not compete directly with us in the future.

Many of our competitors have longer operating histories, significantly greater financial, marketing and other resources, and greater name recognition. We cannot assure you that we will be able to compete successfully with them in the future, particularly in geographic locations that represent new markets for us. If we fail to compete successfully, our market share and results of operations could be materially and adversely affected.

We may not be able to operate successfully if we lose key personnel, are unable to hire qualified additional personnel, or experience turnover of our management team.

The success of our business depends upon our senior management closely supervising all aspects of our business, in particular the operation of our stores and the design, procurement and allocation of our merchandise. Also, because Guest service is a defining feature of the Build-A-Bear Workshop corporate culture, we must be able to hire and train qualified managers and Bear Builder associates to succeed. The loss of certain key employees, including Maxine Clark, our founder and Chief Executive Bear, Barry Erdos, our President and Chief Operating Officer Bear, or other members of our senior management, our inability to attract and retain other qualified key employees or a labor shortage that reduces the pool of qualified store associates could have a material adverse effect on our business, financial condition and results of operations.

We rely on two vendors to supply substantially all of our merchandise, and our failure to maintain good relationships with either vendor could harm our ability to source products.

We do not own or operate any manufacturing facilities. We purchased approximately 80% of our merchandise in fiscal 2001, approximately 74% in fiscal 2002, and approximately 76% in fiscal 2003, from two vendors. Our relationships with our vendors generally are on a purchase order basis and do not provide a contractual obligation to provide adequate supply, quality or acceptable pricing on a long-term basis. Our vendors could discontinue selling to us at any time. If one or both of our significant vendors were to discontinue their relationship with us, we may be unable to obtain replacement products in a timely manner, which could disrupt our store operations and have an adverse effect on our business, financial condition and results of operations.

Our merchandise is manufactured by foreign manufacturers; therefore the availability and costs of our products may be negatively affected by risks associated with international manufacturing and trade.

We receive our merchandise through domestic vendors from foreign sources, primarily in China. Any event causing a disruption of imports, including the imposition of import restrictions or labor strikes or lock-outs, could adversely affect our business. For example, in fiscal 2002, we experienced disruption to our import of merchandise as well as increased shipping costs associated with a dock-worker labor dispute. The flow of merchandise from our vendors could also be adversely affected by financial or political instability in

any of the countries in which the goods we purchase are manufactured, especially China, if the instability affects the production or export of merchandise from those countries. New outbreaks of highly infectious epidemics in Asia, or elsewhere, such as SARS and avian influenza, or Asian bird flu, and concerns over its spread could have a negative impact on commerce and general economic conditions in Asia and could result in quarantines or closures of our suppliers' facilities in Asia, including China, and adversely impact our ability to purchase goods from our suppliers. Trade restrictions in the form of tariffs or quotas, or both, applicable to the products we sell could also affect the importation of those products and could increase the cost and reduce the supply of products available to us. In addition, decreases in the value of the U.S. dollar against foreign currencies could increase the cost of products we purchase from overseas vendors.

We rely on third parties to manage the warehousing and distribution aspects of our business. If these third parties do not adequately perform these functions, our business would be disrupted.

The efficient operation of our stores is dependent on our ability to distribute merchandise to locations throughout the United States in a timely manner. We depend on third party distribution centers in St. Louis, Missouri, Los Angeles, California and Toronto, Canada to receive and warehouse substantially all of our merchandise and supplies. We rely on additional third parties to ship all of our merchandise and supplies from the distribution centers to our stores. Events such as fires, tornadoes, earthquakes or other catastrophic events, malfunctions of our third party distributors' distribution information systems, shipping problems or termination of our distribution agreements by such distributors would result in delays or disruptions in the timely distribution of merchandise to our stores, which could have a material adverse effect on our business, financial condition and results of operations.

Fluctuations in our quarterly results of operations could cause the price of our common stock to substantially decline.

Retailers generally are subject to fluctuations in quarterly results. Our operating results for one period may not be indicative of results for other periods, and may fluctuate significantly due to a variety of factors, including:

- the timing of new store openings and related expenses;
- the profitability of our stores;
- increases or decreases in comparable store sales;
- the timing and frequency of our marketing initiatives;
- changes in general economic conditions and consumer spending patterns;
- changes in consumer preferences;
- the effectiveness of our inventory management;
- actions of competitors or mall anchors and co-tenants;
- seasonal shopping patterns, including whether the Easter holiday occurs in the first or second quarter and other vacation schedules;
- the timing and frequency of national media appearances and other public relations events; and
- weather conditions.

If our future quarterly results fail to meet the expectations of research analysts, then the market price of our common stock could decline substantially.

Our failure to renew, register or otherwise protect our trademarks could have a negative impact on the value of our brand names and our ability to use those names in certain geographical areas.

We believe our copyrights, service marks, trademarks, trade secrets, patents and similar intellectual property are critical to our success. We rely on trademark, copyright and other intellectual property laws to protect our proprietary rights. We also depend on trade secret protection through confidentiality and license agreements with our employees, customers, vendors, strategic partners, subsidiaries and others. We may not have agreements containing adequate protective provisions in every case, and the contractual provisions that are in place may not provide us with adequate protection in all circumstances. Any infringement of our intellectual property rights or breach of our confidentiality or license agreements could result in significant litigation costs, and any failure to adequately protect our proprietary rights could result in the loss of one or more competitive advantages and decreased revenues.

Despite our efforts to protect our intellectual property rights, intellectual property laws afford us only limited protection. A third party could copy or otherwise obtain information from us without authorization. Accordingly, we may not be able to prevent misappropriation of our intellectual property or to deter others from developing similar products or services. Further, monitoring the unauthorized use of our intellectual property is difficult. Litigation has been and may continue to be necessary to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Litigation of this type has resulted in and could result in further substantial costs and diversion of resources, may result in counterclaims or other claims against us and could significantly harm our results of operations. In addition, the laws of some foreign countries do not protect our proprietary rights to the same extent as do the laws of the United States.

We may have disputes with, or be sued by, third parties for infringement or misappropriation of their proprietary rights, which could have a negative impact on our business.

Other parties have asserted in the past, and may assert in the future, trademark, patent, copyright or other intellectual property rights that are important to our business. We cannot assure you that others will not seek to block the use of or seek monetary damages or other remedies for the prior use of our brand names or other intellectual property or the sale of our products or services as a violation of their trademark, patent or other proprietary rights. Defending any claims, even claims without merit, could be time-consuming, result in costly settlements, litigation or restrictions on our business and damage our reputation.

In addition, there may be prior registrations or use of intellectual property in the U.S. or foreign countries for similar or competing marks or other proprietary rights of which we are not aware. In all such countries it may be possible for any third party owner of a national trademark registration or other proprietary right to enjoin or limit our expansion into those countries or to seek damages for our use of such intellectual property in such countries. In the event a claim against us were successful and we could not obtain a license to the relevant intellectual property or redesign or rename our products or operations to avoid infringement, our business, financial condition or results of operations could be harmed. Securing registrations does not fully insulate us against intellectual property claims, as another party may have rights superior to our registration or our registration may be vulnerable to attack on various grounds.

We are subject to a number of risks associated with leasing our stores.

We lease all of our store locations. The majority of our store leases contain provisions for base rent plus percentage rent based on sales in excess of an agreed upon minimum annual sales level. A number of our leases include a termination provision which applies if we do not meet certain sales levels during a specified period, typically in the third to fourth year of the lease. In addition, many of our leases will expire within the next ten years. Most do not grant us any rights to renew the lease. Furthermore, some of these leases contain various restrictions relating to change of control of our company. Our leases also subject us to risks relating to compliance with changing mall rules and the exercise of discretion by our landlords on various matters within the malls. In addition, the lease for our store in the Downtown

Disney® District at the Disneyland® Resort in Anaheim, California provides that the landlord may terminate the lease at any time, subject to the payment of an early termination fee. As a result, we cannot assure you that the landlord will not exercise the right to terminate this lease.

We depend heavily on our communications and information systems, which are vulnerable to systems failures.

Our business is highly dependent on communications and information systems. Any failure or interruption of our systems, including those associated with new systems implementations or system upgrades, could significantly harm our business, including our sales, distribution, purchasing, inventory control, merchandising and financial controls. We cannot assure you that we will not suffer any of these systems failures or interruptions from power or telecommunication failures, natural disasters or otherwise, or that our back-up procedures and capabilities in the event of any such failure or interruption will be adequate.

Terrorism and the uncertainty of future terrorist attacks or war may harm our operating results.

Terrorist acts or acts of war may cause damage or disruption to our facilities, information systems, vendors, employees and customers, which could significantly harm our revenues and results of operations. In the future, fears of war or additional acts of terrorism may adversely affect the economy and may have a negative effect on mall traffic or consumer discretionary spending patterns. This impact may be particularly harmful to our business because we rely heavily on discretionary consumer spending and consumer confidence levels.

We are subject to regulations that impact our employees.

Various labor laws, including federal, state and Canadian laws, govern our relationship with our employees and affect our operating costs. These laws include minimum wage requirements, overtime pay, unemployment tax rates, workers' compensation rates, citizenship requirements and sales taxes. A determination that we do not comply with these laws could harm our profitability or business reputation. Additional government-imposed increases in minimum wages, overtime pay, paid leaves of absence or mandated health benefits could also materially adversely affect us.

We may suffer negative publicity or be sued if our manufacturers violate labor laws or engage in practices that our Guests believe are unethical, or if our products are recalled or cause injuries.

We rely on our sourcing personnel to select manufacturers with legal and ethical labor practices, but we cannot control their business and labor practices. If an independent manufacturer violates labor laws or other applicable regulations or is accused of violating these laws and regulations, or if such a manufacturer engages in labor or other practices that diverge from those typically acceptable in the United States, we could in turn experience negative publicity or be sued.

Many of our products are used by small children and infants who may be injured from usage. We may decide or be required to recall products or be subject to claims or lawsuits resulting from injuries. For example, in January 2003, we voluntarily recalled a product due to a possible safety issue, for which a vendor reimbursed us for certain related expenses. Negative publicity in the event of any recall or if any children are injured from our products could have a material adverse effect on sales of our products and our business, and related recalls or lawsuits with respect to such injuries could have a material adverse effect on our financial position. Although we currently have liability insurance, we cannot assure you that it would cover product recalls and we face the risk that claims or liabilities will exceed our insurance coverage. Furthermore, we may not be able to maintain adequate liability insurance in the future.

Portions of our business are subject to privacy and security risks.

In addition to serving as an online sales portal, our website, *www.buildabear.com,* features children's games, e-cards and printable party invitations and thank-you notes, and provides an opportunity for

children under the age of 13 to sign up, with the consent of their parent or guardian, to receive our online newsletter. We currently obtain and retain personal information about our website users. In addition, we obtain personal information about our Guests as part of their registration in our Find-A-Bear identification system. Federal, state and foreign governments have enacted or may enact laws or regulations regarding the collection and use of personal information, with particular emphasis on the collection of information regarding minors. Such regulations include or may include requirements that companies establish procedures to:

- give adequate notice regarding information collection and disclosure practices;
- allow consumers to have personal information deleted from a company's database;
- provide consumers with access to their personal information and the ability to rectify inaccurate information;
- obtain express parental consent prior to collecting and using personal information from children; and
- comply with the Federal Children's Online Privacy Protection Act.

Such regulation may also include enforcement and redress provisions. While we have implemented programs and procedures designed to protect the privacy of people, including children, from whom we collect information, and our website is designed to be fully compliant with the Federal Children's Online Privacy Protection Act, there can be no assurance that such programs will conform to all applicable laws or regulations.

We have a stringent privacy policy covering the information we collect from our customers and have established security features to protect our Guest database and website. However, our security measures may not prevent security breaches. We may need to expend significant resources to protect against security breaches or to address problems caused by breaches. If third persons were able to penetrate our network security and gain access to, or otherwise misappropriate, our Guests' personal information, it could harm our reputation and, therefore, our business and we could be subject to liability. Such liability could include claims for misuse of personal information or unauthorized use of credit cards. These claims could result in litigation, our involvement in which, regardless of the outcome, could require us to expend significant financial resources. In addition, because our Guest database primarily includes personal information of young children and young children frequently interact with our website, we are potentially vulnerable to charges from parents, children's organizations, governmental entities, and the media of engaging in inappropriate collection of data from children. Such charges could adversely impact customer relationships and ultimately cause a decrease in net sales and also expose us to litigation and possible liability.

Evolving regulation of corporate governance and public disclosure may result in additional expenses and continuing uncertainty.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002 and related rules and regulations, are creating uncertainty for public companies. We are presently evaluating and monitoring developments with respect to new and proposed rules and cannot predict or estimate the amount of the additional compliance costs we may incur or the timing of such costs. These new or changed laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by courts and regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. Maintaining appropriate standards of corporate governance and public disclosure may result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. In addition, if we fail to comply with new or changed laws, regulations and standards, regulatory authorities may initiate legal proceedings against us and our business and reputation may be harmed.

Risks Related to Owning Our Common Stock

There has not previously been any public market for our common stock.

Prior to this offering, there has been no public market for our common stock. We expect that our common stock will be listed on the ; however, we cannot assure you that an active trading market will develop for our common stock. The initial public offering price of the common stock will be determined by negotiations among us, the selling stockholders and the underwriters based on numerous factors that we discuss in the "Underwriting" section of this prospectus. This price may not be indicative of the market price for our common stock after this initial public offering.

The market price of our common stock may be materially adversely affected by market volatility.

The market price of our common stock could be subject to significant fluctuations after this offering, and may decline below the initial public offering price. You may not be able to resell your shares at or above the initial public offering price. Among the factors that could affect our stock price are:

- actual or anticipated variations in comparable store sales or operating results;
- changes in financial estimates by research analysts;
- actual or anticipated changes in the United States economy or the retailing environment;
- changes in the market valuations of other specialty retail companies; and
- announcements by us or our competitors of significant acquisitions, strategic partnerships, divestitures, joint ventures or other strategic initiatives.

The stock markets in general have experienced substantial volatility that has often been unrelated to the operating performance of individual companies. These broad market fluctuations may adversely affect the trading price of our common stock.

Our principal stockholders will continue to own a large percentage of our voting stock after this offering, which will allow them to control substantially all matters requiring stockholder approval.

Upon completion of this offering, our executive officers, directors and principal stockholders and their affiliates will own approximately % of our outstanding common stock, or % if the underwriters exercise their over-allotment option in full. If these stockholders act together, they would be able to elect our board of directors and control all other matters requiring approval by stockholders, including the approval of mergers, going private transactions and other extraordinary transactions, as well as the terms of any of these transactions. This concentration of ownership could have the effect of delaying or preventing a change in our control or otherwise discouraging a potential acquirer from attempting to obtain control of us, which could in turn have an adverse effect on the market price of our common stock or prevent our stockholders from realizing a premium over the then-prevailing market price for their shares of common stock.

The public sale of our common stock by existing stockholders could adversely affect the price of our common stock.

The market price of our common stock could decline as a result of sales by our existing stockholders after this offering or the perception that these sales will occur. These sales also might make it difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

Upon completion of this offering, we will have a total of fully diluted shares of common stock outstanding, including shares underlying currently outstanding options. Of these shares, shares were not sold in this offering and are "restricted securities," which means the holder acquired these securities from us or an affiliate in a transaction that did not involve a public offering. These shares may be sold in the public market only if they are registered or if they qualify for an exemption from registration under Rule 144 of the Securities Act. At this time, following the lapse of

contractual restrictions imposed by the underwriters, all restricted securities, whether or not held by our affiliates, will be eligible to be sold, subject to certain volume and other limitations under Rule 144 under the Securities Act. Shares sold in the offering to our affiliates will also be subject to Rule 144 of the Securities Act. In addition, beginning six months after completion of this offering, the holders of approximately shares of our common stock have the right to require us to register the sale of their shares of our common stock under the Securities Act.

Purchasers of our common stock in this offering will be subject to immediate substantial dilution and may be subject to additional dilution in the future.

The public offering price is substantially higher than the net tangible book value per share of our outstanding common stock. As a result, purchasers of our common stock in this offering will incur immediate, substantial dilution in the amount of $ per share based on an assumed initial public offering price of $ per share. In the past we have granted options to our key employees to purchase our common stock, and we expect to continue to grant a substantial number of options in the future. These grants of options or other issuances could also result in dilution to stockholders. In addition, if we issue preferred stock, the rights of the holders of common stock will be subject to, and may be harmed by, the rights of the holders of any preferred stock. See "Dilution."

Our certificate of incorporation and bylaws and Delaware law contain provisions that could discourage a takeover.

Our basic corporate documents and Delaware law contain provisions that might enable our management to resist a takeover. These provisions:

- restrict various types of business combinations with significant stockholders;
- provide for a classified board of directors;
- limit the right of stockholders to remove directors or change the size of the board of directors;
- limit the right of stockholders to fill vacancies on the board of directors;
- limit the right of stockholders to act by written consent and to call a special meeting of stockholders or propose other actions;
- require a higher percentage of stockholders than would otherwise be required to amend, alter, change or repeal our bylaws and certain provisions of our certificate of incorporation; and
- authorize the issuance of preferred stock with any voting rights, dividend rights, conversion privileges, redemption rights and liquidation rights and other rights, preferences, privileges, powers, qualifications, limitations or restrictions as may be specified by our board of directors.

These provisions may:

- discourage, delay or prevent a change in the control of our company or a change in our management;
- adversely affect the voting power of holders of common stock; and
- limit the price that investors might be willing to pay in the future for shares of our common stock.

Management will have significant discretion over the use of proceeds from this offering and may use the proceeds in a manner which is different from their current intent.

While we intend to use the net proceeds of the offering to fund the opening of new stores and working capital and for general corporate purposes, we will have broad discretion to adjust the application and allocation of the net proceeds in order to address changed circumstances and opportunities. The success of our operations that are influenced by working capital allocations will be substantially dependent

upon the discretion and judgment of our management with respect to the application and allocation of the net proceeds.

If our share price is volatile, we may be the target of securities litigation, which is costly and time-consuming to defend.

Market fluctuations, as well as general economic, political and market conditions such as recessions or international currency fluctuations, may adversely affect the market price of our common stock. In the past, following periods of volatility in the market price of a company's securities, stockholders have often instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial costs and a diversion of management attention and resources, which would significantly harm our profitability and reputation.

We do not anticipate paying cash dividends, and accordingly stockholders must rely on stock appreciation for any return on their investment in us.

We paid a special cash dividend in August 2004 of $10.0 million to our stockholders. We anticipate that we will retain our earnings for future growth and therefore do not anticipate paying cash dividends in the future. As a result, only appreciation of the price of the common stock will provide a return to investors in this offering. Investors seeking cash dividends should not invest in our common stock.

FORWARD-LOOKING STATEMENTS

This prospectus contains certain statements that are, or may be considered to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). All statements that are not historical facts, including statements about our beliefs or expectations, are forward-looking statements. We generally identify these statements by words or phrases such as "may," "might," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "intend," "predict," "future," "potential" or "continue," the negative or any derivative of these terms and other comparable terminology. These forward-looking statements, which are subject to risks, uncertainties and assumptions about us, may include, among other things, projections or statements regarding:

- our future financial performance;
- our anticipated operating and growth strategies;
- our anticipated rate of store openings;
- our anticipated store opening costs; and
- our future capital expenditures.

These statements are only predictions based on our current expectations and projections about future events. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by these forward-looking statements, including those factors discussed under the caption entitled "Risk Factors" as well as other places in this prospectus.

We operate in a competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all the risk factors, nor can it assess the impact of all the risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not place undue reliance on forward-looking statements, which speak only as of the date of this prospectus, as a prediction of actual results.

You should read this prospectus completely and with the understanding that our actual results may be materially different from what we expect. Except as required by law, we undertake no duty to update these forward-looking statements, even though our situation may change in the future. We qualify all of our forward-looking statements by these cautionary statements.

USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately $ million, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. For the purpose of estimating net proceeds, we are assuming that the public offering price will be $ per share. We will not receive any proceeds from the sale of shares by the selling stockholders, nor will we receive any proceeds from the sale of additional shares relating to the underwriters' over-allotment option, if exercised.

The principal purpose of this offering is to establish a public market for our common stock. We expect to use the net proceeds of this offering to fund the opening of new stores and for working capital and general corporate purposes.

We will retain broad discretion over the allocation of the net proceeds of this offering. Pending the uses listed above, we intend to invest the net proceeds of this offering in short-term, interest-bearing, investment-grade securities. We cannot predict whether the proceeds invested will yield a favorable return.

DIVIDEND POLICY

We paid a special cash dividend in August 2004 of $10.0 million to our stockholders. We anticipate that we will retain any earnings to support operations and to finance the growth and development of our business, and we do not expect to pay cash dividends in the foreseeable future. Any future determination relating to our dividend policy will be made at the discretion of our board of directors and will depend on a number of factors, including future earnings, capital requirements, financial conditions, future prospects and other factors that the board of directors may deem relevant. Additionally, under our credit agreement, we are prohibited from declaring dividends without the prior consent of our lender, subject to certain exceptions, as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources."

CAPITALIZATION

The following table sets forth our capitalization as of July 3, 2004:

- on an actual consolidated basis;
- on a pro forma basis giving effect to the special $10.0 million cash dividend paid in August 2004 and the automatic conversion of all of our outstanding shares of preferred stock as of this date upon completion of this offering; and
- on a pro forma as adjusted basis giving effect to the special $10.0 million cash dividend paid in August 2004, the automatic conversion of all of our outstanding shares of preferred stock as of this date upon completion of this offering, and the issuance and sale of shares of common stock at an assumed public offering price of $ per share, less underwriting discounts and commissions and estimated offering expenses.

	As of July 3, 2004		
	Actual	Pro Forma	Pro Forma as Adjusted
	(Dollars in thousands)		
Cash and cash equivalents	$26,315	$	$
Total debt	—		
Redeemable convertible preferred stock: 25,000,000 shares authorized; 6,134,003 shares issued and outstanding, actual; no shares issued and outstanding, pro forma and pro forma as adjusted	38,875		
Stockholders' equity:			
Nonredeemable convertible preferred stock: 25,000,000 shares authorized; 9,433,518 shares issued and outstanding, actual; no shares issued and outstanding, pro forma and pro forma as adjusted	94		
Common stock: 25,000,000 shares authorized; 419,156 shares issued and outstanding, actual; shares issued and outstanding, pro forma; shares issued and outstanding, pro forma as adjusted	4		
Additional paid-in capital	9,063		
Retained earnings	21,567		
Total stockholders' equity	30,728		
Total capitalization	$69,603		

The table above does not include:

- 1,047,283 shares of our common stock issuable upon exercise of options outstanding as of July 3, 2004 under our 2000 Stock Option Plan and our 2002 Stock Incentive Plan, at a weighted average exercise price of $6.52 per share;
- up to 2,073,820 additional shares of our common stock reserved for issuance under our 2004 Stock Incentive Plan; and
- 315,797 restricted shares subject to promissory notes from the holders of such shares.

You should read this information in conjunction with the information under "Selected Consolidated Financial and Operating Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes appearing elsewhere in this prospectus.

DILUTION

If you invest in our common stock, your interest will be immediately diluted to the extent of the difference between the public offering price per share of our common stock and the pro forma net tangible book value per share of our common stock after this offering. Our net tangible book value as of July 3, 2004, was approximately $, or $ per share of our common stock. Net tangible book value per share represents the amount of our total tangible assets reduced by the amount of our total liabilities and divided by the total number of shares of common stock outstanding after giving effect to the conversion of all outstanding shares of preferred stock into common stock. Dilution in net tangible book value per share represents the difference between the amount per share paid by purchasers of shares of our common stock in this offering and the net tangible book value per share of our common stock immediately afterwards. After giving effect to our sale of shares of common stock offered by this prospectus at an assumed public offering price of $ per share and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma net tangible book value will be $, or approximately $ per share. This represents an immediate increase in pro forma net tangible book value of $ per share to existing stockholders and an immediate dilution in pro forma net tangible book value of $ per share to new investors purchasing shares of common stock in this offering. The following table illustrates this per share dilution:

Assumed public offering price per share		$
Net tangible book value per share as of July 3, 2004	$	
Increase per share attributable to new investors		
Pro forma net tangible book value per share after this offering		
Dilution per share to new investors		$

The following table sets forth, as of July 3, 2004, the differences between the number of shares of common stock purchased from us, the total consideration paid and average price per share paid by our officers, directors, promoters and their affiliates and by the new investors, before deducting expenses payable by us, assuming a public offering price of $ per share.

	Shares Purchased		Total Consideration		
	Number	Percent	Amount	Percent	Average Price Per Share
Affiliated stockholders		%	$	%	$
New investors					
Total		100.0%	$	100.0%	

The tables above exclude 1,047,283 shares of common stock issuable upon exercise of options outstanding as of July 3, 2004 having a weighted average exercise price of $6.52 per share. Assuming exercise of all of outstanding stock options held by our officers, directors, promoters and affiliates, the pro forma net tangible book value would be reduced and further dilute new investors an additional $ per share, to $ per share.

If the underwriters exercise their over-allotment option in full, the following will occur:

- the number of shares of common stock held by our affiliated stockholders will decrease to approximately % of the total number of shares of common stock outstanding; and
- the number of shares held by new public investors will increase to , or approximately % of the total number of shares of our common stock outstanding after this offering.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

The following table sets forth, for the periods and dates indicated, our selected consolidated financial and operating data. The balance sheet data as of December 28, 2002 and January 3, 2004 and the statement of operations and other financial data for our fiscal years ended December 29, 2001, December 28, 2002 and January 3, 2004 are derived from our audited financial statements included elsewhere in this prospectus. The balance sheet data as of January 1, 2000, December 30, 2000 and December 29, 2001 and the statement of operations and other financial data for our fiscal years ended January 1, 2000 and December 30, 2000 are derived from our audited financial statements that are not included in this prospectus. The balance sheet data as of July 3, 2004 and the statement of operations and other financial data for the first half of fiscal 2003 and 2004 have been derived from the unaudited interim financial statements included elsewhere in this prospectus. In the opinion of management, our unaudited financial statements have been prepared on a basis consistent with our audited financial statements and include all adjustments, which are only normal and recurring adjustments, necessary for a fair presentation of the financial position and results of operations for the unaudited periods. Operating results for the first half of fiscal 2004 are not necessarily indicative of the results for the fiscal year ending January 1, 2005 or for any future period. You should read our selected consolidated financial and operating data in conjunction with our consolidated financial statements and related notes appearing elsewhere in this prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

See the notes to our consolidated financial statements for an explanation of the method used to determine the numbers of shares used in computing basic and diluted and pro forma basic and diluted net earnings (loss) per common share.

	Fiscal Year Ended(1)					Pro Forma for the Year Ended	26 Weeks Ended(1)		Pro Forma for the 26 Weeks Ended
	January 1, 2000	December 30, 2000	December 29, 2001	December 28, 2002	January 3, 2004	January 3, 2004(2)	June 28, 2003	July 3, 2004	July 3, 2004(2)
					(In thousands)				
Statement of operations data:									
Total revenues	$18,101	$55,408	$106,622	$169,138	$213,672		$92,583	$135,727	
Costs and expenses:									
Cost of merchandise sold	9,256	29,090	56,708	90,848	116,515		51,929	70,146	
Selling, general and administrative	9,091	23,713	41,100	65,628	81,091		36,084	48,632	
Store preopening	908	2,292	3,124	3,091	3,045		1,491	580	
Impairment charge	—	—	1,006	—	—		—	—	
Litigation settlement	—	—	1,550	—	—		—	—	
Interest expense (income), net	(84)	(98)	64	(88)	(58)		(55)	(98)	
Total costs and expenses	19,171	54,997	103,552	159,479	200,593		89,449	119,260	
Income (loss) before income taxes and minority interest(3)	(1,070)	411	3,070	9,659	13,079		3,134	16,467	
Minority Interest	—	—	122	—	—		—	—	
Income (loss) before income taxes	(1,070)	411	3,192	9,659	13,079		3,134	16,467	
Income tax expense (benefit)(3)	—	(36)	1,287	3,791	5,101		1,285	6,258	
Net income (loss)	(1,070)	447	1,905	5,868	7,978	$7,978	1,849	10,209	$10,209
Cumulative dividends and accretion of redeemable preferred stock	—	343	824	1,971	1,970	—	985	985	—
Cumulative dividends on nonredeemable preferred stock	—	342	455	455	455	—	228	227	—
Net income (loss) attributable to common stockholders	$ (1,070)	$ (238)	$ 626	$ 3,442	$ 5,553	$7,978	$ 636	$ 8,996	$10,209

	Fiscal Year Ended(1)					Pro Forma for the Year Ended	26 Weeks Ended(1)		Pro Forma for the 26 Weeks Ended
	January 1, 2000	December 30, 2000	December 29, 2001	December 28, 2002	January 3, 2004	January 3, 2004(2)	June 28, 2003	July 3, 2004	July 3, 2004(2)
	(In thousands, except per share and per gross square foot data)								
Earnings (loss) per common share(4):									
Basic	$ (5.83)	$ 0.04	$ 0.09	$ 0.35	$ 0.57	$ 0.46	$ 0.07	$ 0.92	$ 0.58
Diluted	$ (5.83)	$ 0.03	$ 0.07	$ 0.32	$ 0.45	$ 0.44	$ 0.07	$ 0.57	$ 0.57
Shares used in computing per share amounts									
Basic	183,487	217,519	217,519	217,519	217,519	17,534,052	217,519	284,731	17,601,264
Diluted	183,487	8,543,672	9,101,143	12,055,458	17,546,348	18,006,473	9,367,692	17,938,328	18,031,756
Other financial data:									
Gross margin ($)(5)		$ 8,798	$ 26,144	$ 49,913	$ 78,275	$ 96,912		$ 40,559	$65,273
Gross margin (%)(5)		48.6%	47.2%	46.8%	46.3%	45.4%		43.9%	48.2%
Capital expenditures		$ 5,833	$ 14,860	$ 21,624	18,718	18,362		$ 10,338	4,438
Depreciation and amortization		870	2,185	4,588	7,775	11,065		4,939	6,030
Cash flow data:									
Cash flows provided by (used in) operating activities		$ (472)	$ 7,886	$ 14,482	$ 18,664	$ 25,215		$ (1,004)	10,809
Cash flows used in investing activities		(6,509)	(15,564)	(23,280)	(20,232)	(20,480)		(11,177)	(5,095)
Cash flows provided by (used in) financing activities		6,587	12,874	19,256	(121)	—		—	—
Store data(6):									
Number of stores at end of period		14	39	71	108	150		123	157
Average net sales per store(7)		$ 2,109	$ 2,205	$ 2,003	$ 1,904	$ 1,605		$ 791	879
Net sales per gross square foot(8)		$ 746	$ 705	$ 634	$ 582	$ 502		247	287
Comparable store sales change (%)(9)		18.2%	5.1%	(6.7)%	(9.7)%	(15.9)%		(16.5)%	13.8%

	As of(1)					As of(1)	Pro Forma as of
	January 1, 2000	December 30, 2000	December 29, 2001	December 28, 2002	January 3, 2004	July 3, 2004	July 5, 2004(2)
	(In thousands)						
Balance sheet data:							
Cash and cash equivalents	$ 1,901	$ 7,098	$17,555	$15,866	$ 20,601	$ 26,315	
Working capital	5,861	12,418	8,983	4,813	7,724	18,656	
Total assets	16,108	40,086	72,854	93,693	111,964	124,833	
Long-term debt	345	1,404	—	—	—	—	
Redeemable preferred stock	—	12,116	33,964	35,920	37,890	38,875	—
Total stockholders' equity	10,705	10,548	11,628	15,526	21,540	30,728	69,603

(1) Our fiscal year consists of 52 or 53 weeks and ends on the Saturday nearest December 31 in each year. Fiscal years ended December 29, 2001 and December 28, 2002 included 52 weeks and fiscal year ended January 3, 2004 included 53 weeks.

(2) The pro forma statement of operations data for the year ended January 3, 2004 and the 26 weeks ended July 3, 2004 and the pro forma balance sheet data as of July 3, 2004 reflect the pro forma effect of the mandatory conversion of all preferred stock into shares of common stock in connection with this offering. The conversion ratio assumes the number of shares to be issued upon the conversion of the outstanding preferred stock based upon our Amended and Restated Certificate of Incorporation effective on August 10, 2004, or 17,316,533 shares.

(3) Before April 3, 2000, we were organized as a limited liability company. During that period, we were classified for federal and state income tax purposes as a partnership and as a result paid no income taxes as a corporation. Since April 3, 2000, we have been a C-corporation and have been liable for federal and state income taxes.

(4) Assumes for fiscal years ended January 1, 2000 and December 30, 2000: (i) conversion of membership units for periods prior to our conversion to a C-corporation; and (ii) the tax effect as if we had converted to a C-corporation as of the beginning of 1999. Basic earnings (loss) per common share gives effect to the allocation of net income (loss) available to common stockholders between common and participating preferred shares on a pro rata basis.

(5) Gross margin represents net retail sales less cost of merchandise sold. Gross margin percentage represents gross margin divided by net retail sales.

(6) Excludes our webstore and seasonal and event-based locations.

(7) Average net retail sales per store represents net retail sales from stores open throughout the entire period divided by the total number of such stores.

(8) Net retail sales per gross square foot represents net retail sales from stores open throughout the entire period divided by the total gross square footage of such stores.

(9) Comparable store sales percentage changes are based on net retail sales and stores are considered comparable beginning in their thirteenth full month of operation.

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in "Risk Factors" and elsewhere in this prospectus. The following section is qualified in its entirety by the more detailed information, including our financial statements and the notes thereto, which appears elsewhere in this prospectus.

Overview

We are the leading, and only national, company providing a "make your own stuffed animal" interactive "retail-tainment" experience under the Build-A-Bear Workshop brand, in which our customers, or Guests, stuff, fluff, dress, accessorize and name their own teddy bears and other stuffed animals. Our concept, which we developed for mall-based retailing, capitalizes on what we believe is the relatively untapped demand for experience-based shopping as well as the widespread appeal of stuffed animals. The Build-A-Bear Workshop experience appeals to a broad range of age groups and demographics, including children, teens, their parents and grandparents. As of July 3, 2004, we operated 157 stores in 37 states and Canada and had five franchised stores internationally under the Build-A-Bear Workshop brand. In addition to our stores, we market our products and build our brand through our website, which simulates our interactive shopping experience, as well as in event-based locations and sports venues.

We operate in three segments that share the same infrastructure, including management, systems, merchandising and marketing, and generate revenues as follows:

- United States and Canadian retail stores, a webstore and seasonal, event-based locations;
- International stores operated under franchise agreements; and
- License arrangements with third parties which manufacture and sell to other retailers merchandise carrying the Build-A-Bear Workshop brand.

Selected financial data attributable to each segment for fiscal 2001, 2002 and 2003 are set forth in note 17 of the notes to our consolidated financial statements included elsewhere in this prospectus.

We believe that we have developed an appealing retail store concept that in fiscal 2003, for stores open for the entire year, averaged $1.6 million in net sales. For fiscal 2003, store contribution, which consists of net income before income tax expense, interest, depreciation and amortization, store pre-opening and general and administrative expense and excludes franchise fees, license revenues and contribution from our webstore and seasonal event-based locations, as a percentage of net retail sales, excluding revenue from our webstore and seasonal and event-based locations, was 22.8% and total company net income as a percentage of total revenues was 3.7%. See "— Non-GAAP Financial Measures" for a reconciliation of store contribution to net income. The economics of our average store, coupled with the fact that we have opened 120 stores since the beginning of fiscal 2001 and improved expense management, have been the primary reasons for our net income increasing during each of the last five fiscal years. Strong comparable store sales for the first half of fiscal 2004, along with the factors cited above, have been the primary reason for our increase in net income in the first half of fiscal 2004 as compared to the first half of fiscal 2003. Additionally, as we have added stores and grown our sales volume, the quantities of merchandise and supplies we purchase have increased which has created economies of scale for our vendors allowing us to obtain reduced costs for these items and increase our profitability.

The increase in total store contribution has been partially offset by the increase in our central office general and administrative expenses required to support an expanding store base and international franchise operations. These expenses have grown at a slower rate, in percentage terms, than our number of stores and net retail sales. In addition, we significantly increased our advertising expenditures in the fourth

quarter of fiscal 2003 and the first half fiscal 2004 and expect these expenditures as a percentage of net retail sales to be even greater in the second half of fiscal 2004 compared to the first half of fiscal 2004.

We expect to grow our business primarily through the continued opening of new stores. Further, we expect to grow our net retail sales, including comparable store sales, as a result of the addition of national television and online advertising to our marketing mix in fiscal 2004. We also plan to increase our revenues through increasing the number of international franchised stores, as well as the addition of new licensees and sales of licensed products for which we receive license revenue.

We expect the additional revenue contribution from our increased marketing to be greater than the total costs of the program. By improving our store productivity primarily as a result of comparable store sales increases, we expect to better leverage our store level operating expenses, primarily occupancy expense. We also expect to leverage our overhead expenses as we grow our revenues, despite some increases in general and administrative expenses to support more stores and some expenses to support our growing franchise and licensing businesses.

Following is a description and discussion of the major components of our statement of operations:

Revenues

Net retail sales. Net retail sales are revenues from retail sales (including our web store and other non-mall locations), are net of discounts, exclude sales tax, and are recognized at the time of sale. Revenues from gift certificates are recognized at the time of redemption. Our Guests use cash, checks and third party credit cards to make purchases. We classify stores as new or comparable stores and do not include our webstore or seasonal, event-based locations in our store count or in our comparable store calculations. Stores enter the comparable store calculation in their thirteenth full month of operation.

We have a frequent shopper program whereby customers who purchase approximately $100 of merchandise receive a card for $10 off a future purchase. An estimate of the obligation related to this program, based on historical redemption rates, is recorded as deferred revenue and a reduction of net sales at the time of original purchase. The deferred revenue obligation is reduced at the time of customers' redemption of the $10 discount.

We use comparable store sales as a key performance measure for our business. The percentage increase (or decrease) in comparable store sales for the periods presented below is as follows:

Fiscal Year Ended			26 Weeks Ended	
December 29, 2001	December 28, 2002	January 3, 2004	June 28, 2003	July 3, 2004
(6.7)%	(9.7)%	(15.9)%	(16.5)%	13.8%

We believe the decrease in comparable store sales from fiscal 2001 through fiscal 2003 was largely the result of four factors:

- A difficult economic environment, including lower consumer confidence levels and a weak retail climate.
- Our inability to increase the number of transactions in comparable stores which we believe was the result of low brand awareness with potential new and repeat Guests.
- The transfer to new stores of a portion of existing stores' sales, as we opened new stores in markets where we already operated one or more stores, causing the existing stores' sales to decline, even though total sales in those markets increased. We expect this factor to continue to affect us as we add new stores in markets where we have existing stores.
- The large amount of initial trial sales in the first year a store is open, which we believe results from the distinctive nature of our concept and the publicity we normally receive when we open a new store, does not necessarily continue at that level after this period. We expect this factor to continue

to affect us, but it is difficult to predict to what degree, particularly if awareness of our brand continues to grow as a result of our change in marketing strategy.

Comparable store sales increased 13.8% for the first half of fiscal 2004. We believe this change from the previous trend can be attributed primarily to two factors:

- A change in our marketing strategy. During the fourth quarter of fiscal 2003, we tested in a limited number of markets the use of television and online advertising and determined that it was successful in attracting a higher number of new and repeat customers. In the first quarter of fiscal 2004, we implemented this marketing strategy on a national basis and quickly began achieving comparable store sales increases. We anticipate continuing this marketing approach for the foreseeable future.

- An improved economy with higher levels of consumer confidence and a better retail climate.

Franchise fees: We receive an initial, one-time franchise fee per master franchise which is amortized to revenue over the life of the respective franchise agreement. Master franchises rights are typically granted to a franchisee for an entire country. Continuing franchise fees are based on a percentage of sales made by the franchisees' stores and are recognized as revenue at the time of those sales.

As of July 3, 2004, we had five stores under franchise arrangements in the United Kingdom, South Korea, Japan and Denmark. Four of our franchised stores were opened in fiscal 2004.

License revenue: License revenue is based on a percentage of sales made by licensees to third parties and is recognized at the time of those sales.

We have entered into a number of licensing arrangements whereby third parties will manufacture and sell to other retailers merchandise carrying the Build-A-Bear Workshop mark. As of July 3, 2004, no license revenue had been recognized. We anticipate receiving license revenues in the second half of fiscal 2004.

Costs and Expenses

Cost of merchandise sold and gross margin: Cost of merchandise sold includes the cost of the merchandise, freight costs from the manufacturer to the store, cost of warehousing and distribution, packaging, damages and shortages and store occupancy cost, including store depreciation. Gross margin is defined as net retail sales less the cost of merchandise sold.

We have been able to reduce the unit costs of our merchandise and packaging through economies of scale realized as our sales volume has grown. The increase in sales volume has also allowed us to reduce our freight, cost of warehousing and distribution costs as a percentage of net retail sales as a result of the cost efficiencies of shipping higher volumes of merchandise. We expect these efficiencies to continue in the future.

Selling, general and administrative expense: These expenses include store payroll and benefits, advertising, credit card fees, and store supplies, as well as central office general and administrative expenses, including management payroll, benefits, travel, information systems, accounting, insurance, legal and public relations. This line item also includes depreciation and amortization of central office leasehold improvements, furniture, fixtures and equipment as well as the amortization of intellectual property costs.

Central office general and administrative expenses have grown over time in order to support the increased number of stores in operation and we believe will continue to grow as we add stores, but we expect this increase to be at a lower rate than the percentage increase in total revenues. Store advertising has increased significantly with the introduction in fiscal 2004 of our national television and online advertising campaign and we anticipate increasing advertising expense as a percentage of net retail sales in the second half of fiscal 2004. Increases in comparable store sales results beginning in fiscal 2004 as well as improvements in store payroll productivity standards in the latter half of fiscal 2003 have resulted in lower store payroll as a percentage of net retail sales for the first half of fiscal 2004. Other store expenses

such as credit card fees and supplies historically have increased or decreased proportionately with net retail sales.

Store preopening: Preopening costs are expensed as incurred and include the expenses related to training, recruiting, utilities and supplies prior to a store's opening.

Impairment charge: This includes the provision to write down to estimated net realizable value the long-lived assets of any store for which we have determined the carrying value will not be recovered through cash flows from future operations.

Income taxes: Prior to April 3, 2000, we were organized as a limited liability company. During that period, we were classified for federal income tax purposes as a partnership and accordingly paid no income taxes as a corporation. Effective April 3, 2000, we were reorganized as a C-corporation under the Internal Revenue Code and since then have been liable for federal and state income taxes.

Expansion and Growth Potential

U.S. and Canadian Stores:

The number of Build-A-Bear Workshop stores in the United States and Canada for the last three and one-half fiscal years can be summarized as follows:

	Fiscal Year Ended			26 Weeks Ended	
	December 29, 2001	December 28, 2002	January 3, 2004	June 28, 2003	July 3, 2004
Beginning of period	39	71	108	108	150
Opened	32	37	43	16	8
Closed	—	—	(1)	(1)	(1)
End of period	71	108	150	123	157

For the entire year of fiscal 2004, we anticipate opening a total of 21 Build-A-Bear Workshop stores and in fiscal 2005, we anticipate opening between 25 and 30 Build-A-Bear Workshop stores in the United States and Canada and closing one store. We believe there is a market potential for approximately 350 Build-A-Bear Workshop stores in the United States and Canada. In fiscal 2003, we began testing in certain markets our initial brand expansion initiative, our proprietary "Friends 2B Made" line of make-your-own dolls and related products. Currently this merchandise is offered from a separate display fixture in select Build-A-Bear Workshop stores. Later in fiscal 2004, we will be opening two Friends 2B Made stores which will be adjacent and connected to existing Build-A-Bear Workshop stores. After a reasonable test period, we will evaluate further expansion and alternative distribution channels of this concept.

Non-Store Locations:

In 2004 we began offering merchandise in seasonal, event-based locations such as Citizens Bank Park, home of the Philadelphia Phillies baseball club, as well as at temporary locations such as at the NBA All-Star Jam Session. We expect to expand our future presence at select seasonal, event-based locations contingent on their availability, which cannot reasonably be predicted at this time.

International Franchise Revenue:

Our first franchisee location was opened in November 2003. The number of international, franchised stores opened since that time can be summarized as follows:

	Fiscal Year Ended January 3, 2004	26 Weeks Ended July 3, 2004
Beginning of period	—	1
Opened	1	4
Closed	—	—
End of period	1	5

We anticipate that our current six franchisees will open a total of eight to twelve stores during fiscal 2004, of which four have already opened. Thereafter, we anticipate signing additional master franchise agreements, which typically grant franchise rights for a particular country. We expect our current and future franchisees to open between 15 and 20 stores in fiscal 2005. We believe there is a market potential for approximately 350 franchised stores outside of the United States and Canada. To date, franchise revenue has been minimal.

License Revenue:

In fiscal 2004, we began entering into license agreements for which we will receive royalties on Build-A-Bear Workshop brand products. Due to the recency of these agreements and therefore the lack of historical data, it is impossible to predict the revenue these agreements will produce in the future. As of July 3, 2004 we have had no license revenue.

Results of Operations

The following table sets forth, for the periods indicated, selected income statement data expressed as a percentage of total revenues, except where otherwise indicated. Percentages may not total due to cost of merchandise sold being expressed as a percentage of net retail sales and rounding:

	Fiscal Year Ended			26 Weeks Ended	
	December 29, 2001	December 28, 2002	January 3, 2004	June 28, 2003	July 3, 2004
Revenues:					
Net retail sales	100.0%	100.0%	99.9%	99.9%	99.8%
Franchise fees	0.0	0.0	0.1	0.1	0.2
Total revenues	100.0	100.0	100.0	100.0	100.0
Costs and expenses:					
Cost of merchandise sold	53.2	53.7	54.6	56.1	51.8
Selling, general and administrative	38.5	38.8	38.0	39.0	35.8
Store preopening	2.9	1.8	1.4	1.6	0.4
Impairment charge	0.9	0.0	0.0	0.0	0.0
Litigation settlement	1.5	0.0	0.0	0.0	0.0
Interest expense (income), net	0.1	(0.1)	0.0	(0.1)	(0.1)
Total costs and expenses	97.1	94.3	93.9	96.6	87.9
Minority interest	0.1	0.0	0.0	0.0	0.0
Income before income taxes	3.0	5.7	6.1	3.4	12.1
Income tax expense	1.2	2.2	2.4	1.4	4.6
Net income	1.8%	3.5%	3.7%	2.0%	7.5%
Gross margin (%)(1)	46.8%	46.3%	45.4%	43.9%	48.2%

(1) Gross margin percentage represents gross margin divided by net retail sales.

First Half of Fiscal 2004 (26 weeks) Compared to First Half of Fiscal 2003 (26 weeks)

Total revenues. Net retail sales increased to $135.4 million for the first half of fiscal 2004 from $92.5 million for the first half of fiscal 2003, an increase of $42.9 million, or 46.4%. Net retail sales for new stores as well as our webstore and other non-store locations contributed a $34.0 million increase in net retail sales. Comparable store sales increased $8.9 million, or 13.8%, which we believe was primarily the result of the introduction of our new national television and online marketing campaign, as well as an improved economy. We also believe the results include the positive impact of being featured in one segment of a nationally syndicated television show in the first quarter of fiscal 2004.

Gross margin. Gross margin increased to $65.3 million for the first half of fiscal 2004 from $40.6 million for the first half of fiscal 2003, an increase of $24.7 million, or 60.9%. As a percentage of net retail sales, gross margin increased to 48.2% for the first half of fiscal 2004 from 43.9% for the first half of fiscal 2003, an increase of 4.3%. This increase in gross margin as a percentage of net retail sales was primarily due to leverage on occupancy costs, as a result of comparable store sales increases. Additionally, we experienced lower product, supplies, warehousing and distribution costs, as a percentage of net retail sales, due to buying efficiences related to higher sales volumes.

Selling, general and administrative. Selling, general and administrative expenses were $48.6 million for the first half of fiscal 2004 as compared to $36.1 million for the first half of fiscal 2003, an increase of $12.5 million, or 34.8%. As a percentage of total revenues, selling, general and administrative expenses decreased to 35.8% for the first half of fiscal 2004 as compared to 39.0% for the first half of fiscal 2003, a decrease of 3.2%. The dollar increase was primarily due to 34 more stores in operation at July 3, 2004 as compared to June 28, 2003 as well as higher central office expenses, primarily payroll, required to support a larger store base and $5.5 million in additional advertising expense related to the national television and online marketing campaign which began in fiscal 2004. The decrease as a percentage of total revenues was primarily due to leveraging central office general and administrative expenses over a higher sales base as well as leveraging store payroll expenses in comparable stores due to sales increases in these stores, partially offset by the higher advertising expense.

Store preopening. Store preopening expense was $0.6 million for the first half of fiscal 2004 as compared to $1.5 million for the first half of fiscal 2003. Eight fewer new stores were opened in the first half of fiscal 2004 than in fiscal 2003 (eight in fiscal 2004 as compared to 16 in fiscal 2003) and we expect that 14 fewer stores will be opened during the remainder of fiscal 2004 than in fiscal 2003. Preopening expenses include expenses for stores that have opened as well as some expenses incurred for stores that will be opened at a later date.

Interest expense (income), net. Interest income, net of interest expense, was $0.1 million for both the first half of fiscal 2004 and fiscal 2003.

Provision for income taxes. The provision for income taxes was $6.3 million for the first half of fiscal 2004 as compared to $1.3 million for the first half of fiscal 2003. The effective tax rate was 38% for the first half of fiscal 2004 and 41% for the first half of fiscal 2003. The reduction in the effective tax rate was due to a lower aggregate state tax rate as a result of restructuring our legal entities to more appropriately allocate central office general and administrative expenses to our store operations.

Fiscal Year Ended January 3, 2004 (53 weeks) Compared to Fiscal Year Ended December 28, 2002 (52 weeks)

Total revenues. Net retail sales increased to $213.4 million for fiscal 2003 from $169.1 million for fiscal 2002, an increase of $44.3 million, or 26.2%. Net retail sales for new stores as well as our webstore and other non-store locations contributed a $61.1 million increase in net retail sales. Comparable store sales decreased $25.8 million, or 15.9%. We believe this decrease was primarily due to economic conditions, low brand awareness with potential new and repeat Guests, a loss of sales from existing stores

to new stores when we open new stores in existing markets and a decrease in sales of stores in their second year of operation due to a large amount of initial trial sales in the first year which do not continue at that level after this period. Fiscal 2003 had one more week than fiscal 2002 (the 53rd week) and net retail sales in that week were $9.0 million.

Gross margin. Gross margin increased to $96.9 million for fiscal 2003 from $78.3 million for fiscal 2002, an increase of $18.6 million, or 23.8%. As a percentage of net retail sales, gross margin decreased to 45.4% for fiscal 2003 compared to 46.3% for fiscal 2002, a decrease of 0.9%. This decrease as a percentage of net retail sales was primarily due to the loss of leverage on occupancy cost in comparable stores due to overall sales decreases in these stores, partially offset by lower product and supplies cost as a result of buying efficiencies related to larger sales volumes.

Selling, general and administrative. Selling, general and administrative expenses were $81.1 million for fiscal 2003 as compared to $65.6 million for fiscal 2002, an increase of $15.5 million, or 23.6%. As a percentage of total revenues, selling, general and administrative expenses decreased to 38.0% for fiscal 2003 as compared to 38.8% for fiscal 2002, a decrease of 0.8%. The dollar increase was primarily due to 42 more stores in operation at the end of fiscal 2003 as compared to the end of fiscal 2002, higher central office general and administrative expenses required to support a larger store base and $2.6 million in incremental advertising expense incurred in the fourth quarter of fiscal 2003 to develop and test a television and online advertising campaign in selected markets. The decrease as a percentage of total revenues was primarily due to leveraging the central office general and administrative expense over a higher sales base partially offset by the loss of leverage on payroll expense in comparable stores due to the sales decrease in these stores.

Store preopening. Store preopening expense was $3.0 million for fiscal 2003 as compared to $3.1 million for fiscal 2002. Six more new stores were opened in fiscal 2003 than in fiscal 2002 (43 as compared to 37). The average preopening expense per store was $71 thousand in fiscal 2003 as compared to $84 thousand in fiscal 2002, a decrease of 15.2%. This decrease in average preopening expense per store was largely the result of reduced training related expenses by using regional training locations versus one location previously as well as reduced startup supplies expense as a result of improved purchasing power due to the increases in sales volumes.

Interest expense (income), net. Interest income, net of interest expense, was $0.1 million for both fiscal 2003 and 2002.

Provision for income taxes. The provision for income taxes was $5.1 million for fiscal 2003 as compared to $3.8 million in fiscal 2002. The effective tax rate was 39% in both fiscal 2003 and 2002.

Fiscal Year Ended December 28, 2002 (52 weeks) Compared to Fiscal Year Ended December 29, 2001 (52 weeks)

Total revenues. Net retail sales increased to $169.1 million for fiscal 2002 from $106.6 million for fiscal 2001, an increase of $62.5 million, or 58.6%. Net retail sales for new stores as well as our webstore and other non-store locations contributed a $72.3 million increase in net retail sales. Comparable store sales decreased $9.9 million, or 9.7%. We believe this decrease was due to economic conditions, low brand awareness with potential new and repeat Guests, a loss of sales from existing stores to new stores when we open new stores in existing markets and a decrease in sales of stores in their second year of operation due to a large amount of initial trial sales in the first year which do not continue at that level after this period.

Gross margin. Gross margin increased to $78.3 million for fiscal 2002 from $49.9 million for fiscal 2001, an increase of $28.4 million, or 56.8%. As a percentage of net retail sales, gross margin decreased to 46.3% for fiscal 2002 compared to 46.8% for fiscal 2001, a decrease of 0.5%. This decrease as a percentage of net retail sales was primarily due to the loss of leverage on occupancy cost in comparable stores due to overall sales decreases in these stores, partially offset by lower product and supplies cost.

Selling, general and administrative. Selling, general and administrative expenses were $65.6 million for fiscal 2002 as compared to $41.1 million for fiscal 2001, an increase of $24.5 million, or 59.7%. As a

percentage of total revenues, selling, general and administrative expenses increased to 38.8% for fiscal 2002 as compared to 38.5% for fiscal 2001, an increase of 0.3%. The dollar increase was primarily due to 37 more stores in operation at the end of fiscal 2002 as compared to the end of fiscal 2001 as well as higher central office general and administrative expenses required to support a larger store base. The increase as a percentage of total revenues was primarily due to the loss of leverage on payroll expense in comparable stores due to the sales decrease in these stores partially offset by leveraging central office general and administrative expenses over a higher sales base.

Store preopening. Store preopening expense was $3.1 million for fiscal 2002 as compared to $3.1 million for fiscal 2001. Five more new stores were opened in fiscal 2002 than in fiscal 2001 (37 as compared to 32). The average expense per store was $84 thousand in fiscal 2002 as compared to $98 thousand in fiscal 2001, a 14.4% decrease. This reduction in average preopening expense per store was primarily the result of a reduction in the number of weeks of training prior to store opening for store management as well as reduced startup supplies expense as a result of improved purchasing power due to the increases in sales volumes.

Litigation settlement. We were a party to a lawsuit in which a competitor alleged that we misappropriated certain trade secrets and other intellectual property. During fiscal 2001, the matter was resolved through a confidential settlement agreement and an expense charge of $1.6 million was recorded. Our insurance carrier paid an additional $0.7 million towards the settlement.

Impairment charge. During fiscal 2001, we identified three stores that were not meeting operating objectives and determined those stores were impaired. We recorded a provision for impairment of $1.0 million which included a write down for property, equipment and other assets and accrued expenses to be incurred in connection with the closing of these stores upon the exercise of the early termination provisions contained in these leases.

Interest expense (income), net. Interest income, net of interest expense, was $0.1 million for fiscal 2002. Interest expense, net of interest income, was $0.1 million for fiscal 2001.

Provision for income taxes. The provision for income taxes was $3.8 million for fiscal 2002 as compared to $1.3 million for fiscal 2001. The effective tax rate is 39% in fiscal 2002 and 40% in fiscal 2001. The reduction in the effective tax rate was due to the change in the aggregate state income tax rate as a result of the mix of stores opening in different states during these years.

Non-GAAP Financial Measures

We use the term “store contribution” throughout this prospectus. Store contribution consists of net income before income tax expense, interest, depreciation, amortization, store preopening and general and administrative expense and excludes franchise fees, license revenues and contribution from our webstore and seasonal and event-based locations. This term, as we define it, may not be comparable to similarly titled measures used by other companies and is not a measure of performance presented in accordance with GAAP.

We use store contribution as a measure of our stores’ operating performance. Store contribution should not be considered a substitute for net income, net income per store, cash flows provided by operating activities, cash flows provided by operating activities per store, or other income or cash flow data prepared in accordance with GAAP.

We believe store contribution is useful to investors in evaluating our operating performance because it, along with the number of stores in operation, directly impacts our profitability. Historically, central office general and administrative expenses and preopening expenses have increased at a rate less than our total net retail sales increases. Therefore, as we have opened additional new stores and leveraged our central office general and administrative and preopening expenses over this larger store base and sales volume, we have been able to increase our net income each year as well as for the first half of fiscal 2004 as compared to the first half of fiscal 2003.

The following table sets forth a reconciliation of store contribution to net income:

	Fiscal Year Ended January 3, 2004	26 Weeks Ended July 3, 2004
	(Dollars in thousands)	
Net income	$ 7,978	$ 10,209
Income tax expense	5,101	6,258
Interest expense (income)	(58)	(98)
Store depreciation and amortization	8,119	4,477
Store preopening expense	3,045	580
General and administrative expense	25,098	14,576
Non-store activity contribution(1)	(1,622)	(1,195)
Store contribution	$ 47,661	$ 34,807
Total revenues	$213,672	$135,727
Revenues from non-store activities(1)	$ (4,726)	$ (3,691)
Store location net retail sales	$208,946	$132,036
Store contribution as a percentage of store location net retail sales	22.8%	26.4%
Total net income as a percentage of total revenues	3.7%	7.5%

(1) Non-store activities include our webstore, seasonal and event-based locations and franchising and licensing activities.

Seasonality and Quarterly Results

The following is a summary of certain unaudited quarterly results of operations data for each of the last two fiscal years and for the first half of fiscal 2004. Total revenues, gross margin and net income are reported in millions of dollars.

	Fiscal Year Ended December 28, 2002				Fiscal Year Ended January 3, 2004				Fiscal 2004	
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter(1)	First Quarter(2)	Second Quarter
Total revenues	$	$	$	$	$	$	$	$	$	$
Gross margin										
Net income										
Earnings per share										
Basic										
Diluted										
Number of stores (end of quarter)	73	87	100	108	109	123	143	150	151	157

(1) Results for the fourth quarter of fiscal 2003 were impacted by the following:

- The quarter contained 14 weeks rather than the typical 13 weeks. Total revenues for the extra week were $9.0 million.
- The deferred revenue balance was adjusted to reflect projected redemption rates in our frequent shopper program. This resulted in a reduction in the deferred revenue balance and a corresponding increase in total revenues and gross margin of $1.1 million.
- We incurred $2.6 million in incremental selling, general and administrative expenses to develop and test a new television and online advertising campaign in selected markets.

(2) We believe the results of this quarter include the positive impact of being featured in one segment of a nationally syndicated television show.

Our operating results for one period may not be indicative of results for other periods, and may fluctuate significantly because of a variety of factors, including those discussed under "Risk Factors — Fluctuations in our quarterly results of operations could cause the price of our common stock to substantially decline."

The timing of new store openings may result in fluctuations in quarterly results as a result of the sales and expenses associated with each new store location. We typically incur most preopening costs for a new store in the three months immediately preceding the store's opening. Our growth, operating results and profitability will depend to some degree on our ability to increase our number of stores.

Historically, seasonality has not been a significant factor in our results of operations, although we cannot assure you that this will continue to be the case. In addition, for accounting purposes, the quarters of each fiscal year consist of 13 weeks, although we will have a 14-week quarter once every six years (including the fourth quarter of fiscal 2003). Quarterly fluctuations and seasonality may cause our operating results to fall below the expectations of securities analysts and investors, which could cause our stock price to fall.

Liquidity and Capital Resources

Our cash requirements are primarily for the opening of new stores, information systems and working capital. Historically, we have met these requirements through capital generated from the sale and issuance of our securities to private investors, cash flow provided by operations and our revolving line of credit. From our inception to December 2001, we raised at various times a total of $44.9 million in capital from several private investors. Since fiscal 2002, cash flows provided by operating activities have exceeded cash flows used in investing activities.

Operating Activities. Cash provided by (used in) from operating activities were $14.5 million in fiscal 2001, $18.7 million in fiscal 2002 and $25.2 million in fiscal 2003, and were $(1.0) million in the first half of fiscal 2003 compared to $10.8 million for the first half of fiscal 2004. Cash flow from operating activities increased each period primarily due to increases in net income adjusted for the impact of depreciation and amortization. Changes in current assets and liabilities, excluding cash, provided (used) cash of $6.7 million in fiscal 2001, $3.4 million in fiscal 2002, $4.0 million in fiscal 2003, and $(8.5) million for the first half of fiscal 2003 compared to $(5.2) million for the first half of fiscal 2004. The increases in operating cash flows for changes in current assets and liabilities, excluding cash, for the fiscal years 2001 through 2003 were primarily due to increases in gift certificates and deposits, due to the significant sale of gift certificates in December each year; increases in accounts payable and accrued expenses due to the growth of the number of stores in operation at each year-end; and increases in the deferred revenue balance. The increases in operating cash flow for the above reasons were partially offset by increases in inventory due to the growth of the number of stores in operation. For the first half of fiscal 2003, the primary reason for the $(8.5) million change in current assets and liabilities, excluding cash, was a decrease in accounts payable and accrued expenses due to the paydown of these amounts from the end of fiscal 2002. For the first half of fiscal 2004, the primary reason for the $(5.2) million change in current assets and liabilities, excluding cash, was an increase in inventory to support the comparable store sales increases during the period. We require an increase in working capital, specifically inventory, during the year. Inventory typically peaks during the third and fourth quarters of each year due to the strong selling periods of summer and the month of December.

Investing Activities. Cash flows used in investing activities were $23.3 million in fiscal 2001, $20.2 million in fiscal 2002 and $20.5 million in fiscal 2003, and were $11.2 million in the first half of fiscal 2003 compared to $5.1 million for the first half of fiscal 2004. Cash used in investing activities relates primarily to 32 new stores opened in fiscal 2001, 37 in fiscal 2002, 43 in fiscal 2003, 16 in the first half of fiscal 2003 and eight in the first half of fiscal 2004. The costs of registering our intellectual property rights and certain costs related to the designing and leasing of stores were $1.7 million in fiscal 2001,

$1.6 million in fiscal 2002 and $1.9 million in fiscal 2003, and $0.6 million in the first half of fiscal 2003 compared to $0.7 million for the first half of fiscal 2004.

Financing Activities. There were no cash flows from financing activities in fiscal 2003 and for the first half of fiscal 2004. Cash flows provided by (used in) financing activities were $19.3 million in fiscal 2001 and $(0.1) million in fiscal 2002. We raised private equity of $21.0 million in fiscal 2001. We had debt repayments of $1.8 million in fiscal 2001 and $0.1 million in fiscal 2002 and no debt repayments in fiscal 2003. Maximum borrowings under our line of credit were $3.3 million in fiscal 2003, $2.0 million in fiscal 2002 and $7.2 million in fiscal 2001. No borrowings were made under our line of credit in the first half of fiscal 2004 or the first half of fiscal 2003. We paid a special cash dividend in August 2004 of $10.0 million to our stockholders.

Capital Resources. As of July 3, 2004, we had a cash balance of $26.3 million. We also have a $15.0 million line of credit, which we use to finance capital expenditures and seasonal working capital needs throughout the year. The credit agreement is with U.S. Bank, National Association, is secured by the assets of Build-A-Bear Workshop, Inc. and most of our subsidiaries, and is guaranteed by our Canadian subsidiary. The credit agreement expires on May 31, 2005 and contains various restrictions on indebtedness, liens, guarantees, redemptions, mergers, acquisitions or sale of assets, loans, transactions with affiliates, and investments. It also prohibits us from declaring dividends without the bank's prior consent, unless such payment of dividends would not violate any terms of the loan agreement and so long as the difference between the maximum amount that may be borrowed under the line of credit and the amount outstanding under the line of credit is greater than $5.0 million. Borrowings bear interest at the prime rate less 0.5%. Financial covenants include maintaining a minimum tangible net worth and a maximum funded debt to EBITDA ratio. As of July 3, 2004, we were in compliance with these covenants. The outstanding borrowings under our line of credit were $0 as of January 3, 2004 and July 3, 2004.

Most of our retail stores are located within shopping malls and all are operated under leases classified as operating leases. These leases typically have a ten year term and contain provisions for base rent plus percentage rent based on defined sales levels. Many of the leases contain a provision whereby either we or the landlord may terminate the lease after a certain time, typically in the third to fourth year of the lease, if a certain minimum sales volume is not achieved. In addition, some of these leases contain various restrictions relating to change of control of our company. Our leases also subject us to risks relating to compliance with changing mall rules and the exercise of discretion by our landlords on various matters, including rights of termination in some cases.

In fiscal 2004, we expect to spend a total of approximately $12.0 million on capital expenditures, primarily for opening a total of 21 new stores, as well as for the continued installation and upgrades of central office information technology systems. In fiscal 2005, we expect to spend a total of approximately $19.0 million to $21.0 million on capital expenditures, primarily for opening a total of 25 to 30 new stores, as well as for the continued installation and upgrades of central office information technology systems. In fiscal 2003, the average investment per new store, which includes leasehold improvements (net of tenant allowances), fixtures and equipment, was approximately $350 thousand. We anticipate the investment per store in fiscal 2004 and fiscal 2005 will be approximately the same, excluding a flagship store we anticipate opening at a cost of approximately $5.0 million in fiscal 2005.

As of July 3, 2004, there were no merchandise or expense purchases made using letters of credit. Subsequent to July 3, 2004, we issued a $1.1 million standby letter of credit in connection with a new lease. We believe that cash generated from operations and borrowings under our credit agreement, together with the proceeds of this offering, will be sufficient to fund our working capital and other cash flow requirements through the end of fiscal 2005.

Off-Balance Sheet Arrangements

We do not have any arrangements classified as off-balance sheet arrangements.

Contractual Obligations and Commercial Commitments

Our contractual obligations and commercial commitments include future minimum obligations under operating leases and purchase obligations associated with building out our stores. The future minimum payments for these obligations as of July 3, 2004 for periods subsequent to this date are as follows:

	Payments Due by Fiscal Period as of July 3, 2004						
	Total	2004	2005	2006	2007	2008	Beyond
				(In thousands)			
Long-term debt obligations	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Operating lease obligations	187,940	9,760	22,399	22,713	23,004	23,219	86,845
Purchase obligations	3,265	3,265	—	—	—	—	—
Total	$191,205	$13,025	$22,399	$22,713	$23,004	$23,219	$86,845

Inflation

We do not believe that inflation has had a material adverse impact on our business or operating results during the periods presented. We cannot assure you, however, that our business will not be affected by inflation in the future.

Critical Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles requires the appropriate application of certain accounting policies, many of which require us to make estimates and assumptions about future events and their impact on amounts reported in our financial statements and related notes. Since future events and their impact cannot be determined with certainty, the actual results will inevitably differ from our estimates. Such differences could be material to the financial statements.

We believe application of accounting policies, and the estimates inherently required therein, are reasonable. These accounting policies and estimates are periodically reevaluated, and adjustments are made when facts and circumstances dictate a change. Historically, we have found our application of accounting policies to be appropriate, and actual results have not differed materially from those determined using necessary estimates.

Our accounting policies are more fully described in note 1 to our consolidated financial statements, which appear elsewhere in this prospectus. We have identified certain critical accounting policies which are described below.

Inventory

Inventory is stated at the lower of cost or market, with cost determined on an average cost basis. Historically, we have not conducted sales whereby we offer significant discounts or markdowns, nor have we experienced significant occurrences of obsolete or slow moving inventory. However, future changes in circumstances, such as changes in customer merchandise preference, could cause reclassification of inventory as obsolete or slow-moving inventory. The effect of this reclassification would be the recording of a reduction in the value of inventory to realizable values.

Throughout the year we record an estimated cost of shortage based on past historical results. Periodic physical inventories are taken and any difference between the actual physical count of merchandise and the recorded amount in our records are adjusted and recorded as shortage. Historically, the timing of the physical inventory has been near the end of the fiscal year so that no material amount of shortage was

required to be estimated on activity between the date of the physical count and year-end. However, future physical counts of merchandise may not be at times at or near the end of a fiscal quarter or fiscal year-end, and our estimate of shortage for the intervening period may be material based on the amount of time between the date of the physical inventory and the date of the fiscal quarter or year-end.

Long-Lived Assets

If facts and circumstances indicate that a long-lived asset, including property and equipment, may be impaired, the carrying value is reviewed. If this review indicates that the carrying value of the asset will not be recovered as determined based on projected undiscounted cash flows related to the asset over its remaining life, the carrying value of the asset is reduced to its estimated fair value. During fiscal 2001, we recorded an asset impairment charge for three stores totaling $1.0 million. Impairment losses in the future are dependent on a number of factors such as site selection and general economic trends, and thus could be significantly different than historical results. To the extent our estimates for net sales, gross profit and store expenses are not realized, future assessments of recoverability could result in additional impairment charges.

Revenue Recognition

Revenues from retail sales, net of discounts and excluding sales tax, are recognized at the time of sale. Customer returns have not been significant. Revenues from gift certificates are recognized at the time of redemption. Unredeemed gift certificates are reflected as an other liability in the financial statements.

We have a frequent shopper program whereby Guests who purchase approximately $100 of merchandise receive a card for $10 off a future purchase. An estimate of the obligation related to the program, based on historical redemption rates, is recorded as deferred revenue and a reduction of net sales at the time of original purchase. The deferred revenue obligation is reduced at the time of customers' redemption of the $10 discount.

We evaluate the ultimate redemption rate under this program through the use of frequent shopper cards which have an expiration date after which the frequent purchase discount would not have to be honored. The initial card had no expiration date but has not been provided to our guests since May 2002. Beginning in June 2002, cards were issued that had an expiration date of December 31, 2003. Beginning in June 2003, cards were issued with an expiration date of December 31, 2004. We track redemptions of these various cards and use actual redemption rates by card series and historical results to estimate how much revenue to defer. We review these redemption rates and assess the adequacy of the deferred revenue account at the end of each second quarter and each fiscal year. Based on this assessment at the end of fiscal 2003, the deferred revenue account was adjusted downward by $1.1 million with a corresponding increase to net sales. Additionally, the amount of revenue being deferred beginning in fiscal 2004 was decreased from the previous deferral rate. Our assessment of the deferred revenue balance as of July 3, 2004 resulted in no adjustment to the balance of the deferred revenue amount. However, the amount of revenue being deferred beginning with the third quarter of fiscal 2004 was further reduced. We believe that the newly introduced national television and online advertising campaign introduced in fiscal 2004 is increasing the mix of new, non-frequent customers as compared to the historical mix and is anticipated to result in a lower overall redemption rate for the frequent buyer program. A 0.1% adjustment of the ultimate redemption rate at the end of fiscal 2004 for the current card expiring December 31, 2004 would have an approximate impact of $0.5 million on the deferred revenue balance and net sales.

Recent Accounting Pronouncements

Statement of Financial Accounting Standards (SFAS) 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity, was issued in May 2003. This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were

previously classified as equity. In November 2003, the FASB issued Staff Position No. 150-3, which deferred the effective dates for applying certain provisions of SFAS 150 related to mandatorily redeemable interests for public and nonpublic entities.

For public entities, SFAS 150 is effective for mandatorily redeemable financial instruments entered into or modified after May 31, 2003, and is effective for all other financial instruments as of the first interim period beginning after June 15, 2003. The adoption of SFAS 150 is not expected to have an impact on our financial position, results of operations or cash flows.

In March 2004, the Emerging Issues Task Force completed its discussion of and provided consensus guidance on Issue No. 03-6, *Participating Securities and The Two-Class Method under FASB Statement No. 128, Earnings Per Share.* The consensus interpreted the definition of a "participating security," required the use of the two-class method in the calculation and disclosure of basic earnings per share, and provided guidance on the allocation of earnings and losses for purposes of calculation of basic earnings per share. Certain of our classes of preferred stock are entitled to participate in cash dividends on common stock. Accordingly, this consensus has been applied in the calculation of basic earnings per share for all periods presented.

Quantitative and Qualitative Disclosures About Market Risk

Our market risks relate primarily to changes in interest rates. We bear this risk in two specific ways. First, our revolving credit facility carries a variable interest rate that is tied to market indices and, therefore, our statement of income and our cash flows will be exposed to changes in interest rates. As of July 3, 2004, we had no borrowings. Outstanding balances under our credit facility bear interest at a rate of prime less 0.5%. Based on the weighted average borrowings outstanding during fiscal 2003 of approximately $0.3 million, a 100 basis point change in interest rates would result in an no material change to our annual interest expense. The second component of interest rate risk involves the short term investment of excess cash in short term, investment grade interest-bearing securities. These investments are considered to be cash equivalents and are shown that way on our balance sheet. If there are changes in interest rates, those changes would affect the investment income we earn on these investments and, therefore, impact our cash flows and results of operations.

BUSINESS

Overview

We are the leading, and only national, company providing a "make your own stuffed animal" interactive "retail-tainment" experience. As of July 3, 2004, we operated 157 stores in 37 states and Canada and had five franchised stores internationally under the Build-A-Bear Workshop brand. We offer an extensive and coordinated selection of merchandise, including over 30 different styles of animals to be stuffed and a wide variety of clothing, shoes and accessories for the stuffed animals. Our stores, which are primarily located in major malls, capitalize on what we believe is the relatively untapped demand for experience-based shopping as well as the widespread appeal of stuffed animals. In addition to our stores, we market our products and build our brand through our website and at event-based locations and sports venues.

Build-A-Bear Workshop stores are designed around a distinctive and entertaining "animal-making" process that provides our customers, or "Guests," with the opportunity to participate actively in the creation, personalization and customization of their own stuffed animal. Unlike traditional mall-based stores, our interactive retail concept includes not only a fun merchandise selection, but also a dynamic and hands-on shopping experience. Our stores average approximately 3,100 square feet in size and have a highly visual and colorful appearance, including custom-designed fixtures featuring teddy bears and other themes relating to the Build-A-Bear Workshop experience. Our concept appeals to a broad range of age groups and demographics, including children, teens, parents and grandparents. We believe our stores are destination locations and draw customers from a large geographic reach, resulting in high volume stores that generated average net sales per gross square foot of $502 for fiscal 2003 and $287 for the first half of fiscal 2004.

During fiscal 2003, we developed and tested a targeted, integrated, multi-media marketing program designed to increase our brand awareness and store traffic, thereby attracting more first-time and more repeat customers. Following a successful test period in selected markets, we initiated a national rollout of this program in February 2004 and have experienced an increase in our comparable store sales in every month since the rollout.

Since opening our first store in St. Louis, Missouri in October 1997, we have sold over 20 million stuffed animals. We have grown our store base from 14 stores at the end of fiscal 1999 to 157 as of July 3, 2004 and increased our revenues from $106.6 million in fiscal 2001 to $213.4 million in fiscal 2003, for a compound annual revenue growth rate of 41.6%, and increased net income from $1.9 million in fiscal 2001 to $8.0 million in fiscal 2003, for a compound annual net income growth rate of 104.6%.

We have received several prestigious industry awards, including "2004 Hot Retailer Award" from the International Council of Shopping Centers, "2003 Circle of Excellence Award" from BizRate.com, "2003 Outstanding Achievement: Quick Growth" from Retail Info Systems News, "Retail Innovator of the Year" from the National Retail Federation in 2001, and Chain Store Age's "Best New Concept" in 1998. In addition, in 1999, Ernst & Young named Maxine Clark, our Chief Executive Bear, "Entrepreneur of the Year" in the St. Louis region in the emerging business category.

Our Mission

Every Build-A-Bear Workshop employee receives a copy of our mission statement when they join our company, which reflects our philosophy, values and our customer-centric organizational focus. Our mission statement generally provides:

"At Build-A-Bear Workshop, our mission is to bring the teddy bear to life. An American icon, the teddy bear brings to mind warm thoughts about our childhood, about friendship, about trust and comfort, and also about love. Build-A-Bear Workshop embodies those thoughts in how we run our business everyday.

"The Build-A-Bear Workshop experience is an expression of our commitment to what we believe is the best of retail *and* entertainment. Our concept is designed to bring out the creative side of our Guest bear-makers, be they 3 or 103, and provides a multitude of possibilities for personalization and customization that encourage their imaginations. We are committed to providing our Guests JOY....happy, memorable, and friendly experiences. Everything we do is intended to create loyal customers that appreciate the quality bear-making experience we provide. Our goal is to provide products to our Guests that they believe are unique and high quality...call them what you will; cute, huggable, loveable, soft, cuddly, and always affordable — everyone HAS to have at least one.

"Our goal is to have a business that will always be fun for our Guests and for us. We intend to succeed by maintaining our integrity, and meeting the needs of our Guests, associates, business partners and stockholders. We believe we can be a profitable business that provides fun and has fun."

Competitive Strengths

We offer an exciting interactive shopping experience.

Unlike most other mall-based retail stores, the Build-A-Bear Workshop experience is not exclusively product driven but rather integrates the stuffed animal-making process with our creative merchandise selection. Our highly visual and colorful stores feature a teddy bear theme, displays of numerous, fully-dressed stuffed animals, selective use of "Bearisms" and custom-designed fixtures intended to energize our Guests and add excitement to the shopping experience. We offer our Guests an opportunity to actively participate in the creation, customization and personalization of their own stuffed animal and provide an environment in which our Guests can become both physically and emotionally engaged in an entertaining retail experience that is fun and exciting. This experience, which can last from ten minutes to over an hour, and we believe averages approximately 45 minutes, allows our Guests to individualize their chosen animals by:

- selecting the amount of stuffing;
- making a special wish on the distinctive, three-dimensional, fabric heart before placing it inside the animal;
- selecting a pre-recorded message or creating a personalized voice message for the animal;
- dressing the animal in selected clothing and accessories; and
- creating the animal's birth certificate.

When finished, our Guests carry their purchases from our stores in our signature packaging, including our "Cub Condo" carrying case, "Beararmoire" clothing carrier, "CubCase" suitcase or "Bear Bunk Trunk," which also are intended to raise awareness and recognition of our brand.

We have a broad and loyal Guest base.

We believe our distinctive retail entertainment shopping experience has made Build-A-Bear Workshop a destination retailer with a broad and loyal customer base that enjoys our concept and therefore returns to make additional purchases. Our major customer segments include:

- families with children, primarily age three to twelve;
- their grandparents, aunts and uncles;
- teen girls who occasionally bring along their boyfriends; and
- child-centric organizations, such as scouting organizations and schools, looking for interactive entertainment options.

We believe our success in creating an exciting and memorable shopping experience is reflected by our Guest satisfaction scores. During the first half of fiscal 2004, 90% of Guests who completed our Guest

satisfaction survey gave their overall experience the highest or the second highest rating, with 74% giving the highest rating of "Beary Best." Approximately 80% of returning Guests who responded to our surveys in 2003 indicated that they pre-planned their visit to our stores. In addition, in fiscal 2003, over 30% of our transactions did not include a stuffed animal purchase but rather purchases of clothing and other items which we believe were for previously purchased animals.

Our active store environment also makes our stores an attractive location for birthday and other parties which we believe introduce new Guests to our stores. In 2003, Build-A-Bear Workshop hosted approximately one million children at over 90,000 pre-scheduled parties, further expanding awareness of the Build-A-Bear Workshop brand as a family-oriented "retail-tainment" destination concept.

We have strong merchandising expertise.

Through our in-house design and product development team, we have developed a coordinated, creative and broad merchandise assortment, the vast majority of which is primarily designed by us. Our exclusive products, which include a variety of animals, clothing, shoes and accessories, are branded with the Build-A-Bear Workshop mark. Our merchandising strategy emphasizes inventory flexibility, well-edited, high-quality product selections, operating efficiencies and the avoidance of merchandise markdowns and promotions in order to maximize gross margins. Through Guest feedback and monitoring the fashion and entertainment markets, we are able to offer current fashions that drive clothing and accessory sales as well as respond to other market influences that generate product line and animal additions, including our exclusive line of shoes for stuffed animals licensed from and designed by SKECHERS® or stuffed animal outfits licensed from Limited Too® or professional sports teams. Our experienced product development team regularly evaluates new and innovative fashion styles and trends and introduces new items and retires existing items in order to maintain an exciting merchandise assortment for our Guests. We also consult regularly with our Cub Advisory Board, made up of children from 8 to 18 years of age, which gives us valuable input and feedback on our merchandise.

We typically carry approximately 450 stock-keeping units, or "SKUs," in our stores, as we intend for each item to be highly productive. Our product line includes approximately 30 to 35 varieties of animals to be stuffed as well as a wide variety of other items which are displayed creatively throughout the store. We believe this merchandising strategy, along with the Build-A-Bear Workshop experience, has created a strong value proposition for our Guests that allows us to emphasize the product and the experience rather than the price, avoiding the need to discount our products to drive sales.

We provide a high level of Guest service through consistent execution.

Because our strategy since inception has been to provide a dynamic, interactive "retail-tainment" experience for our Guests, we have devoted significant resources and attention to Guest service. In fiscal 2003, we hired less than 2.5% of applicants for store manager positions. We carefully select and train our store employees to promote a friendly and personable store environment and to provide a high level of Guest service. Our above average employee retention rates, based on 2003 industry data, contribute to the consistency and quality of the Guest experience. We give store managers approximately 100 hours of training at our "Bear University" before they begin work in their stores as well as ongoing training on topics such as our corporate values, sales skill development and leadership. Our Bear Builder associates complete a twenty hour in-store training course including specific training on leading parties. We receive ongoing feedback from our Guests through in-store contact, emails and surveys regarding our products, experience and Guest service. Research we conducted in 2003 indicated that 80% of Guests who have visited more than one store rate their experience between stores as "very similar," indicating a high degree of consistency in store execution. The same research indicated that such Guests, when asked what can be done to improve their overall experience, indicated 76% of the time that "nothing" could be done to improve their store experience. Following their store visits, we remain in contact with our Guests through direct mail and email. We provide additional value to our Guests through many events that we plan around holidays, birthdays and other Build-A-Bear Workshop product launches.

We have an attractive store economic model.

We believe that we have developed an appealing retail store model that is profitable and operates successfully in a variety of geographies, malls and non-mall locations. We have a site selection process that utilizes a number of criteria, including economic and demographic variables and our internal sales forecasting tools. For fiscal 2003, our stores open for the entire year averaged $502 in net retail sales per gross square foot and $1.6 million in net retail sales per store. For fiscal 2003, store contribution as a percentage of net retail sales, excluding revenue from our webstore and seasonal and event-based locations, was 22.8% and total company net income as a percentage of total revenues was 3.7%. For the first half of fiscal 2004, our stores open for the entire period averaged $287 in net sales per gross square foot and $879 thousand in sales per store. For the first half of fiscal 2004, total store contribution as a percentage of net retail sales, excluding revenue from our webstore and seasonal and event-based locations, was 26.4% and total company net income as a percentage of total revenues was 7.5%. For a reconciliation of store contribution to net income, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures.”

Since our inception, our new stores have generated strong customer traffic and the majority are profitable in the first twelve months of operation. Through value engineering our store development and construction processes, we have reduced the average investment for our new stores. For stores opened in fiscal 2003, our investment per store, which includes the cost of leasehold improvements (net of tenant allowances), fixtures and equipment, inventory (net of trade payables), and pre-opening expenses, averaged $485 thousand, a decrease of 19% from the average investment for stores opened in fiscal 2002. In addition, we currently target a smaller sized store than we have opened in the past. Currently, our new store target size is 2,800 square feet, compared to an average store size of approximately 3,100 square feet for our existing mall-based stores as of July 3, 2004. We believe we can achieve similar sales results, operate as efficiently, and serve our Guests as effectively in this smaller store while improving our overall profitability.

We have a highly experienced and disciplined management team.

Our senior management team has extensive experience in a variety of retail sectors and in corporate management, averaging 25 years of relevant experience. Our management team is led by our Chief Executive Bear, Maxine Clark, who founded our company and has over 32 years of experience in the retail industry. As we have continued to build our company, we have added key leaders in selected areas of our business, including the recent addition of Barry Erdos as President and Chief Operating Officer Bear, who brings over thirty years of experience with some of the leading retailers in the United States. We believe we have attracted a highly talented and experienced team to continue to grow the Build-A-Bear Workshop brand and our company.

We believe we employ a deliberative and disciplined management process that is brand driven and balances careful measurement and analysis of our business with experienced merchandising and Guest insight. Despite our rapid growth, we work to maintain a small-company feel that encourages collaboration, creative thinking and interaction at all levels. Our core values include teamwork, striving for breakthrough results, including in our financial performance, open communication, and a commitment to learning. We strive to be a socially responsible citizen in the communities in which we operate.

Growth Strategy

Our growth strategy is to develop and expand the reach of the Build-A-Bear Workshop brand. We believe our brand will grow in awareness and recognition as we continue to add additional locations domestically and internationally and pursue our expanded marketing efforts. We believe that the strength

of our brand will allow us to continue to attract Guests, as well as to develop key strategic relationships. The key elements of our strategy are:

Continue to expand our store base in the United States and Canada.

Since the end of fiscal 1999, we have increased our store base from 14 to 157 locations throughout the United States and Canada as of July 3, 2004. We plan to open a total of 21 Build-A-Bear Workshop stores in the United States and Canada in fiscal 2004, all of which have executed leases and eight of which were opened as of July 3, 2004. In addition, we expect to open approximately 25 to 30 new stores in fiscal 2005 in new and existing markets in the United States and Canada, most of which have already been identified. We believe there is a market potential for approximately 350 Build-A-Bear Workshop stores in the United States and Canada.

Continue to expand our retail concept outside the United States and Canada.

We believe that there is continued opportunity to grow our Build-A-Bear Workshop concept and brand outside of the United States and Canada. Our franchisees have retail or real estate experience and have opened five Build-A-Bear Workshop stores in several foreign countries under master franchise agreements on a country-by-country basis. We have agreements with franchisees in the United Kingdom, Japan, South Korea, Denmark, Australia and France. In fiscal 2003, our first franchised store opened in the United Kingdom. By the end of fiscal 2004 we expect our franchisees to open a total of eight to twelve stores under these agreements, four of which were open as of July 3, 2004. We expect that our franchisees will open between 15 and 20 new stores in fiscal 2005 under existing and anticipated franchise agreements. We believe there is a market potential for approximately 350 franchised stores outside the United States and Canada.

Continue to expand non-mall locations.

Based on our experience with non-mall based stores in tourist locations at the Downtown Disney® District at the Disneyland® Resort in Anaheim, California, Navy Pier in Chicago, Illinois and Broadway at the Beach in Myrtle Beach, South Carolina, we believe we have growth opportunities in additional non-mall locations such as other tourist venues and sports stadiums. These locations provide us with high-traffic venues with captive audiences that are generally comprised of a somewhat different demographic than typically visits the malls in which we operate. We believe our presence in these alternative venues enhances our brand awareness and introduces new customers to our concept, which can lead to increased customer traffic for our mall-based stores. On April 3, 2004, we opened an approximately 380 square foot, in-park store location at Citizens Bank Park, home of the Philadelphia Phillies baseball club, where Guests can “Make Your Own Phanatic” or make the Build-A-Bear Workshop mascot Bearemy. This store has significantly exceeded our original sales plan. We are in discussions with other professional sports teams about opening similar locations. While growth opportunities in sport stadiums and tourist locations may be limited, we believe the experience we are gaining from these alternative retail arrangements can be expanded into other non-mall locations, such as theme parks, cruise ships and other tourist locations.

Seek to expand into new lines of experiential retail.

We believe that consumer demand for additional experiential retail concepts is relatively untapped and that our expertise in product development and providing a consistent shopping experience can be applied to other experiential retail brands and concepts. We expect to be able to leverage our extensive Guest database to market these new brands and concepts.

In fiscal 2003, we began testing in certain markets our initial brand expansion initiative, our proprietary “Friends 2B Made” line of make-your-own dolls and related products. We believe these stuffable, poseable, huggable dolls, which are approximately fifteen inches tall with an emphasis on fashion, hair and make-up, bring to dolls what Build-A-Bear Workshop has brought to teddy bears — an opportunity to participate in the creation and customization of the doll. Currently, these dolls are offered

from a separate display fixture in selected, existing Build-A-Bear Workshop stores. This fall we plan to open two freestanding Friends 2B Made stores adjacent to our Build-A-Bear Workshop stores in Easton Town Center in Columbus, Ohio and in Robinson Town Center in Pittsburgh, Pennsylvania. After a reasonable test period, we will evaluate further expansion and alternative distribution channels.

Pursue other non-retail opportunities.

We have entered into a series of licensing arrangements with leading manufacturers, such as American Greetings, Creative Imaginations, Elan-Polo, HarperCollins, Hasbro and Springs, to develop a collection of lifestyle Build-A-Bear Workshop branded products including greeting cards, scrapbook supplies, shoes, books, toys and bedding, fabric and bath accessories. We believe those products have the potential to integrate the Build-A-Bear Workshop brand into our customers' lifestyles and other play activities enhancing our brand image and keeping our brand awareness top-of-mind with our customers. In Fall 2004, an exclusive line of Build-A-Bear Workshop mini-plush toy kits and accessories from Hasbro will be featured exclusively in Target stores, a line of scrapbooking papers and accessories from Creative Imaginations will be distributed to premier scrapbooking stores and a line of activity books by HarperCollins will be distributed to select bookstores, including Amazon.com®. We believe that these licensing initiatives have the potential to expand the reach of our brand, raise brand awareness, reach shoppers in non-mall locations and increase revenues. We select partners that we believe are leaders in their respective sectors and that understand and share our strategic vision for offering customers exciting and interactive merchandise. We have policies and practices in place intended to ensure that the products manufactured under the Build-A-Bear Workshop mark adhere to our quality, value and usability standards.

Industry and Guest Demographics

While Build-A-Bear Workshop offers consumers an interactive and personalized experience, our tangible product is stuffed animals, including our flagship product, the teddy bear, a widely adored stuffed animal for over 100 years. According to data published by the International Council of Toy Industries, worldwide sales of retail plush and doll toys were over $11 billion in 2000, about 20% of the $55 billion worldwide toy industry (excluding video games) and, according to a study conducted for the Toy Industry Association, U.S. sales of retail plush and doll toys in 2003 were over $4 billion. In 2003, Playthings Magazine ranked us as the 20th largest toy retailer in the United States for 2002 based on sales.

Our Guests are very diverse, spanning broad age ranges and socio-economic categories. Major customer segments include families with children, primarily ages 3 to 12, grandparents, aunts and uncles, teen girls who occasionally bring along their boyfriends and child-centric organizations looking for interactive entertainment options such as scouting organizations and schools. Based on information compiled from our Guest database for 2003, the average age of the recipient of our stuffed animals at the time of purchase is eleven years old and children aged one to fourteen are the recipients of approximately 80% of our stuffed animals.

According to the United States Census Bureau, in 2002 there were over 60 million children age 14 and under in the United States. While the size of this population group is projected to remain relatively stable over the next decade, the economic influence of this age group is expected to increase. Based on a recent third-party publication, we believe that children's spending has doubled every ten years for the past three decades, tripling in the 1990s. Direct spending by children aged four to twelve was estimated at $2.2 billion in 1968, $4.2 billion in 1984 and $17.1 billion in 1994 and 2002 estimates placed spending by this demographic at $40 billion. By 2006, children are expected to directly spend more than $50 billion as well as influence hundreds of billions of dollars in additional family spending.

The Build-A-Bear Workshop Experience

We believe our customers, from toddlers to grandparents, associate a visit to Build-A-Bear Workshop with a hands-on, entertaining experience, a focus on quality merchandise and a fun store environment. Our stores are designed to be open and inviting with an entryway that spans that majority of our storefront with

wide aisles to accommodate families and groups. Our highly visual and colorful stores feature a teddy bear theme, displays of numerous, fully-dressed stuffed animals and custom-designed fixtures that are intended to energize our Guests and add to the overall shopping atmosphere. “Bearisms” are used selectively in our store design, such as “Beauty is in the eye of the bearholder,” “I never met a teddy I didn’t like” and “It doesn’t hurt to let your stuffing show,” in order to convey the values and culture of the Build-A-Bear Workshop brand.

Guests who visit Build-A-Bear Workshop enter a teddy-bear-themed environment consisting of eight stuffed animal-making stations. Cheerful proprietary teddy bear music plays, and the sign system is easy to read to distinguish each station and direct the Guests through the animal-making process. At each station a friendly and knowledgeable Bear Builder associate is available to explain the process.

The animal-making process is comprised of the following eight stations:

- *Choose Me:* Upon entering our stores, Guests are greeted by our First Impressions Bear who introduces our concept and our collection of furry stuffed animals. Depending on the season, we typically offer between 30 and 35 varieties of animals, including teddy bears, bunnies, dogs, kitties, a frog, a monkey, or a pony as well as a selection of limited edition Collectibear products. Fully stuffed versions of the animals are displayed along a wall so Guests can see and touch each animal before selecting an unstuffed animal, or skin, of their own.

- *Hear Me:* Guests may select from 16 sound choices to insert inside the animal, including our “Build-A-Sound” option which allows a Guest to record their own ten-second message to further personalize their animal. Pre-recorded sounds can also be selected, including giggles, barks, meows, and other animal sounds as well as songs or messages such as “I love you.”

- *Stuff Me:* With the assistance of a Bear Builder associate, the Guest pumps stuffing into the animal until it reaches the appropriate firmness and passes the Guest’s own “huggability” test. After the Guest pumps the pedal of the stuffing machine, they participate in our signature “heart ceremony” in which they make a special wish before placing the distinctive, three-dimensional, fabric heart inside the animal.

- *Stitch Me:* The Bear Builder associate sews up the back of the animal through an exclusively licensed, pre-laced system. Before closing the animal, the Bear Builder associate inserts a unique barcode into the animal. Our “Find-A-Bear” identification system allows us to reunite a missing stuffed animal with its registered owner if it is ever lost and returned to us at one of our stores.

- *Fluff Me:* Guests air wash and fluff the stuffed animal with air blowers and brushes at our “bear bath.” This step ensures the new animal is well-groomed and “paw-fectly huggable.”

- *Dress Me:* We carry a variety of clothing items, outfits, and accessories so our Guests can customize their stuffed animals. Clothing items include t-shirts with slogans such as “Hug Freely” to wear with jeans, or “Hibernities,” our exclusive sleepwear for stuffed animals. We also have more detailed, multi-piece outfits and authentic sports uniforms through our licensing partnerships with organizations such as the NBA or MLB™. Our stores associates, also known as Pawsonal Shoppers, are trained in bear fashion coordination and are on hand to help select the “pawfect” accessories such as “Bearyjane” shoes, glasses, or hats. The popularity of our Dress Me station is evidenced by the large number of transactions made by Guests returning to purchase outfits and other items for what we believe to be a previously purchased animal; this category comprised over 30% of all transactions in fiscal 2003.

- *Name Me:* Guests proceed to a computer terminal where they sit and are guided through a child-friendly program that allows them to name their animal and also register their personal information in our Find-A-Bear identification system. The animal’s name will appear on its own personalized birth certificate or storybook. Since the majority of our registrants are children 12 years of age and under, we are extremely sensitive to privacy issues and have a strict policy that governs our

database use and maintenance and do not share personally identifiable data with any third parties for marketing purposes.

- *Take Me Home:* As the new stuffed animal friend is packaged for its trip home, along with its birth certificate or story, in its very own collectible "Cub Condo," Guests can recite the "Bear Promise" to complete the experience. Clothing and accessories go home in our "Beararmoire" or "Bear Bunk Trunk." Each animal receives a "Lifetime Paw Pass" so they can return and visit our stores to be restitched, restuffed or refluffed whenever their owner wishes.

The duration of a Guest's experience can vary greatly depending on his or her desires. While most Guests choose to participate in the assembly process described above, which we believe takes an average of 45 minutes to complete, Guests can also visit a Build-A-Bear Workshop store and purchase items such as clothing, accessories, our "Bear Bucks" gift certificates or pre-made animals in only a few minutes.

Merchandising and Product Development

Through our in-house design and product development team, we have developed a coordinated, creative and broad merchandise assortment, including a variety of animals, clothing, shoes and accessories. We believe our merchandise is an integral part of our concept and that the proprietary design of many of the products we offer is a critical element of our success while the authentic and fashionable nature of our products greatly enhances our brand's appeal to our customers. Our product development team regularly monitors current fashion and culture trends in order to create products that we believe are most appealing to our Guests, often reflecting similar styling to the clothes our customers wear themselves. We test our products on an on-going basis to ensure customer demand supports order quantities. We also consult regularly with our Cub Advisory Board, which is made up of children from 8 to 18 years of age, which gives us valuable input and feedback on our merchandise. Through our focused vendor relationships, we are able to source our merchandise in a manner that is cost-effective, maximizes our speed to market and facilitates rapid reorder of our best-selling items.

There are typically fewer than 450 SKUs in our store at any one time so we intend for each item to be highly productive. Our product line typically includes approximately 30 to 35 varieties of animals to be stuffed, as well as a wide variety of other items, such as athletic uniforms, seasonal costumes and our exclusive Hibernities sleepwear collection, fun accessories, such as glasses, hats, Paw Wear, and sports equipment as well as other "Bear Stuff" accessories including backpacks, Comfy Stuff Fur-niture and camping equipment. We enhance the authentic nature of a number of our products with strategic licensing partnerships with brands that are in demand with our customers such as officially sanctioned NBA team apparel, Limited Too clothing or official Royal Canadian Mounted Police uniforms. Our clothing is inspired by human fashion and includes authentic details such as functional buttons, working pockets, belt loops, and zippers and are customized for our animals with child-friendly, easy-to-dress details such as an opening for the stuffed animal's tail and adjustable closures to help fit any size animal.

Our clothing includes:

- complete athletic uniforms, including NBA, NHL and MLB™ branded items
- casual sportswear, including branded items from Limited Too
- costumes (including various new items for holidays)
- dress up (bride, tuxedo, prom)
- Hibernities (sleepwear)
- outerwear
- T-shirts (including collegiate Tiny Tees)
- UndiBears (underwear)

Our accessories include:

- glasses and sunglasses
- “pet” accessories for stuffed dogs
- cell phones
- hats, handbags, backpacks and totes
- Paw Wear (shoes and sandals)
- slippers
- SKECHERS® shoes (under exclusive license)
- socks

Our other products include:

- camping equipment
- sports equipment (including skateboards and snowboards)
- Bear Care products
- sounds
- Comfy Stuff Fur-niture

We display examples of stuffed animals in various outfits throughout the store to give Guests ideas on how to personalize their own animal. Each animal has a Seal of Pawthenticity indicating that the stuffed animal being purchased is designed to meet our strict quality control standards. We also introduce and retire animals to keep our selection current and periodically introduce limited edition Collectibears which appeal to children as well as more serious collectors. Other collector series include “Bearemy’s Kennel Pals” in which a portion of the proceeds from the sale of each animal are paid to local animal shelters and stray pet rescue organizations across the country. Future animals to be introduced in 2004 include Elmo by Sesame Street® in partnership with Sesame Workshop and Rudolph the Red-Nosed Reindeer® by Creative Media.

The skins for our animals are produced from high quality acrylic materials, and the stuffing is made of a high-grade polyester fiber. We believe all of our products meet Consumer Product Safety Commission requirements for toys and American Society for Testing and Materials specifications for toy safety in all material respects. We periodically have samples of all items sold in our stores tested at independent laboratories for compliance with these requirements. Packaging and labels are developed for each product to communicate age grading and any special warnings which may be recommended by the Consumer Product Safety Commission.

Our products are offered at prices intended to attract Guests across a broad cross-section of income levels, with stuffed animals ranging from $10 for a cuddly 14-inch Lil Cub to $25 for a 16-inch Beary Limited Edition Leopard and other limited edition Collectibears. Outfits range in price from $8 to $15, accessories range from $1.50 to $12, and Paw Wear shoes range from $3 to $8. Our average transaction in fiscal 2003 was approximately $31. Given the high value proposition we believe we offer our Guests, we historically have not had seasonal or advertised sales events or markdowns, but we selectively use coupons and frequent shopper discounts for our most loyal Guests, as well as gift-with-purchase promotions.

In fiscal 2003, we began testing in certain markets our initial brand expansion initiative, our proprietary “Friends 2B Made” line of make-your-own dolls and related products. We believe these stuffable, poseable, huggable dolls, which are approximately fifteen inches tall with an emphasis on fashion, hair and make-up, bring to dolls what Build-A-Bear Workshop has brought to teddy bears — an opportunity for the child to participate in the creation and customization of the doll. Currently 12 varieties

of these dolls are offered from a separate display fixture in selected, existing Build-A-Bear Workshops, along with approximately 25 clothing and accessory options. This Fall we plan to open two freestanding Friends 2B Made stores adjacent to Build-A-Bear Workshop stores in Easton Town Center in Columbus, Ohio and in Robinson Town Center in Pittsburgh, Pennsylvania. We will determine the future plans for this brand after we receive comprehensive results from the test stores.

Marketing

We believe that the strength of the Build-A-Bear Workshop brand is a competitive advantage and an integral part of our strategy. Our goal is to continue to build the awareness of our brand and the recognition of our name as a destination retailer that provides experience-based shopping across a broad range of age groups and demographics.

Historically, our marketing program relied heavily on our retail store locations, word-of-mouth referrals, public relations, and direct mail campaigns to our proprietary Guest database in order to build our brand and attract new customers. After conducting market research in 2003, we concluded we had a significant opportunity to raise awareness of our brand and began developing a more integrated marketing plan that included national television advertising and online components. Starting in November 2003, we tested our new marketing program in selected, representative markets. Based on the results of the test, in February 2004 we rolled the program out on a national basis and realized an increase in every month of the first half of fiscal 2004 since the rollout, resulting in an increase of 13.8% in our comparable store sales for the period. Our advertising expenditures were $3.5 million (3.3% of total revenues) in fiscal 2001, $6.0 million (3.5% of total revenues) in fiscal 2002, $10.9 million (5.1% of total revenues) in fiscal 2003 and $7.9 million (5.8% of total revenues) for the first half of fiscal 2004.

We employ several different marketing programs to drive traffic to our stores and grow awareness of our brand. Because we have a relatively balanced quarterly business, we can benefit from advertising campaigns that run in all four quarters of the year.

Television and Online Advertising. We feel that the interactive product and experience that we offer is most effectively communicated in media such as television that offers high visual and sensory impact, particularly for new potential Guests. When we rolled out our television advertising on a national basis, we focused on a mix of children's cable programming that has high co-viewing levels for adults, particularly mothers. Online advertising supports the television messaging and is featured on popular, family-oriented websites. We believe that television and online advertising will continue to be critical in our marketing mix, particularly in our current brand building stage as we take steps to raise consumer awareness of our products and services.

Direct Mail and Email. We have over nine million unique household addresses in our database and we have developed a targeted direct mail program using purchasing history data for each household. We mail more than 14 million catalogs annually to our best Guests, typically mailing seasonal multi-page catalogs for Valentine's Day, Spring, Summer, back-to-school and Holiday. These color catalogs are typically 12 to 16 pages in length and are intended to drive traffic to our stores by featuring new merchandise offerings and announcing special events that are timely to that season. Store displays support our direct mail materials and allow us to capitalize on mall traffic while helping Guests find the featured merchandise. Specialty targeted mailings include sending a birthday card to selected Guests that includes a $5 gift certificate. Also integrated into our marketing plan is an email program which is designed to bring Guests to our stores for special events, new animal launches, new product offerings, and new store openings. Generally, the messaging is targeted to specific age groups or interest groups while reaching over two million Guests per mailing. In addition to greetings on their own birthdays, select Guests receive a greeting via email on the anniversary of the creation of each stuffed animal friend inviting them to visit the store and get a birthday gift for their furry friend.

Parties. In 2003 we hosted over 90,000 parties in our stores with nearly one million kids attending. We believe these parties typically introduce at least two of every ten party Guests to our concept for the first time. Each child receives an age appropriate "goody bag" that includes a return visit coupon as well

as a rotating offering of gifts and sampling opportunities from our partners such as Nestlé. Parties can be scheduled in our stores, online or through our Guest service center and are promoted via in-store events, local parent and family publications and direct mail to the parents of a birthday child. Nearly a half million party mailers were sent last year. Each store may also do local party promotion to schools, scout troops, day care centers and other child-centric organizations in their area.

Store Events. We have developed special in-store and in-mall events to enhance the entertainment and memorable nature of our store visits. The majority of our in-store events are created to tie into holidays and new product launches. The events generally take place over a three-day weekend and are promoted via in-store signage, Guest invitations, the website and email solicitations. Many of our returning Guests have come to anticipate these events, planning them into their family weekend activities.

Our in-store and in-mall event calendar has scheduled an average of two events per store, per month, including events such as "Furry Fashion Shows," "Bearemy's Birthday Bash," "Love Stuff Headquarters" for Valentine's Day, and the "Kooky Spooky Bear Bash" at Halloween. Our life-sized mascots, Bearemy and Pawlette Coufur are typically present at these events to entertain our Guests and promote our brand. We believe these events create a sense of community for our Guests, help increase repeat visits, and appeal to collectors of our products.

In 2004, we launched our party season in all of our stores with our Ultimate Build-A-Party store event and promotion which was tied to Leap Day. Special gifts were sent to Leap Day birthday celebrants around the United States and Canada. Each Guest with a February 29th birthday was offered a free bear and 40% of these promotional offers were redeemed in our stores. In addition, all qualifying Guests visiting our stores that weekend were given a t-shirt gift with their purchase. In two days, we gave away nearly 60,000 free t-shirts for children and adults. This promotion extended to our web site as well by encouraging Guests to vote on the components of the "ultimate party." Co-sponsored with our partners, this was our first national sweepstakes and was entered by over 45,000 Guests. We expect to leverage our national store presence with large scale events similar to the Ultimate Build-A-Party on a regular basis.

Website. Our website, *www.buildabear.com*, has averaged over 620,000 unique visitors per week in the first half of fiscal 2004, an increase of 160% over the same period in fiscal 2003. On our website, Guests can find store locations, learn about new products, view the store event calendar, play games and send e-cards. Guests can also use our online party scheduler to schedule parties on a real-time basis. For fiscal 2003, approximately 39% of our parties were booked using our online party scheduler. Our website is managed by an internal staff that keeps it current on a daily basis, maintains brand and content consistency and minimizes costs and speed of execution. We have implemented programs and policies designed to comply with the standards under the Federal Children's Online Privacy Protection Act.

Public Relations. Public relations is an important aspect of our marketing and is closely tied to our charitable programs like "Nikki's Bear", our global "Stuffed With Hugs Day" and this year's "Huggable Heroes" writing contest. We have also been featured in national and local business publications and other media. Maxine Clark, our Chief Executive Bear, has appeared in segments of the Today Show, CBS Morning Show, and other local and national broadcasts telling the Build-A-Bear Workshop story. In the twelve months ended July 31, 2004, we had over 117 million audience impressions as a result of unpaid publicity in the United States and Canada, based on quantitative results provided by media tracking companies. In 2002, to celebrate the 100th year of the teddy bear, we were invited to participate in the Macy's Thanksgiving Day Parade® and we have sponsored floats in the parade for the past two years.

Tourism Marketing. We also have high volume store locations in selected popular tourist markets such as the Downtown Disney® District at the Disneyland® Resort in Anaheim, California, Broadway at the Beach in Myrtle Beach, South Carolina, Chicago's Navy Pier and Las Vegas, Nevada. Although limited, we believe there are additional location opportunities for large tourist stores in the United States and Canada. We utilize billboards, local tourist media and radio to increase visitor traffic and, by tracking registrations in our Find-A-Bear identification database, we believe we introduce our concept to many first-time Guests through our tourist locations who then visit their local Build-A-Bear stores when they return home.

Mobile Marketing. In fiscal 2004, we created an 800 square foot temporary store that can provide the full Build-A-Bear Workshop experience, while offering a more limited line of products, which we have used selectively to promote our brand at events such as the 2004 NBA All-Star Jam Session and MLB™ All-Star FanFest events. Our main objective with our mobile store operations is to introduce more people to our brand in order to bring more traffic to our traditional mall-based locations. Our initial results for these events met our expectations and we plan to construct a mobile store in order to allow us to attend additional venues in fiscal 2005.

Licensing and Strategic Relationships

We have developed licensing and strategic relationships with some of the leading retail and cultural organizations in the United States and Canada. We believe that our customer base and our position in our industry category makes us an attractive partner and our customer research and insight allows us to focus on strategic partners that we believe are relevant to our Guests. We plan to continue to add strategic relationships on a selective basis with companies who share our vision for our brand and provide us with attractive brand-awareness, marketing and merchandising opportunities. These relationships for specific products are generally reflected in contractual arrangements for limited terms that are terminable by either party upon specified notice.

Product and Merchandise Licensing. We have key strategic relationships with select companies, including World Wildlife Fund®, SKECHERS®, the NBA, the WNBA®, MLB™, Limited Too, Disney and First Book® and, in Canada, the NHL®, Royal Canadian Mounted Police and World Wildlife Fund Canada in which we use their brands on our products sold in our stores. These strategic relationships allow both parties to generate awareness around their brands. We have relationships with groups that pursue socially responsible causes, as well as companies that have strong consumer brands, in order to respond to our Guests' interests. For example, in connection with our relationship with World Wildlife Fund, we have introduced the Giant Panda, the Beary Limited Edition Lion, Tiger, Leopard and soon, the Polar Bear. One dollar from the sale of each of these animals is paid to World Wildlife Fund. We also have an exclusive agreement with footwear retailer SKECHERS® to sell their branded shoes for our stuffed animals. Through our licensing arrangements with Limited Too, Guests can purchase outfits for their animals identical to their own outfits from Limited Too. We also license a variety of college and university logos that we sell on t-shirts for our stuffed animals.

Promotional Arrangements. We have also developed promotional arrangements with selected organizations. Our arrangements with the New York Mets, the Chicago Cubs, and the St. Louis Cardinals feature stuffed animal giveaways at each club's ballpark on a day in which our brand is highly promoted within the stadium. Player appearances by these clubs as well as the New York Liberty WNBA team draw large crowds to select store locations. We also have arrangements featuring product sampling, cross promotions and shared media with partners such as Baskin-Robbins, Macy's, Nestlé, Proctor & Gamble, and The Picture People, as well as targeted promotions with key media brands like *Nickelodeon Magazine*, Radio Disney and ABC Family.

Third Party Licensing. We have entered into a series of licensing arrangements with leading manufacturers to develop a collection of lifestyle Build-A-Bear Workshop branded products including greeting cards, scrapbook supplies, shoes, books, toys and bedding, fabric and bath accessories. We believe that each of these initiatives has the potential to enhance our brand, raise brand awareness, and drive increased revenues. We select partners that we believe are leaders in their respective sectors and that understand and share our strategic vision for offering customers exciting and interactive merchandise. We have policies and practices in place intended to ensure that the products manufactured under the Build-A-Bear Workshop brand adhere to our quality, value and usability standards. We have entered into licensing arrangements for our branded products with leading manufacturers including American Greetings, Creative Imaginations, Elan-Polo, HarperCollins, Hasbro and Springs. In Fall 2004, an exclusive line of Build-A-Bear Workshop mini-plush toy kits and accessories from Hasbro will be featured exclusively in Target stores, a line of scrapbooking papers and accessories from Creative Imaginations will be distributed

to premier scrapbooking stores and a line of activity books by HarperCollins will be distributed to select bookstores throughout the country.

Employees and Training

We are committed to providing a great experience for our diverse team of associates as well as our Guests. We have a distinctive culture that we believe encourages contribution and collaboration. We take great pride in our culture and feel it is critical in encouraging creativity, communication, and strong store performance. All store managers receive comprehensive training through our Bear University program, which is designed to promote a friendly and personable environment in our stores and a consistent experience across our stores. In fiscal 2003, we hired less than 2.5% of applicants for store manager positions. We focus on employing and retaining people who are friendly and focused on customer service. Our above average employee retention rates, based on 2003 industry data, contribute to the consistency and quality of the Guest experience. Our store teams are evaluated and compensated not only on sales results but also the results from our regular Guest satisfaction surveys. Each store has a recognition fund so that exceptional Guest service can be immediately recognized and rewarded. We are committed to providing compensation structures that recognize individual accomplishments as well as overall team success.

As of June 30, 2004, we employed approximately 660 full-time and 3,800 part-time employees. We divide our United States and Canadian store base into two geographic regions, which are supervised by our Chief Workshop Bear and two Regional Workshop Directors. Bearitory Leaders are responsible for each of our 19 bearitories consisting of between six and twelve stores. Each of our stores generally has a full-time Chief Workshop Manager and two full-time Assistant Workshop Managers in addition to hourly Bear Builder associates, most of whom work part-time. The number of part-time employees fluctuates depending on our seasonal needs. In addition to the approximately 4,260 employees at our store locations, we employ approximately 200 associates in general administrative functions at our World Bearquarters in St. Louis, Missouri. We are committed to innovation and invention and generally have confidentiality agreements with our employees and consultants. Store managers and Bearquarters associates pass specific profile assessments. None of our employees are represented by a labor union, and we believe our relationship with our employees is good.

Stores

As of July 3, 2004, we operated 157 retail stores located primarily in major malls throughout the United States and Canada. Our mall-based stores generally range in size from 2,000 to 4,000 square feet and average approximately 3,100 square feet while our tourist location stores currently range up to 6,000 square feet. Our stores are designed to be open and inviting for Guests of all ages with an entryway that spans the majority of our storefront with wide aisles to accommodate families or groups. Our typical store has an oversized “sentry bear” at the front entry and features two stuffing machines, five Name-Me computer stations, display units and flooring to enhance the customer traffic flow through the store. We select malls and make site selections within the mall based upon demographic analysis, market research, site visits and mall dynamics as well as a forecasting model that projects a potential location’s first year sales. We have identified a significant number of target sites that meet our criteria for new stores in malls and tourist locations. We seek to locate our mall-based stores near major customer entrances to or in the center of malls and adjacent to other children, teen and family retailers. After we approve a site, it typically takes approximately 23 weeks to finalize the lease, design the layout, build out the site, hire and train associates, and stock the store for opening.

We lease all of our store locations. Due to our attraction as a family-oriented “retail-tainment” destination concept with average net sales per gross square foot that, in fiscal 2003, generally exceeded the average for the malls in which we operated, we have received numerous requests from mall owners and developers to locate a Build-A-Bear Workshop store in their malls. We believe that we generally have negotiated favorable exclusivity provisions in our leases.

Most of our leases have an initial term of ten years. A number of our leases provide a lease termination or "kick out" option to either party in a pre-determined year, typically the third or fourth year of the lease, if we do not meet certain agreed upon minimum sales levels. In addition, our leases typically require us to pay personal property taxes, our pro rata share of real property taxes of the shopping mall, our own utilities, repairs and maintenance in our store, a pro rata share of the malls' common area maintenance and, in some instances, merchant association fees and media fund contributions. Most of our leases also require the payment of a fixed minimum rent as well as percentage rent based on sales in excess of agreed upon minimum annual sales levels.

Following is a list of our 157 stores in the United States and Canada by state and province as of July 3, 2004:

State	Number of Stores
Alabama	1
Arizona	3
Arkansas	1
California	13
Colorado	4
Connecticut	3
Delaware	1
Florida	7
Georgia	5
Illinois	6
Indiana	4
Iowa	1
Kansas	2
Kentucky	2
Louisiana	1
Maryland	4
Massachusetts	6
Michigan	3
Minnesota	1
Missouri	3
Nebraska	1
Nevada	3
New Hampshire	2
New Jersey	11
New York	10
North Carolina	5
Ohio	7
Oklahoma	2
Oregon	2
Pennsylvania	8
South Carolina	2
Tennessee	5
Texas	11
Utah	2
Virginia	6
Washington	3
Wisconsin	2
Province	
British Columbia	1
Alberta	2
Ontario	1

International Franchises

In 2003, we began to expand the Build-A-Bear Workshop brand outside of the United States, opening our own stores in Canada and our first franchised location in the United Kingdom. Currently we intend to only franchise locations outside the United States and Canada. As of July 3, 2004, there were five Build-A-Bear Workshop franchised stores located in the United Kingdom, Japan, South Korea and Denmark. All of our non-U.S. and Canadian stores are operated by third party franchisees under master franchise agreements covering each country. All such franchised stores have similar signage, store layout and merchandise characteristics to our stores in the United States and Canada. Our goal is to partner with well-capitalized franchisees that have expertise in retail operations and real estate in their respective country. We approve all franchisees' orders for merchandise and have oversight of their operational and business practices in an effort to ensure they are in compliance with our standards. We intend to open additional franchised stores in the countries where we currently operate as well as several additional countries, including France and Australia.

Sourcing and Inventory Management

We do not own or operate any manufacturing facilities. Our animal skins, stuffing, clothing and accessories are produced by companies located primarily in China. We purchased approximately 80% of our inventory in fiscal 2001, approximately 74% in fiscal 2002 and approximately 76% in fiscal 2003 from two vendors. After specifying the details and requirements for our products, our vendors contract orders with manufacturing companies in Asia that are approved by us based on our quality control and labor standards. Our relationships with our vendors generally are on a purchase order basis and do not provide a contractual obligation to provide adequate supply, quality or acceptable pricing on a long-term basis.

Since our inception, we have significantly increased our inventory and supply chain management efficiencies. The average time from the beginning of production to arrival of the products into our stores is approximately 90 to 120 days. Our weekly tracking and reporting tools give us the capabilities to promptly adjust to shifts in demand and help us to negotiate prices with our vendors. Through a regular analysis of selling trends, we periodically update our product assortment by increasing productive styles and eliminating less productive SKUs. Our distribution centers provide further logistical efficiencies for delivering merchandise to our stores.

Distribution and Logistics

A third-party provider warehouses a large portion of our merchandise at a 200,000 square foot distribution center in St. Louis, Missouri under an agreement that expires on March 31, 2005. We also have smaller third-party distribution centers in Toronto, Canada under a lease that expires on March 31, 2005 and Los Angeles, California under a lease that expires on February 24, 2005. All items in our assortment are eligible for distribution, depending on allocation and fulfillment requirements, and we typically distribute merchandise and supplies to each store once per week on a regular schedule which allows us to consolidate shipments in order to reduce distribution and shipping costs. Store shipments from our third-party distribution centers are scheduled throughout the week in order to smooth workflow and are grouped in a way to reduce freight expense by distributing to stores that are part of the same shipping route at the same time.

Distribution from the warehouses to the stores is managed by several third-party logistics providers. Merchandise is ground-shipped to one of 55 third-party pool points which then deliver merchandise to the stores on a pre-arranged schedule. Back-up supplies, such as Cub Condo carrying cases and stuffing for the animals, are often stored in limited amounts at these local pool points.

Management Information Systems and Technology

Management information systems are a key component of our business strategy and we are committed to utilizing technology to enhance our competitive position. Our information and operational systems utilize a broad range of both purchased and internally developed applications which support our Guest relationships, marketing, financial, retail operations, real estate, merchandising, and inventory management processes. The systems are accessed over a company-wide network providing our employees with access to our key business applications. Sales and daily deposit information is collected from the stores' point-of-sale terminals on a daily basis as well as customer information from our Name-Me system and is used to support key decisions in all areas including merchandising, allocation, and operations.

We have developed and maintain proprietary software including domestic and international versions of our Name Me kiosk, Find-A-Bear identification, and our party scheduling systems. We have also filed an application for patent protection in the U.S. and Canada for the party scheduling system. Over the next several years we are improving our operations by installing an integrated point-of-sale system and new e-commerce software for our website, enhancing our intranet and extranet and implementing a new merchandise planning application. We regularly evaluate both tactical and strategic information technology initiatives to help support our growth and develop our business. Over the next several years, we also plan to replace or modify certain other systems. Our critical systems are reviewed on a regular basis to evaluate disaster recovery plans and the security of our systems.

Competition

We view our Build-A-Bear Workshop experience as a distinctive combination of entertainment and retail. Because we are mall-based, we see our competition as those mall-based retailers that vie for prime mall locations, including various apparel, footwear and specialty retailers. We also compete with toy retailers, such as Wal-Mart, Toys "R" Us, Kmart and Target and other discount chains, as well as with a number of companies that sell teddy bears in the United States, including, but not limited to, Ty, Fisher Price, Mattel, Russ Berrie, Applause, Boyd's, Hasbro, Commonwealth, Gund and Vermont Teddy Bear. Since we sell a product that integrates merchandise and experience, we also view our competition as any company that competes for our Guests' time and entertainment dollars, such as movie theaters, amusement parks and arcades, and other mall-based entertainment venues.

We are aware of several small companies that operate "create your own" teddy bear and stuffed animal stores or kiosks in retail locations, but we believe none offers the breadth and depth of the Build-A-Bear Workshop experience or operates as a national retail company.

We believe one of our competitive advantages is our ability to provide high-quality products to our Guests in a fun, family-friendly, service-oriented environment and that we compete on the following bases:

- offering a highly satisfying overall shopping experience;
- store environment and ambiance;
- Guest service;
- location;
- product presentation;
- product quality and selection, including licensed products from brands such as Limited Too, the NBA, the NHL®, MLB™, SKECHERS® and Disney; and
- price.

Many of our competitors have longer operating histories, significantly greater financial, marketing and other resources, and greater name recognition than we do. We cannot assure you that we will be able to compete successfully with them in the future, particularly in geographic locations that represent new markets for us.

Non-Store Properties

In addition to leasing all of our store locations, we lease approximately 23,500 square feet for our Bearquarters in St. Louis, Missouri under a lease and a separate sublease. The lease, which covers approximately 8,500 square feet, has approximately four years remaining, which we can extend for an additional five years. The sublease, which covers approximately 15,000 square feet, also has four years remaining, which we can extend for an additional five years. We also lease approximately 8,000 square feet in St. Louis, Missouri for our web fulfillment site. This lease has approximately one year remaining. We are currently negotiating a new lease to replace the lease and sublease.

Intellectual Property and Trademarks

As of July 3, 2004, we had obtained over 140 U.S. trademark registrations, including Build-A-Bear Workshop® for stuffed animals and accessories for the animals, retail store services and other goods and services, over 30 issued U.S. patents and over 100 copyright registrations. In addition, we have over 100 U.S. trademark and eight U.S. patent applications pending.

We believe our copyrights, service marks, trademarks, trade secrets, patents and similar intellectual property are critical to our success, and we intend, directly or indirectly, to maintain and protect these marks and, where applicable, license the intellectual property and the registrations for the intellectual property. We rely on trademark, copyright and other intellectual property law to protect our proprietary

rights to the extent available in any relevant jurisdiction. We also depend on trade secret protection through confidentiality and license agreements with our employees, customers, partners, subsidiaries and others. We may not have agreements containing adequate protective provisions in every case, and the contractual provisions that are in place may not provide us with adequate protection in all circumstances. Any infringement or misappropriation of our intellectual property rights or breach of our confidentiality or license agreements could result in significant litigation costs, and any failure to adequately protect our proprietary rights could result in our competitors offering similar products, potentially resulting in loss of one or more competitive advantages and decreased revenues. In addition, intellectual property litigation or claims could force us to do one or more of the following: cease selling or using any of our products that incorporate the challenged intellectual property, which would adversely affect our revenue; obtain a license from the holder of the intellectual property right alleged to have been infringed, which license may not be available on reasonable terms, if at all; and redesign or, in the case of trademark claims, rename our products to avoid infringing the intellectual property rights of third parties, which may not be possible and time-consuming if it is possible to do so.

Despite our efforts to protect our intellectual property rights, intellectual property laws afford us only limited protection. A third party could copy or otherwise obtain information from us without authorization. Accordingly, we may not be able to prevent misappropriation of our intellectual property or to deter others from developing similar products or services. Further, monitoring the unauthorized use of our intellectual property is difficult. Litigation has been and may continue to be necessary to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Litigation of this type could result in substantial costs and diversion of resources, may result in counterclaims or other claims against us and could significantly harm our results of operations. In addition, the laws of some foreign countries do not protect our proprietary rights to the same extent as do the laws of the United States.

We also conduct business in foreign countries to the extent our merchandise is manufactured or sold outside the United States and have opened stores outside the United States in the past two years, either directly or indirectly through franchisees. We filed, obtained or plan to file for registration of marks in foreign countries to the degree necessary to protect these marks, although our efforts may not be successful and further there may be restrictions on the use of these marks in some jurisdictions.

Legal Proceedings

From time to time we are involved in ordinary routine litigation common to companies engaged in our line of business. We are involved in several court actions seeking to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. As of the date of this prospectus, we are not involved in any pending legal proceedings that we believe would be likely to have a material adverse effect on our financial condition or results of operations.

MANAGEMENT

Executive Officers, Directors and Key Employees

Set forth below is the name, age, position and a brief account of the business experience of each of our executive officers, directors and key employees as of July 3, 2004. All of our directors were elected pursuant to the terms of a stockholders' agreement. The stockholders' agreement will terminate upon the closing of the offering. See "Certain Relationships and Related Party Transactions — Agreements with Investors."

Name	Age	Position(s)
Maxine Clark	55	Chief Executive Bear and Chairman of the Board
Barry Erdos	60	President and Chief Operating Officer Bear
John Burtelow	56	Chief Banker Bear
Tina Klocke	44	Chief Financial Bear, Treasurer and Secretary
Teresa Kroll	50	Chief Marketing Bear
Scott Seay	42	Chief Workshop Bear
Barney Ebsworth	70	Director
James Gould	55	Director
William Reisler	48	Director
Frank Vest, Jr.	57	Director

Maxine Clark has been our Chief Executive Bear since our inception in 1997, our President from our inception in 1997 to April 2004 and has served as Chairman of our board of directors since our conversion to a corporation in April 2000. From November 1992 until January 1996, Ms. Clark was the President of Payless ShoeSource, Inc. Prior to joining Payless, Ms. Clark spent over 19 years in various divisions of The May Department Stores Company in areas including merchandise development, merchandise planning, merchandise research, marketing and product development. Ms. Clark is a member of the Board of Directors of The J.C. Penney Company, Inc. She also serves on the Board of Trustees of the International Council of Shopping Centers and Washington University in St. Louis and on the Board of Directors of BJC Healthcare. Ms. Clark is also a member of the Committee of 200, a leading organization for women entrepreneurs around the world.

Barry Erdos has been our President and Chief Operating Officer Bear since April 2004. Prior to joining us, Mr. Erdos was the Chief Operating Officer and a director of Ann Taylor Stores Corporation and Ann Taylor Inc., a women's apparel retailer, from November 2001 to April 2004. He was Executive Vice President, Chief Financial Officer and Treasurer of Ann Taylor Stores Corporation and Ann Taylor Inc. from 1999 to 2001. Prior to that, he was Chief Operating Officer of J. Crew Group, Inc., a specialty retailer of apparel, shoes and accessories, from 1998 to 1999.

John Burtelow has been our Chief Banker Bear since July 2001. Prior to joining us, Mr. Burtelow was the Chief Financial Officer, Executive Vice President and Chief Administrative Officer for Edison Brothers Stores, Inc. from January 1998 to September 1999. Edison Brothers Stores, Inc. filed a petition for reorganization under Chapter 11 of the Federal bankruptcy laws on November 3, 1995 and emerged from bankruptcy protection in September 1997. Edison Brothers refiled for bankruptcy on March 9, 1999 and immediately commenced a liquidation of all its assets. Mr. Burtelow also served as Executive Vice President-Chief Financial Officer for Ames Department Stores, Inc. from August 1994 to January 1998, for Venture Stores, Inc. from 1989 to 1994, and for several divisions of The May Department Stores Company from 1987 to 1989.

Tina Klocke has been our Chief Financial Bear, since November 1997 our Treasurer since April 2000, and Secretary since February 2004. Prior to joining us, she was the Controller for Clayton Corporation, a manufacturing company, where she supervised all accounting and finance functions as well as human resources. Prior to joining Clayton in 1990, she was the controller for Love Real Estate Company, a

diversified investment management and development firm. She began her career in 1982 with Ernst & Young LLP.

Teresa Kroll has been our Chief Marketing Bear since September 2001. Prior to joining us Ms. Kroll was Vice President–Advertising for The WIZ, a unit of Cablevision, from 1999 to 2001. From 1995 to 1999, Ms. Kroll was Director of Marketing for Montgomery Ward Holding Corp., a department store retailer. From 1980 to 1994 Ms. Kroll held various administrative and marketing positions for Venture Stores, Inc.

Scott Seay has been our Chief Workshop Bear since May 2002. Prior to joining us, Mr. Seay was Chief of Field Operations for Kinko's Inc., a national chain of copy centers, from April 1999 to May 2002. From April 1991 to April 1999, Mr. Seay held several operational roles including Senior Vice President of Operations West for CompUSA Inc., a computer retailer. From April 1983 to April 1991, Mr. Seay held several operational positions for The Home Depot, Inc.

Barney Ebsworth has served on our board of directors since our conversion to a corporation in April, 2000 and served on an advisory board to our predecessor entity prior to that time. Mr. Ebsworth is the founder, Chairman, President and CEO of Windsor, Inc., formed in 1979 for the purpose of providing financing for venture capital, real estate and other investments. Mr. Ebsworth was the founder, Chairman, President and CEO of INTRAV, a general agency formed in 1959 for the purpose of selling travel to individuals and businesses, until the company was sold in 1999. Mr. Ebsworth also founded Royal Cruise Line and Clipper Cruise Line in 1972 and 1981, respectively. He was the Chairman, President and CEO of those companies from inception to the time they were sold in 1986 and 1997, respectively. Mr. Ebsworth is also a Trustee of the St. Louis Art Museum and the Seattle Art Museum, a Commissioner of The American Art Museum and Smithsonian Institute and a member of the Trustees Council and Co-Chairman of Collectors Committee of the National Gallery of Art, Washington D.C.

James Gould has served on our board of directors since our conversion to a corporation in April 2000, and served on an advisory board to our predecessor entity prior to that time. Mr. Gould is a Managing General Partner of The Walnut Group, a group of affiliated venture capital funds, and has held that position since 1994. He is also the Managing Member of Gould Venture Group V, LLC, a diversified financial concern, and Managing Member and Principal Owner of Management One LLC, a firm he founded that represents professional athletes. Mr. Gould has served on numerous boards including Prevent Child Abuse America, Camp BrightLight in partnership with the YMCA and the Cincinnati Ballet Company.

William Reisler has served on our board of directors since our conversion to a corporation in April 2000, and served on an advisory board to our predecessor entity prior to that time. Mr. Reisler is a Co-Founder and has been a Managing Partner of Kansas City Equity Partners, a private equity firm, since 1993. His investment focus is primarily in consumer and retail sectors. His corporate experience includes development of new products for Hallmark Cards, Inc. He is a former Chairman of the National Association of Small Business Investment Companies, a venture capital trade association. He is currently a member of the Board of Directors of Organized Living, Inc. and Three Dog Bakery, Inc.

Frank Vest, Jr. has served on our board of directors since our conversion to a corporation in April 2000. Mr. Vest has been a Partner and Managing Director of Catterton Partners IV Management Company, L.L.C., Catterton Partners Management Company, L.L.C. and Catterton Partners Corporation since 1993; President of The Catterton Group, Inc. since 1984; and a Manager/ General Partner of Catterton Capital Management, L.L.C., Odyssey Limited Partnership and Anthony Woods, L.L.C. since 1990. Mr. Vest is also currently a member of the Board of Directors of Tabi International, Inc. (Canada).

Directors' Terms

Currently, we have authorized a seven member board of directors. The following six individuals serve on the board pursuant to a stockholders' agreement that will terminate upon the completion of this offering:

- one director who has been selected by the Barney A. Ebsworth Revocable Trust dated July 23, 1986 so long as it owns at least 50% of its originally acquired preferred stock of the company and so long as it elects either Barney A. Ebsworth or his daughter, Christiane Ebsworth Ladd, currently Barney Ebsworth;
- one director who has been selected by Walnut Capital Partners, L.P. and Walnut Investment Partners, L.P. so long as they own at least 50% of their originally acquired preferred stock of the company, currently James Gould;
- one director who has been selected by KCEP Ventures II, L.P. so long as it owns at least 50% of its originally acquired preferred stock of the company, currently William Reisler;
- one director who has been selected by Catterton Partners IV, L.P., Catterton Partners IV-A, L.P., Catterton Partners IV-B, L.P., Catterton Partners IV Offshore, L.P. and Catterton Partners IV Special Purpose, L.P. (collectively, "Catterton Partners") so long as they own at least 50% of their originally acquired preferred stock of the company, currently Frank Vest, Jr.; and
- two directors who have been selected by Smart Stuff, Inc. so long as one such director will be Maxine Clark.

Our amended and restated certificate of incorporation to be effective upon completion of this offering provides that, as of the first annual meeting of stockholders, our board of directors will be divided into three classes, each with staggered three-year terms. As a result, only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms. Maxine Clark has been designated as a Class I director, and her term will expire at the 2005 annual meeting of stockholders; Messrs. Barney Ebsworth and William Reisler have been designated as Class II directors, and their terms will expire at the 2006 annual meeting of stockholders; and Messrs. James Gould and Frank Vest have been designated as Class III directors, and their terms will expire at the 2007 annual meeting of stockholders. Currently, all our directors hold office until the next annual meeting of stockholders or until their successors are duly qualified.

Director Fees

We pay our non-management directors not affiliated with significant stockholders $2,500 per meeting of the board of directors and $1,000 per committee meeting and are granted an option to purchase 2,500 shares upon joining our board and are annually granted an option to purchase 5,000 shares under our 2002 Stock Incentive Plan. Additionally, in May 2004, we paid a $68,250 bonus to one of our former directors, who was neither an officer nor affiliated with a significant stockholder. We do not pay any fees to our directors affiliated with significant stockholders or who serve as officers of the company. In the future, we intend to compensate our non-employee directors in an amount which we believe is consistent with amounts paid by comparable public companies. There are no family relationships among our directors and officers. We reimburse our directors for reasonable travel expenses related to board matters.

Board Committees

We have established an audit committee consisting of Frank Vest, Jr., who chairs the committee, James Gould and William Reisler. The audit committee is governed by a written charter which will be reviewed, and amended if necessary, on an annual basis. Under the charter, the audit committee will meet at least four times a year and will be responsible for reviewing the independence, qualifications and quality control procedures of our independent auditors, and will be responsible for recommending the initial or continued retention, or a change in, our independent auditors. In addition, the audit committee will be

required to review and discuss with our management and independent auditors our financial statements, our annual and quarterly reports and the auditor's attestation of management's evaluation of our internal controls, as well as the quality and effectiveness of our internal control procedures and critical accounting policies and significant regulatory or accounting initiatives and prepare the audit committee report required to be included in our annual proxy statement. The committee will be required to discuss with management earnings press releases, information provided to rating agencies and our major financial risk exposures. The audit committee's charter also will require the audit committee to establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal control or auditing matters, approve the audit plan and staffing of the internal audit department, report regularly to the board regarding its activities and perform an annual self-evaluation of committee performance. The audit committee will be required to have at least one member who qualifies as an audit committee financial expert, as defined by the rules of the Securities and Exchange Commission.

We have also established a compensation committee consisting of Mr. William Reisler, who serves as chairman, and Messrs. Gould and Vest. The compensation committee will be responsible for making recommendations to the board of directors regarding compensation arrangements for our executive officers, including goals and annual bonus compensation, and consults with our management regarding compensation policies and practices. The compensation committee will also make recommendations concerning the adoption of any compensation plans in which management is eligible to participate, including the granting of stock options or other benefits under those plans. The committee will be also required to oversee management succession, prepare the committee's report to be included in our proxy statement, report regularly to the board regarding its activities, review and reassess the adequacy of its charter on an annual basis and conduct an annual self-evaluation of committee performance.

We have also established a nominating and corporate governance committee consisting of Mr. Gould, who serves as chairman, and Messrs. Reisler and Vest. The nominating and corporate governance committee will submit to the board of directors a proposed slate of directors for submission to the stockholders at our annual meeting, recommend director candidates in view of pending additions, resignations or retirements, develop criteria for the selection of directors, review suggested nominees received from stockholders and other and review corporate governance policies and recommend changes to the full board of directors. In addition, the committee will be required to oversee the structure and operations of the board, oversee director orientation and training, oversee and periodically review our corporate governance rules and policies and ethics codes, oversee the annual board and committee self-evaluation process, report regularly to the board regarding its activities, review and reassess the adequacy of its charter on an annual basis and conduct an annual self-evaluation of committee performance.

EXECUTIVE COMPENSATION

The following table sets forth certain information concerning the compensation of our Chief Executive Bear and President and each of our other four most highly compensated current executive officers during the fiscal year ended January 3, 2004. We have also included information for our fifth most highly compensated executive officer. We refer to these persons as the "named executive officers" elsewhere in this prospectus.

Summary Compensation Table

		Annual Compensation			Long-Term Compensation Awards			
Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation	Restricted Stock Awards	Stock Options/ SARs	Long-Term Incentive Payouts	All Other Compensation(1)
Maxine Clark Chief Executive Bear	2003	$309,222	—	—	—	36,234	—	$4,295
John Burtelow Chief Banker Bear	2003	193,242	—	—	—	20,000	—	3,622
Tina Klocke Chief Financial Bear, Treasurer and Secretary	2003	182,307	—	—	—	25,000	—	3,546
Teresa Kroll Chief Marketing Bear	2003	204,273	—	—	—	20,000	—	3,686
Scott Seay Chief Workshop Bear	2003	295,974	—	—	—	20,000	—	1,833
Harold Brooks Former Chief International Bear(2)	2003	251,189	—	—	—	20,000	—	—
Brian Vent Former Chief Operating Bear and Secretary(3)	2003	246,006	—	—	—	30,000	—	4,295

(1) Consists of company contributions to our 401(k) plan (Clark — $2,500; Burtelow — $2,500; Klocke — $2,500; Kroll — $2,500; Seay — $38; and Vent — $2,500) and premiums paid for long-term disability insurance (Clark — $1,795; Burtelow — $1,122; Klocke — $1,046; Kroll — $1,186; Seay — $1,795; and Vent — $1,795).

(2) Mr. Brooks resigned as Chief International Bear effective December 5, 2003.

(3) Mr. Vent resigned as Chief Operating Bear and Secretary effective January 31, 2004. See "— Employment and Separation Agreements."

Stock Option Awards

The following table sets forth certain information with respect to stock options granted to each of our named executive officers during the fiscal year ended January 3, 2004.

Option Grants in Fiscal 2003

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
Name	Number of Securities Underlying Options Granted	Percentage of Total Options Granted in Fiscal 2003 (%)	Exercise Price or Base Price ($/Sh)	Expiration Date	5%	10%
Maxine Clark	36,234	13.3%	$9.10	4/24/2013	$207,259	$525,393
John Burtelow	20,000	7.4	9.10	4/24/2013	114,459	290,061
Tina Klocke	25,000	9.2	9.10	4/24/2013	143,074	362,576
Teresa Kroll	20,000	7.4	9.10	4/24/2013	114,459	290,061
Scott Seay	20,000	7.4	9.10	4/24/2013	114,459	290,061
Harold Brooks	20,000	7.4	9.10	4/24/2013	114,459	290,061
Brian Vent	30,000	11.1	9.10	4/24/2013	143,074	435,092

All options to these executive officers in fiscal 2003 were granted under our 2002 Stock Incentive Plan. The percentage of total options is based on an aggregate of 271,484 shares granted to employees in fiscal 2003. Shares vest at the rate of 25% per year over a four year period from the date of grant. Vesting of the options is accelerated upon the optionee's disability or death and upon a change of control of the company (as defined in the option agreement) or upon a public offering of our common stock. Accordingly, all outstanding options will vest and become exercisable upon completion of this offering. All option grants have a term of ten years but may terminate before their expiration dates if the optionee's status as an employee is terminated. The option grants contain restrictions on transfer of the stock purchased upon exercise of the options, but such restrictions lapse upon a public offering of our common stock.

The exercise price on the date of each grant was equal to at least 100% of the fair market value on the date of grant, as determined by our compensation committee.

With respect to the amounts disclosed in the column captioned "Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term," the 5% and 10% assumed annual rates of compounded stock price appreciation are mandated by rules of the Securities and Exchange Commission for illustrative purposes only and do not represent our estimate or projection of our future common stock prices. The dollar amounts under the columns represent the potential realizable value of each grant assuming that the market price of the underlying security at the grant date appreciates at the indicated rate for the entire term of the option, and that the option is exercised at the exercise price and sold on the last day of the option term at the appreciated price. Actual gains, if any, on stock option exercises are dependent on the future performance of our common stock and overall stock market conditions. The amounts reflected in the table may not necessarily be achieved.

Stock Option Exercises and Holdings

The following table sets forth information with respect to each of our named executive officers concerning their unexercised options held on January 3, 2004. No options were exercised during fiscal 2003. All options listed become fully exercisable upon the completion of this offering.

The value of "in-the-money" stock options represents the positive spread between the exercise price of stock options and the fair market value of the options, based upon an assumed public offering price of $ per share minus the exercise price per share.

Name	Options Exercised		Number of Securities Underlying Unexercised Options Held at January 3, 2004		Value of Unexercised, In-the-Money Options at January 3, 2004	
	Shares Acquired	Value Realized	Exercisable	Unexercisable	Exercisable	Unexercisable
Maxine Clark	—	—	209,889	176,160		
John Burtelow	—	—	12,000	28,000		
Tina Klocke	—	—	122,800	40,200		
Teresa Kroll	—	—	12,000	28,000		
Scott Seay	—	—	6,250	38,750		
Harold Brooks	—	—	—	—		
Brian Vent	—	—	246,200	60,800		

Compensation Committee Interlocks and Insider Participation

Our compensation committee currently consists of Messrs. Reisler, Gould and Vest. No member of the compensation committee has served as one of our officers or employees at any time. Mr. Reisler, one of our directors, serves on the board of directors and as the Chairman of Three Dog Bakery, Inc. Mr. Reisler and Maxine Clark, our founder and Chief Executive Bear, each serve on the compensation committee of this entity. Other than the relationship described in the preceding sentence, none of our executive officer serves as a member of the board of directors or compensation committee of any other company that has one or more executive officers serving as a member of our board of directors or compensation committee. Messrs. Reisler, Gould and Vest and a former member, Mr. Ebsworth, were participants in various financing transactions with us, as described under "Certain Relationships and Related Party Transactions."

Limitations on Liability and Indemnification

The amended and restated bylaws which will be in effect upon completion of this offering provide that we will indemnify our directors and officers, and may indemnify our employees and other agents, to the fullest extent permitted by the General Corporation Law of the State of Delaware. We currently have a directors' and officers' liability insurance policy that insures such persons against the costs of defense, settlement or payment of a judgment under certain circumstances. We believe that these indemnification and liability provisions are essential to attracting and retaining qualified persons as officers and directors.

We intend to enter into indemnification agreements with our directors and executive officers. Under these agreements, we would be required to indemnify them against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred, in connection with any actual, or any threatened, proceeding if any of them may be made a party because he or she is or was one of our directors or officers. We are obligated to pay these amounts only if the officer or director acted in good faith and in a manner that he or she reasonably believed to be in or not opposed to our best interests. With respect to any criminal proceeding, we are obligated to pay these amounts only if the officer or director had no reasonable cause to believe that his or her conduct was unlawful. The indemnification agreements also set forth procedures that will apply in the event of a claim for indemnification thereunder.

In addition, the amended and restated certificate of incorporation which will be in effect upon completion of this offering provides that the liability of our directors for monetary damages will be eliminated to the fullest extent permissible under the General Corporation Law of the State of Delaware. This provision in our amended and restated certificate of incorporation does not eliminate a director's duty of care, and, in appropriate circumstances, equitable remedies such as an injunction or other forms of non-monetary relief would remain available. Each director will continue to be subject to liability for any breach of the director's duty of loyalty to us, for acts or omissions not in good faith or involving intentional

misconduct or knowing violations of law, for acts or omissions that the director believes to be contrary to our best interests or our stockholders, for any transaction from which the director derived an improper personal benefit, for improper transactions between the director and us, and for improper distributions to stockholders and loans to directors and officers. This provision also does not affect a director's responsibilities under any other laws, such as the federal securities laws or state or federal environmental laws.

Employment and Separation Agreements

Employment agreements. We have employment agreements with Maxine Clark, our Chief Executive Bear, Barry Erdos, our President and Chief Operating Officer Bear and our named other executive officers, as follows: Scott Seay, Tina Klocke, Teresa Kroll and John Burtelow.

Ms. Clark's agreement has an initial term of five years from May 1, 2004 and renews from year-to-year thereafter. The agreement may be terminated by us prior to the end of the term upon death, disability, for cause (as defined in the agreement) or, following the initial term, without cause. Ms. Clark may terminate the agreement in the event we materially breach the agreement and fail to cure such breach within 30 days after notice thereof. If Ms. Clark terminates her employment for good reason (as defined in the agreement), or if we terminate her employment without cause after the initial term, we are obligated to continue her base salary for a period of months after her termination, such payments to be reduced by any amount received from a subsequent employer. As compensation for her services, Ms. Clark will receive an annual base salary of not less than , which will be reviewed annually and be commensurate with similarly situated executives with firms similarly situated to us. Ms. Clark's salary must be increased annually by no less than the average percentage increase given to all of our other executive employees during the year preceding the increase. If we exceed certain performance objectives agreed upon annually by Ms. Clark and our board of directors, Ms. Clark will receive an annual bonus of up to of her annual salary for the current fiscal year, payable in either cash, stock options or a combination thereof. For subsequent fiscal years, Ms. Clark will be eligible for bonuses which, if achieved, will cause her to be our highest paid employee. The compensation committee of our board of directors will determine the amount and form of the bonuses. Ms. Clark's agreement also provides for an award of 36,234 shares of our stock pursuant to our 2000 Stock Option Plan or our 2002 Stock Incentive Plan (or any successor plan). Ms. Clark will also receive an automobile allowance and such other perquisites and benefits as we may award her from time to time. The agreement also requires us to maintain life insurance on Ms. Clark in the amount of $2 million under which we are the beneficiary.

Mr. Erdos' agreement has an initial term of three years from April 26, 2004 and renews from year-to-year thereafter. The agreement may be terminated by us prior to the end of the term upon death, disability, for cause (as defined in the agreement) or without cause. Mr. Erdos may terminate the agreement in the event we materially breach the agreement, the nature and scope of his authority, power, function or duty is significantly diminished, or he is relocated more than 100 miles from St. Louis without consent; provided we do not cure the breach after 30 days' notice thereof. If Mr. Erdos terminates his employment for good reason (as defined in the agreement), we are obligated to continue his base salary for a period of months after termination (unless termination occurs during the first twelve months of the agreement, in which case we will continue to pay his base salary for months after termination), such payments to be reduced by any amounts received from a subsequent employer. As compensation for his services, Mr. Erdos will receive an annual base salary of not less than , which rate will be reviewed annually by the compensation committee of our board of directors and will be commensurate for similarly situated executives with firms similarly situated to us. If Mr. Erdos' individualized performance targets are achieved, his salary will be increased annually by no less than the average percentage increase given to all of our other executive employees during that fiscal year. If we exceed certain performance objectives for any fiscal year, Mr. Erdos will receive an annual bonus of up to of his annual base pay for such fiscal year, payable in either cash, stock, stock options or a combination thereof; provided that Mr. Erdos' bonus for fiscal 2004 will not be less than $. We also paid $150,000 to Mr. Erdos as a relocation allowance.

We also entered into an Incentive Stock Option Agreement with Mr. Erdos pursuant to our 2002 Stock Option Plan. Under the agreement, we granted Mr. Erdos the option to purchase up to 100,000 shares of our common stock for a period of 10 years, at the purchase price of $8.78 per share, subject to certain restrictions. However, these restrictions do not apply in the event we undergo a change of control or a public offering (as such terms are defined in the agreement). In the event Mr. Erdos desires to transfer his shares pursuant to a bona fide purchase offer, we have a right of first refusal to purchase any and all such shares.

Ms. Klocke's agreement has an initial term of three years from March, 2004 and renews from year-to-year thereafter. The agreement may be terminated by us prior to the end of the term upon death, disability, for cause (as defined in the agreement) or without cause. Ms. Klocke may terminate the agreement in the event we materially breach the agreement or we relocate Ms. Klocke to a location more than 100 miles from St. Louis and fail to cure such breach after notice thereof. If Ms. Klocke terminates her employment for good reason (as defined in the agreement), we are obligated to continue her base salary for a period of months after her termination, such payments to be reduced by any amounts received from a subsequent employer. As compensation for her services, Ms. Klocke will receive an annual base salary at a rate not less than which rate will be reviewed annually and be commensurate with similarly situated executives with firms similarly situated to us. If Ms. Klocke's individualized performance targets are achieved, her salary must be increased annually by no less than the average percentage increase given to all of our other executive employees during that fiscal year. If we exceed certain performance objectives agreed upon annually by Ms. Klocke and our board of directors, Ms. Klocke will receive an annual bonus of up to of her annual base salary, payable in either cash, stock, stock options or a combination thereof. Ms. Klocke's agreement also provides for an award of options to purchase 163,000 shares of our stock pursuant to our 2000 Stock Option Plan and any option agreements used in connection with the plan. For 2004, Ms. Klocke also has options to purchase an additional 25,000 shares pursuant to our 2002 Stock Option Plan and any applicable option agreements.

Ms. Kroll's agreement has an initial term of one year from September 10, 2003 and renews from year-to-year thereafter. The agreement may be terminated by us prior to the end of the term upon death, disability, or for cause (as defined in the agreement) or without cause. Ms. Kroll may terminate the agreement in the event we materially breach the agreement and fail to cure such breach within thirty days after notice thereof. As compensation for her services, Ms. Kroll will receive an annual base salary at a rate not less than , which rate will be reviewed annually by the compensation committee of our board of directors and will be commensurate with similarly situated executives with firms similarly situated to us. If Ms. Kroll meets her individualized performance targets, Ms. Kroll's salary must be increased annually by no less than the average percentage increase given to all of our other executive employees during the year preceding the increase. If we exceed certain performance objectives, Ms. Kroll will receive an annual bonus of up to of her annual salary, payable in either cash, stock options or a combination thereof. Ms. Kroll and our board of directors will determine the amount and form of the bonus. Under the agreement, we also paid Ms. Kroll a $10,000 signing bonus. Ms. Kroll's agreement also provides for an award of options to purchase 20,000 shares of our stock pursuant to our 2000 Stock Option Plan.

Mr. Seay's agreement has an initial term of three years from March, 2004 and renews from year-to-year thereafter. The agreement may be terminated by us prior to the end of the term upon Mr. Seay's death, upon 30 days' prior written notice for disability, or for cause (as defined in the agreement) or without cause. Mr. Seay may terminate the agreement in the event we materially breach the agreement, provided we do not cure the breach after notice thereof. If we terminate Mr. Seay's employment for any reason other than for death, disability or for cause, we are obligated to continue his salary for a period of months after termination, such payments to be reduced by any amounts received from a subsequent employer. As compensation for his services, Mr. Seay will receive an annual base salary of not less than $, which rate will be reviewed annually by the compensation committee of our board of directors and will be commensurate for similarly situated executives with firms similarly situated to us. If Mr. Seay's individualized performance targets are achieved, his salary will be increased annually by no less than the average percentage increase given to all of our other executive employees during that fiscal year.

If we exceed certain performance objectives for any fiscal year, Mr. Seay will receive an annual bonus of up to % of his annual base pay for such fiscal year, payable in either cash, stock, stock options or a combination thereof. Mr. Seay was also granted options to purchase 45,000 shares of our common stock pursuant to our 2000 Stock Option Plan. For fiscal 2004, Mr. Seay was also granted options to purchase an additional 20,000 shares pursuant to our 2002 Stock Option Plan.

Mr. Burtelow's agreement has an initial term of one year from July 9, 2004 and renews from year-to-year thereafter. The agreement may be terminated upon death, disability, for cause (as defined in the agreement) or without cause. Mr. Burtelow may terminate the agreement in the event we materially breach the agreement and fail to cure such breach after notice thereof. If we terminate Mr. Burtelow's employment for any reason other than death, disability or for cause, we are obligated to continue his base salary after termination for the shorter of (1) months or (2) the date on which Mr. Burtelow has obtained other employment. As compensation for his services, Mr. Burtelow will receive an annual base salary at a rate not less than $, which rate will be reviewed annually by the compensation committee of our board of directors and will be commensurate with similarly situated executives with firms similarly situated to us. If Mr. Burtelow meets his individualized performance targets, Mr. Burtelow's salary must be increased annually by no less than the average percentage increase given to all of our other executive employees during the year preceding the increase. If we exceed certain performance objectives agreed upon annually by Mr. Burtelow and our board of directors, Mr. Burtelow will receive an annual bonus of up to % of his annual salary, payable in either cash, stock options or a combination thereof. Mr. Burtelow and our board of directors will determine the amount and form of the bonus. Mr. Burtelow's agreement also provides for an award of options to purchase 20,000 shares of our stock pursuant to our 2000 Stock Option Plan.

The agreements for each of our named executive officers provide that:

- for the term of the agreement and for three years thereafter, the employee may not become employed by or interested directly or indirectly in or associated with our competitors who are located within the United States or within any country where we have established a retail presence (except for Mr. Burtelow's and Ms. Kroll's agreements, which provides that they may not become employed by or interested directly or indirectly in or associated with our competitors who are located within 100 miles of any of our retail stores); and

- in the event of the employee's termination due to death, disability or his or her right to terminate due to our breach as provided in the agreement, he or she, or his or her beneficiaries or estate, will still be entitled to a bonus for such year prorated based on the number of full weeks the employee was employed during the year.

Separation agreement. Pursuant to his departure from us, which was effective January 31, 2004, we entered into a separation agreement and general release (the "Separation Agreement") with Brian Vent, our former Chief Operating Bear and Secretary. Under the Separation Agreement, we were obligated to pay Mr. Vent his base monthly salary of $19,833 for a period of six months following his separation date. Mr. Vent was also eligible to participate in our group health plans for a period of six months following the separation date. Pursuant to the Separation Agreement, the Company accelerated the vesting of 9,400 options held by Mr. Vent with an exercise price of $6.04 per share which otherwise would not have vested until the end of the first quarter of fiscal 2004. Mr. Vent exercised all of his outstanding and vested stock options shortly after his departure. In accordance with the terms of the Separation Agreement, Mr. Vent released us from all claims other than those rights which are continuing and related to Mr. Vent's stock ownership. Mr. Vent also agreed that he will not compete with us for a period of three years; provided, however, that Mr. Vent is entitled to obtain employment with another company so long as (i) the sale of stuffed animals is not the principal business of such employer, (ii) Mr. Vent has no direct or personal involvement in the sale of stuffed animals, and (iii) neither Mr. Vent nor his relatives or affiliates own more than 1% of the company.

The Separation Agreement also provides that notwithstanding the provisions of the loan agreement between us and Mr. Vent, which requires that the loan become payable in the event of his termination, the

payment of the loan shall not be accelerated as a result of his termination. Instead, the principal amount of the loan shall be due and payable in accordance with the terms of the note as if Mr. Vent had not been terminated by us. See “Certain Relationships and Related Party Transactions — Officer Loans.”

Employee Stock Plans

As of July 3, 2004, options to purchase 1,047,283 shares of common stock were outstanding at a weighted average exercise price of $6.52 per share under our 2000 and 2002 stock plans. All outstanding options will vest and become exercisable upon completion of this offering. We have also adopted a 2004 stock plan under which no awards have been granted as of August 9, 2004.

2000 Stock Option Plan

Our 2000 stock option plan provided for the granting to employees of incentive stock options and for the granting to other individuals as selected by the compensation committee of non-qualified stock options. The plan, as amended, authorizes 2,200,000 shares of our common stock to be issued under the plan. We are no longer granting options under our 2000 plan.

For incentive stock options, the purchase price of the common stock under each incentive stock option must equal at least 100% of the fair market value, or at least 110% of the fair market value with respect to optionees who own more than 10% of the total combined voting power of all classes of our stock. Our compensation committee determines the fair market value in good faith and in a manner consistent with applicable law. For non-qualified stock options, the compensation committee determines the purchase price of the common stock under each option.

Options granted under the plan are generally not transferable by the optionee except by will or the laws of descent and distribution, and each option is exercisable, during the lifetime of the optionee, only by the optionee. Options generally must be exercised during the optionee’s continuing status as an employee or, in the discretion of the administrators, within three months after termination other than for cause. If the optionee dies with three months after termination other than for cause or becomes disabled, the options may be exercised within 12 months after the optionee’s death or termination by disability. However, in no event may an option be exercised later than the earlier of the expiration of the term of the option or ten years from the date of the grant of the option or, where an optionee owns stock representing more than 10% of the total combined voting power of all classes of stock, five years from the date of the grant of the option.

The plan may be amended, altered, suspended or terminated by the administrator at any time. We may not alter the rights and obligations under any option granted before amendment of the plan without the written consent of the affected optionee. Unless terminated sooner, the plan will terminate automatically in April 2010.

2002 and 2004 Stock Incentive Plans

Our 2002 stock incentive plan was adopted by our board of directors and approved by our stockholders in April 2003. Our 2004 stock incentive plan was adopted by our board of directors and approved by our stockholders in August 2004. The 2002 plan provides for the granting to employees of incentive stock options and for the granting to any individual selected by our compensation committee of non-qualified stock options, stock appreciation rights and other cash or stock-based awards. The 2004 plan permits such awards to any employee, director or consultant of ours or any of our affiliates, or any other entity designated by our board of directors in which we have an interest, who is selected by our compensation committee to receive an award. The 2002 plan authorizes 2,200,000 shares of our common stock to be issued under the plan, less the shares previously issued under the 2000 plan (net of forfeitures) and any shares issued under restricted stock agreements. The 2004 plan authorizes 3,700,000 shares of our common stock to be issued under the plan, less the shares previously issued under the 2000 or 2002 stock plans (net of forfeitures) and any shares issued under restricted stock agreements. Our compensation committee administers the 2002 and 2004 plans. As of July 3, 2004, options to purchase 1,047,283 shares

were outstanding under our 2002 plan. We are no longer granting awards under our 2002 plan. As of August 9, 2004, we had not granted any awards under our 2004 plan.

On the date of the grant, the exercise price of incentive stock options must equal at least 100% of the fair market value, or 110% of the fair market value with respect to optionees who own more than 10% of the total combined voting power of all classes of stock. The fair market value is determined by computing the arithmetic mean of our high and low stock prices on a given determination date if our stock is publicly traded or, if our stock is not publicly traded, by the administrator in good faith. The exercise price on the date of grant is determined by the compensation committee in the case of non-qualified stock options.

Options generally must be exercised during the optionee's continuing status as an employee or within three months after the optionee's termination of employment. If an optionee's employment is terminated because the optionee becomes disabled, the options may be exercised within one year after the optionee's termination. If an optionee dies while under our employ or within three months after termination of employment, the options immediately vest and the optionee's legatees or personal representatives may exercise the options for a period of up to one year after the optionee's death, but not after ten years from the grant of the option.

Stock appreciation rights granted under each plan are subject to the same terms and restrictions as the option grants and may be granted independent of, or in connection with, the grant of options. The compensation committee determines the exercise price of stock appreciation rights. A stock appreciation right granted independent of an option entitles the participant to payment in an amount equal to the excess of the fair market value of a share of our common stock on the exercise date over the exercise price per share, times the number of stock appreciation rights exercised. A stock appreciation right granted in connection with an option entitles the participant to surrender an unexercised option and to receive in exchange an amount equal to the excess of the fair market value on the exercise date of a share of our common stock over the exercise price per share for the option, times the number of shares covered by the option which is surrendered. Fair market value is determined in the same manner as it is determined for options.

The compensation committee may also grant awards of stock, restricted stock and other awards valued in whole or in part by reference to the fair market value of our common stock. These stock-based awards, in the discretion of the compensation committee, may be, among other things, subject to completion of a specified period of service, the occurrence of an event or the attainment of performance objectives. Additionally, the compensation committee may grant awards of cash, in values to be determined by the compensation committee. If any awards are intended to be deductible under Section 162(m) of the Internal Revenue Code, the committee must choose from certain performance measures for the awards.

Awards granted under either plan are generally not transferable by the participant except by will or the laws of descent and distribution, and each award is exercisable, during the lifetime of the participant, only by the participant or his or her guardian or legal representative, unless permitted by the committee. Additionally, any shares of our common stock received pursuant to an award granted under the plan, are subject to our right of first refusal prior to certain transfers by the participant and our buy-back rights upon termination of the participant's employment. The right of first refusal and buy-back rights terminate upon consummation of an initial public offering.

The compensation committee may provide for accelerated vesting or termination in exchange for cash of any outstanding awards or the issuance of substitute awards upon consummation of a change in control, as defined in the plan.

Either plan may be amended, altered, suspended or terminated by the administrator at any time. We may not alter the rights and obligations under any award granted before amendment of the plan without the consent of the affected participant. Unless terminated sooner, the 2002 plan will terminate automatically in August 2012 and the 2004 plan in August 2014.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We intend to establish procedures for the review and pre-approval of all transactions between us and any of our directors or executive officers. Pursuant to our code of ethics and the charter of our nominating and corporate governance committee, any director or executive officer intending to enter into a transaction with us must provide the chair of our corporate governance and nominating committee with all relevant details of the transaction. The transaction will then be evaluated by the corporate governance and nominating committee to determine if the transaction is in our best interests and whether, in the committee's judgment, the terms of such transaction are at least as beneficial to us as the terms we could obtain in a similar transaction with an independent third party.

Formation and Conversion to Corporation

In September 1997 we began operating as a limited liability company under the laws of the state of Missouri. On April 3, 2000, we converted into a Delaware corporation by merging Build-A-Bear Workshop, L.L.C. into Build-A-Bear Workshop, Inc. In connection with this merger, we issued to each member of the limited liability company shares of one or more series of preferred stock having dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences that were substantially the same as their corresponding limited liability company interests, as follows:

- 3,418,306 shares of series C-1 preferred stock were issued to Smart Stuff, Inc., a corporation which is wholly-owned by Maxine Clark, our Chief Executive Bear;
- 1,137,898 shares of series A-1 preferred stock and 911,383 shares of series C-2 preferred stock were issued to Windsor Capital, Inc., a corporation formed by Barney Ebsworth, one of our directors, and another individual, and 474,124 shares of series C-2 preferred stock were issued to an affiliate of Windsor;
- 23,527 shares of common stock, 139,981 shares of series A-2 preferred stock and 275,352 shares of series B-1 preferred stock were issued to Hycel Partners V, L.L.C., an affiliate of Hycel Properties Co., the entity from which we leased our Richmond Heights, Missouri store until June 2003;
- 98,804 shares of common stock, 961,263 shares of series A-3 preferred stock and 1,453,072 shares of series B-2 preferred stock were issued to Walnut Capital Partners, with which James Gould, one of our directors, is affiliated;
- 10,352 shares of common stock, 205,824 shares of series A-4 preferred stock and 311,003 shares of series B-3 preferred stock were issued to Kansas City Equity Partners, with which William Reisler, one of our directors, is affiliated; and
- 64,500 shares of series C-3 preferred stock were issued to Brian Vent, our former Chief Operating Bear and Secretary, and 65,276 shares of series C-3 preferred stock were issued to Adrienne Weiss.

Also in connection with this merger and conversion into a corporation, we issued 707,992 shares of series A-5 preferred stock to entities affiliated with Catterton Partners, with which Frank Vest, Jr., one of our directors, is affiliated, at a purchase price of $5.649780 per share for an aggregate of $4 million and 1,069,786 shares of series B-4 preferred stock at a purchase price of $3.739067 per share for an aggregate of $4 million. In addition, we issued more than $60,000 of these securities to the following officers, directors and holders of more than 5% of our common stock and their affiliates:

- an entity affiliated with Kansas City Equity Partners purchased 25,884 shares of series A-5 preferred and 39,112 shares of series B-4 preferred;
- Barney Ebsworth, one of our directors, purchased 126,380 shares of series A-5 preferred and 190,963 shares of series B-4 preferred;

- an entity affiliated with Ms. Clark purchased 171,200 shares of series A-5 preferred and 258,686 shares of series B-4 preferred; and

- Brian Vent, our Chief Operating Bear and Secretary, purchased 3,230 shares of series A-5 preferred and 4,881 shares of series B-4 preferred.

In addition, through a purchase of membership interests in Clark/Fox, L.L.C., which purchased shares of our series A-5 and series B-4 preferred stock, one of our two largest vendors acquired beneficial ownership of 11,246 shares of our series A-5 preferred and 13,038 shares of our series B-4 preferred stock.

Series D Financing

In September, November and December 2001, we sold 3,467,337 shares of our series D preferred stock at a price per share of $6.10. We sold the shares pursuant to a preferred stock purchase agreement, a stockholders' agreement and a registration rights agreement under which we made customary representations and warranties and agreed to customary operating and other covenants, and provided the purchasers with registration rights. The registration rights are the only rights that survive beyond this offering. See "— Agreements with Investors" below.

The purchasers of more than $60,000 of these securities included, among others, the following officers, directors and holders of more than 5% of our common stock including their affiliates:

- entities affiliated with Catterton Partners purchased 1,361,066 shares of series D preferred stock;

- entities affiliated with Ms. Clark purchased 815,575 shares of series D preferred stock;

- an entity affiliated with Walnut purchased 677,869 shares of series D preferred stock;

- an entity affiliated with Kansas City Equity Partners purchased 426,230 shares of series D preferred stock; and

- Mr. Vent purchased 18,409 shares of series D preferred stock.

In addition, through a purchase of membership interests in Clark/ Fox II, L.L.C. and Clark/ Fox III, L.L.C., which purchased shares of our series D preferred stock:

- Ms. Klocke acquired beneficial ownership of 14,582 shares of our series D preferred stock;

- Mr. Brooks acquired beneficial ownership of 29,307 shares of our series D preferred stock;

- our two largest vendors acquired beneficial ownership of 146,185 and 27,074 shares of our series D preferred stock; and

- three of our other vendors acquired beneficial ownership of a total of 24,342 shares of our series D preferred stock.

Agreements with Investors

On September 21, 2001, we entered into an amended and restated registration rights agreement and an amended and restated stockholders' agreement with our stockholders in connection with our series D financing. The registration rights agreement provides registration rights to the holders of our preferred and common stock. For more information on these registration rights, see "Description of Capital Stock — Registration Rights."

Under the stockholders' agreement, each of the stockholders has agreed to take all action necessary, so as to cause our authorized number of directors to be seven, with:

- one member designated by each of Catterton Partners, Walnut, Kansas City Equity Partners, and a trust established by Mr. Ebsworth, in each case so long as each stockholder holds 50% or more of such stockholder's originally acquired preferred stock; and

- two members designated by Smart Stuff, one of whom must be Ms. Clark.

The stockholders' agreement also provides for:

- a right of first offer in favor of the other parties to the agreement and to us if a party desires to transfer our securities;
- "drag-along" rights in favor of Walnut, Windsor and Catterton Partners if all three of such entities desire to transfer their shares to a third party and Ms. Clark is no longer employed by us or has disposed of her beneficial interest in our stock; and
- preemptive rights in favor of the parties to the agreement in the event we issue new securities, subject to certain exceptions.

The stockholders' agreement will terminate on the closing of this offering.

Officer Loans

Pursuant to a restricted stock purchase agreement dated April 3, 2000, between us and Maxine Clark, our Chief Executive Bear and President, Ms. Clark purchased 274,815 shares of our common stock at $4.50 per share for a total purchase price of $1,236,667. Ms. Clark paid for the common stock with the proceeds of a loan from us evidenced by a secured promissory note which is supported by a pledge of the shares purchased. The loan bears interest at 6.60% per annum, and all principal and interest is payable on the maturity date. The largest aggregate amount of indebtedness outstanding at any time under this loan was $1,584,837, which was also the amount of indebtedness outstanding as of July 3, 2004. Recourse to Ms. Clark's assets (other than the pledged shares) is limited. The loan is due on the earlier of April 2005 or 90 days following the termination of Ms. Clark's employment with us.

Pursuant to two restricted stock purchase agreements, each dated September 19, 2001, between us and each of Brian Vent, our former Chief Operating Bear and Secretary, and Tina Klocke, our Chief Financial Bear, Treasurer and Secretary, each of Mr. Vent and Ms. Klocke purchased 20,491 shares of our common stock at $6.10 per share for a total purchase price of $124,995 each. Mr. Vent and Ms. Klocke each paid for the common stock with the proceeds of a loan from us evidenced by a secured promissory note which is supported by a pledge of the shares purchased. Each of the loans bears interest at 4.82% per annum, and all principal and interest is payable on the maturity date. The largest aggregate amount of indebtedness outstanding at any time under each loan was $141,747, which was also the amount of indebtedness outstanding under each loan as of July 3, 2004. Our recourse under the notes is limited in each case to the pledged shares. The loans are each due on September 2006 or, in the case of Ms. Klocke, 90 days following the termination of her employment with us, if earlier.

Store Fixtures and Furniture

We purchased fixtures for new stores and furniture for our corporate offices from NewSpace, Inc. Robert Fox, the husband of Ms. Clark, our Chief Executive Bear, owns 100% of NewSpace. The total cost of these fixtures and furniture amounted to $3,015,900 in fiscal 2001, $2,839,900 in fiscal 2002, $2,705,900 in fiscal 2003 and $821,600 in the first half of fiscal 2004. We expect to continue to purchase store fixtures from NewSpace.

Leases

We currently sublet a portion of the space for our corporate headquarters and adjacent web fulfillment site from NewSpace under a separate sublease agreement. Our sublease is subject to the terms and conditions of the prime lease between NewSpace and First Industrial Realty Trust. The sublease and the lease to which it relates are being renegotiated and we expect to lease these spaces directly from First Industrial Realty Trust after January 1, 2005. Lease payments under this sublease amounted to $187,000 in fiscal 2001, $212,300 in fiscal 2002, $215,300 in fiscal 2003 and $98,800 in the first half of fiscal 2004.

Until June 2003, we leased our retail store in Richmond Heights, Missouri from Hycel Properties Co., an affiliate of Hycel Partners V, which at the time of our conversion to a corporation owned greater than

5% of our series A-2 and B-1 preferred stock. The mall in which our Richmond Heights, Missouri store is located was sold by Hycel Properties Co. in June 2003 to General Growth Properties, Inc. Pursuant to the sale, our lease was assigned to General Growth. Lease payments under this lease agreement amounted to $199,000 in fiscal 2001, $193,400 in fiscal 2002, $78,400 in fiscal 2003 and none in the first half of fiscal 2004.

Real Estate Management

We also have contracts for real estate consulting services, construction management services and facilities management services with Hycel Properties. The real estate consulting contract expires on December 31, 2005 and the construction management services contract expires on December 31, 2004. The real estate consulting services contract contains a mutual exclusivity clause with regard to real estate consulting services and provides for payment of monthly fees, plus a success fee for each lease we enter into in the United States and Canada. The construction management services agreement provides for a fixed fee for up to eighteen stores, including one store in Manhattan, New York, which counts as three stores and additional fixed fees for each additional store. The facility management contract expires on December 31, 2004 and provides for payment of fixed monthly fees. We paid $930,200 in fiscal 2001, $1,041,000 in fiscal 2002, $960,300 in fiscal 2003 and $281,700 in the first half of fiscal 2004 under these contracts.

Design Services

We paid $257,600 in fiscal 2001, $127,000 in fiscal 2002, $230,100 in fiscal 2003 and $127,500 in the first half of fiscal 2004 for design and other creative services to Adrienne Weiss Company, which is owned by Adrienne Weiss, who at the time of our conversion to a corporation held greater than 5% of our series C-3 preferred stock. We have a copyright assignment agreement with Ms. Weiss to secure our ownership rights in the works she creates on our behalf. We expect to continue to utilize Ms. Weiss' services in fiscal 2004.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth certain information known to us with respect to beneficial ownership of our common stock as of July 3, 2004, as adjusted to reflect the sale of the shares offered, and as adjusted to reflect the sale of the shares offered, assuming the exercise of the underwriters' over-allotment option, by:

- each person known by us to own beneficially more than 5% of our outstanding common stock;
- each of our directors;
- each named executive officer;
- all of our directors and executive officers as a group; and
- the selling stockholders.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission. Such rules provide that in calculating the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options or warrants held by that person that are currently exercisable or will become exercisable within 60 days after July 3, 2004 are deemed outstanding. However, for each person listed below we have included all options held by such person even if they were not exercisable within 60 days of July 3, 2004 because all outstanding options will vest and become exercisable upon the consummation of this offering. For purposes of calculating beneficial ownership percentages, shares of common stock subject to options and warrants are considered outstanding and beneficially owned by the person holding the options or warrants but are not treated as outstanding for purposes of computing the percentage ownership of any other person. As of July 3, 2004, there were 419,156 shares of common stock outstanding. Immediately following this offering and the mandatory

conversion of our preferred stock into common stock, 18,051,486 shares of common stock will be outstanding. This table assumes no exercise of the underwriters' over-allotment option. To our knowledge, except as set forth in the footnotes to this table and subject to applicable community property laws where applicable, each person named in the table has sole voting and investment power with respect to the shares set forth opposite such person's name. Except as otherwise indicated, the address of each of the persons in this table is as follows: c/o Build-A-Bear Workshop, Inc., 1954 Innerbelt Business Center Drive, St. Louis, Missouri 63114.

Name	Shares Beneficially Owned Prior to the Offering		Number of Shares Offered(1)	Shares Beneficially Owned After the Offering		Number of Over-Allotment Shares Being Offered(1)	Shares Beneficially Owned After Over-Allotment(1)	
	Number	Percent		Number	Percent		Number	Percent
Maxine Clark(2)	5,568,582	29.4%						
CP4 Principals, L.L.C.(3)	3,624,897	19.1						
Walnut Capital and affiliates(4)	3,477,936	18.4						
Barney Ebsworth(5)	3,309,036	17.5						
KCEP Ventures II, L.P.	1,173,941	6.2						
Frank Vest, Jr.(6)	3,624,897	19.1						
James Gould(7)	3,477,936	18.4						
William Reisler(8)	1,173,941	6.2						
John Burtelow(9)	60,000	*						
Barry Erdos(10)	100,000	*						
Tina Klocke(11)	208,491							
Teresa Kroll(12)	60,000	*						
Scott Seay(13)	65,000	*						
Harold Brooks(14)	—	*						
Brian Vent(15)	261,346	1.4						
All directors and executive officers as a group (10 persons)(16)		94.6						

* Less than 1.0%.

(1) Certain stockholders are obligated to sell additional shares of common stock to the underwriters if the underwriters exercise their over-allotment option.

(2) Represents:

- 274,815 restricted shares and options to purchase 422,283 shares, which are exercisable or will become exercisable immediately upon completion of this offering, held by Maxine Clark; and
- 3,418,306 shares held by Smart Stuff, Inc., assuming conversion of our Series C-1 convertible preferred stock.
- 651,846 shares held by Clark/ Fox, L.L.C., assuming conversion of our Series A-5 convertible preferred stock, Series B-4 convertible preferred stock and Series D convertible preferred stock;
- 670,411 shares held by Clark/ Fox II, L.L.C., assuming conversion of our Series D convertible preferred stock; and
- 130,921 shares held by Clark/ Fox III, L.L.C., assuming conversion of our Series D convertible preferred stock.

Ms. Clark controls the voting and/or investment power for the shares held by Smart Stuff, Inc. as its president and sole shareholder. Ms. Clark exercises voting and/or investment powers for the shares held by Clark/ Fox, L.L.C., Clark/ Fox II, L.L.C. and Clark/ Fox III, L.L.C. as the manager of each of the Clark/ Fox entities. Although Ms. Clark may be deemed to be the beneficial owner, Ms. Clark disclaims beneficial ownership of the shares owned by the Clark/ Fox entities except to the extent of her pecuniary interest therein, which consists of 69,498 shares of Clark/ Fox, L.L.C., 57,372 shares of Clark/ Fox II, L.L.C., and 18 shares of Clark/ Fox III, L.L.C.

(3) Represents:

- 1,612,468 shares held by Catterton Partners IV, L.P., assuming conversion of our Series A-5 convertible preferred stock, Series B-4 convertible preferred stock and Series D convertible preferred stock;
- 565,317 shares held by Catterton Partners IV-A, L.P., assuming conversion of our Series A-5 convertible preferred stock, Series B-4 convertible preferred stock and Series D convertible preferred stock;
- 39,408 shares held by Catterton Partners IV-B, L.P., assuming conversion of our Series A-5 convertible preferred stock, Series B-4 convertible preferred stock and Series D convertible preferred stock;
- 48,353 shares held by Catterton Partners IV Special Purpose, L.P., assuming conversion of our Series A-5 convertible preferred stock, Series B-4 convertible preferred stock and Series D convertible preferred stock; and
- 1,359,350 shares held by Catterton Partners IV Offshore, L.P., assuming conversion of our Series A-5 convertible preferred stock, Series B-4 convertible preferred stock and Series D convertible preferred stock.

Catterton Managing Partner IV, L.L.C. is the general partner of Catterton Partners IV, L.P., Catterton Partners IV-A, L.P. and Catterton Partners IV-B, L.P. and the managing general partner of Catterton Partners IV Special Purpose, L.P. and Catterton Partners IV Offshore, L.P. CP4 Principals, L.L.C. is the Managing Member of Catterton Managing Partner IV, L.L.C. The address for Catterton Partners is 7 Greenwich Office Park, 599 West Putnam Avenue, Suite 200, Greenwich, Connecticut 06830.

(4) Represents:

- 2,664,485 shares held by Walnut Capital Partners, L.P., assuming conversion of our Series A-3 convertible preferred stock and Series B-2 convertible preferred stock; and
- 813,451 shares held by Walnut Investment Partners, L.P., assuming conversion of our Series D convertible preferred stock.

Mr. Gould exercises voting and/or investment powers for the shares held by Walnut Capital Partners, L.P. as a manager of Walnut Capital Management Group, LLC, the general partner of Walnut Capital Partners, L.P. Mr. Gould exercises voting and/or investment powers for the shares held by Walnut Investment Partners, L.P. as a manager of Walnut Investments Holding Company, LLC, the general partner of Walnut Investment Partners, L.P. Although Mr. Vest may be deemed to be the beneficial owner, Mr. Gould disclaims beneficial ownership of the shares owned by the above entities except to the extent of his pecuniary interest therein. The address for Walnut is 312 Walnut Street, Suite 1151, Cincinnati, Ohio 45202.

(5) Represents:

- 2,834,912 shares held by The Barney A. Ebsworth Living Trust dated July 23, 1986, assuming conversion of our Series A-1 convertible preferred stock, Series A-5 convertible preferred stock, Series B-4 convertible preferred stock and Series C-2 convertible preferred stock; and

• 474,124 shares held by Christiane Ebsworth Ladd, the daughter of Mr. Ebsworth, assuming conversion of our Series C-2 convertible preferred stock.

Mr. Ebsworth exercises voting and/or investment powers for the shares held by The Barney A. Ebsworth Living Trust dated July 23, 1986 as trustee of the Trust.

(6) Mr. Vest may be deemed to beneficially own the shares beneficially owned by CP4 Principals, L.L.C. through his membership in the managing board of CP4 Principals, L.L.C. Mr. Vest disclaims beneficial ownership of these shares.

(7) Mr. Gould exercises voting and/or investment powers for the shares held by Walnut Capital Partners, L.P. as a manager of Walnut Capital Management Group, LLC, the general partner of Walnut Capital Partners, L.P. Mr. Gould exercises voting and/or investment powers for the shares held by Walnut Investment Partners, L.P. as a manager of Walnut Investments Holding Company, LLC, the general partner of Walnut Investment Partners, L.P. Although Mr. Vest may be deemed to be the beneficial owner, Mr. Gould disclaims beneficial ownership of the shares owned by the above entities except to the extent of his pecuniary interest therein. The address for Mr. Gould is 312 Walnut Street, Suite 1151, Cincinnati, Ohio 45202.

(8) Mr. Reisler exercises voting and/or investment powers for the shares held by KCEP Ventures II, L.P. as Managing Director of KCEP II, L.C., the general partner of KCEP Ventures II, L.P. Although Mr. Reisler may be deemed to be the beneficial owner, Mr. Reisler disclaims beneficial ownership of the shares owned by KCEP Ventures except to the extent of his pecuniary interest therein. The address for KCEP Ventures is 233 West 47th Street, Kansas City, MO 64112.

(9) Includes options to purchase 60,000 shares of our common stock.

(10) Includes options to purchase 100,000 shares of our common stock.

(11) Includes 20,491 restricted shares and options to purchase 188,000 shares of our common stock. Does not include an indirect interest in 14,653 shares of our common stock beneficially owned by Ms. Klocke through her investment in Clark/ Fox II, L.L.C.

(12) Includes options to purchase 60,000 shares of our common stock. Does not include an indirect interest in 12,136 shares of our common stock beneficially owned by Ms. Kroll through her investment in Clark/ Fox, L.L.C.

(13) Includes options to purchase 65,000 shares of our common stock.

(14) Does not include 29,307 shares of our common stock beneficially owned by Mr. Brooks through his investment in Clark/Fox II L.L.C.

(15) Mr. Vent individually owns 261,346 shares of our common stock, assuming conversion of our Series A-5 convertible preferred stock, Series B-4 convertible preferred stock, Series C-3 convertible preferred stock and Series D convertible preferred stock, and 20,491 restricted shares.

(16) These 10 individuals include all directors and executive officers detailed in the “Management” section above. Includes 315,797 restricted shares and options to purchase 895,283 shares of our common stock. See note 2 and notes 5 through 14 above.

DESCRIPTION OF CAPITAL STOCK

The following information describes our common stock and preferred stock, as well as options to purchase our common stock, and provisions of our certificate of incorporation and our bylaws, all as will be in effect upon completion of this offering. This description is only a summary. You should also refer to our amended and restated certificate of incorporation and bylaws which have been filed with the Securities and Exchange Commission as exhibits to our registration statement, of which this prospectus forms a part.

Upon completion of this offering, we will be authorized to issue up to 65,000,000 shares of capital stock, par value $0.001 per share, to be divided into two classes to be designated, respectively, “common stock” and “preferred stock.” Of such shares authorized, 50,000,000 shares will be designated as common stock, and 15,000,000 shares will be designated as preferred stock.

Common Stock

As of August , 2004, there were 18,051,486 shares of common stock outstanding that were held of record by 23 stockholders, assuming conversion of all currently outstanding shares of preferred stock outstanding into 17,316,533 shares of common stock. There will be shares of common stock outstanding, assuming no exercise of outstanding options, after giving effect to the sale of common stock offered in this offering.

The holders of common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders. Our stockholders do not have cumulative voting rights in the election of directors. Accordingly, holders of a majority of the shares voting are able to elect all of the directors. Subject to preferences that may be granted to any then outstanding preferred stock, holders of common stock are entitled to receive ratably only those dividends as may be declared by the board of directors out of funds legally available therefor, as well as any distributions to the stockholders. See "Dividend Policy." In the event of our liquidation, dissolution or winding up, holders of common stock are entitled to share ratably in all of our assets remaining after we pay our liabilities and distribute the liquidation preference of any then outstanding preferred stock. Holders of our common stock have no preemptive or other subscription or conversion rights. There are no redemption or sinking fund provisions applicable to the common stock. The rights, preferences and privileges of holders of common stock are subject to the right of holders of shares of any series of preferred stock that may be issued in the future.

Preferred Stock

Upon completion of this offering, our board of directors will have the authority, without further action by the stockholders, to issue up to 15,000,000 shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. These rights, preferences and privileges include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of common stock. The issuance of preferred stock could adversely affect the voting power of holders of common stock and the likelihood that such holders will receive dividend payments and payments upon liquidation. In addition, the issuance of preferred stock could have the effect of delaying, deferring or preventing a change in control of Build-A-Bear Workshop. Currently we have no plan to issue any shares of preferred stock.

Prior to the completion of this offering, we have outstanding various series of class A, B, C and D preferred stock. Each class has various dividend, redemption, and liquidation rights.

Prior to August , 2004, the Series A-5 and Series D preferred stock accrued a dividend. Cumulative unpaid dividends on such preferred stock totaled $7,776,795 at July 3, 2004. Effective August 10, 2004, we amended our Articles of Incorporation to eliminate the dividend preference on our preferred stock and add the accrued and unpaid dividends as of July 31, 2004 to the conversion base amount used in calculating the amount of common stock into which the preferred shares will be converted to common shares under certain circumstances, such as an initial public offering.

Additionally, dividend preferences or restrictions on all series of preferred stock were removed and all series of preferred stock now participate ratably on an as converted basis with common stock for any declared dividends subsequent to August , 2004. This amendment also establishes the redemption price

and liquidation preference for the redeemable preferred stock. Currently, each class of preferred stock has the following dividend, redemption and liquidation rights:

	Class A	Class B	Class C	Class D
Number of series of class issued and outstanding	5	4	3	1
Entitled to cumulative dividends	No	No	No	No
Entitled to participate in cash dividends on common stock	Yes	Yes	Yes	Yes
Senior liquidation preference	Second as a group		N/A	First
Junior liquidation preference	N/A	N/A	Yes	N/A
Liquidation preference at July 31, 2004	$16,298,168	$9,715,006	$1,813,259	$25,331,706

Holders of the series A-5, B-4 and D preferred stock may force us to redeem their shares for cash or notes on April 3, 2006. The series D preferred stock has redemption preference over the series A-5 and B-4, which rank on a parity with each other for redemption. The redemption price is equal to $7,819,985 for the series A-5 preferred stock, $6,000,006 for the series B-4 preferred stock, and $25,331,706 for the series D preferred stock. Each share of preferred stock converts automatically into common stock in the event of an initial public offering of our common stock with proceeds of at least $25 million and a per share offering price of at least $15.00. Accordingly, all shares of outstanding preferred stock will convert into common stock upon completion of this offering.

The class C preferred stock votes on all matters with the common stock on an as-if converted basis. The class A, B and D preferred stock votes together as a class with respect to certain actions.

Options

As of July 3, 2004, we had outstanding options to purchase a total of 1,047,283 shares of common stock at a weighted average exercise price of $6.52 per share under our 2000 and 2002 Stock Option Plans, and we are authorized to award additional options to purchase a total of 2,073,820 shares under our 2004 Stock Incentive Plan. As a result of the adoption of the 2004 Stock Incentive Plan, no further grants of options will be made under our 2000 Stock Option Plan or our 2002 Stock Incentive Plan. We are also considering the adoption an employee stock purchase plan prior to the completion of this offering, under which we will be authorized to issue additional shares of our common stock. Any shares issued upon exercise of these options will be immediately available for sale in the public market upon our filing, after the offering, of a registration statement relating to the options, subject to the terms of lock-up agreements entered into between certain of our option holders and the underwriters.

Registration Rights

After the closing of this offering, the holders of approximately shares of our common stock will be entitled to certain rights with respect to the registration of such shares under the Securities Act. In the event that we propose to register any of our securities under the Securities Act, either for our own account or for the account of other stockholders, these holders are entitled to notice of such registration and are entitled to include their common stock in such registration, subject to certain marketing and other limitations. Beginning six months after completion of this offering, the holders of at least 10% of these securities have the right to require us to file a registration statement under the Securities Act in order to register their shares of our common stock. We may, in certain circumstances, defer such registrations and the underwriters have the right, subject to certain limitations, to limit the number of shares included in such registrations. We are not obligated to effect more than two demand registrations following completion of this offering, other than registrations on Form S-3. We will bear all costs, other than underwriting discounts and commissions, related to the demand registrations of these shares.

Registration of shares of our common stock upon the exercise of registration rights would result in the covered shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration of those shares.

Anti-Takeover Provisions of Delaware Law and Charter Provisions

Some of the provisions of Delaware law and our amended and restated certificate of incorporation and bylaws, summarized in the following paragraphs, may have an anti-takeover effect and delay, deter or prevent a tender offer, proxy contest or other takeover attempt that stockholders might consider to be in their best interests, including such an attempt that might result in payment of a premium over the market price for their shares of our common stock.

Interested stockholder transactions. We are subject to Section 203 of the General Corporation Law of the State of Delaware, which, subject to certain exceptions specified therein, prohibits a Delaware corporation from engaging in any "business combination" with any "interested stockholder" for a period of three years after the date that such stockholder became an interested stockholder, unless:

- before such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested holder;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction began, excluding certain shares; or
- on or after such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 defines "business combination" to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits by or through the corporation.

Except as otherwise specified in Section 203 of the Delaware General Corporation Law, an interested stockholder is generally defined to include:

- any person that owns or did own, 15% or more of the outstanding voting stock of the corporation, or is an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation at any time within three years immediately before the date of determination; and
- the affiliates and associates of any such person.

Under certain circumstances, Section 203 of the Delaware General Corporation Law makes it more difficult for a person who would be an interested stockholder to effect various business combinations with a corporation for a three-year period. We have not elected to be exempt from the restrictions imposed under Section 203 of the Delaware General Corporation Law. However, Ms. Clark, Catterton Partners, Walnut

Capital and the Ebsworth trust and their affiliates and associates are excluded from the definition of "interested stockholder" pursuant to the terms of Section 203 of the Delaware General Corporation Law. The provisions of Section 203 of the Delaware General Corporation Law may encourage persons interested in acquiring us to negotiate in advance with the board, since the stockholder approval requirement would be avoided if a majority of the directors then in office approves either the business combination or the transaction which results in any such person becoming an interested stockholder. Such provisions also may have the effect of preventing changes in our management. It is possible that such provisions could make it more difficult to accomplish transactions that our stockholders may otherwise deem to be in their best interests.

Cumulative Voting. Our amended and restated certificate of incorporation expressly denies stockholders the right to cumulative voting in the election of directors.

Classified Board of Directors. Our board of directors is divided into three classes of directors serving staggered three-year terms. As a result, approximately one-third of the board of directors are elected each year, which has the effect of requiring at least two annual stockholder meetings, instead of one, to replace a majority of the members of the board. These provisions, when coupled with the provision of our amended and restated certificate of incorporation authorizing only the board of directors to fill vacant directorships or increase the size of the board of directors, may deter a stockholder from removing incumbent directors and simultaneously gaining control of the board of directors by filling the vacancies created by such removal with its own nominees. The certificate of incorporation also provides that directors may be removed by stockholders only for cause. Since the board of directors has the power to retain and discharge our officers, these provisions could also make it more difficult for existing stockholders or another party to effect a change in management.

Stockholder Action; Special Meeting of Stockholders. Our amended and restated certificate of incorporation eliminates the ability of stockholders to act by written consent, provided that holders of preferred stock may vote by written consent to the extent expressly provided in any certificate of designation authorizing issuance of a particular series of preferred stock. It also provides that special meetings of our stockholders may be called only by the chairman of our board of directors, our chief executive officer, our president or a majority of our directors.

Advance Notice Requirements for Stockholder Proposals and Directors Nominations. Our amended and restated bylaws provides that stockholders seeking to bring business before an annual meeting of stockholders, or to nominate candidates for election as directors at an annual meeting of stockholders, must provide timely notice in writing. To be timely, a stockholder's notice must be delivered to or mailed and received at our principal executive offices not more than 120 days or less than 90 days prior to the anniversary date of the immediately preceding annual meeting of stockholders or between December , 2004 and January , 2005 in the case of the 2005 annual meeting. However, in the event that no annual meeting was held in the previous year or the annual meeting is called for a date that is not within 30 days before or after such anniversary date, notice by the stockholder in order to be timely must be received not later than the close of business on the 10th day following the date on which notice of the date of the annual meeting was mailed to stockholders or made public, whichever first occurs. Our amended and restated bylaws also specify requirements as to the form and content of a stockholder's notice. These provisions may preclude stockholders from bringing matters before an annual meeting of stockholders or from making nominations for directors at an annual meeting of stockholders.

Authorized But Unissued Shares. Our authorized but unissued shares of common stock and preferred stock are available for future issuance without stockholder approval. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of common stock and preferred stock could render more difficult or discourage an attempt to obtain control of Build-A-Bear by means of a proxy contest, tender offer, merger or otherwise.

Amendments; Supermajority Vote Requirements. The Delaware General Corporation Law provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to

amend a corporation's certificate of incorporation or bylaws, unless either a corporation's certificate of incorporation or bylaws require a greater percentage. Our amended and restated certificate of incorporation requires the affirmative vote of more than 80% of our capital stock in connection with the amendment of certain provisions, including those relating to (1) the classified board of directors and related director matters, (2) the ability of stockholders to act by written consent or call special meetings, (3) limitations of liability of directors, (4) indemnification of our directors, officers, employees and agents and (5) the amendment of our amended and restated bylaws.

Stockholder Rights Plan. We are considering the adoption of a stockholder rights plan. Such a plan would allow for the issuance of a dividend to stockholders of rights to acquire our shares or, under certain circumstances, an acquiring corporation, at less than their fair market value. These rights would have certain anti-takeover effects by potentially causing substantial dilution to a person or group that attempts to acquire us.

Listing

We intend to apply for the listing of our common stock on the under the symbol " ."

Transfer Agent and Registrar

The transfer agent and registrar for our common stock will be . Its address is , and its telephone number is .

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, we will have shares of common stock outstanding based on shares outstanding as of , 2004. Of these shares, the shares sold in this offering will be freely transferable without restriction under the Securities Act, unless they are held by our "affiliates" as that term is used under the Securities Act and the regulations promulgated thereunder.

Of these shares, the remaining shares were sold by us in reliance on exemptions from the registration requirements of the Securities Act, are restricted securities within the meaning of Rule 144 under the Securities Act and become eligible for sale in the public market as follows:

- beginning 90 days after the effective date, shares will become eligible for sale subject to the provisions of Rules 144 and 701; and
- beginning 180 days after the date of this prospectus, additional shares will become eligible for sale, subject to the provisions of Rule 144, Rule 144(k) or Rule 701, upon the expiration of agreements not to sell such shares entered into between the underwriters and such stockholders.

After the offering, the holders of shares of our common stock will be entitled to rights with respect to the registration of their shares under the Securities Act. Registration of these shares under the Securities Act would result in these shares becoming freely tradeable without restriction under the Securities Act, except for shares purchased by affiliates, immediately upon the effectiveness of this registration. For more information on these registration rights, see "Description of Capital Stock — Registration Rights."

Subject to certain exceptions, beginning 180 days after the date of this prospectus, additional shares subject to vested options as of the date of completion of this offering will be available for sale subject to compliance with Rule 701 and upon the expiration of agreements not to sell such shares entered into between the underwriters and such stockholders. Any shares subject to lock-up agreements may be released at any time without notice by the underwriters.

In general, under Rule 144 as currently in effect, a person, or persons whose shares are aggregated, including an affiliate, who has beneficially owned restricted shares for at least one year is entitled to sell, within any three-month period commencing 90 days after the date of completion of this offering, a number of shares that does not exceed the greater of 1% of the then outstanding shares of common stock, approximately shares immediately after this offering, or the average weekly trading volume in the common stock during the four calendar weeks preceding such sale, subject to the filing of a Form 144 with respect to such sale and certain other limitations and restrictions. In addition, a person who is not deemed to have been an affiliate of our company at any time during the 90 days preceding a sale and who has beneficially owned the shares proposed to be sold for at least two years, would be entitled to sell such shares under Rule 144(k) without regard to the requirements described above.

Any of our employees, officers, directors or consultants who purchased his or her shares before the date of completion of this offering or who holds vested options as of that date pursuant to a written compensatory plan or contract is entitled to rely on the resale provisions of Rule 701, which permits non-affiliates to sell their Rule 701 shares without having to comply with the public-information, holding-period, volume-limitation or notice provisions of Rule 144 and permits affiliates to sell their Rule 701 shares without having to comply with Rule 144's holding-period restrictions, in each case commencing 90 days after the date of completion of this offering. However, we and certain officers, directors and other stockholders have agreed not to sell or otherwise dispose of any shares of our common stock for the 180-day period after the date of this prospectus, subject to extension in certain circumstances without the prior written consent of the underwriters. See "Underwriting."

We intend to file a registration statement on Form S-8 under the Securities Act to register shares of common stock reserved for issuance under our 2000 Stock Option Plan, our 2002 Stock Incentive Plan and our 2004 Stock Incentive Plan, thus permitting the resale of such shares by non-affiliates in the public

market without restriction under the Securities Act. Such registration statements will become effective immediately upon filing.

Before this offering, there has been no public market for our common stock, and any sale of substantial amounts in the open market may adversely affect the market price of our common stock offered hereby.

UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated , we and the selling stockholders have agreed to sell to the underwriters named below, for whom Credit Suisse First Boston LLC and Citigroup Global Markets Inc. are acting as representatives the following respective numbers of shares of common stock:

Underwriter	Number of Shares
Credit Suisse First Boston LLC	
Citigroup Global Markets Inc.	
J.P. Morgan Securities Inc.	
A.G. Edwards & Sons, Inc.	
Thomas Weisel Partners LLC	
Total	

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

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

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

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

	Per Share		Total	
	Without Over-allotment	With Over-allotment	Without Over-allotment	With Over-allotment
Underwriting Discounts and Commissions paid by us	$	$	$	$
Expenses payable by us	$	$	$	$
Underwriting Discounts and Commissions paid by selling stockholders	$	$	$	$
Expenses payable by the selling stockholders	$	$	$	$

The representatives have informed us and the selling stockholders that they do not expect sales to accounts over which the underwriters have discretionary authority to exceed 5% of the shares of common stock being offered. The underwriters will not confirm sales to any accounts over which they exercise discretionary authority without first receiving a written consent from those accounts.

We have agreed that we will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the Securities and Exchange Commission a registration statement under the Securities Act relating to, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, without the prior written consent of the representatives for a period of

180 days after the date of this prospectus, except issuances pursuant to the exercise of employee stock options outstanding on the date hereof.

Our officers and directors and the selling stockholders have agreed that they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, whether any of these transactions are to be settled by delivery of our common stock or other securities, in cash or otherwise, or publicly disclose, unless required by law, the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of the representatives for a period of 180 days after the date of this prospectus. Notwithstanding the foregoing, our officers, directors and selling stockholders may pledge shares of our common stock in connection with a bona fide loan transaction in which the pledge acknowledges in writing to be bound by the foregoing obligations and which pledge does not permit the pledgee to offer, sell contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our common stock, enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of the common stock. However, in the event that either (1) during the last 17 days of the "lock-up" period, we release earnings results or material news or a material event relating to us occurs, or (2) prior to the expiration of the "lock-up" period, we announce that we will release earnings during the 16-day period beginning on the last day of the lock-up period, in either case, the expiration of the "lock-up" period will be extended until the expiration of the 18-day period beginning on the date of the release of the earnings reports or the occurrence of the material news or events, as applicable, unless the representatives waive, in writing, such an extension.

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

We intend to apply to list the shares of common stock on the under the symbol " ."

In connection with the listing of the common stock on the , the underwriters will undertake to sell round lots of 100 shares or more to a minimum of beneficial owners.

In the future, the underwriters may provide investment banking services to us.

Prior to this offering, there has been no public market for the common stock. The initial public offering price will be determined by negotiations among us, the selling stockholders and the representatives. Among the factors to be considered in determining the initial public offering price will be the future prospects of our company and our industry in general, sales, earnings and certain other financial and operating information of our company in recent periods, and the price-earnings ratios, comparable sales, market prices of our securities and certain financial and operating information of companies engaged in activities similar to those of our company. The estimated initial public offering price range set forth on the cover page of this preliminary prospectus is subject to change as a result of market conditions and other factors.

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

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

- Over-allotment involves sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that

they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any covered short position by either exercising their over-allotment option and/or purchasing shares in the open market.

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

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

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

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

A prospectus in electronic format will be made available on the websites maintained by one or more of the underwriters, or selling group members, if any, participating in this offering and one or more of the underwriters participating in this offering may distribute prospectuses electronically. The representatives may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make internet distributions on the same basis as other allocations.

NOTICE TO CANADIAN RESIDENTS

Resale Restrictions

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

Representations of Purchasers

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

- the purchaser is entitled under applicable provincial securities laws to purchase the common stock without the benefit of a prospectus qualified under those securities laws;
- where required by law, that the purchaser is purchasing as principal and not as agent; and
- the purchaser has reviewed the text above under Resale Restrictions.

Rights of Action — Ontario Purchasers Only

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

Enforcement of Legal Rights

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

Taxation and Eligibility for Investment

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

LEGAL MATTERS

Bryan Cave LLP, St. Louis, Missouri, is counsel for Build-A-Bear Workshop, Inc. in connection with the offering. Certain partners of Bryan Cave LLP own interests in investment funds that own shares of our preferred stock. Shearman & Sterling LLP, New York, New York, is counsel for the underwriters in connection with the offering.

EXPERTS

The consolidated financial statements of Build-A-Bear Workshop, Inc. as of December 28, 2002 and January 3, 2004, and for each of the years in the three-year period ended January 3, 2004, have been included herein and in the registration statement in reliance upon the report of KPMG, LLP, independent registered public accountants, appearing elsewhere herein, and upon the authorization of said firm as experts in accounting and auditing.

As discussed in Note 2(q) to the consolidated financial statements, the Company adopted *Emerging Issues Task Force Issue No. 03-6, Participating Securities and the Two-Class Method under FASB Statement No. 128, Earnings Per Share.*

CHANGE OF INDEPENDENT PUBLIC ACCOUNTANTS

In June 2002, we dismissed our independent public accountants, Arthur Andersen LLP, and retained KPMG LLP to act as our independent auditors. Arthur Andersen LLP had been our independent public accountants since 2000. In connection with Arthur Andersen LLP's audit of the consolidated financial statements for the fiscal years 1999, 2000, and 2001 (not included herein), and in connection with the subsequent period up to their dismissal, there were no disagreements with Arthur Andersen LLP on any matters of accounting principles or practices, financial statement disclosure or auditing scope or procedures which, if not resolved to Arthur Andersen LLP's satisfaction, would have caused them to make reference to the subject matter in connection with their report on our consolidated financial statements for such years; and there were no reportable events as set forth in applicable SEC regulations. Arthur Andersen LLP's report on our consolidated financial statements for the two fiscal years in the period ended December 29, 2001 contained no adverse opinion or disclaimer of opinion and was not modified or qualified as to uncertainty, audit scope or accounting principles. The decision to change auditors was unanimously approved by our board of directors, including all of the members of our audit committee. Prior to the dismissal of Arthur Andersen LLP, we had not consulted with KPMG LLP on any accounting matters. Because Arthur Andersen is no longer operating, we cannot obtain a letter from them regarding their agreement with the above statements.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 (including exhibits, schedules and amendments) under the Securities Act with respect to the shares of common stock to be sold in this offering. This prospectus does not contain all the information set forth in the registration statement. For further information with respect to us and the shares of common stock to be sold in this offering, please refer to the registration statement. Statements contained in this prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete. Whenever a reference is made in this prospectus to any contract or other document of ours, the reference may not be complete,

and you should refer to the exhibits that are a part of the registration statement for a copy of the contract or document.

You may read and copy all or any portion of the registration statement or any other information that Build-A-Bear Workshop, Inc. files at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room. Our SEC filings, including the registration statement, are also available to you on the SEC's website at *www.sec.gov*.

As a result of this offering, we will become subject to the information and reporting requirements of the Exchange Act, and, in accordance with those requirements, will file periodic reports, proxy statements and other information with the SEC.

This prospectus includes statistical data that were obtained from industry publications. These industry publications generally indicate that the authors of these publications have obtained information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. While we believe these industry publications to be reliable, we have not independently verified their data.

BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors

Build-A-Bear Workshop, Inc.:

We have audited the accompanying consolidated balance sheets of Build-A-Bear Workshop, Inc. and subsidiaries (the Company) as of December 28, 2002 and January 3, 2004, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended January 3, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Build-A-Bear Workshop, Inc. and subsidiaries as of December 28, 2002 and January 3, 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended January 3, 2004, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2(q) to the consolidated financial statements, the Company adopted *Emerging Issues Task Force Issue No. 03-6, Participating Securities and the Two-Class Method under FASB Statement No. 128, Earnings Per Share.*

/s/ KPMG LLP

St. Louis, Missouri

March 5, 2004, except as to
Note 2(q) and Note 11 which
are as of August 10, 2004

BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 28, 2002	January 3, 2004	July 3, 2004	Pro Forma July 3, 2004
			(Unaudited)	(Unaudited) (Note 2)
ASSETS				
Current assets:				
Cash and cash equivalents	$15,865,961	$ 20,600,863	$ 26,314,553	
Inventories	21,570,324	22,572,627	29,948,342	
Receivable for tenant allowances	1,664,545	1,678,297	1,329,840	
Prepaid expenses and other	3,602,841	7,261,528	8,135,484	
Total current assets	42,703,671	52,113,315	65,728,219	
Property and equipment, net	48,071,181	56,358,359	55,535,330	
Other assets, net	2,918,402	3,492,584	3,569,928	
Total Assets	$93,693,254	$111,964,258	$124,833,477	
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$17,704,138	$ 22,187,350	$ 21,456,887	
Accrued expenses	9,277,406	9,769,052	13,940,326	
Other liabilities	10,909,299	12,432,368	11,675,062	
Total current liabilities	37,890,843	44,388,770	47,072,275	
Deferred revenue	984,375	1,957,190	1,863,681	
Other liabilities	—	876,990	803,356	
Deferred tax liabilities	3,367,014	5,311,862	5,491,224	
Minority interest	4,900	—	—	
Preferred stock, par value $0.01. Authorized 25,000,000, 25,000,000, and 25,000,000 shares, respectively; issuable in series:				
Redeemable preferred stock, at redemption price:				
Class A convertible, issued and outstanding 1,061,986 shares (liquidation value of $7,154,986, $7,574,986, and $7,784,986, respectively)	7,093,339	7,532,308	7,751,798	$ —
Class B convertible, issued and outstanding 1,604,680 shares (liquidation value of $6,000,006)	5,938,355	5,957,324	5,966,806	—
Class D convertible, issued and outstanding 3,467,337 shares (liquidation value of $22,990,634, $24,471,187, and $25,211,445, respectively)	22,888,128	24,400,217	25,156,260	—
	35,919,822	37,889,849	38,874,864	—
Stockholders' equity:				
Preferred stock, par value $0.01. Authorized 25,000,000, 25,000,000, and 25,000,000 shares, respectively; issuable in series:				
Nonredeemable preferred stock, at par value:				
Class A convertible, issued and outstanding 2,444,966 shares	24,450	24,450	24,450	—
Class B convertible, issued and outstanding 2,039,427 shares	20,394	20,394	20,394	—
Class C convertible, issued and outstanding 4,998,089, 4,998,089, and 4,949,125 shares, respectively	49,981	49,981	49,491	—
Common stock, par value $0.01. Authorized 25,000,000, 25,000,000, and 25,000,000 shares, respectively; issued and outstanding 217,519, 217,519, and 419,156 shares, respectively and 17,735,689 (pro forma)	2,175	2,175	4,191	177,356
Additional paid-in capital	9,094,851	9,099,751	9,062,464	47,858,498
Retained earnings	6,334,449	12,342,846	21,567,087	21,567,087
Total stockholders' equity	15,526,300	21,539,597	30,728,077	69,602,941
Total Liabilities and Stockholder's equity	$93,693,254	$111,964,258	$124,833,477	$124,833,477

See accompanying notes to consolidated financial statements.

BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years ended			Pro forma for the Year Ended	26 weeks ended		Pro Forma for the 26 weeks ended
	December 29, 2001	December 28, 2002	January 3, 2004	January 3, 2004	June 28, 2003	July 3, 2004	July 3, 2004
				(Unaudited) (Note 2)	(Unaudited)		(Unaudited) (Note 2)
Revenues:							
Net retail sales	$106,621,737	$169,122,692	$213,427,099		$92,487,983	$135,419,739	
Franchise fees	—	15,625	244,447		95,337	306,979	
Total revenues	106,621,737	169,138,317	213,671,546		92,583,320	135,726,718	
Costs and expenses:							
Costs of merchandise sold	56,708,261	90,848,059	116,514,872		51,928,954	70,146,290	
Selling, general, and administrative	41,099,646	65,628,680	81,090,890		36,084,130	48,632,406	
Store preopening	3,123,601	3,090,667	3,044,745		1,491,077	579,976	
Impairment charge	1,006,220	—	—		—	—	
Litigation settlement	1,550,000	—	—		—	—	
Interest expense	207,128	77,091	13,119		—	—	
Interest income	(142,822)	(165,176)	(71,462)		(54,533)	(98,501)	
Total costs and expenses	103,552,034	159,479,321	200,592,164		89,449,628	119,260,171	
Income before minority interest and income taxes	3,069,703	9,658,996	13,079,382		3,133,692	16,466,547	
Minority interest	122,500	—	—		—	—	
Income before income taxes	3,192,203	9,658,996	13,079,382		3,133,692	16,466,547	
Income tax expense	1,286,789	3,790,456	5,100,958		1,284,814	6,257,288	
Net income	1,905,414	5,868,540	7,978,424	$ 7,978,424	1,848,878	10,209,259	$10,209,259
Cumulative dividends and accretion of redeemable preferred stock	824,307	1,970,871	1,970,027	—	985,018	985,018	—
Cumulative dividends of nonredeemable preferred stock	455,350	455,350	455,350	—	227,675	227,675	—
Net income available to common stockholders	$ 625,757	$ 3,442,319	$ 5,553,047	$ 7,978,424	$ 636,185	$ 8,996,566	$10,209,259
Earnings per common share:							
Basic	$ 0.09	$ 0.35	$ 0.57	$ 0.46	$ 0.07	$ 0.92	$ 0.58
Diluted	$ 0.07	$ 0.32	$ 0.45	$ 0.44	$ 0.07	$ 0.57	$ 0.57
Shares used in computing common per share amounts:							
Basic	217,519	217,519	217,519	17,534,052	217,519	284,731	17,601,264
Diluted	9,101,143	12,055,458	17,546,348	18,006,473	9,367,692	17,938,328	18,031,756

See accompanying notes to consolidated financial statements.

BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Nonredeemable preferred stock						
	Class A	Class B	Class C	Common stock	Additional paid-in capital	Retained earnings	Total
Balance, December 30, 2000	$24,450	$20,394	$49,981	$2,175	$9,094,851	$ 1,355,673	$10,547,524
Record cumulative dividends and accretion of redeemable preferred stock	—	—	—	—	—	(824,307)	(824,307)
Net income	—	—	—	—	—	1,905,414	1,905,414
Balance, December 29, 2001	24,450	20,394	49,981	2,175	9,094,851	2,436,780	11,628,631
Record cumulative dividends and accretion of redeemable preferred stock	—	—	—	—	—	(1,970,871)	(1,970,871)
Net income	—	—	—	—	—	5,868,540	5,868,540
Balance, December 28, 2002	24,450	20,394	49,981	2,175	9,094,851	6,334,449	15,526,300
Record cumulative dividends and accretion of redeemable preferred stock (unaudited)	—	—	—	—	—	(1,970,027)	(1,970,027)
Other	—	—	—	—	4,900	—	4,900
Net income	—	—	—	—	—	7,978,424	7,978,424
Balance, January 3, 2004	24,450	20,394	49,981	2,175	9,099,751	12,342,846	21,539,597
Record cumulative dividends and accretion of redeemable preferred stock (unaudited)	—	—	—	—	—	(985,018)	(985,018)
Exercise of stock options in exchange for outstanding shares, net of tax benefit (unaudited)	—	—	(490)	2,016	(37,287)	—	(35,761)
Net income (unaudited)	—	—	—	—	—	10,209,259	10,209,259
Balance, July 3, 2004 (unaudited)	$24,450	$20,394	$49,491	$4,191	$9,062,464	$21,567,087	$30,728,077

See accompanying notes to consolidated financial statements.

BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended			26 weeks ended	
	December 29, 2001	December 28, 2002	January 3, 2004	June 28, 2003	July 3, 2004
				(Unaudited)	
Cash flows from operating activities:					
Net income	$ 1,905,414	$ 5,868,540	$ 7,978,424	$ 1,848,878	$10,209,259
Adjustments to reconcile net income to net cash from operating activities:					
Depreciation and amortization	4,588,324	7,775,448	11,065,217	4,938,601	6,030,048
Deferred taxes	431,699	1,607,400	1,619,419	628,950	(525,676)
Loss on disposal of property and equipment	—	—	339,709	63,305	159,357
Impairment of goodwill	—	—	200,000	—	—
Impairment charge	1,006,220	—	—	—	—
Minority interest	(122,500)	—	—	—	—
Stock-based compensation	—	—	—	—	94,006
Change in current assets and liabilities:					
Inventories	(3,937,679)	(9,037,918)	(1,002,303)	(42,271)	(7,375,715)
Prepaid expenses and other	504,177	(632,402)	(3,333,258)	230,711	(374,354)
Accounts payable	5,201,837	5,748,466	4,483,212	(2,235,948)	(730,463)
Accrued expenses and other liabilities	4,904,851	7,334,048	3,864,520	(6,435,971)	3,322,491
Net cash provided by (used in) operating activities	14,482,343	18,663,582	25,214,940	(1,003,745)	10,808,953
Cash flows from investing activities:					
Purchases of property and equipment	(21,624,454)	(18,718,286)	(18,362,230)	(10,338,465)	(4,437,951)
Purchases of other assets	(1,721,936)	(1,574,631)	(1,917,808)	(638,997)	(657,312)
Purchase of minority interest in subsidiary	—	—	(200,000)	(200,000)	—
Minority interest investment	66,150	61,250	—	—	—
Net cash used in investing activities	(23,280,240)	(20,231,667)	(20,480,038)	(11,177,462)	(5,095,263)
Cash flows from financing activities:					
Payments of long-term debt	(1,768,500)	(106,077)	—	—	—
Net proceeds (costs) from sale of redeemable preferred stock	21,024,016	(15,187)	—	—	—
Net cash provided by (used in) financing activities	19,255,516	(121,264)	—	—	—
Net increase (decrease) in cash and cash equivalents	10,457,619	(1,689,349)	4,734,902	(12,181,207)	5,713,690
Cash and cash equivalents, beginning of year	7,097,691	17,555,310	15,865,961	15,865,961	20,600,863
Cash and cash equivalents, end of year	$ 17,555,310	$ 15,865,961	$ 20,600,863	$ 3,684,754	$26,314,553
Supplemental disclosure of cash flow information:					
Cash paid during the year for:					
Interest	$ 207,128	$ 77,091	$ 13,119	$ —	$ —
Income taxes	$ 1,125,367	$ 2,336,936	$ 2,249,231	$ 2,234,202	$ 5,852,960
Noncash transaction:					
Cumulative dividends and accretion of redeemable preferred stock	$ 824,307	$ 1,970,871	$ 1,970,027	$ 985,018	$ 985,018

See accompanying notes to consolidated financial statements.

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and July 3, 2004 (unaudited)**

(1) Description of Business

Build-A-Bear Workshop, Inc. (the Company) is a specialty retailer of plush animals and related products. At January 3, 2004, the Company operated 150 stores (unaudited) located in the United States and Canada and an Internet store. The Company was formed in September 1997 and began operations in October 1997. The Company changed to a Delaware C Corporation on April 3, 2000. The Company previously operated as a Missouri Limited Liability Company (LLC).

During 2001, the Company and a third party formed Build-A-Bear Entertainment, LLC (BABE) for the purpose of promoting the Build-A-Bear brand and characters of the Company through certain entertainment media. Prior to February 2003, the Company owned 51% and was the managing member. On February 10, 2003, the Company purchased for $200,000 the 49% minority interest in BABE, which then became a wholly owned subsidiary.

During 2002, the Company formed Build-A-Bear Workshop Franchise Holdings, Inc. (Holdings) for the purpose of entering into franchise agreements with companies in foreign countries other than Canada. Holdings is a wholly owned subsidiary of the Company. In 2002 and 2003, Holdings signed franchise agreements with third parties to open Build-A-Bear Workshop stores in Japan, the United Kingdom, Korea, Denmark, and France. For each of the franchise agreements, Holdings received a one-time, nonrefundable fee that has been deferred and is being amortized over the life of the respective franchise agreement. Holdings will also receive a percentage of all sales by the franchisees. As of January 3, 2004, one Build-A-Bear Workshop store had been opened in the United Kingdom.

During 2002, the Company formed Build-A-Bear Workshop Canada Ltd. (BAB Canada) for the purpose of operating Build-A-Bear Workshop stores in Canada. BAB Canada is a wholly owned subsidiary of the Company.

During 2003, the Company formed Build-A-Bear Retail Management, Inc. (BABRM) for the purpose of providing purchasing, legal, information technology, accounting, and other general management services for Build-A-Bear Workshop stores. BABRM is a wholly owned subsidiary of the Company.

(2) Summary of Significant Accounting Policies

A summary of the Company's significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows:

(a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Build-A-Bear Workshop, Inc. and its wholly owned subsidiaries, Shirts Illustrated, L.L.C., Holdings, BAB Canada, BABE, and BABRM. All significant intercompany accounts are eliminated in consolidation.

Certain reclassifications were made to prior years' financial statements to be consistent with the fiscal year 2003 presentation.

(b) Pro Forma Presentation (unaudited)

The consolidated balance sheet as of July 3, 2004 reflects the pro forma effect of the mandatory conversion of all outstanding preferred stock into shares of common stock. The consolidated statements of operations for the year ended January 3, 2004 and the 26 weeks ended July 3, 2004 reflect the pro forma effect of the mandatory conversion of all the outstanding preferred stock into shares of common stock upon

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the consummation of a qualified initial public offering as if such conversion had occurred as of December 29, 2002 and January 4, 2004 respectively. The conversion ratio assumes the number of shares to be issued upon the conversion of the outstanding preferred stock based upon our Amended and Restated Certificate of Incorporation effective on August 10, 2004, or 17,316,533 shares (see note 18).

Pro forma basic earnings per common share is computed by dividing net income by the weighted average number of shares of common stock outstanding during each period presented plus the maximum number of shares to be issued upon the conversion of the preferred stock. Pro forma diluted earnings per share is computed similarly to pro forma basic earnings per share, except that the denominator is increased for the assumed conversion of dilutive stock options using the treasury stock method.

(c) Fiscal Year

The Company operates on a 52- or 53-week fiscal year ending on the Saturday closest to December 31. Fiscal years 2001, 2002, and 2003 ended on December 29, 2001, December 28, 2002, and January 3, 2004, respectively. Fiscal years 2001 and 2002 included 52 weeks and fiscal year 2003 included 53 weeks. References to years in these financial statements relate to fiscal years or year ends rather than calendar years.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term highly liquid investments with original maturities of three months or less.

The majority of the Company’s cash and cash equivalents exceed federal deposit insurance limits. The Company has not experienced any losses in such accounts and management believes that the Company is not exposed to any significant credit risk on cash and cash equivalents.

(e) Inventories

Inventories are stated at the lower of cost or market, with cost determined on an average-cost basis.

(f) Property and Equipment

Property and equipment consist of leasehold improvements, furniture and fixtures, and computer equipment and are stated at cost. Leasehold improvements are depreciated using the straight-line method over the life of the lease or the useful life of the assets, whichever is shorter. Furniture and fixtures and computer equipment are depreciated using the straight-line method over the estimated service lives ranging from three to seven years.

As part of its lease agreements, the Company receives certain tenant allowances. Tenant allowances to be received have been recorded as a receivable for tenant allowances and as a reduction in property and equipment on the consolidated balance sheets.

(g) Other Assets

Other assets consist primarily of costs related to trademarks and other intellectual property and deferred leasing fees. Trademarks and other intellectual property represent third-party costs that are capitalized and amortized over their estimated lives of three years using the straight-line method. Deferred

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leasing fees are initial, direct costs related to the Company's operating leases and are amortized over the useful life of the lease.

(h) Long-lived Assets

If facts and circumstances indicate that a long-lived asset may be impaired, the carrying value is reviewed. If this review indicates that the carrying value of the asset will not be recovered, as determined based on projected undiscounted cash flows related to the asset over its remaining life, the carrying value of the asset is reduced to its estimated fair value.

(i) Accrued Rent

Certain of the Company's operating leases contain predetermined fixed escalations of minimum rentals during the original lease terms. For these leases, the Company recognizes the related rental expense on a straight-line basis over the life of the lease and records the difference between the amounts charged to operations and amounts paid as accrued rent.

(j) Franchises

The Company defers initial, one-time nonrefundable franchise fees and amortizes them over the life of the respective franchise agreements. Continuing franchise fees are recognized as revenue as the fees are earned. The Company defers direct and incremental costs incurred with third parties when entering into franchise agreements and amortizes them over the life of the respective franchise agreements.

(k) Retail Revenue Recognition

Net retail sales are net of discounts, exclude sales tax, and are recognized at the time of sale.

Revenues from the sale of gift certificates are recognized at the time of redemption. Unredeemed gift certificates are included in accrued expenses on the consolidated balance sheets.

The Company has a frequent shopper program for its U.S. stores whereby customers who purchase $100 of merchandise receive a card for $10 off a future purchase. An estimate, based on historical redemption rates, of the amount of revenue to be deferred related to this program is recorded at the time of each purchase as a reduction of net retail sales. The deferred revenue is included in other current liabilities on the consolidated balance sheets and is recognized as net retail sales at the time the card is presented for redemption. Management evaluates the redemption rate under this program through the use of frequent shopper cards which have an expiration date after which the frequent purchase discount would not have to be honored. Management reviews these redemption rates and assesses the adequacy of the deferred revenue account at the end of each second quarter and each fiscal year. Based on this assessment at the end of fiscal 2003, the deferred revenue account was determined to be overstated and was adjusted downward by $1.1 million with a corresponding increase to net retail sales, an increase in net income of $0.7 million, and an increase in basic earnings per share of $0.07 for the year ended January 3, 2004. Additionally, the amount of revenue being deferred beginning in fiscal 2004 was decreased by 0.2% to give effect to the change in redemption experience resulting in an increase in net retail sales of $275,000, an increase in net income of $173,000 and an increase in basic earnings per share of $0.02 for the twenty-six weeks ended July 3, 2004.

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(l) Costs of Merchandise Sold

Costs of merchandise sold include the cost of the merchandise, store occupancy cost, including store depreciation, freight costs from the manufacturer to the store, cost of warehousing and distribution, packaging, and damages and shortages.

(m) Selling, General, and Administrative Expenses

Selling, general, and administrative expenses include store payroll and benefits, advertising, credit card fees, and store supplies, as well as central office management payroll, benefits, travel, information systems, accounting, insurance, legal, and public relations. It also includes depreciation and amortization of central office leasehold improvements, furniture, fixtures, and equipment, as well as amortization of trademarks and intellectual property.

(n) Store Preopening Expenses

Store preopening expenses, including store set-up and certain labor and hiring costs, are expensed as incurred.

(o) Advertising

Advertising costs are expensed when the advertising takes place. Advertising expense was $3,493,000, $6,002,000, and $10,883,000 for the years ended December 29, 2001 December 28, 2002, and January 3, 2004, respectively.

(p) Income Taxes

Income taxes are accounted for using a balance sheet approach known as the asset and liability method. The liability method accounts for deferred income taxes by applying the statutory tax rates in effect at the date of the consolidated balance sheets to differences between the book basis and the tax basis of assets and liabilities.

(q) Earnings Per Share

In July 2004, the Company adopted Emerging Issues Task Force (EITF) No. 03-06, *Participating Securities and the Two-Class Method under FASB Statement No. 128, Earnings per Share*. The consensus required the use of the two-class method in the calculation and disclosure of basic earnings per share and provided guidance on the allocation of earnings and losses for purposes of calculating basic earnings per share. Accordingly, all periods presented have been retroactively adjusted to give effect to such guidance.

Certain classes of preferred stock are entitled to participate in cash dividends on common stock. For purposes of calculating basic earnings per share, undistributed earnings are allocated to common and participating preferred shares on a pro rata basis. Basic earnings per share is determined by dividing net income available to common and participating stockholders by the weighted average number of common and participating shares outstanding during the period. Diluted earnings per share reflects the potential dilution that could occur if options to issue common stock or conversion rights of preferred stocks were exercised. In periods in which the inclusion of such instruments is anti-dilutive, the effect of such securities is not given consideration.

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(r) Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees.* Compensation expense for stock options is measured as the excess, if any, of the quoted market price of the Company's common stock at the date of the grant over the amount an employee must pay to acquire the common stock.

In December 2002, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure, an Amendment of FASB Statement 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 Company previously adopted the disclosure-only provisions of SFAS No. 123. For 2001, 2002, and 2003, no compensation cost was recognized at the date of the grant under APB No. 25 for the Company's stock option plans as options have been issued at fair value. The following table illustrates the effect on net earnings and net earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation for the years ended December 29, 2001, December 28, 2002, January 3, 2004, and the twenty-six weeks ended June 28, 2003 (unaudited) and July 3, 2004 (unaudited).

	Fiscal Years Ended			Twenty-Six Weeks Ended	
	December 29, 2001	December 28, 2002	January 3, 2004	June 28, 2003	July 3, 2004
					(Unaudited)
Net income:					
As reported	$1,905,414	$5,868,540	$7,978,424	$1,848,878	$10,209,259
Add stock-based compensation recorded, net of related tax effect	—	—	—	—	59,219
Deduct stock-based employee compensation expense under fair value-based method, net of related tax effects	(116,388)	(118,187)	(243,345)	(106,265)	(126,137)
Pro forma (unaudited)	$1,789,026	5,750,353	7,735,079	1,742,613	10,142,341
Basic earnings per common share:					
As reported	$ 0.09	$ 0.35	$ 0.57	$ 0.07	$ 0.92
Pro forma (unaudited)	$ 0.07	$ 0.34	$ 0.54	$ 0.05	$ 0.91
Diluted earnings per common share:					
As reported	$ 0.07	$ 0.32	$ 0.45	$ 0.07	$ 0.57
Pro forma (unaudited)	$ 0.06	$ 0.32	$ 0.44	$ 0.06	$ 0.57

The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: (a) dividend yield of 0%; (b) expected volatility of 0%; (c) risk-free interest rate ranging from 2.8% to 6.3%; and (d) an expected life of nine, ten, and nine years for 2001, 2002, and 2003, respectively, and nine years for each of the twenty-six week periods

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ended June 28, 2003 and July 3, 2004, respectively. The weighted average fair value of the options at the grant date was $2.16, $2.87, and $2.70 per share for grants in fiscal 2001, 2002, and 2003, respectively, and $2.70 and $2.43 for the twenty-six weeks ended June 28, 2003 and July 3, 2004, respectively.

(s) Fair Value of Financial Instruments

For purposes of financial reporting, management has determined that the fair value of financial instruments, including cash and cash equivalents, receivable for tenant allowances, accounts payable, and accrued expenses, approximates book value at December 28, 2002 and January 3, 2004.

(t) Use of Estimates

The preparation of the consolidated financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment and intangibles, inventories, and deferred income tax assets and the determination of our deferred revenue under our frequent shopper program.

(u) Recent Accounting Pronouncements

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity.* This statement establishes standards for how an issuer classifies and measures in its statements of financial position certain financial instruments of both liabilities and equity. SFAS No. 150 requires issuers to classify as liabilities (or assets in some circumstances) three classes of freestanding instruments entered into or modified after May 31, 2003, at the beginning of the first interim period beginning after June 15, 2003 for all existing financial instruments. As of July 3, 2004, the Company did not have financial instruments within the scope of SFAS No. 150.

In March 2004, the Emerging Issues Task Force completed its discussion of and provided consensus guidance on Issue No. 03-6, *Participating Securities and the Two-Class Method under FASB Statement No 128, Earning per Share*. The consensus interpreted the definition of a “participating security”, required the use of the two-class method in the calculation and disclosure of basic earnings per share, and provided guidance on the allocation of earnings and losses for purposes of calculating basic earnings per share. Certain of our classes of preferred stock are entitled to participate in cash dividends on common stock. Accordingly, this consensus has been applied in the calculation of basic earnings per share for all periods presented.

(v) Interim Financial Data (Unaudited)

The accompanying consolidated balance sheet as of July 3, 2004 and the accompanying consolidated statements of operations, stockholders’ equity and cash flows for the 26 weeks ended July 3, 2004 and June 28, 2003 have been prepared by the Company without an audit. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation for such periods have been made. Results for interim periods should not be considered as indicative of results for a full year.

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Footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted herein with respect to the interim financial data. The interim information herein should be read in conjunction with the annual financial information presented herein.

(3) Impairment Charge

During 2001, the Company identified three stores that were not meeting operating objectives and determined the stores were impaired. The Company recorded a provision for impairment totaling $1,006,220 which included $519,119 related to the write down of property and equipment and other assets and $487,101 of accrued expenses to be incurred in the closing of the stores at the exercise of the early termination provision. During 2003, the Company closed one of the stores that was included in the 2001 provision for impairment. As of January 3, 2004, accrued expenses includes $447,107 related to these stores. The following table presents activity related to the provision for impairment discussed above during fiscal years 2001, 2002, and 2003:

	Fixed asset impairments	Other cash costs	Total
Balance at December 30, 2000	$ —	$ —	$ —
Provision	519,119	487,101	1,006,220
Write-off of impaired assets	(519,119)	—	(519,119)
Balance at December 29, 2001	—	487,101	487,101
Activity	—	—	—
Balance at December 28, 2002	—	487,101	487,101
Store closing costs	—	(39,994)	(39,994)
Balance at January 3, 2004	—	447,107	447,107
Store closing costs (unaudited)	—	(191,002)	(191,002)
Balance at July 3, 2004 (unaudited)	$ —	$ 256,105	$ 256,105

(4) Property and Equipment

Property and equipment consist of the following:

	2002	2003
Leasehold improvements	$38,023,837	$48,308,151
Furniture and fixtures	12,010,189	15,087,759
Computer hardware	7,164,387	9,006,592
Computer software	4,075,994	5,971,151
New store construction deposits	697,948	1,066,376
	61,972,355	79,440,029
Less accumulated depreciation	13,901,174	23,081,670
	$48,071,181	$56,358,359

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For 2001, 2002, and 2003, depreciation expense was $3,864,416, $6,886,275, and $9,721,591, respectively.

(5) Other Assets

Other assets, net of accumulated amortization, consist of the following:

	2002	2003
Trademarks and other intellectual property	$1,320,306	$1,493,171
Deferred leasing fees	1,298,403	1,424,564
Deferred franchise costs	194,116	448,039
Goodwill	97,065	97,065
Other	8,512	29,745
	$2,918,402	$3,492,584

For 2001, 2002, and 2003, amortization expense was $723,908, $889,173, and $1,343,626, respectively. Total accumulated amortization was $2,301,110 and $3,292,856 at December 28, 2002 and January 3, 2004, respectively. Accumulated amortization related to goodwill was $20,987 at December 28, 2002 and January 3, 2004. Included in other assets are amortized intangible assets, which consist of the following:

	2002	2003
Trademarks	$2,819,664	$3,626,630
Intellectual property	378,893	636,654
Total	3,198,557	4,263,284
Less accumulated amortization	1,878,251	2,770,113
Total, net	$1,320,306	$1,493,171

Trademarks and intellectual property are amortized over three years. Amortization expense related to trademarks and intellectual property was $578,689, $721,762, and $873,760 for 2001, 2002, and 2003, respectively. Estimated amortization expense for 2004, 2005, and 2006 is $766,448, $503,084, and $223,639, respectively.

The changes in the carrying amount of goodwill for the year ended January 3, 2004 are as follows:

Balance as of December 28, 2002	$ 97,065
Purchase of minority interest in BABE	200,000
Impairment loss	(200,000)
Balance as of January 3, 2004	$ 97,065

On February 10, 2003, the Company purchased the 49% minority interest in BABE for $200,000, which was allocated to goodwill due to the insignificance of the fair value of the identifiable net assets. A goodwill impairment loss of $200,000 was recognized in the BABE investment since the carrying amount of the investment was greater than the fair value (as determined using the expected present value of future cash flows) and the carrying amount of the goodwill exceeded the implied fair value of that goodwill. The goodwill impairment loss is included in selling, general, and administrative expenses in the consolidated statements of operations.

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(6) Accrued Expenses

Accrued expenses consist of the following:

	2002	2003
Accrued wages and related expenses	$3,690,665	$1,853,094
Accrued rent and related expenses	3,545,636	3,774,320
Sales tax payable	1,846,275	2,842,669
Current income taxes payable	194,830	1,298,969
	$9,277,406	$9,769,052

(7) Other Liabilities

Other liabilities consist of the following:

	2002	2003
Gift certificates and customer deposits	$ 7,962,930	$ 9,345,844
Deferred revenue	2,946,369	3,086,524
	$10,909,299	$12,432,368

(8) Income Taxes

The components of the provision for income taxes are as follows:

	2001	2002	2003
Current:			
Federal	$ 753,203	$1,531,865	$2,754,747
State	101,887	551,191	626,792
Foreign	—	100,000	100,000
Deferred:			
Federal	333,586	1,487,317	1,332,627
State	98,113	120,083	286,792
Income tax expense	$1,286,789	$3,790,456	$5,100,958

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The income tax expense is different from the amount computed by applying the U.S. statutory Federal income tax rates to income before income taxes. The reasons for these differences are as follows:

	2001	2002	2003
Income before income taxes	$3,192,203	$9,658,996	$13,079,382
U.S. statutory Federal income tax rate	34%	34%	34%
Computed income taxes	1,085,349	3,284,059	4,446,990
State income taxes, net of Federal tax benefit	132,000	443,040	602,965
Other	69,440	63,357	51,003
Income tax expense	$1,286,789	$3,790,456	$ 5,100,958
Effective tax rate	40%	39%	39%

Temporary differences that gave rise to deferred income tax assets and liabilities are as follows:

	2002	2003
Deferred income tax assets:		
Accrued rents	$ 663,134	$ 1,031,047
Deferred revenue	1,513,336	1,893,706
Deferred compensation	308,000	308,000
Intangible assets	474,929	697,113
Store impairment	387,395	179,154
Other	132,249	151,405
Total deferred income tax assets	3,479,043	4,260,425
Deferred income tax liabilities:		
Depreciation	(4,608,322)	(7,010,568)
Other	(952)	—
Total deferred income tax liabilities	(4,609,274)	(7,010,568)
Net deferred income tax liability	$(1,130,231)	$(2,750,143)

Long-term deferred income tax liabilities of $3,367,014 and $5,311,862 are included in deferred tax liabilities as of December 28, 2002 and January 3, 2004, respectively. Current deferred income tax assets of $2,236,783 and $2,561,719 are included in prepaid expenses and other as of December 28, 2002 and January 3, 2004, respectively.

A valuation allowance would be provided on deferred tax assets when it is more likely than not that some portion of the assets will not be realized. The Company has not established a valuation allowance at December 28, 2002 and January 3, 2004.

(9) Long-Term Debt

On May 30, 2003, the Company amended its secured line of credit with a bank maintaining their borrowing capacity at $15,000,000. This line of credit matured on May 31, 2004 and renewed with substantially the same terms and a maturity date of May 31, 2005. Borrowings are secured by essentially all of the assets of the Company. Availability under the agreement is based on the levels of accounts

receivable, inventory, and property and equipment. The credit agreement requires the Company to comply with certain financial covenants, including maintaining a minimum tangible net worth and funded debt to Earnings before interest, depreciation and amortization ratio. As of January 3, 2004 and July 3, 2004, the Company was in compliance with the amended and restated loan agreement's covenants. The outstanding balance at January 3, 2004, December 28, 2002, July 3, 2004, was $0. The interest rate for the line of credit is the prime rate less 0.5%. Subsequent to July 3, 2004, the Company issued a $1.1 million standby line of credit under its agreement.

(10) Commitments and Contingencies

(a) Operating Leases

The Company leases its retail stores, internet store, and corporate offices under agreements which expire at various dates through 2014. Each store lease contains provisions for base rent plus contingent payments based on defined sales. Total office and retail store base rent expense was $6,956,000, $11,770,000, and $16,546,000 and contingent rents were $525,000, $763,000, and $670,000 for 2001, 2002, and 2003, respectively.

Future minimum lease payments at January 3, 2004, were as follows:

	January 3, 2004
2004	$ 17,879,000
2005	18,228,000
2006	18,549,000
2007	18,797,000
2008	18,932,000
Subsequent to 2008	59,018,000
	$151,403,000

Subsequent to January 3, 2004, the Company has continued to expand its number of operating locations resulting in an increase in its commitments to future minimum lease payments. As of July 3, 2004, the Company has outstanding future minimum lease payments of $187,940,000.

(b) Litigation

The Company was a party to a lawsuit in which a competitor alleged that the Company misappropriated certain trade secrets and other intellectual property. The Company denied those claims and believes that the allegations in the lawsuit were without merit. Nevertheless, in order to avoid the diversion of management time in dealing with this matter, as well as to avoid additional costs associated with the litigation, the Company elected to resolve this matter without further intervention of the court. During 2001, the matter was resolved to the mutual satisfaction of the parties through a confidential settlement agreement. Pursuant to the settlement agreement, the lawsuit was dismissed with prejudice and the parties agreed to mutual releases of their respective claims. The total amount of the settlement was $2,250,000, of which the Company paid $1,550,000 and the Company's insurance carrier paid the balance of $700,000. The settlement agreement also includes agreements relating to trademarks, store location restrictions, and certain other terms that the Company does not believe are or will be material to the Company's operations.

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In the normal course of business, the Company is subject to certain claims or lawsuits. Management is not aware of any claims or lawsuits that will have a material adverse effect on the consolidated financial position or results of operations of the Company.

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(11) Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Fiscal Years Ended			Twenty-Six Weeks Ended	
	December 29, 2001	December 28, 2002	January 3, 2004	June 28, 2003	July 3, 2004
					(Unaudited)
Net income	$1,905,414	$ 5,868,540	$ 7,978,424	$1,848,878	$10,209,259
Cumulative dividends and accretion of redeemable preferred stock	824,307	1,970,871	1,970,027	985,018	985,018
Cumulative dividends of nonredeemable preferred stock	455,350	455,350	455,350	227,675	227,675
Net income available to common and participating preferred stockholders	625,757	3,442,319	5,553,047	636,185	8,996,566
Dividends and accretion related to dilutive preferred stock	18,969	474,319	2,425,377	9,485	1,212,689
	$ 644,726	$ 3,916,638	$ 7,978,424	$ 645,670	$10,209,255
Net income allocated to common stockholders	$ 19,116	$ 76,837	$ 123,951	$ 14,200	$ 261,064
Net income allocated to participating preferred stockholders	$ 606,641	$ 3,365,482	$ 5,429,096	$ 621,985	$ 8,735,502
Weighted average number of common shares outstanding	217,519	217,519	217,519	217,519	284,731
Weighted average number of participating preferred shares outstanding	6,902,954	9,527,412	9,527,412	9,527,412	9,527,412
Weighted average number of common shares outstanding	217,519	217,519	217,519	217,519	284,731
Effect of dilutive securities:					
Stock options	237,580	310,305	377,528	387,198	327,489
Restricted stock	3,848	48,263	94,893	120,779	103,003
Convertible preferred shares	8,642,196	11,479,371	16,856,408	8,642,196	17,223,105
Weighted average number of common shares — dilutive	9,101,143	12,055,458	17,546,348	9,367,692	17,938,328
Earnings per share:					
Basic:					
Per common share	$ 0.09	$ 0.35	$ 0.57	$ 0.07	$ 0.92
Per participating preferred share	$ 0.09	$ 0.35	$ 0.57	$ 0.07	$ 0.92
Diluted	$ 0.07	$ 0.32	$ 0.45	$ 0.07	$ 0.57

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and July 3, 2004 (unaudited) — (Continued)**

In calculating diluted earnings per share for the years ended December 29, 2001, December 28, 2002, January 3, 2004, and the for the six months ended June 28, 2003 and July 3, 2004 options, restricted stock, and convertible preferred shares of 7,659,441, 5,093,723, and 237,734, 8,193,869, and 494,468, respectively, were outstanding as of the end of the periods, but were not included in the computation of diluted earnings per share due to their anti-dilutive effect.

(12) Stock Option Plan

In November 1997, the members of Build-A-Bear Workshop L.L.C. (LLC) adopted the Build-A-Bear Workshop L.L.C. Employee Option Plan. This plan authorized the LLC members to issue options to purchase LLC Class A member interests. The vesting, exercise prices, and other terms of the options were determined by the LLC members. During 1998, the LLC members granted options for a total of three units to two employees. At the grant dates, each unit represented 1% ownership in LLC and was subject to adjustments to maintain such interest in the event of future equity transactions.

When LLC reorganized to a corporation on April 3, 2000, the Company adopted the 2000 Stock Option Plan (the Plan). Under the Plan, the Company granted 300,000 vested options to replace the three unit options that were granted during 1998. The exercise price for these options is $0.465 per share. Compensation expense of $500,000 and $300,000 for these options was recorded in 1999 and 2000, respectively. In 2003, the Company adopted the Build-A-Bear Workshop, Inc. 2002 Stock Incentive Plan (collectively, the Plans).

Under the Plans, as amended, up to 2,200,000 shares of common stock were reserved and may be granted to employees and nonemployees of the Company. The Plan allows for the grant of incentive stock options, nonqualified stock options, and restricted stock (see note 13b). Options granted under the Plan expire no later than 10 years from the date of the grant. The exercise price of each incentive stock option shall not be less than 100% of the fair value of the stock subject to the option on the date the option is granted. The exercise price of the nonqualified options shall be determined from time to time by the compensation committee of the board of directors (the Committee). The vesting provision of individual options is at the discretion of the Committee.

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A summary of the balances and activity for the Plans follow:

	Number of Shares	Range of Exercise Price	Weighted Average Price Per Share
Outstanding, December 29, 2001	804,815	$0.47-6.10	$3.45
Exercisable, December 29, 2001	346,000	0.47-6.10	1.21
Granted	55,000	8.42	8.42
Exercised	—	—	—
Forfeited	—	—	—
Outstanding, December 28, 2002	859,815	0.47-8.42	3.77
Exercisable, December 28, 2002	446,963	0.47-6.10	2.12
Granted	271,484	9.10	9.10
Exercised	—	—	—
Forfeited	63,750	8.42-9.10	8.78
Outstanding, January 3, 2004	1,067,549	0.47-9.10	4.82
Exercisable, January 3, 2004	609,139	0.47-8.42	2.91
Granted (unaudited)	302,234	8.78	8.78
Exercised (unaudited)	263,100	0.47-9.10	1.89
Forfeited (unaudited)	59,400	6.10-9.10	7.89
Outstanding, July 3, 2004 (unaudited)	1,047,283	0.47-9.10	6.52
Exercisable, July 3, 2004 (unaudited)	526,211	0.47-9.10	4.50

Shares available for future options and restricted stock grants were 1,024,388 and 816,654 at the end of 2002 and 2003, respectively, and 2,073,820 after giving effect to the Amended and Restated Certificate of Incorporation (see Note 18).

The following table summarizes information about stock options outstanding at July 3, 2004 (unaudited):

Options Outstanding				Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Exercise Price
$0.47	100,000	5.8	$0.47	100,000	$0.47
4.50	274,815	0.8	4.50	274,815	4.50
6.04-6.10	153,000	6.2	6.08	96,400	6.08
8.42	25,000	8.1	8.42	6,250	8.42
8.78	299,484	9.2	8.78	—	—
9.10	194,984	8.0	9.10	48,746	9.10
0.47-9.10	1,047,283	5.9	6.52	526,211	4.50

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(13) Stockholders' Equity

(a) Reorganization and Preferred Stock Sales

Effective April 3, 2000, the Company reorganized from an LLC to a C Corporation. The existing LLC members received a total of 9,482,482 shares of Series A, B, and C convertible nonredeemable preferred stock and 217,519 shares of common stock in exchange for their member units.

On April 5, 2000, the Company issued a total of 2,666,666 shares of Series A and B convertible redeemable preferred stock in exchange for $9,837,876 in cash and $1,934,485 in a promissory note from a related party. The note was subsequently collected in full within 30 days of issuance. The proceeds are net of the costs associated with the preferred stock sales of $227,632.

From September through December 2001, the Company issued a total of 3,467,337 shares of Series D convertible redeemable preferred stock in exchange for $21,024,016 in cash. The cash proceeds are net of the costs associated with the preferred stock sales of $141,911.

(b) Restricted Stock

On April 3, 2000, the Company issued 274,815 shares of restricted common stock to an officer of the Company in exchange for a promissory note of $1,236,667 that bears interest at 6.60% per annum. Both principal and interest are due April 2005. The shares were issued subject to a restriction of continued employment. As of January 3, 2004, 100% of the shares were transferable by the officer.

On September 19, 2001, the Company issued 40,982 shares of restricted common stock to two officers of the Company in exchange for promissory notes totaling $249,990 that bear interest at 4.82% per annum. Both principal and interest are due September 2006.

Due to the limited-recourse nature of these promissory notes, the restricted stock is treated as outstanding stock options for accounting purposes with no effect on the presentation of stockholders' equity. The shares of unvested restricted stock are included in the calculation of diluted earnings per share using the treasury stock method.

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(c) Preferred Stock

As of December 28, 2002 and January 3, 2004, 25,000,000 shares of preferred stock were authorized. Preferred stock consists of various series of Class A, B, C, and D preferred stock. Each class has various dividend, liquidation, and redemption rights as summarized below:

Series of Preferred Stock	Defined Liquidation Rights	Defined Cumulative Dividends	Entitled to Participate in Cash Dividends on Common Stock	Shares Issued and Outstanding as of		Liquidation Preference as of	
				December 28, 2002	January 3, 2004	December 28, 2002	January 3, 2004
A-1	$2.451890	0.171632	No	1,137,898	1,137,898	$ 3,327,075	$ 3,522,375
A-2	3.556556	0.248959	No	139,981	139,981	593,686	628,536
A-3	2.600746	0.182052	No	961,263	961,263	2,981,250	3,156,250
A-4	3.484283	0.243900	No	205,824	205,824	855,200	905,401
A-5	5.649780	0.395485	Yes	1,061,986	1,061,986	7,154,986	7,574,986
B-1	1.808051	0.000000	No	275,352	275,352	497,850	497,850
B-2	1.720493	0.000000	No	1,453,072	1,453,072	2,500,000	2,500,000
B-3	2.305925	0.000000	No	311,003	311,003	717,150	717,150
B-4	3.739067	0.000000	No	1,604,680	1,604,680	6,000,006	6,000,006
C-1	0.105315	0.000000	Yes	3,418,306	3,418,306	359,999	359,999
C-2	0.973290	0.000000	Yes	1,385,507	1,385,507	1,348,500	1,348,500
C-3	0.720934	0.000000	Yes	194,276	194,276	140,060	140,060
D	6.100000	0.427000	Yes	3,467,337	3,467,337	22,990,634	24,471,187
				15,616,485	15,616,485	$49,466,396	$51,822,300

Series D preferred stock has senior liquidation preference over all other series of preferred stock. As a group, series A-1, A-2, A-3, A-4, A-5, B-1, B-2, B-3, and B-4 preferred stock have senior liquidation preference after series D preferred stock. Series C-1, C-2, and C-3 preferred stock have junior liquidation preference. All series of A, B, and D preferred stock also have certain voting rights as a combined class.

As of January 3, 2004, no common or preferred dividends have been declared or paid by the Company. The Series A-5, B-4, and D shareholders may force the Company to redeem those shares for cash or notes on April 3, 2006. Series D shares have redemption preference over Series A-5 and B-4. The redemption price is equal to the price paid for the stock plus all accrued and unpaid dividends. During 2002 and 2003, $1,970,871 and $1,970,027, respectively, was recorded to increase the carrying value of the Series A-5, B-4, and D redeemable preferred stock to its redemption value. This includes cumulative dividends of $1,900,553 and $1,900,553 and accretion of equity issuance costs of $70,318 and $69,474 for 2002 and 2003, respectively, for the redeemable preferred stock. Cumulative dividends in arrears for the nonredeemable preferred stock totaled $1,252,212 and $1,707,562 at December 28, 2002 and January 3, 2004, respectively.

Each share of preferred stock, including shares of preferred stock issuable in exchange for accrued but unpaid dividends, is convertible into common stock on a one-for-one basis at anytime at the option of the holder. Conversion of the preferred stock is automatic based on certain events, such as an initial public offering under certain conditions.

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(14) 401(k) Plan

During 2000, the Company established a defined contribution plan that conforms to IRS provisions for 401(k) plans. The Build-A-Bear Workshop, Inc. Employees Savings Trust covers associates who work 1,000 hours or more in a year and have attained age 21. The Company, at the discretion of its board of directors, can provide for a Company match on the first 6% of employee deferrals. For 2001, 2002, and 2003, the Company provided a 25% match on the first 6% of employee deferrals totaling $72,200, $139,600, and $136,600, respectively. The Company match vests over a five-year period.

(15) Related-Party Purchases and Contracts

The Company bought fixtures for new stores and furniture for the corporate offices from a related party. The total cost of these fixtures and furniture amounted to $3,015,900, $2,839,900, and $2,705,900 in 2001, 2002, and 2003, respectively. The Company leases its corporate office from the same related party. Rent under this lease amounted to $187,000, $212,300, and $215,300 in 2001, 2002, and 2003, respectively. The lease expires in 2008. The total due to this related party as of December 28, 2002 and January 3, 2004 was $22,700 and $82,500, respectively.

The Company paid $930,200, $1,041,400, and $960,300 in 2001, 2002, and 2003, respectively, for construction management services, pursuant to a contract that extended through December 31, 2003, to an entity controlled by a related party. As of January 3, 2004, the Company has a commitment to this same related party for $252,000 relating to a construction management agreement for the period from January 1, 2004 through December 31, 2004. The Company leased one of its retail stores from this same related party. In 2001, 2002, and 2003, the Company paid rent totaling $199,000, $193,400, and $78,400, respectively, under this lease agreement. The total due to this related party as of December 28, 2002 and January 3, 2004 was $35,850 and $6,500, respectively.

The Company paid $257,600, $127,000, and $230,100 in 2001, 2002, and 2003, respectively, for design and other creative services to a stockholder. The total due to this related party as of December 28, 2002 and January 3, 2004 was $0.

(16) Major Vendors

Two vendors accounted for approximately 80%, 74%, and 76% of inventory purchases in 2001, 2002, and 2003, respectively.

(17) Segment Information

Operating segments represent components of the Company’s business that are evaluated regularly by key management in assessing performance and resource allocation. The Company has determined that its reportable segments consist of retail operations, international, and licensing and entertainment.

The reporting segments follow the same accounting policies used for the Company’s consolidated financial statements as described in the summary of significant accounting policies:

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	Retail	International	Licensing & Entertainment	Total
Year ended December 29, 2001				
Net sales to external customers	$106,621,737	$ —	$ —	$106,621,737
Intersegment revenue	—	—	—	—
Net income (loss) before income taxes	3,442,203	—	(250,000)	3,192,203
Total assets	72,778,904	—	75,100	72,854,004
Capital expenditures	21,624,454	—	—	21,624,454
Depreciation and amortization	4,588,324	—	—	4,588,324
Year ended December 28, 2002				
Net sales to external customers	169,122,692	15,625	—	169,138,317
Intersegment revenue	—	—	—	—
Net income (loss) before income taxes	10,902,408	(1,243,412)	—	9,658,996
Total assets	92,076,402	1,606,852	10,000	93,693,254
Capital expenditures	18,718,286	—	—	18,718,286
Depreciation and amortization	7,774,856	592	—	7,775,448
Year ended January 3, 2004				
Net sales to external customers	213,427,099	244,447	—	213,671,546
Intersegment revenue	1,524,850	—	—	1,524,850
Net income before income taxes	14,847,667	(1,768,285)	—	13,079,382
Total assets	108,884,926	2,919,859	159,473	111,964,258
Capital expenditures	18,284,244	77,986	—	18,362,230
Depreciation and amortization	11,016,191	49,026	—	11,065,217
Twenty-six weeks ended June 28, 2003 (unaudited):				
Net sales to external customers	92,487,983	95,337	—	92,583,320
Intersegment revenue	—	—	—	—
Net income before income taxes	4,255,104	(1,120,437)	(975)	3,133,692
Total assets	85,875,440	1,587,469	9,025	87,471,934
Capital expenditures	10,338,465	—	—	10,338,465
Depreciation and amortization	4,919,690	18,911	—	4,938,601
Twenty-six weeks ended July 3, 2004 (unaudited):				
Net sales to external customers	135,419,760	306,979	—	135,726,739
Intersegment revenue	249,012	—	—	249,012
Net income before income taxes	16,900,181	(433,494)	(140)	16,466,547
Total assets	121,547,580	2,908,064	377,833	124,833,477
Capital expenditures	4,431,607	6,344	—	4,437,951
Depreciation and amortization	5,994,771	35,277	—	6,030,048

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(18) Subsequent Events

As of August 10, 2004, the Articles of Incorporation were amended primarily with respect to the liquidation and redemption preferences of the Series A and Series D Preferred stock as well as the dividend rights for all series of preferred stock. Previously, Series A and Series D preferred stock accrued a dividend and any accrued and unpaid dividends were added to the original liquidation preference and redemption amounts for these series. Additionally, these series had certain dividend preference rights over other classes of stock.

The amended Articles of Incorporation effectively set the liquidation preference and redemption amounts for the Series A and Series D stock to be equal to the original amounts plus the amounts of accrued and unpaid dividends as of July 31, 2004. Additionally, any dividend preference or restrictions on all series of preferred stock were removed and all series of preferred stock participate on an as converted basis ratably with common stock for any declared dividends.

In August 2004, following the amendment of the Articles of Incorporation, the Company paid a cash dividend of $10.0 million to the common and preferred stockholders.

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. *Other Expenses of Issuance and Distribution*

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by Build-A-Bear in connection with the sale of the common stock being registered hereby, other than underwriting commissions and discounts. All amounts are estimates except the SEC registration fee, the NASD filing fee and the listing/quotation fee.

Registration fee	$15,837.50
NASD filing fee	13,000.00
listing fee	
Blue Sky fees and expenses	
Printing and engraving expenses	
Legal fees and expenses	
Accounting fees and expenses	
Transfer agent and registrar fees	
Miscellaneous	
Total	**$**

We intend to pay all expenses of registration, issuance and distribution.

Item 14. *Indemnification of Directors and Officers*

Our certificate of incorporation provides that our directors shall not be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except for liability for: (i) any breach of the director's duty of loyalty to us or our stockholders; (ii) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) liability for payments of dividends or stock purchases or redemptions in violation of Section 174 of the Delaware General Corporation Law; or (iv) any transaction from which the director derived an improper personal benefit. In addition, our certificate of incorporation provides that we will, to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits us to provide broader indemnification rights than such law permitted us to provide prior to such amendment), indemnify and hold harmless any person who was or is a party, or is threatened to be made a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that such person is or was our director or officer, or is or was serving at our request as a director, officer, employee or agent of another corporation, or as our representative in a partnership, joint venture, trust or other entity, (an "indemnitee") against expenses, liabilities, and losses (including attorneys' fees, judgments, fines, and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith. We have also entered into separate indemnification agreements with our directors that require us, among other things, to indemnify each of them against certain liabilities that may arise by reason of their status or service other than liabilities unless it is determined that he or she did not act in good faith and in a manner he or she reasonably believed to be in or not opposed to our best interests, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

The right to indemnification set forth above includes the right for us to pay the expenses (including attorneys' fees) incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the Delaware General Corporation Law requires an advancement of expenses incurred by an indemnitee in his capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall

be made only upon delivery to us of an undertaking, by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is not further right to appeal that such indemnitee is not entitled to be indemnified for such expenses under this section or otherwise. The rights to indemnification and to the advancement of expenses conferred herewith are contract rights and continue as to an indemnitee who has ceased to be a director, officer, employee or agent and inures to the benefit of the indemnitee's heirs, executors, and administrators.

The Delaware General Corporation Law provides that indemnification is permissible only when the director, officer, employee, or agent acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct was unlawful. The Delaware General Corporation Law also precludes indemnification in respect of any claim, issue, or matter as to which an officer, director, employee, or agent shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine that, despite such adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court deems proper.

The selling stockholders and we have agreed to indemnify the underwriters and their controlling persons, and the underwriters have agreed to indemnify the selling stockholders, us and our controlling persons, against certain liabilities, including liabilities under the Securities Act. Reference is made to the Underwriting Agreement filed as part of the exhibits hereto.

See Item 17 for our undertaking to submit to adjudication the issue of indemnification for violation of the securities laws.

Item 15. ***Recent Sales of Unregistered Securities***

The registrant has issued and sold the following securities:

1. From August 1, 2001 through July 3, 2004, the registrant granted options to purchase 195,000 shares of its common stock to employees, consultants and directors pursuant to its 2000 Stock Option Plan, as amended. Options to purchase an aggregate of 42,000 shares have been canceled without being exercised and options to purchase an aggregate of 18,000 shares have been exercised.

2. In September, November and December 2001, the registrant issued and sold to 14 private investors 3,467,337 shares of Series D preferred stock for an aggregate consideration of $21,150,756 pursuant to a Stock Purchase Agreement dated as of September 21, 2001.

3. In September 2001, the registrant issued 20,491 shares of its common stock for an aggregate consideration of $124,995 to Brian Vent pursuant to a Restricted Stock Purchase Agreement dated as of September 19, 2001.

4. In September 2001, the registrant issued 20,491 shares of its common stock for an aggregate consideration of $124,995 to Tina Klocke pursuant to a Restricted Stock Purchase Agreement dated as of September 19, 2001.

5. From May 1, 2003 through July 3, 2004, the registrant granted options to purchase 573,718 shares of its common stock to employees, consultants and directors pursuant to its 2002 Stock Option Plan. Options to purchase an aggregate of 71,750 shares have been canceled without being exercised and options to purchase an aggregate of 7,500 shares have been exercised.

The sales and issuances of securities described in items 1, 3 and 4 above were deemed to be exempt from registration under the Securities Act by virtue of Rule 701 of the Securities Act in that they were offered and sold either pursuant to a written compensatory benefit plan or pursuant to a written contract relating to compensation, as provided by Rule 701 or by virtue of Section 4(2) of the Securities Act, or Regulation D promulgated thereunder. The sales of the securities described in item 2 above were deemed to be exempt from registration under the Securities Act in reliance on Section 4(2) of the Securities Act,

or Regulation D promulgated thereunder. With respect to the grant of options described in item 1, an exemption from registration was unnecessary in that none of the transactions involved a "sale" of securities as such term is used in Section 2(3) of the Securities Act.

The recipients of securities in each such transaction represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the share certificates and warrants issued in such transactions. All recipients had adequate access, through their relationships with the Company, to information about the registrant.

Item 16. ***Exhibits and Financial Statement Schedules***

(a) The following is a list of exhibits filed as a part of this Registration Statement:

Exhibit Number	Description
1.1*	Form of Underwriting Agreement
2.1	Agreement and Plan of Merger dated April 3, 2000 between Build-A-Bear Workshop, L.L.C. and the Registrant
3.1	Amended and Restated Certificate of Incorporation of the Registrant dated August 10, 2004
3.2	Bylaws of the Registrant as currently in effect
3.3	Form of Second Amended and Restated Certificate of Incorporation of the Registrant, to be effective upon the closing of this offering
3.4	Form of Amended and Restated Bylaws of the Registrant, to be effective upon the closing of this offering
4.1*	Specimen Stock Certificate
4.2	Stock Purchase Agreement by and among the Registrant, Catterton Partners IV, L.P., Catterton Partners IV Offshore, L.P. and Catterton Partners IV Special Purpose, L.P. and the Purchasers named therein dated as of April 3, 2000
4.3	Stock Purchase Agreement by and among the Registrant and the other Purchasers named therein dated as of September 21, 2001
4.4	Amended and Restated Stockholders' Agreement, dated as of September 21, 2001 by and among the Registrant and certain stockholders
4.5	Amended and Restated Registration Rights Agreement, dated September 21, 2001 by and among Registrant and certain stockholders named therein
5.1*	Opinion of Bryan Cave LLP
10.1	2000 Stock Option Plan, as amended
10.2	2002 Stock Incentive Plan, as amended
10.3*	2004 Stock Incentive Plan
10.4*	Employment, Confidentiality and Noncompete Agreement dated , 2004 between Maxine Clark and the Registrant
10.5*	Employment, Confidentiality and Noncompete Agreement dated April 13, 2004 between Barry Erdos and the Registrant
10.6*	Employment, Confidentiality and Noncompete Agreement dated , 2004 between Tina Klocke and the Registrant
10.7*	Employment, Confidentiality and Noncompete Agreement dated July 9, 2001 between John Burtelow and the Registrant
10.8*	Employment, Confidentiality and Noncompete Agreement dated as of March , 2004 between Scott Seay and the Registrant
10.9*	Employment, Confidentiality and Noncompete Agreement dated September 10, 2001 between Teresa Kroll and the Registrant

Exhibit Number	Description
10.10	Separation Agreement and General Release dated January 31, 2004 by and between Brian C. Vent and Build-A-Bear Workshop, Inc.
10.11	Form of Indemnification Agreement between the Registrant and its directors and executive officers
10.12	Third Amendment to Loan Documents among the Registrant, Shirts Illustrated, LLC, Build-A-Bear Workshop Franchise Holdings, Inc., Build-A-Bear Entertainment, LLC, Build-A-Bear Retail Management, LLC
10.13	Second Amended and Restated Loan Agreement dated February, 2002 among U.S. Bank National Association, the Registrant and Shirts Illustrated, LLC
10.14	First Amended and Restated Revolving Credit Note dated February, 2002 by the Registrant and Shirts Illustrated, LLC in favor of U.S. Bank National Association
10.15	First Amended and Restated Security Agreement dated February, 2002 among the Registrant, Shirts Illustrated, LLC and U.S. Bank National Association
10.16	Restricted Stock Purchase Agreement dated April 3, 2000 by and between Maxine Clark and the Registrant
10.17	Secured Promissory Note of Maxine Clark in favor of the Registrant, dated April 3, 2000
10.18	Repayment and Stock Pledge Agreement dated April 3, 2000 by and between Maxine Clark and the Registrant
10.19	Restricted Stock Purchase Agreement dated September 19, 2001 by and between Brian C. Vent and the Registrant
10.20	Secured Promissory Note of Brian C. Vent in favor of the Registrant, dated September 19, 2001
10.21	Repayment and Stock Pledge Agreement dated September 19, 2001 by and between Brian C. Vent and the Registrant
10.22	Restricted Stock Purchase Agreement dated September 19, 2001 by and between Tina Klocke and the Registrant
10.23	Secured Promissory Note of Tina Klocke in favor of the Registrant, dated September 19, 2001
10.24	Repayment and Stock Pledge Agreement dated September 19, 2001 by and between Tina Klocke and the Registrant
10.25	Public Warehouse Agreement dated April 5, 2002 between the Registrant and JS Logistics, Inc., as amended
10.26	Agreement for Logistics Services dated as of February 24, 2002 by and among the Registrant and HA Logistics, Inc.
10.27*	Lease Agreement dated as of June 21, 2001 between the Registrant and Walt Disney World Co.
10.28	Amendment and Restatement of Sublease dated as of June 14, 2000 by and between NewSpace, Inc. and the Registrant
10.29	Lease dated May 5, 1997 between Smart Stuff, Inc. and Hycel Partners I, L.P.
10.30	Agreement dated October 16, 2002 between the Registrant and Hycel Properties Co., as amended
10.31	Construction Management Agreement dated November 10, 2003 by and between the Registrant and Hycel Properties Co.
10.32	Agreement dated July 19, 2001 between the Registrant and Adrienne Weiss Company
21.1	List of Subsidiaries of the Registrant
23.1	Consent of KPMG LLP
23.2*	Consent of Bryan Cave LLP (included in the opinion filed as Exhibit 5.1)
24.1	Powers of Attorney (see signature page)

* To be filed by amendment to this registration statement

(b) *Financial Statement Schedules*

Schedules not listed above have been omitted because they are inapplicable or the requested information is shown in the financial statements of the Registrant or notes thereto.

Item 17. ***Undertakings***

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

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as a part of this registration statement in reliance upon 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers, and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of St. Louis, State of Missouri, on the 12th day of August, 2004.

BUILD-A-BEAR WORKSHOP, INC.

By: /s/ MAXINE CLARK

Name: Maxine Clark
Title: *Chief Executive Bear*

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Maxine Clark, Barry Erdos, Tina Klocke and John Burtelow, and each of them (with full power of each to act alone), severally, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and her and to execute in his or her name, place and stead (individually and in any capacity stated below) any and all amendments to this Registration Statement (including post-effective amendments), and any additional registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, for the same offering contemplated by this Registration Statement, and all documents and instruments necessary or advisable in connection therewith, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission (or any other governmental regulatory authority), each of said attorneys-in-fact and agents to have power to act with or without the others and to have full power and authority to do and to perform in the name and on behalf of each of the undersigned every act whatsoever necessary or advisable to be done in the premises as fully and to all intents and purposes as any of the undersigned might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents and/or any of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated:

Signatures	Title	Date
/s/ MAXINE CLARK	Chief Executive Bear and Chairman of the Board (Principal Executive Officer)	August 12, 2004
Maxine Clark		
/s/ BARNEY A. EBSWORTH	Director	August 12, 2004
Barney A. Ebsworth		
/s/ JAMES M. GOULD	Director	August 12, 2004
James M. Gould		
/s/ WILLIAM REISLER	Director	August 12, 2004
William Reisler		

Signatures	Title	Date
/s/ FRANK M. VEST, JR. Frank M. Vest, Jr.	Director	August 12, 2004
/s/ TINA KLOCKE Tina Klocke	Chief Financial Bear, Treasurer and Secretary (Principal Financial and Accounting Officer)	August 12, 2004

EXHIBIT 2.1

AGREEMENT AND PLAN OF MERGER

DATED APRIL 3, 2000

between

BUILD-A-BEAR WORKSHOP, L.L.C.

and

BUILD-A-BEAR WORKSHOP, INC.

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AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER (the "Agreement"), dated April 3, 2000, between BUILD-A-BEAR WORKSHOP, L.L.C., a Missouri limited liability company ("LLC"), and BUILD-A-BEAR WORKSHOP, INC., a Delaware corporation ("Corporation").

WHEREAS, the LLC intends to convert to the form of a corporation for purposes of conducting its business;

WHEREAS, the Members and the Manager of the LLC and the Board of Directors of the Corporation deem it advisable and in the best interests of the LLC and the Corporation respectively that the LLC merge with and into the Corporation (the "Merger"), in accordance with the General Corporation Law of the State of Delaware ("DGCL") and the Limited Liability Company Act of the State of Missouri (the "LLC Act"), upon the terms and subject to the conditions of this Agreement, and have approved and adopted this Agreement; and

WHEREAS, for accounting purposes this Merger shall be effective as of April 2, 2000 at 12:01 a.m.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the parties hereby agree, subject to the terms and conditions hereinafter set forth, as follows:

ARTICLE I
THE MERGER

SECTION 1.01. THE MERGER. Upon the terms and conditions hereof, and in accordance with the DGCL and the LLC Act, the LLC shall be merged with and into the Corporation and the Corporation shall be the surviving entity in the Merger (in this capacity, the "Surviving Entity").

SECTION 1.02. EFFECTIVE TIME. As soon as practicable after approval of the Merger, a Certificate of Merger with respect to the Merger shall be filed with (i) the Secretary of State of Delaware in accordance with the provisions of Sections 251(c) and 264(c) of the DGCL and (ii) the Secretary of the State of Missouri in accordance with Sections 347.715 of the LLC Act. The Merger shall be effective at such time as the Certificate of Merger is duly filed with the Secretary of State of the State of Delaware in accordance with Section 103 of the DGCL and the Secretary of State of the State of Missouri in accordance with Section 347.725 of the LLC Act or at such later time as is specified in the Certificate of Merger (the "Effective Time").

SECTION 1.03. CERTAIN EFFECTS OF THE MERGER. After the Effective Time of the Merger (i) the separate existence of the LLC shall cease and the LLC shall be merged with and into the Corporation and (ii) the Merger shall have all the effects set forth in Sections 259, 260 and 261 of the DGCL and Section 347.730 of the LLC Act.

SECTION 1.04. CERTIFICATE OF INCORPORATION AND BY-LAWS. The Certificate of Incorporation and By-Laws of the Corporation as in effect immediately prior to the Effective Time shall be the Certificate of Incorporation and By-Laws of the Surviving Entity until further amended or supplemented in accordance with their respective terms and the provisions of the DGCL.

SECTION 1.05. DIRECTORS AND OFFICERS OF THE SURVIVING ENTITY. The directors and officers of the Corporation immediately prior to the Effective Time shall be the directors and officers of the Surviving Entity, until their respective successors shall have been duly elected and qualified or until their earlier death, resignation or removal.

ARTICLE II
EFFECT OF MERGER ON CAPITAL STOCK OF THE CONSTITUENT CORPORATIONS

SECTION 2.01. CONVERSION OF MEMBER INTERESTS OF THE LLC. At the Effective Time, all of the Class A, Class B and Class C Member Interests of the LLC which shall be outstanding immediately prior to the Effective Time, shall, by virtue of the Merger and without any action on the part of the holder thereof be converted as follows:

(a) Each one-ten thousandth (1/10,000th) of one percent of Class A Member Interest in the LLC, assuming all Member Interests are fully converted to Class A Member Interests, outstanding immediately prior to the Effective Time shall be converted into and become ten shares of $0.01 par value Class C Preferred Stock of the Surviving Entity as set forth on Exhibit A.

(b) Each one-ten thousandth (1/10,000th) of one percent of the Class A Member Interest into which the Class B Member Interests of the LLC are convertible, assuming all Member Interests are fully converted to Class A Member Interests, outstanding immediately prior to the Effective Time shall be converted into and become ten shares of $0.01 par value of the Class A Preferred Stock of the Surviving Entity, and further subdivided into the respective Series of Class A Preferred Stock as set forth on Exhibit A.

(c) Each one-ten thousandth (1/10,000th) of one percent of the Class A Member Interest into which the Class C Member Interest in the LLC are convertible, assuming all Member Interests are fully converted to Class A Member Interests, outstanding immediately prior to the Effective Time shall be converted into and become

ten shares of $0.01 par value of the Class B Preferred Stock of the Surviving Entity, and further subdivided into the respective Series of Class B Preferred Stock as set forth on Exhibit A.

(d) The accrued but unpaid distributions with respect to the Class B Member Interests immediately prior to the Effective Time shall be converted into and become the number of shares of $0.01 par value Common Stock of the Surviving Entity and shall be issued to the persons as set forth on Exhibit A.

ARTICLE III
MISCELLANEOUS

SECTION 3.01. AMENDMENT. This Agreement may not be amended except by an instrument in writing signed on behalf of both parties.

SECTION 3.02. VALIDITY. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, all of which shall remain in full force and effect.

SECTION 3.03. NOTICES. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given to the respective parties when delivered in person, by cable, telegram, telex or telecopy, or when received by registered or certified mail (postage prepaid, return receipt requested), at their respective principal executive offices or at such other address as the person to whom notice is given may have previously furnished to the other in writing in the manner set forth above (provided that notice of any change of address shall be effective only upon receipt thereof).

SECTION 3.04. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Missouri, without regard to its conflict of laws principles.

SECTION 3.05. DESCRIPTIVE HEADINGS. The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

SECTION 3.06. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement.

SECTION 3.07. PARTIES IN INTEREST. This Agreement shall be binding upon and inure to the benefit of each party hereto and their respective successors, and nothing in this Agreement, express or implied, is intended to confer upon any other person any rights or remedies of any nature whatsoever under or by reason of this Agreement.

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed on its behalf by its officers thereunto duly authorized, all as of the day and year first above written.

BUILD-A-BEAR WORKSHOP, L.L.C.

By: /s/ Maxine Clark

Maxine Clark
Title: Manager

BUILD-A-BEAR WORKSHOP, INC.

By: /s/ Maxine Clark

Name: Maxine Clark
Title: President

Attest:

/s/ Brian Vent
- ---
Name:
Title: Secretary

EXHIBIT A

Name	Common Stock (shares)	Preferred Stock Series	Preferred Stock Shares (#)
SSI		C-1	3,418,306
Windsor	84,791	C-2	911,383
		A-1	1,137,898
C. Ebsworth		C-2	474,124
Vent		C-3	64,500
Smith		C-3	64,500
Weiss		C-3	65,276
Hycel	23,572	A-2	139,981
		B-1	275,352
Walnut	98,804	A-3	961,263
		B-2	1,453,072
KCEP	10,352	A-4	205,824
		B-3	311,003
Total:	217,520		9,482,480

CERTIFICATE OF MANAGER
OF
BUILD-A-BEAR WORKSHOP, L.L.C.

I, Maxine Clark, Manager of the Build-a-Bear Workshop, L.L.C., a Missouri limited liability company ("the LLC"), hereby certify that the Agreement and Plan of Merger to which this certificate is attached, after having been first duly signed on behalf of the LLC by its Manager, was duly submitted to the Members of the LLC and was approved by the written consent of the Members of the LLC on April 3, 2000.

WITNESS my hand this 3rd day of April, 2000.

/s/ Maxine Clark

Manager

CERTIFICATE OF SECRETARY
OF
BUILD-A-BEAR WORKSHOP, INC.

I, Brian Vent, the Secretary of Build-A-Bear Workshop, Inc., a Delaware corporation (the "Corporation"), hereby certify that the Agreement and Plan of Merger to which this certificate is attached, after having been first duly signed on behalf of the Corporation by its President and attested by its Secretary under the corporate seal of the Corporation.

WITNESS my hand this 3rd day of April, 2000.

/s/ Brian Vent

Secretary

The foregoing Agreement and Plan of Merger having been executed on behalf of each of the parties thereto and having been adopted by the members of each of Build-A-Bear Workshop, L.L.C., a limited liability company organized and existing under the laws of the State of Missouri, and the stockholders of Build-A-Bear Workshop, Inc., a corporation organized and existing under the laws of the State of Delaware, in accordance with the provisions of the General Corporation Law of the State of Delaware and that fact having been certified on said Agreement and Plan of Merger by the Manager of the LLC and the Secretary of the Corporation, the President of said corporation does hereby execute said Agreement and Plan of Merger and the Secretary of the Corporation does hereby attest said Agreement and Plan of Merger, by authority of the directors and members thereof and as the respective act, deed and agreement of each of said corporation and limited liability company on the 3rd day of April, 2000.

BUILD-A-BEAR WORKSHOP, L.L.C.

By: /s/ Maxine Clark

Maxine Clark
Title: Manager

BUILD-A-BEAR WORKSHOP, INC.

By: /s/ Maxine Clark

Name: Maxine Clark
Title: President

Attest:

/s/ Brian Vent
- ---
Name:
Title: Secretary

EXHIBIT 3.1

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
BUILD-A-BEAR WORKSHOP, INC.

It is hereby certified that:

1. The present name of the corporation (herein called the "Corporation") is BUILD-A-BEAR WORKSHOP, INC., which is the name under which the Corporation was originally incorporated; and the date of filing the original Certificate of Incorporation of the Corporation with the Secretary of State of Delaware is March 31, 2000.

2. The Certificate of Incorporation is hereby amended in its entirety as set forth in the Amended and Restated Certificate of Incorporation herein provided for.

3. The provisions of the Certificate of Incorporation of the Corporation as heretofore amended and/or supplemented, including, without limitation, by that certain Resolution of the Board of Directors of the Corporation dated April 3, 2000 designating the preferences and rights of certain series of the Corporation's preferred stock, and as herein amended, are hereby restated and integrated into the single instrument which is hereinafter set forth, and which is entitled Amended and Restated Certificate of Incorporation of BUILD-A-BEAR WORKSHOP, INC. without any further amendments other than the amendments herein certified and without any discrepancy between the provisions of the Certificate of Incorporation as heretofore amended and supplemented and the provisions of the said single instrument hereinafter set forth.

4. The amendments and the restatement of the Amended and Restated Certificate of Incorporation herein certified have been duly adopted by the stockholders in accordance with the provisions of Sections 228, 242 and 245 of the General Corporation law of the State of Delaware.

5. The Certificate of Incorporation of the Corporation, as amended and restated herein, shall at the effective time of this Amended and Restated Certificate of Incorporation, read as follows:

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
BUILD-A-BEAR WORKSHOP, INC.

ARTICLE FIRST

The name of the corporation is BUILD-A-BEAR WORKSHOP, INC.

ARTICLE SECOND

The address of the registered office of the Corporation in the State of Delaware is located

at 2711 Centerville Road, Suite 400, Wilmington, Delaware, New Castle County, 19808 The name and address of its registered agent is Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, New Castle County, 19808.

ARTICLE THIRD

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

ARTICLE FOURTH

The total number of shares of all classes of stock which the Corporation shall have authority to issue is 50,000,000 shares, consisting of (i) 25,000,000 shares of Common Stock, par value $.01 per share (the "Common Stock") and (ii) 25,000,000 shares of Preferred Stock, par value $.01 per share (issuable in one or more classes or series) (the "Preferred Stock").

The designations, preferences and relative, participating, optional or other special rights, and qualifications, limitation or restrictions of each class of stock are as follows:

(a) Preferred Stock. (i) The Board of Directors of this Corporation is expressly authorized to provide for the issuance of any or all shares of the Preferred Stock in one or more classes or series and to fix each such class or series such voting power, full or limited, or no voting powers and such distinctive designations, preferences, and relative, participating, optional or other special rights and such qualifications, limitations, or restrictions thereof, as shall be stated and expressed in a resolution or resolutions adopted by the Board of Directors providing for the issuance of such class or series and as may be permitted by the laws of the State of Delaware.

(ii) The Corporation hereby designates thirteen (13) series of preferred stock as follows:

Series A	No. of Shares	Series B	No. of Shares	Series C	No. of Shares	Series D	No. of Shares
A-1	1,137,898	B-1	275,352	C-1	3,418,306	D	up to 3,629,219
A-2	139,981	B-2	1,453,072	C-2	1,385,507		
A-3	961,263	B-3	311,003	C-3	194,276		
A-4	205,824	B-4	1,604,680				
A-5	1,061,986						

The voting powers, preferences and relative, participating, optional and other special rights of the shares of each such series of Preferred Stock, and the qualifications, limitations and restrictions thereof, as are set forth in Exhibit A, attached hereto.

(b) Common Stock. Each holder of Common Stock shall be entitled to one vote for each shares of Common Stock held. There shall be no cumulative voting. Each share of

Common Stock issued and outstanding shall be identical in all respects one with the other, and no dividends shall be paid on any shares of Common Stock unless the same dividend is paid on all shares of Common Stock outstanding at the time of such payment. Except for and subject to those rights expressly granted to the holders of the Preferred Stock or except as may be provided by the laws of the State of Delaware, the holders of Common Stock shall have exclusively all other rights of stockholders, including, but not by way of limitation, (i) the right to receive dividends, when and as declared by the Board of Directors out of assets lawfully available therefor and (ii) in the event of any distribution of assets upon liquidation, dissolution or winding up of the Corporation or otherwise, the right to receive ratably and equally all the assets and funds of the Corporation remaining upon liquidation, dissolution or winding up of the Corporation as herein provided, subject to any preferential rights of any then outstanding securities of the Corporation.

ARTICLE FIFTH

For the management of the business and for the conduct of the affairs of the Corporation, and in further definition, limitation, and regulation of the powers of the Corporation and of its directors and stockholders, it is further provided:

(a) The number of directors of the Corporation shall be such as from time to time shall be fixed in the manner provided in the By-laws of the Corporation. The election of directors of the Corporation need not be by ballot unless the By-laws so require.

(b) In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized and empowered:

(i) To make, alter, amend or repeal the By-laws in any manner not inconsistent with the laws of the State of Delaware or this Certificate of Incorporation.

(ii) Without the assent or vote of the stockholders, to authorize and issue obligations of the Corporation, secured or unsecured, and to include therein such provisions as to redemption, conversion or other terms thereof as the Board of Directors may determine, and to authorize the mortgaging or pledging, as security therefor, of any property of the Corporation, real or personal, including after-acquired property.

(iii) To determine whether any, and if any, what part, of the net profits of the Corporation or of its surplus shall be declared in dividends and paid to the stockholders, and to direct and determine the use and disposition of any such net profits or such surplus.

(iv) To fix from time to time the amount of net profits of the Corporation or of its surplus to be reserved as working capital or for any other lawful purpose.

(v) To determine the extent, if any, to which and the time and place at which, and the conditions under which, any stockholder of the Corporation may examine the books and records of the Corporation, other than the books and records now or hereafter required by statute to be kept open for inspection by the stockholders of the Corporation.

In addition to the powers and authorities herein or by statute expressly conferred upon it, the Board of Directors may exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the laws of the State of Delaware, of this Certificate of Incorporation and of the By-laws of the Corporation.

(c) Any director or any officer elected or appointed by the stockholders or by the Board of Directors may be removed at any time for good cause in the manner as shall be provided in the By-laws of the Corporation.

(d) From time to time any of the provisions of this Certificate of Incorporation may be altered, amended or repealed, and other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, in the manner and at the time prescribed by said laws and by the provisions of this Certificate of Incorporation, and all rights at any time conferred upon the stockholders of the Corporation by this Certificate of Incorporation are granted subject to the provisions of this paragraph (d).

ARTICLE SIXTH

Whenever a compromise or arrangement is proposed between the Corporation and its creditors or any class of them and/or between the Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application of any receiver or receivers appointed for the Corporation under the provisions of Section 291 of Title 8 of the Code or on the application of trustees in dissolution or of any receiver or receivers appointed for the Corporation under the provisions of Section 279 of Title 8 of the Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of the Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of the Corporation, as the case may be, and also on the Corporation.

ARTICLE SEVENTH

The Corporation may purchase directly or indirectly its own shares to the extent money or other property paid therefor does not (i) render the Corporation unable to pay its debts as they become due in the ordinary course of business or (ii) exceed the surplus of the Corporation, as defined under the Delaware General Corporation Law.

Notwithstanding the foregoing, the Corporation may purchase any of its own shares for the following purposes, provided that the net assets are not less than the amount of money or other property paid or issued therefor: (i) to eliminate fractional shares; (ii) to collect or compromise indebtedness owed by or to the Corporation; (iii) to pay dissenting shareholders entitled to payment for their shares under the Delaware General Corporation Law; and (iv) to

effect the purchase or redemption of redeemable shares in accordance with the Delaware General Corporation Law.

ARTICLE EIGHTH

(a) Every person who was or is a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person or a person of whom such person is a legal representative is or was a director or officer of the Corporation or is or was serving at the request of the Corporation or for its benefit as a director, officer, employee or agent of any other corporation, or as the representative of the Corporation in a partnership, joint venture, trust or other entity, shall be indemnified and held harmless by the Corporation to the fullest extent legally permissible under the Delaware General Corporation Law, as amended from time to time, against all expenses, liabilities and losses (including attorneys' fees, judgments, fines and amounts paid or to be paid in settlement) reasonably paid or incurred by such person in connection therewith. Such right of indemnification shall be a contract right that may be enforced in any manner desired by such person. Such right of indemnification shall include the right to be paid by the Corporation the expenses incurred in defending any such action, suit or proceeding in advance of its final disposition upon receipt of an undertaking by or on behalf of such person to repay such amount if ultimately it should be determined that such person is not entitled to be indemnified by the Corporation under the Delaware General Corporation Law. Such right of indemnification shall not be exclusive of any other right which such directors, officers or representatives may have or hereafter acquire and, without limiting the generality of such statement, they shall be entitled to their respective rights of indemnification under any By-law, agreement, vote of stockholders, provision of law or otherwise, as well as their rights under this Article Eighth.

(b) The Board of Directors may adopt By-laws from time to time with respect to indemnification to provide at all times the fullest indemnification permitted by the Delaware General Corporation Law, as amended from time to time, and may cause the Corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation or for its benefit as a director, officer, employee or agent of any other corporation, or as the representative of the Corporation in a partnership, joint venture, trust or other entity, against any expense, liability or loss asserted against or incurred by any such person in any such capacity or arising out of any such status, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss.

ARTICLE NINTH

No director of the Corporation or any person acting at the direction of the Board of Directors shall be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty by such director as a director; provided,

however, that the foregoing shall not be deemed to eliminate or limit the liability of a director to the extent provided by applicable law (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. This provision is not intended to eliminate or narrow any defenses to or protection against liability otherwise available to directors of the Corporation. No amendment to or repeal of this Article Ninth shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment. Any person or persons who, pursuant to any provision of this Certificate of Incorporation, exercises or performs any of the powers or duties conferred or imposed upon a director of the Corporation shall be treated as a director for purposes of this Article Ninth and shall be entitled to the limitation of liability set forth in this Article Ninth.

6. The stockholders of the Corporation approved the adoption of the amendment and restatement in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware; and

7. Said amendment and restatement was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware, and that the capital of the Corporation will not be reduced under or by reason of the amendment and restatement.

IN WITNESS WHEREOF, the undersigned, being the President of the Corporation, does make this amended and restated certificate on the 21st day of September, 2001.

/s/ Maxine Clark

Maxine Clark, President

CERTIFICATE OF CORRECTION OF
AMENDED AND RESTATED CERTIFICATE
OF INCORPORATION
OF
BUILD-A-BEAR WORKSHOP, INC.

It is hereby certified that:

1. The name of the corporation (hereinafter called the "corporation") is Build-A-Bear Workshop, Inc.

2. The amended and restated certificate of incorporation of the corporation, which was filed by the Secretary of State of Delaware on September 21, 2001 is hereby corrected.

3. The inaccuracy to be corrected in said instrument is as follows:

The registered agent is Corporation Service Company. The registered address is 2711 Centerville Road, Suite 400, Wilmington, DE 19808.

4. The portion of the instrument in corrected form is as follows:

The registered agent is The Corporation Trust Company, the registered address is 1209 Orange St., Wilmington, DE 19801.

Signed on October 30, 2001

/s/ Maxine Clark

Maxine Clark, President

EXHIBIT A

INTRODUCTION. The Corporation hereby establishes thirteen (13) series of preferred stock as follows:

Series A No. of Shares	Series B No. of Shares	Series C No. of Shares	Series D No. of Shares
--- A-1			
1,137,898	B-1		
	275,352	C-1	
		3,418,306	D up to 3,629,219
A-2			
139,981	B-2		
	1,453,072	C-2	
		1,385,507	A-3
961,263	B-3		
	311,003	C-3	
		194,276	A-4
205,824	B-4		
	1,604,680	A-5	
1,061,986			

The Series A-1, A-2, A-3, A-4 and A-5 Preferred Stock is the "Series A Preferred" and is deemed to be one class of stock, the Series B-1, B-2, B-3 and B-4 Preferred Stock is the "Series B Preferred" and is deemed to be one class of stock, the Series C-1, C-2 and C-3 Preferred Stock is the "Series C Preferred" and is deemed to be one class of stock, and the Series D Preferred Stock is the "Series D Preferred" and is deemed to be one class of stock. As used herein, the term "Senior Preferred" shall refer collectively to the Series A Preferred, the Series B Preferred and the Series D Preferred. As used herein, the term "Preferred Stock" shall refer collectively to the Senior Preferred and the Series C Preferred. The preferences and relative, participating, optional and other special rights of the Preferred Stock, and the qualifications, limitations and restrictions thereof, are as follows:

1. DIVIDENDS.

In addition to any dividends provided for herein, the holders of the Preferred Stock shall be entitled to participate in cash dividends with the Company's common stock, par value $.01 per share ("Common Stock"), for cash dividends declared on the Common Stock; provided, that holders of the Preferred Stock shall share such dividends pro rata with (i) the holders of the Common Stock in accordance with the number of shares of Common Stock held by such holders and (ii) other holders of the Preferred Stock in accordance with the number of shares of Common Stock receivable upon conversion of the Preferred Stock held by such holders."

2. REDEMPTION.

(a) On the date set forth in a notice joined in by Holders of at least 75% of the Senior Preferred given on or after April 3, 2006 (the "Redemption Date"), the Corporation shall redeem the shares of Series A-5 Preferred, Series B-4 Preferred, and Series D Preferred then outstanding (the "Redemption

Preferred") at an amount equal to the respective Liquidation Preference Amounts (as hereinafter defined) for such Redemption Preferred provided for in Section 3(a) (such amount referred to as the "Redemption Price").

(b) Procedure for Redemption. (i) At least 20 days (and not more than 60 days) prior to the Redemption Date, written notice (a "Redemption Notice") shall be sent to the holders of the

Redemption Preferred, at its notice address last shown on the records of the transfer agent of the Redemption Preferred (or for the records of the Corporation, if it serves as its own transfer agent), by (A) first class certified or registered mail, postage prepaid, (B) nationally recognized overnight courier service, or (C) personal delivery, notifying such holder of the Redemption Date, the Redemption Price, the total number of shares to be redeemed and the number of shares to be redeemed from such holder, and calling upon such holder to surrender to the Corporation, in the manner and at the place designated, her, his or its certificate or certificates representing the shares to be redeemed. In order to facilitate the redemption of the Redemption Preferred, the Board of Directors may fix a record date for the determination of holders of the Redemption Preferred, not more than 60 days nor less than 10 days prior to the Redemption Date.

(ii) On or prior to any Redemption Date, each such holders of the Redemption Preferred shall surrender her, his or its certificates representing such shares to the Corporation, in the manner and at the place designated in the Redemption Notice, and against such surrender the Redemption Price of such shares shall be paid on the Redemption Date to the order of the person whose name appears on each such certificate as the owner thereof. Each surrendered certificate shall be canceled. From and after the Redemption Date, unless there shall have been a default in payment of the Redemption Price, all rights of the holders of the shares of Redemption Preferred (except the right to receive the Redemption Price without interest against surrender of their certificate or certificates) shall cease with respect to such shares, and such shares shall not thereafter be transferred on the books of the Corporation or be deemed to be outstanding for any purpose whatsoever.

(iii) If the funds of the Corporation legally available for redemption of Redemption Preferred on the Redemption Date are insufficient to redeem the full number of shares of Redemption Preferred required by this to be redeemed on such date, those funds which are legally available and not subject to such restrictions shall be used to redeem the maximum possible number of shares of such Redemption Preferred from each class of Holders whose shares are otherwise required to be redeemed in order of priority as follows: (A) first, the Series D Preferred, ratably among the Series D Holders based upon the amount such Series D Holders would receive in full redemption of their shares; and (B) second, the Series A-5 Preferred and Series B-4 Preferred, considered together as one class, ratably among the Holders of the Series A-5 Preferred and Series B-4 Preferred based upon the amount such Holders would receive in full redemption of their shares; provided, however, that in no event shall Holders of Series A-5 Preferred and Series B-4 Preferred receive any proceeds in redemption until all Series D Holders required to be redeemed have been paid in full. At any time thereafter when additional funds of the Corporation not subject to such restrictions become legally available for the redemption of Redemption Preferred, such funds will be used promptly to redeem the balance of the Redemption Preferred shares which the Corporation was theretofore obligated to redeem, ratably on the basis set forth in the preceding sentence.

3. LIQUIDATION RIGHTS.

(a) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, after payment or provision for payment of the debts and other liabilities and obligations of the Corporation (excluding any liabilities or obligations payable with respect to shares of capital stock of the Corporation) the holders of shares Series D

Preferred shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Corporation to the holders of any of the Series A Preferred, Series B Preferred or Junior Capital Stock (as defined below, and including any Series C Preferred), by reason of their ownership thereof, in the amount per share as set forth below (as adjusted for any stock dividends, combinations or splits with respect to such shares) (the "Series D Liquidation Preference Amount"):

Series	Liquidation Preference
D Shares Issues on September 21, 2001	$7.320508
D Shares Issues on November 19, 2001	$7.251833
D Shares Issues on December 19, 2001	$7.216961

If upon the occurrence of such event, the assets and funds to be distributed among the holders of the Series D Preferred shall be insufficient to permit the payment to such holders of the full aforesaid preferential amount, then the entire assets and funds of the Corporation legally available for distribution shall be distributed ratably among the holders of the Series D Preferred in proportion to the preferential amount each such holder is otherwise entitled to receive relative to the preferential amount all such holders are otherwise entitled to receive. As used herein, the term "Junior Capital Stock" means any shares of capital stock of the Corporation (including, without limitation, the Corporation's Common Stock) other than shares of the Corporation's capital stock permitted to rank on a parity with or senior to the Series A Preferred.

(b) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, after payment or provision for payment of the debts and other liabilities and obligations of the Corporation (excluding any liabilities or obligations payable with respect to shares of capital stock of the Corporation) and subject to the payment in full of the Series D Liquidation Preference Amount as provided in paragraph (a) of this Section 3, the holders of shares of Series A Preferred and Series B Preferred shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Corporation to the holders of any Junior Capital Stock (including any Series C Preferred), by reason of their ownership thereof, in the amount per share as set forth below (as adjusted for any stock dividends, combinations or splits with respect to such shares) (the "Series A and B Liquidation Preference Amount"; collectively with the Series D Liquidation Preference Amount, the "Liquidation Preference Amounts"):

Series	Liquidation Preference
A-1	$3.195629
A-2	$4.635378
A-3	$3.389638
A-4	$4.541183
A-5	$7.363548
B-1	$1.808051
B-2	$1.720493
B-3	$2.305925
B-4	$3.739067

If upon the occurrence of such event, the assets and funds to be distributed among the holders of the Series A Preferred and the Series B Preferred shall be insufficient to permit the payment to such holders of the full aforesaid preferential amount, then the entire assets and funds of the Corporation legally available for distribution shall be distributed ratably among the holders of the Series A Preferred and Series B Preferred in proportion to the preferential amount each such holder is otherwise entitled to receive relative to the preferential amount all such holders are otherwise entitled to receive.

(c) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, after payment or provision for payment of the debts and other liabilities and obligations of the Corporation (excluding any liabilities or obligations payable with respect to shares of capital stock of the Corporation) and subject to the payment in full of the liquidation preferences with respect to the Senior Preferred as provided in paragraphs (a) and (b) of this Section 3, the holders of the Series C Preferred shall be entitled to receive, prior and in preference to any further distribution of any of the assets or surplus funds of the Corporation to the holders of any other Junior Capital Stock, by reason of their ownership thereof, the amount per share as set forth below (as adjusted for any stock dividends, combinations or splits with respect to such shares) for each share held by them:

Series	Liquidation Preference
C-1	$0.105315
C-2	$0.97329
C-3	$0.720934

If upon the occurrence of such event, the assets and funds to be distributed among the holders of the Series C Preferred shall be insufficient to permit the payment to such holders of the full aforesaid preferential amount, then the entire assets and funds of the Corporation legally available for distribution shall be distributed ratably among the holders of the Series C Preferred in proportion to the preferential amount each such holder is otherwise entitled to receive relative to the preferential amount all such holders are otherwise entitled to receive.

(d) After payment to the holders of the Senior Preferred and the Series C Preferred of the amounts set forth in paragraphs (a), (b) and (c) of this Section 3, respectively, the remaining

assets and funds of the Corporation legally available for distribution, if any, shall be distributed among the holders of the Preferred Stock and the Common Stock ratably in proportion to the number of shares of Common Stock which the holders of the Preferred Stock then have the right to acquire upon conversion of the shares of Preferred Stock then held by them and the number of shares of Common Stock then held by the holders of the Common Stock, respectively.

(e) Whenever the distribution provided for in this Section 3 shall be payable in securities or property other than cash, the value of such distribution shall be the fair market value of such securities or other property as determined in good faith by the Board of Directors.

(f) The following events shall be considered a liquidation under this Section 3:

(i) any consolidation or merger of the Corporation with or into any other Corporation or other entity or person, or any other corporate reorganization in which the Corporation shall not be the continuing or surviving entity of such consolidation, merger or reorganization or any transaction or series of related transactions by the Corporation in which in excess of 50% of the Corporation's voting securities are transferred; or

(ii) a sale, lease, license or other disposition of all or substantially all of the assets of the Corporation.

4. CONVERSION. The holders of the Preferred Stock shall have conversion rights as follows (the "Conversion Rights"):

(a) Right to Convert. Each share of Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share at the office of the Corporation or any transfer agent for such stock, into such number of shares of fully paid and nonassessable shares of Common Stock as is determined by dividing the Liquidation Preference Amount by the Preferred Conversion Price applicable to such share. The "Preferred Conversion Price" shall initially be as set forth below, and as adjusted hereinafter, in effect on the date the certificate is surrendered for conversion in accordance with Section 4(c):

Series Preferred	Conversion Price
A-1	$2.451890
A-2	$3.556556
A-3	$2.600746
A-4	$3.484283
A-5	$5.649780
B-1	$1.808051
B-2	$1.720493
B-3	$2.305925
B-4	$3.739067

C-1	$0.105315
C-2	$0.973290
C-3	$0.720934
D	$6.10

(b) Automatic Conversion. Each share of Preferred Stock shall automatically be converted into such number of shares of fully paid and nonassessable shares of Common Stock as is determined by dividing the Liquidation Preference Amount by the Preferred Conversion Price applicable to such share upon the closing of the sale of the Corporation's Common Stock pursuant to a public offering, underwritten on a firm commitment basis pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "Securities Act") of shares of the Common Stock the aggregate gross proceeds to the Corporation and any selling shareholders (prior to underwriting discounts and commissions and other expenses of issuance) of which equal or exceed $25,000,000 and (i) at any time prior to September 21, 2004, the offering is managed by a nationally recognized underwriter, (ii) between September 22, 2004 and September 21, 2005, the price per share is at least $15 (appropriately adjusted for stock splits, recapitalizations and the like), or (iii) thereafter the price per share is at least $20 (appropriately adjusted for stock splits, recapitalizations and the like).

(c) Mechanics of Conversion.

(i) Before any holder of Preferred Stock shall be entitled to convert the same into shares of Common Stock pursuant to paragraph (a) of this Section 4, such holder shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Corporation or of any transfer agent for such stock, and shall give written notice to the Corporation at such office that such holder elects to convert the same and shall state therein the name or names in which such holder wishes the certificate or certificates for such shares of Common Stock to be issued. The Corporation shall, as soon as practicable thereafter, issue and deliver to such holder of Preferred Stock, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled as aforesaid. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of surrender of the shares of Preferred Stock to be converted, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on such date.

(ii) In the event of an automatic conversion pursuant to paragraph (b) of this Section 4, the conversion may, at the option of any holder tendering shares of Preferred Stock for conversion, be conditioned upon the closing with the underwriters of the sale of securities pursuant to such offering, in which event the person(s) entitled to receive the Common Stock upon conversion of the Preferred Stock shall not be deemed to have converted such Preferred Stock until immediately prior to the closing of such sale of securities. No holder of shares of Preferred Stock shall receive certificates for shares of Common Stock upon such conversion unless and until such holder shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Corporation or of any transfer agent for such stock and shall give written direction to the Corporation of the name or names in which such holder wishes the certificate or certificates for such shares of Common Stock to be issued.

(d) Adjustments to Preferred Conversion Price for Certain Diluting Issues.

(I) Special Definitions. For purposes of paragraph (d) of this Section 4, the following definitions apply:

(1) "Options" shall mean rights, options and warrants to subscribe for, purchase or otherwise acquire Common Stock, Preferred Stock or Convertible Securities (defined below) other than the options pursuant to (d)(I)(4)(B) below (the "Employee Options").

(2) "Original Issue Date" shall mean, with respect to the Series A Preferred, Series B Preferred and Series C Preferred, April 3, 2000 and, with respect to the Series D Preferred, the date on which a share of Series D Preferred was first issued.

(3) "Convertible Securities" shall mean any evidences of indebtedness, shares or other securities convertible into or exchangeable for Common Stock.

(4) "Additional Shares" shall mean all shares of Common Stock issued (or, pursuant to subparagraph (d)(III) of this Section 4, deemed to be issued) by the Corporation after the Original Issue Date, other than shares of Common Stock issued (or, pursuant to subparagraph (d)(III) of this Section 4, deemed to be issued) or issuable in any of the following transactions:

(A) upon conversion of shares of Preferred Stock;

(B) up to 3,700,000 shares of Common Stock or other securities, or rights, options or warrants to purchase said shares of Common Stock or other securities of the Corporation, securities of any type whatsoever that are, or may become, convertible into or exchangeable for said shares of Common Stock sold or granted to employees, officers, directors, consultants, or advisors of the Corporation pursuant to an Employee Stock Plan approved by the Board of Directors of the Corporation; or

(C) any shares of Series D Preferred issued within ninety (90) days after the Original Issue Date so long as such shares were issued at a price equal to the Series D Liquidation Preference Amount in effect as of the Original Issue Date for the Series D Preferred.

(II) No Adjustment of Conversion Price. Any provision herein to the contrary notwithstanding, no adjustment in the Preferred Conversion Price shall be made in respect of the issuance of Additional Shares of Common Stock unless the consideration per share (determined pursuant to subparagraph (d)(V) of this Section 4) for an Additional Share of Common Stock issued or deemed to be issued by the Corporation is less than the Preferred Conversion Price in effect on the date of, and immediately prior to, such issue.

(III) Deemed Issue of Additional Shares. In the event the Corporation at any time or from time to time on or after the Original Issue Date shall issue any Options or Convertible Securities or shall fix a record date for the determination of holders of any class of

securities then entitled to receive any such Options or Convertible Securities, then the maximum number of shares (as set forth in the instrument relating thereto without regard to any provisions contained therein designed to protect against dilution) of Common Stock issuable upon the exercise of such Options or, in the case of Convertible Securities and Options for Convertible Securities, the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Shares of Common Stock issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date, provided that in any such case in which Additional Shares of Common Stock are deemed to be issued:

(1) no further adjustments in the Preferred Conversion Price shall be made upon the subsequent issue of such Convertible Securities or shares of Common Stock upon the exercise of such Options or conversion or exchange of such Convertible Securities;

(2) if such Options or Convertible Securities by their terms provide, with the passage of time or otherwise, for any increase or decrease in the consideration payable to the Corporation, or decrease or increase in the number of shares of Common Stock issuable, upon the exercise, conversion or exchange thereof, the Preferred Conversion Price computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon any such increase or decrease becoming effective, be recomputed to reflect such increase or decrease insofar as it affects such Options or the rights of conversion or exchange under such Convertible Securities (provided, however, that no such adjustment of the Preferred Conversion Price shall affect Common Stock previously issued upon conversion of the Senior Preferred);

(3) upon the expiration of any such Options or any rights of conversion or exchange under such Convertible Securities which shall not have been exercised, the Preferred Conversion Price computed upon the original issuance thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon such expiration, be recomputed as if:

(A) in the case of Convertible Securities or Options for Common Stock, the only Additional Shares of Common Stock issued were the shares of Common Stock, if any, actually issued upon the exercise of such Options or the conversion or exchange of such Convertible Securities and the consideration received therefor was the consideration actually received by the Corporation for the issue of all such Options, whether or not exercised, plus the consideration actually received by the Corporation upon such exercise or for the issue of all such Convertible Securities which were actually converted or exchanged, plus the additional consideration, if any, actually received by the Corporation upon such conversion or exchange, and

(B) in the case of Options for Convertible Securities, only the Convertible Securities, if any, actually issued upon the exercise thereof were issued at the time of issue of such Options, and the consideration received by the Corporation for the Additional Shares of Common Stock deemed to have been then issued was the consideration actually received by the Corporation for the issue of all such Options, whether or not exercised, plus the consideration deemed to have been received by the Corporation (determined pursuant to

subparagraph (d)(V) of this Section 4) upon the issue of the Convertible Securities with respect to which such Options were actually exercised;

(4) no readjustment pursuant to clause (2) or (3) above shall have the effect of increasing the Preferred Conversion Price to an amount which exceeds the lower of (a) the Preferred Conversion Price on the original adjustment date, or (b) the Preferred Conversion Price that would have resulted from any issuance of Additional Shares of Common Stock between the original adjustment date and such readjustment date;

(5) in the case of any Options which expire by their terms not more than 30 days after the date of issue thereof, no adjustment of the Preferred Conversion Price shall be made until the expiration or exercise of all such Options, whereupon such adjustment shall be made in the same manner provided in clause (3) above; and

(6) in the event that any adjustment described in this subparagraph (d)(III) is made to any Additional Shares of Common Stock that were originally issued (or deemed issued) for a consideration per share equal to or in excess of the Preferred Conversion Price then in effect that, had such adjustment been made prior to such original issue date (or deemed original issue date) would have caused such Additional Shares of Common Stock to be issued for a consideration per share less than the Preferred Conversion Price then in effect, then such Additional Shares of Common Stock shall be deemed to have been issued as of the date of any such adjustment.

(IV) Adjustment of Preferred Conversion Price. (1) In the event this Corporation, at any time on or after the Original Issue Date, shall issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to subparagraph (d)(III) of this Section 4) without consideration or for a consideration per share less than the Preferred Conversion Price in effect on the date of and immediately prior to such issue, then and in such event, the Preferred Conversion Price shall be reduced, concurrently with such issue, to a price (calculated to the nearest cent) determined by multiplying the Preferred Conversion Price by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such issue plus the number of shares of Common Stock which the aggregate consideration received by the Corporation for the total number of Additional Shares of Common Stock so issued would purchase at the Preferred Conversion Price in effect immediately prior to such issuance, and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such issue plus the number of such Additional Shares of Common Stock so issued. For the purpose of the above calculation, the number of shares of Common Stock outstanding immediately prior to such issue shall be calculated on a fully diluted basis, as if all outstanding shares of Preferred Stock and all Convertible Securities had been fully converted into shares of Common Stock immediately prior to such issuance and all outstanding Options, other than Employee Options, had been fully exercised immediately prior to such issuance (and the resulting securities fully converted into shares of Common Stock, if so convertible) as of such date, but not including in such calculation any additional shares of Common Stock issuable with respect to outstanding shares of Preferred Stock, Convertible Securities or Options solely as a result of the adjustment of the respective

conversion prices (or other conversion ratios) resulting from the issuance of the Additional Shares of Common Stock causing the adjustment in question.

(V) Determination of Consideration. For purposes of paragraph (d) of this Section 4, the consideration received by the Corporation for the issue of any Additional Shares of Common Stock shall be computed as follows:

(1) Cash and Property. Such consideration shall:

(A) insofar as it consists of cash, be computed at the aggregate amount of cash received by the Corporation excluding amounts paid or payable for accrued interest or accrued dividends;

(B) insofar as it consists of property other than cash, be computed at the fair value thereof at the time of such issue, as determined in good faith by the Board of Directors; and

(C) in the event Additional Shares are issued together with other shares or securities or other assets of the Corporation for consideration which covers both, be the proportion of such consideration so received, computed as provided in clauses (A) and (B) above, as determined in good faith by the Board of Directors.

(2) Options and Convertible Securities. The consideration per share received by the Corporation for Additional Shares deemed to have been issued pursuant to subparagraph (d)(III) of this Section 4, relating to Options and Convertible Securities shall be determined by dividing:

(A) the total amount, if any, received or receivable by the Corporation as consideration for the issue of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein designed to protect against dilution) payable to the Corporation upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities by

(B) the maximum number of shares of Common Stock (as set forth in the instruments relating thereto, without regard to any provision contained therein designed to protect against dilution) issuable upon the exercise of such Options or conversion or exchange of such Convertible Securities.

(e) Adjustments to Conversion Price for Stock Dividends and for Combinations or Subdivisions of Common Stock. In the event that the Corporation at any time or from time to time on or after the Original Issue Date shall declare or pay, without consideration, any dividend on the Common Stock payable in shares of Common Stock or in any right to acquire shares of

Common Stock for no consideration, or shall effect a subdivision of the outstanding shares of Common Stock into a greater number of shares of Common Stock (by stock split, reclassification or otherwise than by payment of a dividend in shares of Common Stock or in any right to acquire shares of Common Stock), or in the event the outstanding shares of Common Stock shall be combined or consolidated, by reclassification or otherwise, into a lesser number of shares of Common Stock, then the Preferred Conversion Price in effect immediately prior to such event shall, concurrently with the effectiveness of such event, be proportionately decreased or increased, as appropriate. In the event that the Corporation shall declare or pay, without consideration, any dividend on the Common Stock payable in any right to acquire shares of Common Stock for no consideration, then the Corporation shall be deemed to have made a dividend payable in shares of Common Stock in an amount equal to the maximum number of shares issuable upon exercise of such rights to acquire Common Stock.

(f) Adjustments for Reclassification and Reorganization. If the Common Stock issuable upon conversion of the Preferred Stock shall be changed into the same or a different number of shares of any other class or classes of stock, whether by capital reorganization, reclassification or otherwise (other than a subdivision or combination of shares provided for in paragraph (e) of this Section 4 above or a merger or other reorganization referred to in paragraph (f) of Section 3 above), the Preferred Conversion Price then in effect shall, concurrently with the effectiveness of such reorganization or reclassification, be proportionately adjusted so that the Preferred Stock shall thereafter be convertible into, in lieu of the number of shares of Common Stock which the holders would otherwise have been entitled to receive, a number of shares of such other class or classes of stock equivalent to the number of shares of Common Stock that would have been received by the holders upon conversion of the Senior Preferred immediately before that change.

(g) No Impairment. The Corporation will not, by amendment of its Certificate of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance of performance of any of the terms to be observed or performed hereunder by the Corporation, but will at all times in good faith assist in the carrying out of all the provisions of this Section 4 and in the taking of all such action as may be necessary or appropriate in order to protect the Preferred Conversion Price against impairment.

(h) Certificates as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Preferred Conversion Price pursuant to this Section 4, the Corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each holder of Preferred Stock a certificate executed by the Corporation's President or Chief Financial Officer setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any holder of Senior Preferred, furnish or cause to be furnished to such holder a like certificate setting forth (i) such adjustments and readjustments, (ii) the Preferred Conversion Price at the time in effect, and (iii) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of the Senior Preferred.

(i) Notices of Record Date. In the event that the Corporation shall propose at any time prior to the conversion of all outstanding shares of the Preferred Stock: (I) to declare any dividend or distribution upon its Common Stock, whether in cash, property, stock or other securities, whether or not a regular cash dividend and whether or not out of earnings or earned surplus; (II) to offer for subscription pro rata to the holders of any class or series of its stock any additional shares of stock of any class or series or other rights; (III) to effect any reclassification or recapitalization of its Common Stock outstanding involving a change in the Common Stock; or (IV) to merge or consolidate with or into any other corporation, or sell, lease or convey all or substantially all of its assets, or to liquidate, dissolve or wind up; then, in connection with each such event, the Corporation shall send to the holders of Preferred Stock:

(1) at least twenty (20) days' prior written notice of the date on which a record shall be taken for such dividend, distribution or subscription rights (and specifying the date on which the holders of Common Stock shall be entitled thereto) or for determining rights to vote, if any, in respect of the matters referred to in clauses (III) and (IV) above; and

(2) in the case of the matters referred to in clauses (III) and (IV) above, at least twenty (20) days' prior written notice of the date when the same shall take place (and specifying the date on which the holders of Common Stock shall be entitled to exchange their Common Stock for securities or other property deliverable upon the occurrence of such event).

(j) Issue Taxes. The Corporation shall pay any and all issue and other taxes that may be payable in respect of any issue or delivery of shares of Common Stock on conversion of Preferred Stock pursuant hereto; provided, however, that the Corporation shall not be obligated to pay any transfer taxes resulting from any transfer requested by any holder in connection with any such conversion.

(k) Reservation of Stock Issuable Upon Conversion. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of the Preferred Stock, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Preferred Stock, the Corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose, including, without limitation, engaging in best efforts to obtain the requisite stockholder approval of any necessary amendment to this Certificate of Incorporation.

(l) Fractional Shares. No fractional share shall be issued upon the conversion of any share or shares of Senior Preferred. All shares of Common Stock (including fractions thereof) issuable upon conversion of more than one share of Preferred Stock by a holder thereof shall be aggregated for purposes of determining whether the conversion would result in the issuance of any fractional share. If, after the aforementioned aggregation, the conversion would result in the issuance of a fraction of a share of Common Stock, the Corporation shall, in lieu of issuing any fractional share, pay the holder otherwise entitled to such fraction a sum in cash equal to the fair

market value of such fraction on the date of conversion (as determined in good faith by the Board of Directors).

(m) Notices. Any notice required by the provisions of this Section 4 to be given to the holders of shares of Preferred Stock shall be deemed given if deposited in the United States mail, postage prepaid, or if sent by facsimile or delivered personally by hand or nationally recognized courier and addressed to each holder of record at such holder's address or facsimile number appearing in the records of the Corporation.

5. VOTING.

(a) Except as otherwise provided herein or in any other agreement between the Corporation and the holders of Senior Preferred, or as otherwise required by law, each outstanding share of Senior Preferred shall not be entitled to vote on any matter on which the stockholders of the Corporation shall be entitled to vote, and shares of Senior Preferred shall not be included in determining the number of shares voting or entitled to vote on any such matters. Each outstanding share of Series C Preferred shall be entitled to vote on any matter on which the holders of Common Stock of the Corporation shall be entitled to vote, and shares of Series C Preferred shall be included in determining the number of share voting or entitled to vote on any such matters. Except as otherwise provided herein or as otherwise required by law, on any matter on which the holders of shares of Common Stock and the holders of shares of Preferred Stock are entitled to vote, the Common Stock and the Preferred Stock shall vote together as a single class. Each holder of shares of Preferred Stock entitled to vote may act by written consent in the same manner as the holders of Common Stock, and shall be entitled to such number of votes as shall be equal to the whole number of shares of Common Stock into which such holder's aggregate number of shares of Preferred Stock are convertible (pursuant to Section 4 hereof) immediately after the close of business on the record date fixed for such meeting or the effective date of such written consent.

(b) Notwithstanding the foregoing subsection (a), the Corporation shall not, without first obtaining the vote or written consent of the holders of 75% of the outstanding shares of the Senior Preferred, voting together as a single class:

(i) amend, repeal or modify any provision of the Certificate of Incorporation in a manner that adversely affects the powers, preferences or special rights that are distinctive to the Senior Preferred;

(ii) amend, repeal or modify the Amended and Restated Stockholders' Agreement between the Corporation and the holders of the Preferred Stock;

(iii) amend, repeal or modify the Amended and Restated Registration Rights Agreement between the Corporation and the holders of the Preferred Stock;

(iv) amend, repeal or modify the existing agreements between the Corporation and Maxine Clark; or

(v) increase the number of members on the Corporation's Board of Directors to more than seven (7).

(c) Notwithstanding the foregoing subsection (a), the Corporation shall not, without first obtaining the vote or written consent of the holders of 60% of the outstanding shares of the Senior Preferred voting together as a single class:

(i) sell, lease or otherwise dispose of all or substantially all of the assets, property or business of the Corporation, or merge or consolidate the Corporation with any person, or permit any other person to merge into it, or undertake any other reorganization, other than mergers, consolidations or reorganizations in which the Corporation is the surviving corporation and, after giving effect to the merger, consolidation, or reorganization, the holders of the Corporation's outstanding capital stock immediately preceding such merger own more than fifty percent (50%) of the outstanding capital stock of the surviving corporation;

(ii) create, incur, assume, guarantee, suffer to exist or become or remain liable directly or indirectly, on account of any indebtedness of borrowed money, except that the foregoing shall not apply to any indebtedness existing as of the date hereof (including an increase of up to $25,000,000 in total amount of the amounts that may be borrowed under the Company's loan agreement with Firstar Bank, National Association, a national banking association, or any other similar institution), or trade payables incurred in the ordinary course of business for inventory or otherwise; or

(iii) authorize, create (by reclassification or otherwise) or issue shares of any class or series of equity securities of the Corporation.

(d) Notwithstanding the foregoing subsection (a), the Corporation shall not, without first obtaining the vote or written consent of the holders of a majority of the outstanding shares of the Senior Preferred voting together as a single class:

(i) repurchase or redeem any capital stock of the Corporation (except for repurchases of Common Stock by the Corporation pursuant to agreements which permit the Corporation to repurchase such shares upon termination of employment or in exercise of the Corporation's right of first refusal upon a proposed transfer);

(ii) enter into or amend any transaction between the Corporation and an affiliate of the Corporation except in connection with transactions made on an arms-length basis at the then-prevailing market rates; or

(iii) acquire (by merger, consolidation or acquisition of stock or assets) any corporation, partnership or other business organization or division thereof or any equity interest therein.

6. REACQUIRED SHARES. Shares of the Preferred Stock which have been issued and reacquired through purchase, conversion or otherwise shall, upon compliance with the applicable

provisions of the General Corporation Law, have the status of authorized and unissued shares of Preferred Stock and may be reissued, but only as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors.

EXHIBIT 3.2

BY-LAWS

OF

BUILD-A-BEAR WORKSHOP, INC.

APRIL 3, 2000

BY-LAWS
OF
BUILD-A-BEAR WORKSHOP, INC.

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ARTICLE I

STOCKHOLDERS

Section 1.1. Annual Meetings. An annual meeting of stockholders shall be held for the election of directors at such date, time and place either within or without the State of Delaware as may be designated by the Board of Directors from time to time. Stockholders may act by written consent to elect directors; provided, however, that, if such consent is less than unanimous, such action by written consent may be in lieu of holding an annual meeting only if all of the directorships to which directors could be elected at an annual meeting held at the effective time of such action are vacant and are filled by such action. Any other proper business may be transacted at the annual meeting.

Section 1.2. Special Meetings. Special meetings of stockholders may be called at any time by the Chairman of the Board, if any, the Vice Chairman of the Board, if any, the President or the Board of Directors, to be held at such date, time and place either within or without the State of Delaware as may be stated in the notice of the meeting.

Section 1.3. Notice of Meetings. Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by law, the written notice of any meeting shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the Corporation.

Section 1.4. Adjournments. Any meeting of stockholders, annual or special, may adjourn from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 1.5. Quorum. At each meeting of stockholders, except where otherwise provided by law or the certificate of incorporation or these by-laws, the holders of a majority of the outstanding shares of each of (i) the common stock and (ii) all series and classes preferred stock entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum. For purposes of the foregoing, two or more classes or series of stock shall be considered a single class if the holders thereof are entitled to vote together as a single class at the meeting. In the absence of a quorum, the stockholders so present may, by majority vote, adjourn the meeting from time to time in the manner provided by Section 1.4 of these by-laws until a quorum shall attend. Shares of its own capital stock belonging on the record date for the meeting

to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of the Corporation to vote stock, including but not limited to its own stock, held by it in a fiduciary capacity.

Section 1.6. Organization. Meetings of stockholders shall be presided over by the Chairman of the Board, if any, or in her or his absence by the Vice Chairman of the Board, if any, or in her or his absence by the President, or in her absence by a Vice President, or in the absence of the foregoing persons by a chairman designated by the Board of Directors, or in the absence of such designation by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in her or his absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 1.7. Voting; Proxies. Unless otherwise provided in the certificate of incorporation or the Stockholders' Agreement, each stockholder entitled to vote at any meeting of stockholders shall be entitled to one vote for each share of stock held by him which has voting power upon the matter in question. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or another duly executed proxy bearing a later date with the Secretary of the Corporation. Voting at meetings of stockholders need not be by written ballot and need not be conducted by inspectors unless the holders of a majority of the outstanding shares of all classes of stock entitled to vote thereon present in person or by proxy at such meeting shall so determine. At all meetings of stockholders for the election of directors, a plurality of the votes cast shall be sufficient to elect. All other elections and questions shall, unless otherwise provided by law or by the certificate of incorporation or these by-laws, be decided by the vote of the holders of a majority of the outstanding shares of all classes of stock entitled to vote thereon present in person or by proxy at the meeting, provided that (except as otherwise required by law or by the certificate of incorporation) the Board of Directors may require a larger vote upon any election or question.

Section 1.8. Fixing Date for Determination of Stockholders of Record. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. If no record date is fixed: (1) the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on

which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; (2) the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the Board is necessary, shall be the day on which the first written consent is expressed; and (3) the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

Section 1.9. List of Stockholders Entitled to Vote. The Secretary shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present.

Section 1.10. Consent of Stockholders in Lieu of Meeting. Unless otherwise provided in the certificate of incorporation, any action required by law to be taken at any annual or special meeting of stockholders of the Corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE II

BOARD OF DIRECTORS

Section 2.1. Powers; Number; Qualifications. The business and affairs of the Corporation shall be managed by the Board of Directors, except as may be otherwise provided by law or in the certificate of incorporation. The Board shall consist of one or more members, the number thereof to be determined from time to time by the Board. Directors need not be stockholders.

Section 2.2. Election; Term of Office; Resignation; Removal; Vacancies. Each director shall hold office until the annual meeting of stockholders next succeeding his election and until his successor is elected and qualified or until his earlier resignation or removal. Any director may resign at any time upon written notice to the Board of Directors or to the President

or the Secretary of the Corporation. Such resignation shall take effect at the time specified therein, and unless otherwise specified therein no acceptance of such resignation shall be necessary to make it effective. Unless otherwise provided in the certificate of incorporation or these by-laws, vacancies and newly created directorships resulting from any increase in the authorized number of directors or from any other cause may be filled by a majority of the directors then in office, although less than a quorum, or by the sole remaining director.

Section 2.3. Regular Meetings. Regular meetings of the Board of Directors may be held at such places within or without the State of Delaware and at such times as the Board may from time to time determine, and if so determined and forty-eight hours (48) notice thereof shall be given.

Section 2.4. Special Meetings. Special meetings of the Board of Directors may be held at any time or place within or without the State of Delaware whenever called by the Chairman of the Board, if any, by the President or by any two directors. Reasonable notice thereof shall be given by the person or persons calling the meeting, but in no event shall such notice be less than 5 days.

Section 2.5. Telephonic Meetings Permitted. Unless otherwise restricted by the certificate of incorporation or these by-laws, members of the Board of Directors, or any committee designated by the Board, may participate in a meeting of the Board or of such committee, as the case may be, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this by-law shall constitute presence in person at such meeting.

Section 2.6. Quorum; Vote Required for Action. At all meetings of the Board of Directors a majority of the entire Board shall constitute a quorum for the transaction of business. The vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board unless the certificate of incorporation, these by-laws or the Stockholders' Agreement by and among the Company and certain stockholders of the Corporation party thereto, dated April 3, 2000, shall require a vote of a greater number. In case at any meeting of the Board a quorum shall not be present, the members of the Board present may adjourn the meeting from time to time until a quorum shall attend.

Section 2.7. Organization. Meetings of the Board of Directors shall be presided over by the Chairman of the Board, if any, or in his absence by the Vice Chairman of the Board, if any, or in his absence by the President, or in their absence by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 2.8. Informal Action by Directors. Unless otherwise restricted by the certificate of incorporation or these by-laws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board or of such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

ARTICLE III

COMMITTEES

Section 3.1. Committees. The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. The by-laws may provide that in the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the board of directors, or in the bylaws of the corporation, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to the following matter: (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by these by-laws to be submitted to stockholders for approval or (ii) adopting, amending or repealing any by-law of the Corporation.

Section 3.2. Committee Rules. Unless the Board of Directors otherwise provides, each committee designated by the Board may make, alter and repeal rules for the conduct of its business. In the absence of a provision by the Board or a provision in the rules of such committee to the contrary, a majority of the entire authorized number of members of such committee shall constitute a quorum for the transaction of business, the vote of a majority of the members present at a meeting at the time of such vote if a quorum is then present shall be the act of such committee, and in other respects each committee shall conduct its business in the same manner as the Board conducts its business pursuant to Article II of these by-laws.

ARTICLE IV

OFFICERS

Section 4.1. Officers; Election; Term of Office; Resignation. The Board of Directors shall elect a Chief Executive Officer, President and a Secretary, and it may, if it so determines, elect from among its members a Chairman of the Board and a Vice Chairman of the Board. The chief executive officer shall have general and active management of the affairs of the Corporation. In the absence of the chairman of the board and any vice chairmen, the Chief Executive Officer shall preside at all meetings of the shareholders and directors at which he/she is present. If no officer has been expressly designated as Chief Executive Officer by the Board, the President shall be Chief Executive Officer of the Corporation. The Board may also elect a Chief Financial Officer and/or Chief Operating Officer, one or more Vice Presidents, one or more Assistant Vice Presidents, one or more Assistant Secretaries, a Treasurer and one or more Assistant Treasurers and may give any of them such further designations or alternate titles as it considers desirable. Such described officers may also have such titles as "Chief Executive Bear" "Chief Financial Bear" or similar titles in keeping with the culture of the Company. Each such officer shall hold office until his successor is elected and qualified or until his earlier resignation or removal. Any officer may resign at any time upon written notice to the Board or to the Chief Executive Officer. Such resignation shall take effect at the time specified therein, and unless otherwise specified therein no acceptance of

such resignation shall be necessary to make it effective. The Board may remove any officer with or without cause at any time. Any such removal shall be without prejudice to the contractual rights of such officer, if any, with the Corporation, but the election or appointment of an officer shall not of itself create contractual rights. Any number of offices may be held by the same person. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise may be filled for the unexpired portion of the term by the Board at any regular or special meeting.

Section 4.2. Powers and Duties of Executive Officers. The officers of the Corporation shall have such powers and duties in the management of the Corporation as may be prescribed by the Board of Directors and, to the extent not so provided, as generally pertain to their respective offices, subject to the control of the Board. The Board may require any officer, agent or employee to give security for the faithful performance of his duties.

ARTICLE V

STOCK

Section 5.1. Certificates. Every holder of stock in the Corporation shall be entitled to have a certificate signed by or in the name of the Corporation by the Chairman or Vice Chairman of the Board of Directors, if any or the President or a Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary, of the Corporation, certifying the number of shares owned by him in the Corporation. If such certificate is manually signed by one officer or manually countersigned by a transfer agent or by a registrar, any other signature on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

Section 5.2. Lost, Stolen or Destroyed Stock Certificates; Issuance of New Certificates. The Corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or his legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

ARTICLE VI

MISCELLANEOUS

Section 6.1. Fiscal Year. The fiscal year of the Corporation shall be determined by the Board of Directors.

Section 6.2. Seal. The Corporation may have a corporate seal which shall have the name of the Corporation inscribed thereon and shall be in such form as may be approved from time to time by the Board of Directors. The corporate seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

Section 6.3. Waiver of Notice of Meetings of Stockholders, Directors and Committees. Whenever notice is required to be given by law or under any provision of the certificate of incorporation or these by-laws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors, or members of a committee of directors need be specified in any written waiver of notice unless so required by the certificate of incorporation or these by-laws.

Section 6.4. Interested Directors; Quorum. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose, if: (1) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (2) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (3) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board, a committee thereof or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board or of a committee which authorizes the contract or transaction.

Section 6.5. Form of Records. Any records maintained by the Corporation in the regular course of its business, including its stock ledger, books of account and minute books, may be kept on, or be in the form of, punch cards, magnetic tape, photographs, microphotographs or any other information storage device, provided that the records so kept can be converted into clearly legible form within a reasonable time. The Corporation shall so convert any records so kept upon the request of any person entitled to inspect the same.

Section 6.6. Amendment of By-Laws. These by-laws may be altered or repealed, and new by-laws made, by the Board of Directors, but the stockholders may make additional by-laws and may alter or repeal any by-law whether or not adopted by them.

ARTICLE VII

INDEMNIFICATION

Section 7.1. Indemnity. Every person who was or is a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person or a person of whom such person is a legal representative is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation or for its benefit as a director, officer, employee or agent of any other corporation, or as the representative of the Corporation in a partnership, joint venture, trust or other entity, shall be indemnified and held harmless by the Corporation to the fullest extent legally permissible under the General Corporation Law, as amended from time to time, against all expenses, liabilities and losses (including attorneys' fees, judgments, fines and amounts paid or to be paid in settlement) reasonably paid or incurred by such person in connection therewith. Such right of indemnification shall be a contract right that may be enforced in any manner desired by such person. Such right of indemnification shall include the right to be paid by the Corporation the expenses incurred in defending any such action, suit or proceeding in advance of its final disposition upon receipt of an undertaking by or on behalf of such person to repay such amount if ultimately it should be determined that such person is not entitled to be indemnified by the Corporation under the General Corporation Law of the State of Delaware. Such right of indemnification shall not be exclusive of any other right which such directors, officers or representatives may have or hereafter acquire and, without limiting the generality of such statement, they shall be entitled to their respective rights of indemnification under the Certificate of Incorporation of the Corporation or any agreement, vote of stockholders, provision of law or otherwise, as well as their rights under this Article VII. Any person or persons who, pursuant to any provisions of the Certificate of Incorporation of the Corporation, exercises or performs any of the powers or duties conferred or imposed upon a director of the Corporation, shall be entitled to the indemnification rights set forth in this Article VII.

Section 7.2. Voluntary Intervention. Notwithstanding anything in this Article VII to the contrary, no person shall be indemnified in respect of any claim, action, suit or proceeding initiated by any such person or in which any such person has voluntarily intervened, other than an action initiated by such person to enforce indemnification rights hereunder or an action initiated with the approval of a majority of the Board of Directors.

Section 7.3. Insurance. The Board of Directors may cause the Corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation or for its benefit as a director, officer, employee or agent of any other corporation, or as the representative of the Corporation in a partnership, joint venture, trust or other entity, against any expense, liability or loss asserted against or incurred by any such person in any such capacity or arising out of such status, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss.

Section 7.4. By-laws. The Board of Directors may adopt further By-laws from time to time with respect to indemnification and may amend these and such further By-laws to provide at all times the fullest indemnification permitted by the General Corporation Law of the State of Delaware, as amended from time to time.

SECOND AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF BUILD-A-BEAR WORKSHOP, INC.

It is hereby certified that:

1. The present name of the corporation (herein called the "Corporation") is BUILD-A-BEAR WORKSHOP, INC., which is the name under which the Corporation was originally incorporated; and the date of filing the original Certificate of Incorporation of the Corporation with the Secretary of State of Delaware is March 31, 2000. The Corporation filed an Amended and Restated Certificate of Incorporation with the Secretary of State of Delaware on September 21, 2001.

2. The Restated Certificate of Incorporation of the Corporation, as heretofore amended and/or supplemented, is hereby amended in its entirety as set forth in the Second Amended and Restated Certificate of Incorporation of Build-A-Bear Workshop, Inc., as provided for herein.

3. The Second Amended and Restated Certificate of Incorporation has been duly adopted by the stockholders in accordance with the provisions of Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware.

4. The Certificate of Incorporation of the Corporation shall at the effective time of this Second Amended and Restated Certificate of Incorporation, read as set forth on EXHIBIT A hereto.

IN WITNESS WHEREOF, said Build-A-Bear Workshop, Inc., has caused this certificate to be signed by Maxine Clark, its Chief Executive Officer, this _____ day of _____, 2004.

BUILD-A-BEAR WORKSHOP, INC.

By:

Name: Maxine Clark
Title: Chief Executive Officer

EXHIBIT A

SECOND AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
BUILD-A-BEAR WORKSHOP, INC.

ARTICLE FIRST

The name of the Corporation is Build-A-Bear Workshop, Inc.

ARTICLE SECOND

The address of the registered office of the Corporation in the State of Delaware is 1209 Orange St., Wilmington, Delaware 19801. The name and address of its registered agent is The Corporation Trust Company, 1209 Orange St., Wilmington, Delaware 19801.

ARTICLE THIRD

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

ARTICLE FOURTH

1. AUTHORIZED STOCK. The total number of shares of all classes of stock which the Corporation shall have authority to issue is 65,000,000 shares, consisting of (i) 50,000,000 shares of Common Stock, par value $.001 per share (the "Common Stock") and (ii) 15,000,000 shares of Preferred Stock, par value $.001 per share (the "Preferred Stock").

2. COMMON STOCK. The powers, preferences and rights, and the qualifications, limitations and restrictions, of the Common Stock are as follows:

(a) NO CUMULATIVE VOTING. The holders of shares of Common Stock shall not have cumulative voting rights.

(b) DIVIDENDS; STOCK SPLITS. Subject to the rights of the holders of Preferred Stock, and subject to any other provisions of this Second Amended and Restated Certificate of Incorporation, as it may be amended from time to time, the holders of Common Stock shall be entitled to receive such dividends and other distributions in cash, stock or property of the Corporation when, as and if declared thereon by the Board of Directors from time to time out of assets or funds of the Corporation legally available therefor.

(c) LIQUIDATION, DISSOLUTION, ETC. In the event of any liquidation, dissolution or winding up (either voluntary or involuntary) of the Corporation, the holders of shares of Common Stock shall be entitled to receive the assets and funds of the Corporation available for distribution after payments to creditors and to the holders of any Preferred Stock of the Corporation that may at the time be outstanding, in proportion to the number of shares held by

them, respectively. For purposes of this paragraph 2(c), the voluntary sale, conveyance, lease, exchange or transfer (for cash, shares of stock, securities, or other consideration) of all or substantially all of the assets of the Corporation or a consolidation or merger of the Corporation with one or more other corporations or other persons (whether or not the Corporation is the corporation surviving such consolidation or merger) shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary.

(d) MERGER, ETC. In the event of a merger or consolidation of the Corporation with or into another entity (whether or not the Corporation is the surviving entity), the holders of each share of Common Stock shall be entitled to receive the same per share consideration on a per share basis.

(e) VOTING. At every meeting of the stockholders of the Corporation in connection with the election of directors and all other matters submitted to a vote of stockholders, every holder of Common Stock is entitled to one vote in person or by proxy for each share of Common Stock registered in the name of the holder on the transfer books of the Corporation. Except as otherwise required by law, the holders of Common Stock shall vote together as a single class, subject to any right that may be conferred upon holders of Preferred Stock to vote together with holders of Common Stock on all matters submitted to a vote of stockholders of the Corporation.

(f) NO PREEMPTIVE OR SUBSCRIPTION RIGHTS. No holder of shares of Common Stock shall be entitled to preemptive or subscription rights.

3. PREFERRED STOCK.

(a) The Preferred Stock may be issued from time to time in one or more classes or series. The Board of Directors is hereby authorized to provide for the issuance of shares of Preferred Stock in a class or series and, by filing a certificate pursuant to the applicable law of the State of Delaware (a "Preferred Stock Designation"), to establish from time to time the number of shares to be included in each such class or series, and to fix the designation, powers, preferences and rights of the shares of each such class or series and the qualifications, limitations and restrictions thereof. The authority of the Board of Directors with respect to each class or series shall include, but not be limited to, determination of the following:

(i) The designation of the class or series, which may be by distinguishing number, letter or title;

(ii) The number of shares of the series, which number the Board of Directors may thereafter (except where otherwise provided in the Preferred Stock Designation) increase or decrease (but not below the number of shares thereof then outstanding);

(iii) Whether dividends, if any, shall be cumulative or noncumulative and the dividend rate of the class or series;

(iv) The dates on which dividends, if any, shall be payable;

(v) The redemption rights and price or prices, if any, for shares of the class or series;

(vi) The terms and amount of any sinking fund provided for the purchase or redemption of shares of the class or series;

(vii) The amounts payable on, and the preferences, if any, of, shares of the class or series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation;

(viii) Whether the shares of the class or series shall be convertible into shares of any other class or series, or any other security, of the Corporation or any other corporation, and, if so, the specification of such other class or series of such other security, the conversion price or prices or rate or rates, any adjustments thereof, the date or dates at which such shares shall be convertible and all other terms and conditions upon which such conversion may be made;

(ix) Restrictions on the issuance of shares of the same class or series or of any other class or series; and

(x) The voting rights, if any, of the holders of shares of the class or series.

(b) The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares then outstanding) by the affirmative vote of the holders of a majority of the voting power of Common Stock, without a vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holders is required pursuant to the terms of the applicable Preferred Stock Designation.

(c) The Corporation shall be entitled to treat the person in whose name any share of its stock is registered as the owner thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the Corporation shall have notice thereof, except as expressly provided in this Second Amended and Restated Certificate of Incorporation or by applicable law.

4. POWER TO SELL AND PURCHASE SHARES. Subject to the requirements of applicable law, the Corporation shall have the power to issue and sell all or any part of any shares of any class of stock hereon or hereafter authorized to such persons, and for such consideration, as the Board of Directors shall from time to time, in its discretion, determine, whether or not greater consideration could be received upon the issue or sale of the same number of shares of another class, and as otherwise permitted by law. Subject to the requirements of applicable law, the Corporation shall have the power to purchase any shares of any class of stock herein or hereafter authorized from such persons, and for such consideration, as the Board of Directors shall from time to time, in its discretion, determine, whether or not less consideration could be paid upon the purchase of the same number of shares of another class, and as otherwise permitted by law.

ARTICLE FIFTH

For the management of the business and for the conduct of the affairs of the Corporation, and in further definition, limitation and regulation of the powers of the Corporation, of its directors and of its stockholders or any class thereof, as the case may be, it is further provided that:

1. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. The number of directors which shall constitute the whole Board of Directors shall be fixed by the Board of Directors in the manner provided in the Bylaws.

2. The directors, other than those who may be elected by the holders of any class or series of Preferred Stock issued by the Corporation, shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors. The initial division of the Board of Directors into classes shall be made by the decision of the Board of Directors. The term of the initial Class I directors shall terminate on the date of the annual meeting next following December 31, 2004; the term of the initial Class II directors shall terminate on the date of the annual meeting next following December 31, 2005; and the term of the initial Class III directors shall terminate on the date of the annual meeting next following December 31, 2006. At each succeeding annual meeting of stockholders beginning in 2005, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director.

3. A director shall hold office until the annual meeting for the year in which his or her term expires or until his or her successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office.

4. Subject to applicable law and the terms of any one or more classes or series of Preferred Stock, any vacancy on the Board of Directors that results from an increase in the number of directors or resulting from the death, resignation, removal from office or any other cause may be filled by a majority of the Board of Directors then in office, although less than a quorum, or by a sole remaining director, and not by the stockholders. Any director of any class elected to fill a vacancy resulting from an increase in the number of directors of such class shall hold office for a term that shall coincide with the remaining term of that class. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of his predecessor. Subject to applicable law and the rights, if any, of the holders of shares of Preferred Stock then outstanding, any or all of the directors of the Corporation may be removed from office at any time by the stockholders only for cause and only by the affirmative vote of a majority of the voting power of all of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors. A director

may not be removed by the stockholders at a meeting unless the notice of the meeting states that the purpose, or one of the purposes, of the meeting is the removal of the director. Notwithstanding the foregoing, whenever the holders of any one or more classes or series of Preferred Stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of this Second Amended and Restated Certificate of Incorporation applicable thereto, and such directors so elected shall not be divided into classes pursuant to this Article Fifth unless expressly provided otherwise by such terms.

5. The Board of Directors may from time to time adopt, amend or repeal Bylaws; provided, however, that the stockholders may amend or repeal any Bylaw or Bylaws adopted by the Board of Directors, or adopt a new Bylaw or Bylaws, in either case by the affirmative vote of the holders of at least eighty percent (80%) of the voting power of all of the then outstanding shares of the capital stock of the Corporation, voting together as a single class; and, provided, further, however, that in the case of any such stockholder action at a special meeting of stockholders, notice of the proposed adoption, amendment or repeal of the new Bylaw or Bylaws must be contained in the notice of such special meeting.

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

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

8. In addition to the powers and authority hereinbefore or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the Delaware General Corporation Law, this Second Amended and Restated Certificate of Incorporation, and any Bylaws adopted by the stockholders; provided, however, that no Bylaws hereafter adopted by the stockholders shall invalidate any prior act of the directors which would have been valid if such Bylaws had not been adopted.

ARTICLE SIXTH

1. LIMITATION OF LIABILITY. To the fullest extent permitted by the General Corporation Law of the State of Delaware as the same exists or as may hereafter be amended, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director.

2. INDEMNIFICATION. The Corporation may indemnify to the fullest extent permitted by law any person made or threatened to be made a party to an action, suit or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that such person or his or her testator or intestate is or was a director, officer, employee or agent of the Corporation, or any predecessor of the Corporation, or serves or served at any other enterprise as a director,

officer, employee or agent at the request of the Corporation or any predecessor to the Corporation.

3. AMENDMENTS. Neither any amendment nor repeal of this Article Sixth, nor the adoption of any provision of the Corporation's Certificate of Incorporation inconsistent with this Article Sixth, shall eliminate or reduce the effect of this Article Sixth, in respect of any matter occurring, or any action or proceeding accruing or arising or that, but for this Article Sixth, would accrue or arise, prior to such amendment, repeal, or adoption of an inconsistent provision.

ARTICLE SEVENTH

Unless otherwise required by law, special meetings of stockholders, for any purpose or purposes may be called by (i) the chairperson of the Board of Directors, if there be one, (ii) the chief executive officer, (iii) the president, or (iv) the Board of Directors. The ability of the stockholders to call a special meeting is hereby specifically denied.

ARTICLE EIGHTH

Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation, and the ability of the stockholders to consent in writing to the taking of any action is hereby specifically denied, provided, however, that the holders of Preferred Stock may act by written consent to the extent expressly provided in the applicable Preferred Stock Designation authorizing the issuance of particular series of Preferred Stock pursuant to Article Fourth of this Second Amended and Restated Certificate of Incorporation.

ARTICLE NINTH

Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws may provide. The books of the Corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation.

ARTICLE TENTH

The Corporation is to have perpetual existence.

ARTICLE ELEVENTH

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Second Amended and Restated Certificate of Incorporation, in the manner now or hereafter prescribed by this Second Amended and Restated Certificate of Incorporation, the Corporation's Bylaws or by statute, and all rights conferred upon the stockholders herein are granted subject to this right; provided, however, that notwithstanding any other provision of this Second Amended and Restated Certificate of Incorporation (and in addition to any other vote that may be required by law), the affirmative vote of the holders of at least eighty percent (80%) of the voting power of all of the then outstanding shares of the capital stock of the Corporation, voting together as a single class, shall be required to amend, alter, change or repeal, or to adopt any provisions as part of this Second Amended and Restated Certificate of Incorporation inconsistent with the purposes and intent of Article Fifth, Article Sixth, Article Seventh, Article Eighth and this Article Eleventh.

EXHIBIT 3.4

AMENDED AND RESTATED

BYLAWS

of

BUILD-A-BEAR WORKSHOP, INC.

Effective _____, 2004

1. MEETINGS OF STOCKHOLDERS.

1.1 Annual Meeting. The annual meeting of stockholders of Build-A-Bear Workshop, Inc. (the "corporation") shall be held on such date and at such time fixed from time to time by the board of directors of the corporation (the "Board"), provided that each successive annual meeting shall be held on the Thursday of the second week of May of each year if not a legal holiday, and if a legal holiday then on the next succeeding day not a legal holiday, or such other date of time and at such place as may be determined from time to time by the Board. The business to be transacted at the meeting shall be the election of directors and any other proper business as may be brought before the meeting. Any previously scheduled annual meeting of the stockholders may be postponed by resolution of the Board upon public notice given on or prior to the date previously scheduled for such annual meeting of stockholders.

1.2 Special Meetings. Subject to the rights of the holders of any series of preferred stock under the Certificate of Incorporation, as amended or restated, of the corporation (the "Certificate of Incorporation"), special meetings of the stockholders may be called by (i) the chairperson of the Board, if there be one, (ii) the chief executive officer/chief executive bear, (iii) the President or (iii) the Board. Only business related to the purposes set forth in the notice of the meeting may be transacted at a special meeting. The ability of stockholders to call a special meeting is hereby specifically denied.

1.3 Place and Time of Meetings. Meetings of the stockholders may be held in or outside Delaware at the place and time specified by the Board; provided that the Board may, in its sole discretion, determine that the meeting shall not be held at any place, but may instead be held solely by means of remote communication as authorized by Section 211(a)(2) of the General Corporation Law of the State of Delaware (or any successor thereto) (the "General Corporation Law of Delaware").

1.4 Notice of Meeting; Waiver of Notice. (a) Written or printed notice of each meeting of stockholders shall be given by or at the direction of the secretary or the chief executive officer/chief executive bear of the corporation to each stockholder entitled to vote at the meeting, except that (a) it shall not be necessary to give notice to any stockholder who

properly waives notice before or after the meeting, whether in writing or by electronic transmission or otherwise, and (b) no notice of an adjourned meeting need be given except when required under Section 1.6 of these Bylaws or by law. Each notice of a meeting shall be given, personally or by mail or, as provided below, by means of electronic transmission, not less than ten (10) nor more than sixty (60) days before the meeting and shall state the time and place of the meeting, or if held by remote communications, the means of remote communication by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, and unless it is the annual meeting, shall state at whose direction or request the meeting is called and the purposes for which it is called. The attendance of any stockholder at a meeting, without protesting at the beginning of the meeting that the meeting is not lawfully called or convened, shall constitute a waiver of notice by him or her. Any previously scheduled meeting of stockholders may be postponed, and (unless the Certificate of Incorporation otherwise provides) any special meeting of stockholders may be canceled, by resolution of the Board upon public disclosure (as defined in Section 1.13(a)) given on or prior to the date previously scheduled for such meeting of stockholders.

(b) Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to a stockholder may be given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the corporation. Any such consent shall be deemed revoked (1) if the corporation is unable to deliver by electronic transmission two consecutive notices given by the corporation in accordance with such consent and (2) such inability becomes known to the secretary or an assistant secretary of the corporation or to the transfer agent, or other person responsible for the giving of notice; provided, however, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action. For purposes of these Bylaws, "electronic transmission" means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

(c) Notice shall be deemed given, if mailed, when deposited in the United States mail with postage prepaid, if addressed to a stockholder at his or her address on the corporation's records. Notice given by electronic transmission shall be deemed given: (1) if by facsimile, when directed to a number at which the stockholder has consented to receive notice; (2) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice; (3) if by posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; and (4) by any other form of electronic transmission, when directed to the stockholder.

(d) An affidavit of the secretary or an assistant secretary or of the transfer agent or other agent of the corporation that the notice has been given, whether by a form of electronic transmission or otherwise, shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

1.5 Quorum; Voting; Validation of Meeting. (a) The holders of a majority in voting power of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the Certificate of Incorporation. If, however, such quorum is not present or represented at any meeting of the stockholders, then either (i) the person presiding over the meeting or (ii) the stockholders by the vote of the holders of a majority of the stock, present in person or represented by proxy shall have power to adjourn the meeting in accordance with Section 1.6 of these Bylaws.

(b) When a quorum is present at any meeting, a plurality of the votes present in person or represented by proxy and entitled to vote on the election of a director shall be sufficient to elect directors, subject to the rights of the holders of preferred stock to elect directors under specified circumstances pursuant to the Certificate of Incorporation. On all other matters, the vote of the holders of a majority of the stock having voting power on such matter present in person or represented by proxy shall decide any question brought before such meetings, unless the question is one upon which, by express provision of the laws of the State of Delaware or of the Certificate of Incorporation or these Bylaws, a vote of a greater number or voting by classes is required, in which case such express provision shall govern and control the decision of the question.

(c) If a quorum is initially present, the stockholders may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum, if any action taken is approved by a majority of the stockholders initially constituting the quorum.

(d) The transactions of any meeting of stockholders, either annual or special, however called and noticed, and wherever held, shall be as valid as though they had been taken at a meeting duly held after regular call and notice, if a quorum is present either in person or by proxy.

1.6 Adjourned Meeting; Notice. (a) Any stockholders' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of the majority of the voting power of the shares represented at that meeting, either in person or by proxy. In the absence of a quorum, no other business may be transacted at that meeting except as provided in Section 1.5 of these Bylaws.

(b) When any meeting of stockholders, either annual or special, is adjourned to another time or place or means of remote communication, notice need not be given of the adjourned meeting if the time and place, if any, thereof, and the means of remote communication, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meeting, are announced at the meeting at which the adjournment is taken.

However, if a new record date for the adjourned meeting is fixed or if the adjournment is for more than thirty (30) days from the date set for the original meeting, then notice of the adjourned meeting shall be given. Notice of any such adjourned meeting shall be given to each stockholder of record entitled to vote at the adjourned meeting in accordance with the provisions of Section 1.4 of these Bylaws. At any adjourned meeting the corporation may transact any business that might have been transacted at the original meeting.

1.7 Voting. (a) The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 1.8 of these Bylaws, subject to the provisions of Sections 217 and 218 of the General Corporation Law of Delaware (relating to voting rights of fiduciaries, pledgors and joint owners, and to voting trusts and other voting agreements).

(b) Except as may be otherwise provided in the Certificate of Incorporation, by these Bylaws or as required by law, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder which has voting power upon the matter in question.

(c) Any stockholder entitled to vote on any matter may vote part of the shares in favor of the proposal and refrain from voting the remaining shares or, except when the matter is the election of directors, may vote the remaining shares against the proposal; but if the stockholder fails to specify the number of shares which the stockholder is voting affirmatively or otherwise indicates how the number of shares to be voted affirmatively is to be determined, it will be conclusively presumed that the stockholder's approving vote is with respect to all shares which the stockholder is entitled to vote.

(d) Voting need not be by ballot unless requested by a stockholder at the meeting or ordered by the chairperson of the meeting; however, all elections of directors shall be by written ballot, unless otherwise provided in the Certificate of Incorporation; provided, that if authorized by the Board, a written ballot may be submitted by electronic transmission, provided that any such electronic transmission must either set forth or be submitted with information from which it can be determined that the electronic transmission was authorized by the stockholder or proxyholder.

1.8 Record Date for Stockholder Notice. (a) For purposes of determining the stockholders entitled to notice of any meeting or to vote thereat, the Board may fix, in advance, a record date, which shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date shall not be more than sixty (60) days nor less than ten (10) days before the date of any such meeting, and in such event only stockholders of record on the date so fixed are entitled to notice and to vote, notwithstanding any transfer of any shares on the books of the corporation after the record date, except as otherwise provided in the Certificate of Incorporation, by these Bylaws, by agreement or by applicable law.

(b) If the Board does not so fix a record date, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

(c) A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting unless the Board fixes a new record date for the adjourned meeting, but the Board shall fix a new record date if the meeting is adjourned for more than thirty (30) days from the date set for the original meeting.

(d) The record date for any other lawful purpose shall be as provided in Section 5.8 of these Bylaws.

1.9 Proxies. Every person entitled to vote for directors, or on any other matter, shall have the right to do so either in person or by one or more agents authorized by a written proxy filed with the secretary of the corporation. A written proxy may be in the form of a telegram, cablegram, or other means of electronic transmission which sets forth or is submitted with information from which it can be determined that the telegram, cablegram, or other means of electronic transmission was authorized by the person. No such proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212(e) of the General Corporation Law of Delaware. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or by filing another duly executed proxy bearing a later date with the secretary of the corporation.

A proxy is not revoked by the death or incapacity of the maker unless, before the vote is counted, written notice of such death or incapacity is received by the secretary of the corporation.

1.10 List of Stockholders. Not less than 10 days prior to the date of any meeting of stockholders, the secretary of the corporation shall prepare a complete list of stockholders entitled to vote at the meeting, arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of such stockholder; provided, that the corporation shall not be required to include electronic mail addresses or other electronic contact information on such list. For a period of not less than 10 days prior to the meeting, the list shall be available during ordinary business hours for inspection by any stockholder for any purpose germane to the meeting. During this period, the list shall be kept either (1) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting or (2) during ordinary business hours, at the principal place of business of the corporation. If the corporation determines to make the list

available on an electronic network, the corporation may take reasonable steps to ensure that such information is available only to stockholders of the corporation. If the meeting is to be held at a place, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting.

1.11 Notice of Stockholder Nominee. Only persons who are nominated in accordance with the procedures set forth in this paragraph shall be eligible for election by the stockholders as directors of the corporation. Nominations of persons for election to the Board may be made at a meeting of stockholders (a) by or at the direction of the Board, or (b) provided that the Board has determined that directors shall be elected at such meeting, by any stockholder of the corporation entitled to vote for the election of directors at such meeting who complies with the procedures set forth in this paragraph. Such nominations by any stockholder shall be made pursuant to timely notice in proper written form to the secretary of the corporation in accordance with this paragraph. To be timely, a stockholder's notice must be delivered to or mailed to and received by the secretary at the principal executive offices of the corporation not less than 90 days nor more than 120 days in advance of the first anniversary of the preceding year's annual meeting; provided, however, that in the event that (i) no annual meeting was held in the previous year or (ii) the date of the annual meeting has been changed by more than 30 days from the date of the previous year's meeting, or in the event of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the tenth day following the day on which notice of the date of the meeting was mailed or public disclosure of the date of the meeting was made, whichever occurs first. In no event shall the public disclosure of an adjournment or postponement of a stockholders meeting commence a new time period for the giving of a stockholders notice as described above. To be in proper written form, such stockholders' notice to the secretary shall set forth in writing (a) as to each person whom such stockholder proposes to nominate for election or re-election as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (or any successor thereto) (the "Exchange Act"), including, without limitation, such person's written consent to being named in the proxy statement as a nominee and to serving as director if elected as well as (i) such person's name, age, business address and residence address, (ii) his or her principal occupation or employment, (iii) the class and number of shares of the corporation that are beneficially owned by such person, and (iv) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nominations are to be made by the stockholder; and (b) as to such stockholder (i) the name and address, as they appear on the corporation's books, of such stockholder and the beneficial owner, if any, on whose behalf the nomination is made, and (ii) the class and number of shares of the corporation which are beneficially owned by such stockholder and the beneficial owner, if any, on whose behalf the

nomination is made, and any material interest of such stockholder and owner. At the request of the Board, any person nominated by the Board for election as a director shall furnish to the secretary of the corporation that information required to be set forth in a stockholder's notice of nomination which pertains to the nominee. No person shall be eligible for election by the stockholders as a director unless nominated in accordance with the procedures set forth in the Bylaws of the corporation. The chairperson of the meeting shall, if the facts warrant, determine and declare at the meeting that a nomination was not made in accordance with the procedures prescribed by the Bylaws of the corporation, and if he or she shall so determine, he or she shall so declare at the meeting that the defective nomination shall be disregarded.

1.12 Stockholder Proposals. At any special meeting of the stockholders, only such business shall be conducted as shall have been brought before the meeting by or at the direction of the Board. At any annual meeting of the stockholders, only such business shall be conducted as shall have been brought before the meeting (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board, (b) otherwise properly brought before the meeting by or at the direction of the Board, or (c) by any stockholder who complies with the procedures set forth in this paragraph. For business properly to be brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in proper written form to the secretary of the corporation and such other business must otherwise be a proper matter for stockholder action. To be timely, a stockholder's notice must be delivered to or mailed to and received by the secretary at the principal executive offices of the corporation not less than 90 days nor more than 120 days in advance of the first anniversary of the preceding year's annual meeting; provided, however, that in the event that (1) no annual meeting was held in the previous year or (2) the date of the annual meeting has been changed by more than 30 days before or after the date of the previous year's meeting, not later than the close of business on the tenth day following the day on which notice of the date of the meeting was mailed or public disclosure of the date of the meeting was made, whichever occurs first. In no event shall the public disclosure of an adjournment or postponement of a stockholders meeting commence a new time period for the giving of a stockholders notice as described above. To be in proper written form, such stockholder's notice to the secretary shall set forth in writing as to each matter such stockholder proposed to bring before the annual meeting (a) a brief description of the business desired to be brought before the meeting, (b) the name and address, as they appear on the corporation's books, of the stockholder proposing such business, and the beneficial owner, if any, on whose behalf the nomination or proposal is made, (c) the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Bylaws of the corporation, the language of the proposed amendment) and the reasons for conducting such business at the meeting, (d) the class and number of shares of the corporation which are owned beneficially by such stockholder and the beneficial owner, if any, on whose behalf the proposal is made, (e) any material interest in such business of the stockholder or the beneficial owner, if any, on whose behalf the proposal is made, (f) any other information that is required to be provided by the stockholder pursuant to Regulation 14A under the Exchange Act in such stockholder's capacity as a proponent of a stockholder proposal, (g) a representation that the stockholder is a holder of record of stock of the

corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business, and (h) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (1) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the corporation's outstanding capital stock required to approve or adopt the proposal or (2) otherwise to solicit proxies from stockholders in support of such proposal. The foregoing notice requirements shall be deemed satisfied by a stockholder if the stockholder has notified the corporation of his or her intention to present a proposal at an annual meeting in compliance with Rule 14a-8 (or any successor thereof) promulgated under the Exchange Act and such stockholder's proposal has been included in a proxy statement that has been prepared by the corporation to solicit proxies for such annual meeting. Notwithstanding anything in the Bylaws to the contrary, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this paragraph. The chairperson of an annual meeting shall, if the facts warrant, determine and declare at the meeting that business was not properly brought before the meeting in accordance with the provisions of this paragraph, and, if he or she should so determine, he or she shall so declare at the meeting that any such business not properly brought before the meeting shall not be transacted.

1.13 Public Disclosure; Conduct of Nominations and Proposals by Stockholders. (a) For purposes of Sections 1.4(a), 1.11 and 1.12 hereof, "public disclosure" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press, Reuters or comparable national news service or in a document publicly filed or furnished by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(b) Notwithstanding the foregoing provisions of these Sections 1.11 and 1.12, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual meeting of stockholders of the corporation to present a nomination or business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the corporation.

(c) Notwithstanding the foregoing provisions of Sections 1.11 and 1.12, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in Sections 1.11 and 1.12. Nothing in Sections 1.11 and 1.12 shall be deemed to affect any rights (i) of stockholders to request inclusion of proposals in the corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (ii) of the holders of any series of preferred stock to elect directors under specified circumstances pursuant to the Certificate of Incorporation.

1.14 Meeting Required. Whenever the vote of stockholders at a meeting thereof is required or permitted to be taken for or in connection with any corporate action, such vote may only be taken at an annual or special meeting with prior notice, except as provided in the Certificate of Incorporation.

1.15 Organization. (a) Meetings of stockholders shall be presided over by the chairperson of the Board, if any, or in his or her absence by the vice chairperson of the Board, if any, or in his or her absence, by the chief executive officer/chief executive bear, if any, or in his or her absence by a chairperson of the meeting, which chairperson must be an officer or director of the corporation and must be designated as chairperson of the meeting by the Board. The secretary, or in his or her absence an assistant secretary, or in his or her absence a person whom the person presiding over the meeting shall appoint, shall act as secretary of the meeting and keep a record of the proceedings thereof.

(b) The Board shall be entitled to make such rules or regulations for the conduct of meetings of stockholders as it shall deem appropriate. Subject to such rules and regulations of the Board, if any, the person presiding over the meeting shall have the right and authority to convene and adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of the person presiding over the meeting, are necessary, appropriate or convenient for the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in such meeting to stockholders of record of the corporation and their duly authorized and constituted proxies and such other persons as the person presiding over the meeting shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comments by participants and regulation of the opening and closing of the polls for balloting and matters which are to be voted on by ballot. The person presiding over the meeting, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall, if the facts warrant, determine and declare to the meeting that a matter or business was not properly brought before the meeting and if the person presiding over the meeting should so determine and declare, any such matter or business shall not be transacted or considered. Unless and to the extent determined by the Board or the person presiding over the meeting, meetings of stockholders shall not be required to be held in accordance with rules of parliamentary procedure.

1.16 Inspectors of Election. Before any meeting of stockholders, the Board may, and shall if required by law, appoint one or more inspectors of election, who may be employees of the corporation, to act at the meeting or its adjournment and to make a written report thereof. If any person appointed as inspector fails to appear or fails or refuses to act, then the person presiding over the meeting may, and upon the request of any stockholder or a stockholder's proxy, shall appoint a person to fill that vacancy.

Such inspectors shall:

(a) determine the number of shares outstanding and the voting power of each, the number of shares represented at the meeting, the existence of a quorum, and the authenticity, validity and effect of proxies and ballots;

(b) receive votes and ballots, including, if applicable, votes and ballots submitted by means of electronic transmission;

(c) hear and determine all challenges and questions in any way arising in connection with the right to vote;

(d) determine when the polls shall close;

(e) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspector or inspectors;

(f) certify their determination of the number of shares of the corporation represented at the meeting and such inspectors' count of all votes and ballots, which certification and report shall specify such other information as may be required by law; and

(g) do any other acts that may be proper to conduct the election or vote with fairness to all stockholders.

Each inspector of election shall perform his or her duties impartially, in good faith, to the best of his or her ability and as expeditiously as is practical, and before entering upon the discharge of his or her duties, shall take and sign an oath to execute faithfully the duties of inspector of election with strict impartiality and according to the best of his or her ability. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders of the corporation, the inspectors may consider such information as is permitted by applicable law. If there are three (3) or more inspectors of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all. Any report or certificate made by the inspectors of election is prima facie evidence of the facts stated therein.

2. BOARD OF DIRECTORS.

2.1 Number, Qualification, Election and Term of Directors. The business and affairs of the corporation shall be managed by or under the direction of the Board, which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute, the Certificate of Incorporation or these Bylaws directed or required to be exercised or done exclusively by the stockholders. Subject to the rights of the holders of any series of preferred stock, the number of directors may be fixed or changed from time to time by resolution of a majority of the entire Board; provided that the number shall be no less than three (3) and no more than eleven (11), and the initial number of directors upon effectiveness of these Amended and Restated Bylaws shall be eight (8). No reduction in the number of directors shall have the effect of shortening the term of any incumbent director, and when so fixed, such number shall continue to be the authorized number of directors until changed by the Board by vote as aforesaid. The

directors shall be divided into three (3) classes, Class I, Class II and Class III, each class to be as nearly equal in number as possible. The term of office of each director shall be until the third annual meeting following his or her election and until the election and qualification of his or her successor; provided, however, the directors first serving as Class I directors shall serve for a term expiring at the annual meeting next following December 31, 2002, the directors first serving as Class II directors shall serve for a term expiring at the second annual meeting next following December 31, 2003, and the directors first serving as Class III directors shall serve for a term expiring at the third annual meeting next following December 31, 2004. As used in these Bylaws, the term "entire Board" means the total number of directors which the corporation would have if there were no vacancies on the Board.

2.2 Quorum and Manner of Acting. (a) A majority of the entire Board shall constitute a quorum for the transaction of business at any meeting, except as provided in Section 2.10 of these Bylaws. In the absence of a quorum a majority of the directors present may adjourn any meeting from time to time until a quorum is present. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board, subject to the provisions of the Certificate of Incorporation and applicable law.

(b) A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

2.3 Place of Meetings. Meetings of the Board may be held in or outside Delaware.

2.4 Annual and Regular Meetings. Annual meetings of the Board for the election of officers and consideration of other matters shall be held either (a) without notice immediately after the annual meeting of stockholders and at the same place, or (b) as soon as practicable after the annual meeting of stockholders, on notice as provided in Section 2.6 of these Bylaws. Regular meetings of the Board may be held without notice and, unless otherwise specified by the Board, shall be held in accordance with a schedule and at such locations as determined from time to time by the Board, provided no less than four (4) such meetings shall be held each year. If the day fixed for a regular meeting is a legal holiday, the meeting shall be held on the next business day.

2.5 Special Meetings. Special meetings of the Board may be called by the chairperson of the board, the chief executive officer/chief executive bear, the president or by a majority of the directors in office.

2.6 Notice of Meetings; Waiver of Notice. Notice of the time and place of each special meeting of the Board, and of each annual meeting not held immediately after the annual meeting of stockholders and at the same place, shall be given to each director in advance of the time set for such meeting as provided herein; provided, that if the meeting is to be held at the

principal executive offices of the corporation, the notice need not specify the place of the meeting. Except for amendments to the Bylaws, as provided under Section 6.9, notice of a special meeting need not state the purpose or purposes for which the meeting is called and, unless indicated in the notice thereof, any and all business may be transacted at a special meeting. Notice need not be given to any director who submits a signed waiver of notice before or after the meeting or who attends the meeting without protesting at the beginning of the meeting the transaction of any business because the meeting was not lawfully called or convened. Notice of any adjourned meeting need not be given, other than by announcement at the meeting at which the adjournment is taken unless the meeting is adjourned for more than twenty-four (24) hours. If the meeting is adjourned for more than twenty-four (24) hours, then notice of the time and place of the adjourned meeting shall be given before the adjourned meeting takes place, in the manner specified herein to the directors who were not present at the time of adjournment. Notice of a special meeting may be given by any one or more of the following methods and the method used need not be the same for each director being notified:

(a) written notice sent by mail at least three (3) days prior to the meeting;

(b) personal service at least twenty-four (24) hours prior to the time of the meeting;

(c) telegraphic notice at least twenty-four (24) hours prior to the time of the meeting, said notice to be sent as a straight full-rate telegram;

(d) telephonic notice at least twenty-four (24) hours prior to the time of the meeting; or

(e) facsimile or other means of electronic transmission at least twenty-four (24) hours prior to the time of the meeting.

Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director.

2.7 Board or Committee Action Without a Meeting. Any action required or permitted to be taken by the Board or by any committee of the Board may be taken without a meeting if all of the members of the Board or of the committee individually or collectively consent in writing or by electronic transmission to the adoption of a resolution authorizing the action. Such action by written consent shall have the same force and effect as a unanimous vote of the Board. The resolution and the written consents or electronic transmission or transmissions by the members of the Board or the committee shall be filed with the minutes of the proceeding of the Board or of the committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

2.8 Participation in Board or Committee Meetings by Conference Telephone. Any or all members of the Board or of any committee of the Board may participate in a meeting of the Board or of the committee by means of a conference telephone or other communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at the meeting.

2.9 Resignation and Removal of Directors. Any director may resign at any time by delivering his or her resignation in writing, including by means of electronic transmission, to the president or secretary of the corporation, to take effect at the time specified in the resignation; the acceptance of a resignation, unless required by its terms, shall not be necessary to make it effective. Subject to the Certificate of Incorporation, applicable law and the rights, if any, of the holders of shares of preferred stock then outstanding, any or all of the directors of the corporation may be removed from office at any time by the stockholders only for cause and only by the affirmative vote of a majority of the voting power of all of the then outstanding shares of capital stock of the corporation entitled to vote generally in the election of directors. A director may not be removed by the stockholders at a meeting unless the notice of the meeting states that the purpose, or one of the purposes, of the meeting is the removal of the director. Notwithstanding the foregoing, whenever the holders of any one or more classes or series of preferred stock issued by the corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of the Certificate of Incorporation applicable thereto, and such directors so elected shall not be divided into classes pursuant thereto unless expressly provided otherwise by such terms.

2.10 Vacancies. Subject to applicable law and the terms of any one or more classes or series of preferred stock, any vacancy on the Board that results from an increase in the number of directors or resulting from the death, resignation, removal from office or any other cause may be filled by a majority of the Board then in office, although less than a quorum, or by a sole remaining director and not by the stockholders. Any director of any class elected to fill a vacancy resulting from an increase in the number of directors of such class shall hold office for a term that shall coincide with the remaining term of that class. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of his predecessor.

2.11 Compensation. The Board is authorized to fix such compensation for directors as it may determine, including a fee and reimbursement of expenses for attendance at any meeting of the directors or committees. A director may also be paid for serving the corporation, its affiliates or its subsidiaries in other capacities.

2.12 Notice to Members of the Board. Each member of the Board shall file with the secretary of the corporation an address to which mail or telegraphic notices shall be sent, a telephone number to which a telephonic or facsimile notice may be transmitted and, at the sole discretion of a director, such electronic address to which other electronic transmissions may be

sent. A notice mailed, telegraphed, telephoned or transmitted by facsimile or other means of electronic transmission in accordance with the instructions provided by the director shall be deemed sufficient notice. Such address or telephone number may be changed at any time and from time to time by a director by giving written notice of such change to the secretary. Failure on the part of any director to keep an address and telephone number on file with the secretary (but not including an address for other electronic transmissions) shall automatically constitute a waiver of notice of any regular or special meeting of the Board which might be held during the period of time that such address and telephone number are not on file with the secretary. A notice shall be deemed to be mailed when deposited in the United States mail, postage prepaid. A notice shall be deemed to be telegraphed when the notice is delivered to the transmitter of the telegram and either payment or provision for payment is made by the corporation. Notice shall be deemed to be given by telephone if the notice is transmitted over the telephone to some person (whether or not such person is the director) or message recording device answering the telephone at the number which the director has placed on file with the secretary. Notice shall be deemed to be given by facsimile or other means of electronic transmission when sent to the telephone number or other address which the director has placed on file with the secretary.

2.13 Organization. Meetings of the Board shall be presided over by the chairperson of the Board, if any, or in his or her absence by the vice chairperson of the Board, if any, or in his or her absence by the chief executive officer/chief executive bear, if any, or in his or her absence by the president, if any. In the absence of all such directors, a president pro tem chosen by a majority of the directors present shall preside at the meeting. The secretary shall act as secretary of the meeting, but in his or her absence the chairperson of the meeting may appoint any person to act as secretary of the meeting.

3. COMMITTEES.

3.1 Audit Committee. The Board by resolution shall designate an Audit Committee consisting of three directors or such other number as may be specified by the Board, which shall review the internal financial controls of the corporation, and the integrity of its financial reporting, and have such other powers and duties as the Board determines. The Board shall adopt a charter, which may be amended from time to time, setting for the powers and duties of the Audit Committee. The members of the Audit Committee shall serve at the pleasure of the Board. All action of the Audit Committee shall be reported to the Board at its next meeting.

3.2 Compensation Committee. The Board by resolution shall designate a Compensation Committee consisting of three directors or such other number as may be specified by the Board, which shall administer the corporation's compensation plans and have such other powers and duties as the Board determines. The members of the Compensation Committee shall serve at the pleasure of the Board. All action of the Compensation Committee shall be reported to the Board at its next meeting. The Board shall adopt a charter, which may be amended from time to time, setting forth the powers and duties of the Compensation Committee.

3.3 Nominating and Corporate Governance Committee. The Board by resolution shall designate a Nominating and Corporate Governance Committee consisting of three directors or such other number as may be specified by the Board, which shall nominate candidates for election to the Board, formulate corporate governance principles, and have such other powers and duties as the Board determines. The members of the Nominating and Corporate Governance Committee shall serve at the pleasure of the Board. All action of the Nominating and Corporate Governance Committee shall be reported to the Board at its next meeting. The Board shall adopt a charter, which may be amended from time to time, setting forth the powers and duties of the Nominating and Corporate Governance Committee.

3.4 Other Committees. The Board, by resolution adopted by a majority of the entire Board, may designate other committees of directors of one or more directors, which shall serve at the Board's pleasure and have such powers and duties as the Board determines.

3.5 Meetings and Action of Committees. (a) The Board may designate one or more directors as alternate members of any committee (other than the Audit Committee), who may replace any absent or disqualified member at any meeting of the committee. Each committee shall keep regular minutes of its meetings and report the same to the Board at its next meeting. Each committee may adopt rules of procedure and shall meet as provided by those rules or by resolutions of the Board.

(b) Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Article 2 of these Bylaws, including Section 2.2 (quorum and manner of acting), Section 2.3 (place of meetings), Section 2.4 (annual and regular meetings), Section 2.5 (special meetings), 2.6 (notice of meetings and waiver of notice), Section 2.7 (board or committee action without a meeting), Section 2.8 (participation in Board or committee meetings by conference telephone), Section 2.12 (notice to members of the Board), and Section 2.13 (organization), with such changes in the context of those Bylaws as are necessary to substitute the committee and its members for the Board and its members; provided, however, (i) that the time of regular meetings of committees may be determined either by resolution of the Board or by resolution of the committee, (ii) that special meetings of committees may also be called by resolution of the Board, (iii) that notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee; (iv) that a majority of the members of a committee shall constitute a quorum for the transaction of business at any meeting; and (v) that the affirmative vote of a majority of the members of a committee shall be required to take action in respect of any matter presented to or requiring the approval of the committee.

3.6 Election Pursuant to Section 141(c)(2). By resolution of the Board, the corporation has elected pursuant to Section 141(c) of the General Corporation Law of Delaware to be governed by paragraph (2) of Section 141(c) in respect of committees of the Board.

4. OFFICERS.

4.1 Number; Security. The officers of the corporation shall consist of a chief executive officer (or, interchangeably, a chief executive bear), a president, one or more vice presidents (including executive vice president(s) and senior vice president(s) if the Board so determines), a secretary and a treasurer and a chief financial officer (or, interchangeably, a chief financial bear) who shall be chosen by the Board and such other officers, including but not limited to a chairperson of the Board, a vice chairperson of the Board, as the Board shall deem expedient, who shall be chosen in such manner and hold their offices for such terms as the Board may prescribe. Any two or more offices may be held by the same person. The Board may from time to time designate the president or any executive vice president as the chief operating officer (or, interchangeably, the chief operating bear) of the corporation. Any vice president, treasurer or assistant treasurer, or assistant secretary, respectively, may exercise any of the powers of the president, the chief financial officer/chief financial bear, or the secretary, respectively, as directed by the Board and shall perform such other duties as are imposed upon such officer by the Bylaws or the Board. The Board may require any officer, agent or employee to give security for the faithful performance of his duties. The Board may designate that the word "bear" may be used in any officer's title, and such term may be used in substitution for or interchangeably with the word "officer" in such person's title; in such case, each of such designations shall, together or separately, be considered an official title for such person.

4.2 Election; Term of Office; Salaries. The term of office and salary of each of the officers of the corporation and the manner and time of the payment of such salaries shall be fixed and determined by the Board and may be altered by said Board from time to time at its pleasure, subject to the rights, if any, of said officers under any contract of employment; provided, that the Board may designate such responsibilities to the Compensation Committee and may also authorize the chief executive officer/chief executive bear or the president to establish the salaries of officers appointed pursuant to Section 4.3.

4.3 Subordinate Officers. The Board may appoint subordinate officers (including assistant secretaries and assistant treasurers), agents or employees, each of whom shall hold office for such period and have such powers and duties as the Board determines. The Board may delegate to any officer or to any committee the power to appoint and define the powers and duties of any subordinate officers, agents or employees.

4.4 Resignation and Removal of Officers. Any officer may resign at any time by delivering his resignation in writing to the chief executive officer/chief executive bear, president or secretary of the corporation, to take effect at the time specified in the resignation; the acceptance of a resignation, unless required by its terms, shall not be necessary to make it effective. Any officer elected or appointed by the Board or appointed by an officer or by a committee may be removed by the Board either with or without cause, and in the case of an officer appointed by an officer or by a committee, by the officer or committee who appointed him or her or by the president.

4.5 Vacancies. A vacancy in any office may be filled for the unexpired term in the manner prescribed in Sections 4.2 and 4.3 of these Bylaws for election or appointment to the office.

4.6 Chairperson of the Board. The chairperson of the Board, if such an officer shall be chosen, shall have general supervision, direction and control of the corporation's business and its officers, and, if present, preside at meetings of the stockholders and the Board and exercise and perform such other powers and duties as may from time to time be assigned to him by the Board or as may be prescribed by these Bylaws. The chairperson of the Board shall report to the Board.

4.7 Vice Chairperson of the Board. The vice chairperson of the Board, if there shall be one, shall, in the case of the absence, disability or death of the chairperson of the Board, exercise all the powers and perform all the duties of the chairperson of the Board. The vice chairperson shall have such other powers and perform such other duties as may be granted or prescribed by the Board.

4.8 Chief Executive Officer/Chief Executive Bear. Subject to the control of the Board, the chief executive officer/chief executive bear of the corporation shall have general supervision over the business of the corporation; the powers and duties of the chief executive officer/chief executive bear shall be:

(a) To affix the signature of the corporation to such deeds, conveyances, mortgages, leases, obligations, bonds, certificates and other papers and instruments in writing which have been authorized by the Board or which, in the judgment of the chief executive officer/chief executive bear, should be executed on behalf of the corporation, and to sign certificates for shares of capital stock of the corporation.

(b) To have such other powers and be subject to such other duties as the Board may from time to time prescribe.

4.9 President. The powers and duties of the president are:

(a) To affix the signature of the corporation to such deeds, conveyances, mortgages, leases, obligations, bonds, certificates and other papers and instruments in writing which have been authorized by the Board or which, in the judgment of the president, should be executed on behalf of the corporation, and to sign certificates for shares of capital stock of the corporation.

(b) To have such other powers and be subject to such other duties as the Board may from time to time prescribe.

4.10 Vice President. In case of the absence, disability or death of the president, the elected vice president, or one of the elected vice presidents, shall exercise all the powers and perform all the duties of the president. If there is more than one elected vice president, the order in which the elected vice presidents shall succeed to the powers and duties of the president shall be as fixed by the Board. The elected vice president or elected vice presidents shall have such other powers and perform such other duties as may be granted or prescribed by the Board.

Vice presidents appointed pursuant to Section 4.3 shall have such powers and duties as may be fixed by the chairperson of the Board or president. Each vice president shall have such powers and duties as the Board or the president assigns to him or her.

4.11 Secretary. The powers and duties of the secretary are:

(a) To keep a book of minutes at the principal office of the corporation, or such other place as the Board may order, of all meetings of its directors and stockholders with the time and place of holding, whether regular or special, and, if special, how authorized, the notice thereof given, the names of those present at directors' meetings, the number of shares present or represented at stockholders' meetings and the proceedings thereof.

(b) To keep the seal of the corporation, if any, and affix the same, if any, to all instruments which may require it.

(c) To keep or cause to be kept at the principal office of the corporation, or at the office of the transfer agent or agents, a share register, or duplicate share registers, showing the names of the stockholders and their addresses, the number of and classes of shares, and the number and date of cancellation of every certificate surrendered for cancellation.

(d) To keep a supply of certificates for shares of the corporation, to fill in all certificates issued, and to make a proper record of each such issuance; provided, that so long as the corporation shall have one or more duly appointed and acting transfer agents of the shares, or any class or series of shares, of the corporation, such duties with respect to such shares shall be performed by such transfer agent or transfer agents.

(e) To transfer upon the share books of the corporation any and all shares of the corporation; provided, that so long as the corporation shall have one or more duly appointed and acting transfer agents of the shares, or any class or series of shares, of the corporation, such duties with respect to such shares shall be performed by such transfer agent or transfer agents, and the method of transfer of each certificate shall be subject to the reasonable regulations of the transfer agent to which the certificate is presented for transfer, and also, if the corporation then has one or more duly appointed and acting registrars, to the reasonable regulations of the registrar to which the new certificate is presented for registration; and provided, further that no certificate for shares of stock shall be issued or delivered or, if issued or delivered, shall have any validity whatsoever until and unless it has been signed or authenticated in the manner provided in Section 5.1 hereof.

(f) To make service and publication of all notices that may be necessary or proper, and without command or direction from anyone. In case of the absence, disability, refusal, or neglect of the secretary to make service or publication of any notices, then such notices may be served and/or published by the president or a vice president, or by any person thereunto authorized by either of them or by the Board or by the holders of a majority of the outstanding shares of the corporation.

(g) To sign certificates for shares of capital stock of the corporation.

(h) Generally to do and perform all such duties as pertain to the office of secretary and as may be required by the Board.

4.12 Treasurer. The treasurer shall be or shall be under the direction of the chief financial officer/chief financial bear of the corporation, and shall be in charge of the corporation's books and accounts. Subject to the control of the Board, he or she shall have such other powers and duties as the Board or the president assigns to him or her.

4.13 Chief Financial Officer/Chief Financial Bear. The powers and duties of the chief financial officer/chief financial bear are:

(a) To supervise the corporate-wide treasury functions and financial reporting to external bodies.

(b) To have the custody of all funds, securities, evidence of indebtedness and other valuable documents of the corporation and, at the chief financial officer's/chief financial bear's discretion, to cause any or all thereof to be deposited for account of the corporation at such depositary as may be designated from time to time by the Board.

(c) To receive or cause to be received, and to give or cause to be given, receipts and acquittances for monies paid in for the account of the corporation.

(d) To disburse, or cause to be disbursed, all funds of the corporation as may be directed by the Board, taking proper vouchers for such disbursements.

(e) To render to the chairperson of the board, chief executive officer/chief executive bear and president, and to the Board, whenever they may require, accounts of all transactions and of the financial condition of the corporation.

(f) Generally to do and perform all such duties as pertain to the office of chief financial officer/chief financial bear and as may be required by the Board.

5. SHARES.

5.1 Shares of the Corporation. The shares of the corporation shall be represented by certificates, provided that the Board may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation. Notwithstanding the adoption of such a resolution by the Board, every holder of stock represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate signed by, or in the name of the corporation by the chairperson or vice chairperson of the Board or by the president or a vice-president, and by the secretary or an assistant secretary, or the treasurer or an assistant treasurer, representing the number of shares registered in certificate form. The signatures of any such officers thereon may be facsimiles. The seal of the corporation shall be impressed, by original or by facsimile, printed or engraved, on all such certificates. The certificate shall also be signed by the transfer agent and a registrar and the signature of either the transfer agent or the registrar may also be facsimile, engraved or printed. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon any such certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, such certificate may nevertheless be issued by the corporation with the same effect as if such officer, transfer agent, or registrar had not ceased to be such officer, transfer agent, or registrar at the date of its issue.

5.2 Special Designation on Certificates. If the corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the relative, participating, optional or other special rights or each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the corporation shall issue to represent such class or series of stock; provided, however, that, except as otherwise provided in Section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the corporation shall issue to represent such class or series of stock a statement that the corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

5.3 Lost, Stolen, Destroyed and Mutilated Certificates. The owner of any stock of the corporation shall immediately notify the corporation of any loss, theft, destruction or mutilation of any certificate therefor, and the corporation may issue uncertificated shares or a new certificate for stock in the place of any certificate theretofore issued by it and alleged to have been lost, stolen or destroyed, and the Board may, in its discretion, require the owner of the lost, stolen or destroyed certificate or his or her legal representatives to give the corporation a bond in such sum, limited or unlimited, and in such form and with such surety or sureties, as the Board shall in its uncontrolled discretion determine, to indemnify the corporation against any claim that may be

made against it on account of the alleged loss, theft or destruction of any such certificate, or the issuance of any such new certificate or uncertificated shares. The Board may, however, in its discretion refuse to issue any such new certificate or uncertificated shares except pursuant to legal proceedings under the laws of the State of Delaware in such case made and provided.

5.4 Stock Records. The corporation or a transfer agent shall keep stock books in which shall be recorded the number of shares issued, the names of the owners of the shares, the number owned by them respectively, whether such shares are represented by certificates or are uncertificated, and the transfer of such shares with the date of transfer.

5.5 Transfers. Transfers of stock shall be made only on the stock transfer record of the corporation upon surrender of the certificate or certificates being transferred which certificate shall be properly endorsed for transfer or accompanied by a duly executed stock power, except in the case of uncertificated shares, for which the transfer shall be made only upon receipt of transfer documentation reasonably acceptable to the corporation. Whenever a certificate is endorsed by or accompanied by a stock power executed by someone other than the person or persons named in the certificate, or the transfer documentation for the uncertificated shares is executed by someone other than the holder of record thereof, evidence of authority to transfer same shall also be submitted with the certificate or transfer documentation. All certificates surrendered to the corporation for transfer shall be canceled.

5.6 Regulations Governing Issuance and Transfers of Shares. The Board shall have the power and authority to make all such rules and regulations as it shall deem expedient concerning the issue, transfer and registration of shares of stock of the corporation.

5.7 Transfer Agents and Registrars. The Board may appoint, or authorize one or more officers to appoint, one or more transfer agents and one or more registrars.

5.8 Record Date for Purposes Other than Notice and Voting. For purposes of determining the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any other lawful action, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted and which shall not be more than sixty (60) days before any such action. In that case, only stockholders of record at the close of business on the date so fixed are entitled to receive the dividend, distribution or allotment of rights, or to exercise such rights, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after the record date so fixed, except as otherwise provided in the Certificate of Incorporation, by these Bylaws, by agreement or by law. If the Board does not so fix a record date, then the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board adopts the applicable resolution.

6. MISCELLANEOUS.

6.1 Seal. The Board shall adopt a corporate seal, which shall be in the form of a circle and shall bear the corporation's name and the year and state in which is was incorporated.

6.2 Fiscal Year. The Board may determine the corporation's fiscal year. Until changed by the Board, the corporation's fiscal year shall consists of the 52 or 53 week period that ends on the Saturday nearest December 31 in each year.

6.3 Voting of Shares in Other Corporations. Shares in other corporations which are held by the corporation may be represented and voted by the president or a vice president of this corporation or by proxy or proxies appointed by one of them. The Board may, however, appoint some other person to vote the shares.

6.4 Checks; Drafts; Evidences of Indebtedness. From time to time, the Board shall determine by resolution which person or persons may sign or endorse all checks, drafts, other orders for payment of money, notes or other evidences of indebtedness that are issued in the name of or payable to the corporation, and only the persons so authorized shall sign or endorse those instruments.

6.5 Corporate Contracts and Instruments; How Executed. The Board, except as otherwise provided in these Bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation; such authority may be general or confined to specific instances.

6.6 Construction; Definitions. Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the General Corporation Law of Delaware shall govern the construction of these Bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, the term "person" includes both a corporation and a natural person, and the masculine gender includes the feminine gender and vice versa.

6.7 Provisions Additional to Provisions of Law. All restrictions, limitations, requirements and other provisions of these Bylaws shall be construed, insofar as possible, as supplemental and additional to all provisions of law applicable to the subject matter thereof and shall be fully complied with in addition to the said provisions of law unless such compliance shall be illegal.

6.8 Provisions Contrary to Provisions of Law. Any article, section, subsection, subdivision, sentence, clause or phrase of these Bylaws which upon being construed in the manner provided in Section 6.7 hereof, shall be contrary to or inconsistent with any applicable provisions of law, shall not apply so long as said provisions of law shall remain in effect, but such result shall not affect the validity or applicability of any other portions of these Bylaws, it being hereby declared that these Bylaws would have been adopted and each article, section,

subsection, subdivision, sentence, clause or phrase thereof, irrespective of the fact that any one or more articles, sections, subsections, subdivisions, sentences, clauses or phrases is or are illegal.

6.9 Amendments. The Board may from time to time adopt, amend or repeal the Bylaws; provided, however, that the stockholders may amend or repeal any Bylaw or Bylaws adopted by the Board, or adopt a new Bylaw or Bylaws, in either case by the affirmative vote of the holders of at least eighty percent (80%) of the voting power of all of the then outstanding shares of the capital stock of the corporation, voting together as a single class; and, provided, further, however, that in the case of any such stockholder action at a special meeting of stockholders, notice of the proposed adoption, amendment or repeal of the new Bylaw or Bylaws must be contained in the notice of such special meeting.

Whenever an amendment or new bylaw is adopted, it shall be copied in the book of bylaws with the original bylaws, in the appropriate place. If any bylaw is repealed, the fact of repeal with the date of the meeting at which the repeal was enacted or the filing of the operative written consent(s) shall be stated in said book.

Section 6.10 Indemnification and Insurance.

(a) Generally.

(1) The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was or has agreed to serve at the request of the corporation as a director or officer of the corporation or any subsidiary of the corporation, or is or was serving or has agreed to serve at the request of the corporation as a director or officer (which, for purposes hereof, shall include a trustee or similar capacity) of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity.

(2) The corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was or has agreed to serve at the request of the corporation as an employee or agent of the corporation or any subsidiary of the corporation, or is or was serving or has agreed to serve at the request of the corporation as an employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity.

(3) The indemnification provided by this subsection (a) shall be from and against expenses (including attorneys' fees), judgments, fines and amounts paid in

settlement actually and reasonably incurred by the indemnitee or on his or her behalf in connection with such action, suit or proceeding and any appeal therefrom, but shall only be provided if the indemnitee acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action, suit or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

(4) Notwithstanding the foregoing provisions of this subsection (a), in the case of an action or suit by or in the right of the corporation to procure a judgment in its favor (i) the indemnification provided by this subsection (a) shall be limited to expenses (including attorneys' fees) actually and reasonably incurred by such person in the defense or settlement of such action or suit, and (ii) no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless, and only to the extent that, the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court shall deem proper.

(5) The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

(b) Good Faith.

(1) For purposes of any determination under this Bylaw, a director or officer or, if applicable, employee or agent shall be deemed to have acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, to have had no reasonable cause to believe that his or her conduct was unlawful, if his or her action is based on information, opinions, reports and statements, including financial statements and other financial data, in each case prepared or presented by:

(i) one or more officers or employees of the corporation whom the director, officer, employee or agent reasonably believed to be reliable and competent in the matters presented;

(ii) counsel, independent accountants or other persons as to matters which the director, officer, employee or agent reasonably believed to be within such person's professional or expert competence; and

(iii) with respect to a director, a committee of the Board upon which such director does not serve, as to matters within such committee's designated authority, which committee the director reasonably believes to merit confidence;

so long as, in each case, the director acts without knowledge that would cause such reliance to be unwarranted.

(2) The termination of any proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal proceeding, that he or she had reasonable cause to believe that his or her conduct was unlawful.

(3) The provisions of this paragraph (b) shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth by the Delaware General Corporation Law.

(c) Advancement of Expenses. The corporation shall advance, prior to the final disposition of any proceeding, promptly following request therefor, all expenses actually and reasonably incurred by any director or officer in connection with such proceeding upon receipt of an undertaking by or on behalf of such person to repay said amounts if it should be ultimately determined that such person is not entitled to be indemnified under this Bylaw or otherwise. Such expenses (including attorneys' fees) actually and reasonably incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board deems appropriate.

Notwithstanding the foregoing, unless otherwise determined pursuant to paragraph (d) of this Bylaw, no advance shall be made by the corporation if a determination is made (1) by the Board by a majority vote of a quorum consisting of directors who were not parties to the proceeding, or (2) if such quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) or by a panel of arbitrators, one of whom is selected by the corporation, another of whom is selected by an indemnitee and the last of whom is selected by the first two arbitrators so selected, that the facts known to the decision making party at the time such determination is made demonstrate that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the corporation.

(d) Enforcement. Without the necessity of entering into an express contract, all rights to indemnification and advances to directors and officers under this Bylaw shall be deemed to be contractual rights and be effective to the same extent and as if provided for in a contract between the corporation and the director or officer. Any right to indemnification or advances granted by this Bylaw to a director or officer shall be enforceable by or on behalf of the person

holding such right in any court of competent jurisdiction in Delaware or Missouri if (i) the claim for indemnification or advances is denied, in whole or in part, or (ii) no disposition of such claim is made within ninety (90) days of request therefor. The claimant in such enforcement action, if successful in whole or in part, shall be entitled to be paid also the expense of prosecuting his or her claim. The corporation shall be entitled to raise as a defense to any such action that the claimant has not met the applicable standards of conduct that make it permissible for the corporation to indemnify the claimant for the amount claimed. Neither the failure of the corporation (including its Board, independent legal counsel or panel of arbitrators) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the corporation (including its Board, independent legal counsel or panel of arbitrators) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has or has not met the applicable standard of conduct.

(e) Exceptions. Any other provision herein to the contrary notwithstanding, the corporation shall not be obligated pursuant to the terms of this Bylaw:

(i) to indemnify or advance expenses to any person with respect to proceedings or claims initiated or brought voluntarily by such person and not by way of defense, except with respect to proceedings brought to establish or enforce a right to indemnification under this Bylaw or any other statute or law or otherwise as required under Section 145, but such indemnification or advancement of expenses may be provided by the corporation in specific cases if the Board finds it to be appropriate; or

(ii) to indemnify an indemnitee for any expenses incurred by any person with respect to any proceeding instituted by such person to enforce or interpret this Bylaw if the material assertions made by such person in such proceeding were not made in good faith or were frivolous; or

(iii) to indemnify any person under this Bylaw for any amounts paid in settlement of a proceeding effected without the corporation's written consent; or

(iv) to indemnify any person in connection with proceedings or claims involving the enforcement of non-compete and/or non-disclosure agreements or the non-compete and/or non-disclosure provisions of employment, consulting or similar agreements the person may be a party to with the corporation, any subsidiary of the corporation or any other applicable foreign or domestic corporation, partnership, limited liability company, joint venture, trust or other enterprise, if any; or

(v) to indemnify any person on account of any proceeding with respect to (A) remuneration paid to such person if it is determined by final judgment or other final adjudication that such remuneration was in violation of law, (B) which final judgment is

rendered against such person for an accounting of profits made by the purchase or sale by such person of securities of the corporation pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended, or similar provisions of any federal, state or local statute, (C) which it is determined by final judgment or other final adjudication that such person's conduct was knowingly fraudulent or intentionally dishonest, or (D) which it is determined by final judgment or other final adjudication by a court having jurisdiction in the matter that such indemnification is not lawful; or

(vi) to indemnify any person under this Bylaw for any amounts indemnified by the corporation other than pursuant to this Bylaw or amounts paid to or for the benefit of such person by available insurance.

(f) Non-Exclusivity of Rights. The rights conferred on any person by this Bylaw shall not be exclusive of any other right which such person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding office. The corporation is specifically authorized to enter into individual contracts with any or all of its directors, officers, employees or agents respecting indemnification and advances, to the fullest extent not prohibited by the Delaware General Corporation Law.

(g) Survival of Rights. The rights conferred on any person by this Bylaw shall continue as to a person who has ceased to be a director, officer, employee or other agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(h) Insurance. The corporation may, but shall not be obligated to, maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any loss indemnified pursuant to this Bylaw, regardless whether the corporation would have the power to indemnify such person against such loss indemnified pursuant to this Bylaw under the General Corporation Law of Delaware.

(i) Amendments. Any repeal or modification of this Bylaw shall not reduce, terminate or otherwise adversely affect the right of any director or officer to obtain the indemnification or the advance of expenses with respect to any proceeding that arises out of any action or omission that occurred after this Bylaw was in effect.

(j) Saving Clause. If this Bylaw or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each director and officer to the full extent not prohibited by any applicable portion of this Bylaw that shall not have been invalidated, or by any other applicable law.

(k) Certain Definitions. For the purposes of this Bylaw, the following definitions shall apply:

(1) The term "proceeding" shall be broadly construed and shall include, without limitation, the investigation, preparation, prosecution, defense, settlement, arbitration and appeal of, and the giving of testimony in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative.

(2) The term "expenses" shall be broadly construed and shall include, without limitation, all direct and indirect costs of any type or nature whatsoever (including, without limitation, actual and reasonable attorneys' fees and related disbursements, other out-of-pocket costs and reasonable compensation for time spent by the indemnified party for which he or she is not otherwise compensated by the corporation or any third party, provided that the rate of compensation and estimated time involved is approved by the Board, which approval shall not be unreasonably withheld), actually and reasonably incurred by the indemnified party in connection with either the investigation, defense or appeal of a proceeding or establishing or enforcing a right to indemnification under this Bylaw, Section 145 or otherwise.

(3) The term the "corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Bylaw with respect to the resulting or surviving corporation as he or she would have with respect to such constituent corporation if its separate existence had continued.

(4) References to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this Bylaw.

EXHIBIT 4.2

STOCK PURCHASE AGREEMENT

by

and

among

BUILD-A-BEAR WORKSHOP, INC.

CATTERTON PARTNERS IV, L.P.

CATTERTON PARTNERS IV OFFSHORE, L.P.

and

CATTERTON PARTNERS IV SPECIAL PURPOSE, L.P.

and the other

PURCHASERS

named herein

Dated as of April 3, 2000

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TABLE OF CONTENTS-(cont'd)

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (the "Agreement") is entered into as of the 3rd day of April, 2000 by and among Catterton Partners IV, L.P., a Delaware limited partnership, Catterton Partners IV Offshore, L.P. a Cayman Island limited partnership and Catterton Partners IV Special Purpose, L.P. a Cayman Island limited partnership (collectively, "Catterton") and those other Persons named on Schedule 1 hereto (collectively with Catterton, the "Purchasers") and Build-A-Bear Workshop, Inc., a Delaware corporation (the "Company").

RECITALS:

A. WHEREAS, upon the terms and subject to the conditions set forth in this Agreement, the Company proposes to issue and sell shares of its Series A-5 Convertible Preferred Stock (as defined herein) and Series B-4 Convertible Preferred Stock (as defined herein) to the Purchasers.

B. WHEREAS, upon the terms and subject to the conditions set forth in this Agreement, the Purchasers desire to contribute capital to the Company in exchange for the issuance to the Purchasers of shares of the Series A-5 Convertible Preferred Stock and Series B-4 Convertible Preferred Stock as set forth herein.

C. WHEREAS, the Company and the Purchasers desire to set forth the objectives and agreements, that will govern their relations and responsibilities with respect to each other by entering into concurrently with the sale and purchase of securities hereunder a Stockholders Agreement (as defined herein).

AGREEMENT

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

ARTICLE 1.

DEFINITIONS

1.1. Definitions. As used in this Agreement, and unless the context requires a different meaning, the following terms have the meanings indicated:

"Affiliate" means, with respect to any specified Person, any Person that, directly or indirectly, controls, is controlled by, or is under common control with, such specified Person, whether by contract, through one or more intermediaries, or otherwise, provided however, that Smart Stuff, Inc., a Missouri corporation, is not an Affiliate of the Company. Unless otherwise qualified, all references to a "Affiliate" or to "Affiliates" in this Agreement shall refer to a Affiliate or Affiliates of the Company.

"Balance Sheet Date" means January 1, 2000.

"Benefit Arrangement"* means any employment, consulting, severance or other similar contract, arrangement or policy and each plan, arrangement (written or oral), program, agreement or commitment providing for insurance coverage (including any self-insured arrangements), workers' compensation, disability benefits, supplemental unemployment benefits, vacation benefits, retirement benefits, life, health, disability or accident benefits (including, without limitation, any "voluntary employees' beneficiary association" as defined in Section 501(c)(9) of the Code providing for the same or other benefits) or for deferred compensation, profit-sharing bonuses, stock options, stock appreciation rights, stock purchases or other forms of incentive compensation or post-retirement insurance, compensation or benefits which (A) is not a Welfare Plan, Pension Plan or Multiemployer Plan, (B) is entered into, maintained, contributed to or required to be contributed to, as the case may be, by the Company or an ERISA Affiliate or under which the Company or any ERISA Affiliate may incur any liability, and (C) covers any employee or former employee of the Company or any ERISA Affiliate (with respect to their relationship with such entities).

"Code" means the Internal Revenue Code of 1986, as amended, or any successor statute thereto.

"Commission" means the Securities and Exchange Commission or any similar agency then having jurisdiction to enforce the Securities Act.

"Common Stock" means the common stock, par value $0.01 per share, of the Company, or any other capital stock of the Company into which such stock is reclassified or reconstituted.

"Condition of the Company" means the assets, business, properties, operations or financial condition of the Company and its subsidiaries taken as a whole.

"Contractual Obligation" means as to any Person, any provision of any security issued by such Person or any provision of any agreement, lease of real or personal property, undertaking, contract, indenture, mortgage, deed of trust or other instrument to which such Person is a party or by which it or any of its property is bound.

"Employee Plans" means all Benefit Arrangements, Multiemployer Plans, Pension Plans and Welfare Plans.

"Employment Agreements" means the Employment Agreements entered into by the Company with Maxine Clark, Brian Vent and Tina Klocke.

"Environmental Expenses" means any liability, loss, cost or expense arising from any pre-Closing violation by the Company of any Environmental Law which proximately causes expenses, including, without limitation, costs of investigation, cleanup, removal, remedial, corrective or response action, the costs associated with posting financial assurances for the completion of investigation, cleanup, removal, remedial, corrective or response actions, the preparation of any closure or other necessary or required plans or analyses, or other reports or analyses submitted to or prepared by regulating agencies, including the cost of health assessments, epidemiological studies and the like, retention of engineers and other expert consultants, legal counsel, operation and maintenance testing and monitoring costs, and administrative costs or damages.

"Environmental Laws" means any federal, state or local law, common law doctrine, rule, order, decree, judgment, injunction, license, permit or regulation relating to environmental matters, including those pertaining to land use, air, soil, surface water, ground water (including the protection, cleanup, removal, remediation or damage thereof), public or employee health or safety or any other environmental matter, together with any other laws (federal, state or local) relating to emissions, discharges, releases or threatened releases of any pollutant or contaminant including, without limitation, medical, chemical, biological, biohazardous or radioactive waste and materials, into ambient air, land, surface water, groundwater, personal property or structures, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transportation, discharge or handling of any contaminant, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. ss. 9601 et seq.), the Hazardous Material Transportation Act (49 U.S.C. ss. 1801 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. ss. 6901 et seq.), the Federal Water Pollution Control Act (33 U.S.C. ss. 1251 et seq.), the Clean Air Act (42 U.S.C. ss. 1251 et seq.), the Toxic Substances Control Act (15 U.S.C. ss. 2601 et seq.), and the Occupational Safety and Health Act (29 U.S.C. ss. 651 et seq.), as such laws have been, or are, amended, modified or supplemented heretofore or from time to time hereafter and any analogous future federal, or present or future state or local laws, statutes and regulations promulgated thereunder.

"Equipment" means all of the tangible personal property owned or leased by the Company or any of its Affiliates and used in or held for use in the operations of the business of the Company or any of its Affiliates.

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

"ERISA Affiliate" means any Person that is (or at any relevant time was) a member of a "controlled group of corporations" with or under "common control" with the Company as defined in Section 414(b),(c),(m) or (o) of the Code.

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

"Facilities" means the buildings, plants, offices and all other improvements on any real property (including fixtures affixed thereto) which are owned or leased by the Company or any of its Affiliates and used or held for use in the operation of the business of the Company or any of its Affiliates.

"GAAP" means United States generally accepted accounting principles, in effect from time to time, consistently applied.

"Governmental Authority" means the government of any nation, state, city, locality or other political subdivision of any thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity exercising public functions owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

"Hazardous Materials" means those substances which are regulated by or form the basis of liability under any Environmental Laws, including, without limitation, petroleum products, radon and asbestos.

"Indebtedness" means, as to any Person: (a) all obligations, whether or not contingent, of such Person for borrowed money (including, without limitation, reimbursement and all other obligations with respect to surety bonds, letters of credit and bankers' acceptances, whether or not matured), (b) all obligations of such Person evidenced by notes, bonds, debentures or similar instruments, (c) all obligations of such Person representing the balance of deferred purchase price of property or services, except trade accounts payable and accrued commercial or trade liabilities arising in the ordinary course of business, (d) all interest rate and currency swaps, caps, collars and similar agreements or hedging devices under which payments are obligated to be made by such Person, whether periodically or upon the happening of a contingency, (e) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (f) all obligations of such Person under leases recorded as capital leases in accordance with GAAP, , (g) all indebtedness secured by any Lien (other than Liens in favor of lessors under leases other than leases included in clause (f)) on any property or asset owned or held by that Person regardless of whether the indebtedness secured thereby shall have been assumed by that Person or is non-recourse to the credit of that Person, and (h) all Indebtedness of any other Person referred to in clauses (a) through (f) above, guaranteed, directly or indirectly, by that Person.

"Initial Issue Date" shall mean the date that shares of Preferred Stock are first issued by the Company to the Purchasers.

"Lien" means any mortgage, deed of trust, pledge, hypothecation, assignment, encumbrance, lien (statutory or other) or other security interest of any kind or nature whatsoever (excluding preferred stock or equity related preferences) including, without limitation, those created by, arising under or evidenced by any conditional sale or other title retention agreement, the interest of a lessor under a capital lease obligation, or any financing lease having substantially the same economic effect as any of the foregoing.

"Material Adverse Effect" means any material adverse change in Condition of the Company.

"Multiemployer Plan" means any "multiemployer plan," as defined in Section 4001(a)(3) or Section 3(37) of ERISA, (A) which the Company or any ERISA Affiliate maintains, administered, contributed to or is required to contribute to, or, after September 25, 1980, maintained, administered, contributed to or was required to contribute to, or under which the Company or any ERISA Affiliate may incur any liability and (B) which covers any employee or former employee of the Company or any ERISA Affiliate (with respect to their relationship with such entities).

"Outstanding Borrowings" means all Indebtedness of the Company and/or its Affiliates for borrowed money (including without limitation, reimbursement and all other obligations with respect to surety bonds, letters of credit and bankers' acceptances, whether or not matured), excluding obligations with respect to trade payables incurred in the ordinary course of business.

"Pension Plan" means any "employee pension benefit plan" as defined in Section 3(2) of ERISA (other than a Multiemployer Plan) (A) which the Company or any ERISA Affiliate maintains, administers, contributes to or is required to contribute to, or, within the five years prior to the Closing Date, maintained, administered, contributed to or was required to contribute to, or under which the Company or any ERISA Affiliate may incur any liability and (B) which covers any employee or former employee of the Company or any ERISA Affiliate (with respect to their relationship with such entities).

"Permitted Liens" means (i) Liens for taxes, governmental charges or levies which (a) are not yet due and payable, or (b) are being diligently contested in good faith by appropriate proceedings; provided, that for any such taxes being diligently contested in good faith, the Company has set aside adequate reserves, (ii) Liens imposed by law, such as mechanic's, materialman's, landlord's, warehouseman's and carrier's liens, securing obligations incurred in the ordinary course of business which are not yet overdue or which are being diligently contested in good faith by appropriate proceeding and, with respect to such obligations which are being contested, for which the Company has set aside adequate reserves, (iii) Liens which (x) in each case, secure obligations of less than $10,000, and (y) do not in the aggregate interfere with the use and enjoyment of the property subject thereto and (iv) Liens with respect to the Firstar Loan Agreement by and among the Company, the Subsidiary and Firstar Bank, N.A. dated March 1, 2000 and the agreements contemplated thereby, including, without limitation, the Security Agreement, for up to an aggregate principal amount of $10,000,000.

"Person" means any individual, firm, corporation, partnership, trust, incorporated or unincorporated association, joint venture, joint stock company, limited liability company, Governmental Authority or other entity of any kind, and shall include any successor (by merger or otherwise) of such entity.

"Preferred Stock" means, collectively, the Series A Convertible Preferred Stock and the Series B Convertible Preferred Stock.

"Qualified Initial Public Offering" shall mean a public offering, underwritten on a firm commitment basis pursuant to an effective registration statement under the Securities Act of shares of the Common Stock the aggregate gross proceeds (prior to underwriting discounts and commissions and other expenses of issuance) of which equal or exceed $15,000,000 and (i) at any time prior to the third anniversary of the date hereof, the offering is managed by a nationally recognized underwriter, (ii) between the third and fourth anniversary hereof, the price per share is at least $15 (appropriately adjusted for stock splits, recapitalizations and the like), and (iii) thereafter the price per share is at least $20.

"Registration Rights Agreement" means the Registration Rights Agreement substantially in the form attached hereto as Exhibit A.

"Requirements of Law" means, as to any Person, the provisions of the Certificate of Incorporation and By-laws or other organizational or governing documents of such Person, and any law, treaty, rule, regulation, right, privilege, qualification, license or franchise, order, judgment, or determination, in each case, of an arbitrator or a court or other Governmental Authority, in each case, applicable to or binding upon such Person or any of its property (or to which such Person or any of its property is subject) or applicable to any or all of the transactions contemplated by or referred to in the Transaction Agreements.

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

"Stockholders' Agreement" means the Stockholders' Agreement substantially in the form attached hereto as Exhibit B.

"Shares" means the Common Stock and the Preferred Stock.

"Series A Convertible Preferred Stock" means the Series A-1, A-2, A-3, A-4 and A-5 Convertible Preferred Stock, par value $0.01 per share, of the Company, or any other capital stock of the Company into which such stock is reclassified or reconstituted.

"Series A-5 Convertible Preferred Stock" means the Series A-5 Convertible Preferred Stock, par value $0.01 per share, of the Company, or any other capital stock of the Company into which such stock is reclassified or reconstituted.

"Series B Convertible Preferred Stock" means the Series B-1, B-2, B-3, and B-4 Convertible Preferred Stock, par value $0.01 per share, of the Company, or any other capital stock of the Company into which such stock is reclassified or reconstituted.

"Series B-4 Convertible Preferred Stock" means the Series B-4 Convertible Preferred Stock, par value $0.01 per share, of the Company, or any other capital stock of the Company into which such stock is reclassified or reconstituted.

"Subsidiary" means Shirts Illustrated, L.L.C., a Missouri limited liability company and wholly-owned subsidiary of the Company.

"Tax" or "Taxes" shall mean all federal, state, local foreign and other taxes, assessments or other government charges, including, without limitation, income, estimated income, business, occupation, franchise, property sales, transfer, use, employment, commercial rent or withholding taxes, including interest, penalties and additions in connection therewith for which the Company may be liable.

"Transaction Agreements" means collectively, this Agreement, the Registration Rights Agreement and the Stockholders' Agreement.

"Transaction Expenses" means up to $100,000 in legal fees and reasonable out-of-pocket expenses incurred by the Purchasers in connection with the negotiation and preparation of the Transaction Agreements, the consummation of the transactions contemplated thereby and preparation for any of the foregoing, including, without limitation, travel expenses, fees, charges and disbursements of the Purchasers' legal counsel and any similar or related costs and expenses.

"Welfare Plan" means any "employee welfare benefit plan" as defined in Section 3(1) of ERISA, (A) which the Company or any ERISA Affiliate maintains, administers, contributes to or is required to contribute to, or under which the Company or any ERISA Affiliate may incur any liability

and (B) which covers any employee or former employee of the Company or any ERISA Affiliate (with respect to their relationship with such entities).

1.2. Accounting Terms; Financial Statements. All accounting terms used herein not expressly defined in this Agreement shall have the respective meanings given to them in accordance with GAAP.

1.3. Knowledge Standard. When used herein, the phrase "to the knowledge of" any Person, "to the best knowledge of" any Person or any similar phrase shall mean, (i) with respect to any individual, the actual knowledge of such Person after reasonable inquiry, (ii) with respect to any corporation, the actual knowledge of officers and directors, or Persons acting in similar capacities, of such corporation after reasonable inquiry, (iii) with respect to any limited liability company, the actual knowledge of the Manager or Persons acting in similar capacities, of such entity after reasonable inquiry, and (iv) with respect to a partnership, the actual knowledge of the officers and directors of the general partner of such partnership after reasonable inquiry. Notwithstanding the foregoing, "to the best knowledge of" or "to the knowledge of" either BABW or the Company shall mean the actual knowledge of Maxine Clark, Tina Klocke and Brian Vent, after due inquiry. When used herein, the phrase "to the knowledge of the Company," "to the best knowledge of the Company" or any similar phrase shall mean "to the best knowledge of the Company and each Affiliate" using the standards set forth in the previous sentence.

1.4. Other Defined Terms. The following terms shall have the meanings specified in the Sections set forth below:

Term	Section
Actions	5.9
Certificate	2.1
Closing	2.3
Closing Date	2.3
Indemnified Party	9.1
Indemnifying Party	9.1
Intellectual Property	5.13
Liability (and Liabilities)	9.1
Preferred Shares	2.2
Purchase Price	2.2
Taxpayers	5.14
Audited Financial Statements	5.10

ARTICLE 2.

AUTHORIZATION OF PREFERRED STOCK; PURCHASE AND SALE OF PREFERRED STOCK

2.1. Series A-5 Convertible Preferred Stock and Series B-4 Convertible Preferred Stock. The Company has authorized (a) the issuance and sale to the Purchasers of an aggregate of 1,061,988 shares of Series A-5 Convertible Preferred Stock and an aggregate of 1,604,678 shares of Series B-4 Convertible Preferred Stock and (b) has filed the Certificate (as hereinafter defined)

establishing the rights, preferences, privileges and restrictions of the Series A Convertible Preferred Stock and Series B Convertible Preferred Stock. The Series A Convertible Preferred Stock and Series B Convertible Preferred Stock will have the respective rights, preferences and privileges set forth in the Company's Certificate of Designation substantially in the form attached hereto as Exhibit C (the "Certificate").

2.2. Purchase and Sale of Preferred Shares. Upon the terms and subject to the conditions herein contained, at the Closing (as defined herein) on the Closing Date (as defined herein), the Company agrees that it will issue and sell to each of the Purchasers, and each Purchaser agrees that it will acquire and purchase from the Company, the number of shares of Series A-5 Convertible Preferred Stock and Series B-4 Convertible Preferred Stock listed next to such Purchaser's name on Schedule 1 hereto (collectively, the "Preferred Shares"). The purchase price of the Series A-5 Convertible Preferred Stock shall be $5.649780 per share and the Series B-4 Convertible Preferred Stock shall be $3.739067 per share.

2.3. Closing. The closing of the sale to and purchase by the Purchasers of the Preferred Shares referred to in Section 2.2 hereof (the "Closing") shall occur at the offices of Bryan Cave, LLP 1 Metropolitan Square, Suite 3600, St. Louis, MO 63102 at 10:00 a.m. Central Standard Time on April 3, 2000, or at such other date, place or time of day as the Purchasers and the Company shall agree to in writing (the "Closing Date"). At the Closing, (i) the Company shall deliver to each Purchaser certificates evidencing the Preferred Shares being purchased by such Purchaser, free and clear of any Liens of any nature whatsoever, other than those created by the Certificate, registered in such Purchaser's name, and (ii) each Purchaser shall deliver to the Company the portion of the Purchase Price listed next to such Purchaser's name on Schedule 1 hereto, by cashier's check, wire transfer of immediately available funds, or in the case of Clark/Fox, L.L.C., by a note in the form as attached hereto as Exhibit D.

ARTICLE 3.

CONDITIONS TO THE OBLIGATION OF THE PURCHASERS TO PURCHASE THE SECURITIES

The obligation of each Purchaser to purchase the Preferred Shares, to pay the purchase prices therefor and to perform any obligations hereunder on the Closing Date (unless otherwise specified) shall be subject to the satisfaction as determined by, or waiver by, such Purchaser of the following conditions on or before the Closing Date:

3.1. Representations and Warranties. The representations and warranties of the Company contained in Article 5 hereof shall be true and correct at and as of the Closing Date (both before and after giving effect to the transactions contemplated under this Agreement) as if made at and as of such date.

3.2. Compliance with Terms and Conditions of this Agreement. The Company shall have duly and properly performed and complied with all of the agreements, covenants, obligations and conditions set forth herein that are required to be performed or complied with by the Company on or before the Closing Date.

3.3. Delivery of Certificates Evidencing the Preferred Shares. The Company shall have delivered to each Purchaser the certificates evidencing the Preferred Shares as set forth in Section 2.3.

3.4. Closing Certificates. The Company shall have delivered to each Purchaser a certificate executed by an authorized officer of the Company certifying to such matters as the Purchasers may reasonably request, including that the representations and warranties of the Company contained in the Agreement are true and correct on and as of the Closing Date, and that the conditions set forth in this Section 3 to be satisfied by the Company have been satisfied on and as of the Closing Date.

3.5. Secretary's Certificates. Each Purchaser shall have received a certificate from the Company, dated as of the Closing Date and signed by the Secretary or an Assistant Secretary of the Company, certifying that the attached copies of the Certificate of Incorporation, the Certificate, By-laws of the Company, and resolutions of the Board of Directors of the Company approving the Transaction Agreements and the transactions contemplated thereby, are all true, complete and correct and remain unamended and in full force and effect.

3.6. Documents. Each Purchaser or one Purchaser on behalf of all Purchasers shall have received true, complete and correct copies of such documents and such other information as it may have reasonably requested in connection with or relating to the sale of the Preferred Shares and the transactions contemplated by the Transaction Agreements, all in form and substance reasonably satisfactory to the Purchasers prior to the Closing.

3.7. Purchase Permitted by Applicable Laws. The acquisition of and payment for the Preferred Shares to be acquired by the Purchasers hereunder and the consummation of the transactions contemplated by the Transaction Agreements shall not (a) violate any Requirements of Law, (b) result in a breach or default (i) under any of the Contractual Obligations of the Company or (ii) under any order, writ, judgment, injunction, decree, determination or award of any court, arbitrator, or commission, board, bureau, agency or other governmental instrumentality, (c) result in, or require, the creation or imposition of any Lien, or the obligation to make any payment with respect to any Lien, upon or with respect to any of the property of the Company or (d) require any consents, approvals, exemptions, authorizations, registrations, declarations or filings by the Company.

3.8. Opinion of Counsel. Each Purchaser shall have received an opinion of counsel to the Company, dated as of the Closing Date substantially in the form of Exhibit E hereto.

3.9. Consents and Approvals. All agreements, approvals, consents, exemptions, authorizations, or other actions by, or notices to, or filings with, Governmental Authorities and other Persons in respect of all Requirements of Law and with respect to those material Contractual Obligations of the Company, necessary or required in connection with the execution, delivery or performance of the Transaction Agreements (including, without limitation, the issuance of the Preferred Shares, and issuance of the Common Stock upon conversion of the Preferred Shares) by the Company, shall have been obtained and be in full force and effect, and the Purchasers shall have been furnished with appropriate evidence thereof, and all waiting periods shall have lapsed without extension or the imposition of any conditions or restrictions.

3.10. Certain Waivers. Each holder of the shares of the capital stock of the Company (or any other party who may possess such rights) shall have waived any and all preemptive rights, rights

of first refusal, "tag along" rights, rights of co-sale and any similar rights with respect to the issuance of the Preferred Shares contemplated hereby.

3.11. No Material Adverse Effect. Since the Balance Sheet Date, there shall have been no Material Adverse Effect.

3.12. No Material Judgment or Order. There shall not be on the Closing Date any judgment or order of a court of competent jurisdiction or any ruling of any Governmental Authority or any condition imposed under any Requirement of Law which, in the reasonable judgment of the Purchasers, would (i) prohibit the purchase of the Preferred Shares or the consummation of the other transactions contemplated hereunder, (ii) subject the Purchasers to any penalty if the Preferred Shares were to be purchased hereunder, (iii) question the validity or legality of the transactions contemplated hereby, or (iv) be reasonably expected to adversely affect the value of the capital stock of the Company, the Preferred Shares or the Condition of the Company.

3.13. Financial Statements. The Company shall have delivered to the Purchasers a copy of the audited balance sheet of the Company (or its predecessor, Build-A-Bear Workshop, L.L.C. ("BABW"), as applicable) as of January 1, 2000 and the related consolidated statements of operations and cash flows for the fiscal year then ended, accompanied by the report of an independent auditor, together with a copy of the unaudited balance sheet of the Company (or BABW, as applicable) as of January 29, 2000 and February 26, 2000 and the related consolidated statements of operations and cash flows for the periods then ended. Such financial statements fairly present the financial condition and results of operations in accordance with GAAP as of the dates and for the periods set forth in the balance sheet included therein and the results of operations of the Company for the period covered.

3.14. Registration Rights Agreement. The Company shall have duly executed and delivered to the Purchasers the Registration Rights Agreement.

3.15. Stockholders' Agreement. The Company and the shareholders of the Company shall have duly executed and delivered to the Purchasers the Stockholders' Agreement.

3.16. Certificate of Designation. The Company shall have duly executed and filed the Secretary of State of the State of Delaware the Certificate substantially in the form attached hereto as Exhibit C.

3.17. Employment Agreements. The Company shall have entered into the Employment Agreements reasonably satisfactory to Catterton.

3.18. Board of Directors. As of the Closing, the Company's Board of Directors shall consist of the persons set forth in the Shareholders Agreement.

3.19. Stock Plan. The Company shall have adopted and the Shareholders shall have approved the Stock Plan in the form attached hereto as Exhibit F , and the Common Stock reserved under the Stock Plan shall be no greater than 1,374,074 shares of common stock.

3.20. Insurance.

BABW shall have transferred to the Company its comprehensive general liability insurance policies.

3.21. Amendment to Bank Loan.

The Company shall have amended its Loan Agreement with Firstar Bank, N.A. dated March 1, 2000, in a manner reasonably satisfactory to Catterton.

ARTICLE 4.

CONDITIONS TO THE OBLIGATIONS OF THE COMPANY TO CLOSE

The obligation of the Company to issue and sell the Preferred Shares and the other obligations of the Company hereunder, shall be subject to the satisfaction as determined by, or waiver by, the Company of the following conditions on or before the Closing Date, provided however, that the non-fulfillment of a condition by a Purchaser will not relieve the Company of its obligation to each other fulfilling Purchaser:

4.1. Representations and Warranties. The representations and warranties of the Purchasers contained in Section 6 hereof shall be true and correct at and as of the Closing Date (both before and after giving effect to the transactions contemplated under this Agreement) as if made at and as of such date.

4.2. Compliance with Terms and Conditions of this Agreement. The Purchasers shall have performed and complied with all of the obligations and conditions set forth herein that are required to be performed or complied with by the Purchasers on or before the Closing Date.

4.3. Issuance Permitted by Applicable Laws. The issuance of the Preferred Shares by the Company hereunder and the consummation of the transactions contemplated by the Transaction Agreements shall not (a) violate any Requirements of Law, or (b) result in a breach or default (i) under any of the Contractual Obligations of the Purchasers, or (ii) under any order, writ, judgment, injunction, decree, determination or award of any court, arbitrator, or commission, board, bureau, agency or other governmental instrumentality, or (c) require any consents, approvals, exemptions, authorizations, registrations, declarations or filings by the Purchasers.

4.4. Payment of Purchase Price. The Purchasers shall tender to the Company the Purchase Price set forth in Section 2.2 in the respective amounts specified on Schedule 1 hereto.

4.5. Consents and Approvals. All agreements, approvals consents, exemptions, authorizations, or other actions by, or notices to, or filings with, Governmental Authorities and other Persons in respect of all Requirements of Law and with respect to those material Contractual Obligations of the Purchasers; necessary or required in connection with the execution, delivery or performance of the Transaction Agreements by each Purchaser, shall have been obtained and be in full force and effect, and the Company shall have been furnished with appropriate evidence thereof as requested by the Company and all waiting periods shall have lapsed without extension or imposition of any conditions or restrictions.

4.6. No Material Judgment or Order. There shall not be on the Closing Date any judgment or order of a court of competent jurisdiction or any ruling of any Governmental Authority or any condition imposed under any Requirements of Law which, in the reasonable judgment of the Company would (i) prohibit the sale of the Preferred Shares or the consummation of the other

transactions contemplated hereunder, (ii) subject the Company to any penalty if the Preferred Shares were to be sold hereunder, or (iii) question the validity or legality of the transactions contemplated hereby.

4.7. Registration Rights Agreement. The Purchasers shall have duly executed and delivered to the Company the Registration Rights Agreement.

4.8. Stockholders' Agreement. The Purchasers shall have duly executed and delivered to the Company the Stockholders' Agreement.

ARTICLE 5.

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents and warrants to the Purchasers as of the date hereof as follows:

5.1. Corporate Existence and Authority. The Company (a) is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, (b) has all requisite corporate power and authority to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently, or is currently proposed to be engaged, (c) is duly qualified as a foreign corporation, licensed and in good standing in each jurisdiction in which such qualification is necessary under applicable law as a result of the conduct of its business or the ownership of its properties except where the failure to qualify would not have a Material Adverse Effect, and (d) has the corporate power and authority to execute, deliver and perform its obligations under each Transaction Agreement to which it is or will be a party.

5.2. Corporate Authorization; No Contravention. The execution, delivery and performance by the Company of each of the Transaction Agreements and the consummation of the transactions contemplated thereby, including without limitation, the issuance of the Preferred Shares (a) has been duly authorized by all necessary corporate action, including, if required, stockholder action, (b) does not and will not conflict with or contravene the terms of the Certificate of Incorporation or the By-Laws of the Company, or any amendment thereof; and (c) does not and will not violate, conflict with or result in any material breach or contravention of (i) any Contractual Obligation of the Company or the Subsidiary, or (ii) any Requirements of Law applicable to the Company or the Subsidiary.

5.3. Governmental Authorization; Third Party Consents. No approval, consent, compliance, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person in respect of any applicable Requirements of Law, and no lapse of a waiting period under any applicable Requirements of Law, is necessary or required in connection with the execution, delivery or performance (including, without limitation, the issuance of the Preferred Shares, the issuance of the Common Stock upon the conversion or exercise of the Preferred Shares) by the Company or the enforcement against the Company of the Transaction Agreements, or the transactions contemplated thereby.

5.4. Binding Effect. The Transaction Agreements have been duly executed and delivered by the Company and constitute the legal, valid and binding obligations of the Company enforceable against the Company in accordance with their terms, except as enforceability may be limited by applicable bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity relating to enforceability.

5.5. Other Agreements. None of the Company, BABW or the Subsidiary has previously entered into any agreement which is currently in effect or to which the Company or the Subsidiary is currently bound, granting any registration or other material rights to any Person, the provision or performance of which would render the provision or performance (including, without limitation, the issuance of the Preferred Shares and the issuance of the Common Stock upon the conversion of the Preferred Shares) of the material rights to be granted to the Purchasers by the Company in the Transaction Agreements impracticable.

5.6. Capitalization.

(a) As of the date hereof, the capital stock of the Company consists solely of (i) 15,000,000 authorized shares of Common Stock (of which 492,335 are issued and outstanding, 3,506,954 are reserved for issuance upon the exercise of outstanding shares of Series A Convertible Preferred Stock, 3,644,104 are reserved for issuance upon the exercise of outstanding shares of Series B Convertible Preferred Stock, 4,998,088 are reserved for issuance upon the exercise of the outstanding shares of Series C Convertible Preferred Stock and 574,815 are reserved for issuance upon the exercise of outstanding options); (ii) 3,506,954 authorized shares of Series A Convertible Preferred Stock (of which 2,444,966 are issued and outstanding); (iii) 3,644,104 authorized shares of Series B Convertible Preferred Stock (of which 2,039,426 are issued and outstanding); and (iv) 4,998,088 authorized shares of Series C Convertible Preferred (of which 4,998,088 are issued and outstanding). Immediately following the Closing, the capital stock of the Company will consist solely of (i) 15,000,000 authorized shares of Common Stock (of which 492,335 will be issued and outstanding, 3,506,954 will be reserved for issuance upon the exercise of outstanding shares of Series A Convertible Preferred Stock, 4,998,088 will be reserved for issuance upon the exercise of outstanding shares of Series B Convertible Preferred Stock, and 581,481 will be reserved for issuance upon the exercise of outstanding options); (ii) 3,506,954 authorized shares of Series A Convertible Preferred Stock (of which 3,506,954 will be issued and outstanding); (iii) 3,644,104 authorized shares of Series B Convertible Preferred Stock (of which 3,644,104 will be issued and outstanding) and (iv) 4,998,088 authorized shares of Series C Convertible Preferred (of which 4,998,088 are issued and outstanding). A total of 13,216,296 fully diluted shares of Common Stock will be outstanding immediately following the Closing, assuming the conversion of all outstanding shares of Preferred Stock and the exercise of all outstanding options. All outstanding shares of capital stock of the Company are, and the Preferred Shares (when issued, sold and delivered against payment therefor) will be, duly authorized and validly issued, fully paid, nonassessable and free and clear of any Liens, preferential rights, priorities, claims, options, charges or other encumbrances or restrictions, other than those created by the Certificate and the Stockholders' Agreement.

(b) Schedule 5.6 sets forth the name of each holder of the issued and outstanding capital stock of the Company, the number of shares of such capital stock held of record by each such holder, the name of each Person holding any options, warrants or other rights to purchase any capital stock of the Company, the number, class and series of shares of capital stock subject to each such option, warrant or right and the exercise price of each such option, warrant or right. Except as set forth on Schedule 5.6, and except for the stock options and rights referred to in Section 5.6(a) and the Preferred Stock, there are no outstanding securities convertible into or exchangeable for capital stock of the

Company or options, warrants or other rights to purchase or subscribe to capital stock of the Company or contracts, commitments, agreements, understandings or arrangements of any kind to which the Company or any such holder of capital stock is a party relating to the issuance of any capital stock of the Company, any such convertible or exchangeable securities or any such options, warrants or rights.

(c) Except as set forth on Schedule 5.6 or as contained in any of the Transaction Documents, no Person has any preemptive rights, rights of first refusal, "tag along" rights, rights of co-sale or any similar rights with respect to the issuance of the Preferred Shares contemplated hereby. Schedule 5.6 identifies all Persons holding any such rights and describes the material terms of all such rights and as of the Closing Date, except for such rights contained in the Transaction Documents.

5.7. Subsidiaries. The Subsidiary is the only subsidiary of the Company. The Subsidiary is a limited liability company is duly organized, validly existing and in good standing under the laws of the State of Missouri, with the requisite power and authority to own its properties and conduct its business. The Subsidiary is qualified and licensed to transact business in each jurisdiction where such qualification is necessary under applicable law as a result of the conduct of its business and ownership of its properties except where failure to qualify would not have a Material Adverse Effect. All of the outstanding ownership interests of the Subsidiary have been duly authorized and validly issued and are fully paid and nonassessable. All of the outstanding ownership interests in the Subsidiary are owned by the Company free and clear of any Liens, claims, options, charges or other encumbrances other than Permitted Liens. The Subsidiary has no outstanding options, warrants, subscriptions, calls, rights, convertible securities or other agreements or commitments obligating the Subsidiary to issue, transfer or sell any securities of the Subsidiary.

5.8. Private Offering. No form of general solicitation or general advertising was used by the Company or its representatives in connection with the offer or sale of the Preferred Shares. No registration of the Preferred Shares pursuant to the provisions of the Securities Act will be required by the offer, sale or issuance of the Preferred Shares pursuant to this Agreement. The Company agrees that neither it, nor anyone acting on its behalf, will offer or sell the Preferred Shares or any other security so as to require the issuance and sale of the Preferred Shares pursuant to the provisions of the Securities Act or any state securities or "blue sky" laws, unless such shares are so registered.

5.9. Litigation. Except as set forth in Schedule 5.9 hereto, there is no complaint, action, order, writ, injunction, judgment or decree outstanding, or claim, suit, litigation, proceeding, labor dispute, arbitral action or investigation (collectively, "Actions") pending or, to the knowledge of the Company, threatened against or relating to (i) the assets of the Company or the Subsidiary which would have a Material Adverse Effect, or (ii) the transactions required to be performed under this Agreement or by the Transaction Agreements. Neither the Company, BABW nor the Subsidiary are in default with respect to any judgment, order, writ, injunction or decree of any court or governmental agency, and there are no unsatisfied judgments against the Company, BABW or the Subsidiary.

5.10. Financial Statements. The Company has furnished the Purchasers with the audited balance sheet of the Company (or BABW, as applicable) as of January 1, 2000 and the related statements of operations and cash flows for the fiscal year then ended, accompanied by the report of an independent auditor (collectively, the "Audited Financial Statements"), together with a copy of the unaudited balance sheet of the Company (or BABW, as applicable) as of January 29, 2000 and February 26, 2000 and the related consolidated statements of operations and cash flows for the periods then ended (collectively, together with the Audited Financial Statements, the "Financial Statements"). The Financial Statements fairly present the financial condition and results of operations in accordance with GAAP as of

the dates and for the periods set forth in the balance sheet included therein and the results of operations of the Company (or BABW, as applicable) for the periods covered.

Attached hereto as Schedule 5.10 is the Company's pro forma balance sheet at February 26, 2000 showing (i) the balance sheet information pro forma for the reorganization of BABW into the Company, (ii) the pro forma adjustments and (iii) the pro forma balance sheet information adjusted for the transaction contemplated by this Agreement. The balance sheet attached hereto as Schedule 5.10 has been prepared in a manner consistent with the Financial Statements.

5.11. Title and Condition of Assets.

(a) The Company has good, and with respect to real property, marketable, title to all of the real and personal property reflected on the balance sheets included in the Financial Statements or acquired by the Company and the Subsidiary since the Balance Sheet Date, free and clear of any Liens or defects of title, other than Permitted Liens. All real property which is leased by the Company is listed on Schedule 5.11(a) hereto. Except as set forth on Schedule 5.11(a), the Company has a valid and enforceable leasehold interest in all real property leased by it pursuant to the terms of the respective lease agreements. With respect to the leases listed on Schedule 5.11(a) hereto, the Company is in compliance with the leases except to the extent, either individually or in the aggregate, such non-compliance would not have a Material Adverse Effect, and such leases are sufficient for the conduct of the Company's business as now being conducted.

(b) The Facilities and Equipment are in good operating condition and repair (except for ordinary wear and tear and any defect the cost of repairing which would not be material), are sufficient for the operation of the Company's business and are in conformity in all material respects with applicable laws, ordinances, orders, regulations and other requirements (including applicable zoning, environmental, motor vehicle safety standards, occupational safety and health laws and regulations) relating thereto, except where such failure to conform would not have a Material Adverse Effect. The Company enjoys peaceful and undisturbed possession of all Facilities owned or leased by the Company, and, to the knowledge of the Company, such Facilities are not subject to any encroachments, building or use restrictions, exceptions, reservations or limitations which in any material respect interfere with or impair the present and continued use thereof in the usual and normal conduct of the business of the Company. There are no pending or, to the knowledge of the Company, threatened, condemnation proceedings relating to any of the Facilities. The Facilities and the Equipment are insured.

(c) Assets are valued on the books of the Company at or below actual cost less adequate and proper depreciation charges. The Company has not depreciated any of its assets for tax purposes on an accelerated basis or in any other manner inconsistent with the Code or the rules, regulations, or guidelines of the Internal Revenue Service.

5.12. Contractual Obligations.

(a) Except as set forth on Schedule 5.12, the Company is not in default or breach under or with respect to any Contractual Obligation to which it is a party (and to the best knowledge of the Company, no other party to any such Contractual Obligation is in default or breach thereunder), except any such default which, individually or together with all such defaults, would not have a Material Adverse Effect or which would not materially affect the ability of the Company to perform its obligations

under the Transaction Agreements. Neither the Company nor the Subsidiary has received notice that any party to any such Contractual Obligation intends to cancel, amend or terminate any such agreement.

(b) Schedule 5.12 lists all of the contracts, leases, agreements, indentures, letters of intent or offers with respect to real estate leasing activities, letters of credit, foreign bills of lading and undertakings governing or relating to the Contractual Obligations of the Company other than (i) the Transaction Agreements, (ii) domestic purchase orders entered into in the ordinary course of business, and (iii) any such contracts, leases, agreements, indentures or undertaking that (x) do not involve the receipt or payment of more than $50,000 each, (y) do not involve employment or labor matters and (z) do not contain covenants restricting the Company from engaging in any line of business. The Company has provided the Purchaser with true, correct and complete copies of all contracts, leases, agreements, indentures and undertakings listed on Schedule 5.12. Every contract listed on Schedule 5.12 is legal, valid, binding and enforceable in accordance with its terms with respect to the Company and, to the knowledge of the Company, with respect to any other parties bound thereby.

5.13. Patents, Trademarks, Etc. As of the Closing, the Company owns or has applied for or is licensed or otherwise have the right to use all patents, trademarks, service marks, trade names, copyrights, licenses, franchises and other intellectual property rights that are material to the operation of the businesses of the Company (the "Intellectual Property"). Schedule 5.13 hereto contains a list of all pending applications related to such Intellectual Property, registered rights in such Intellectual Property and executed agreements related to such Intellectual Property. All domestic registered patents, copyrights, trademarks and service marks listed on Schedule 5.13 are in full force and effect and are not subject to any taxes or other fees except for annual filing and maintenance fees. To the best of the Company's knowledge, no product, process, method, substance or other material presently sold by or employed by the Company, or which the Company contemplates selling or employing, infringes upon the patents, trademarks, service marks, trade names, copyrights, licenses or other intellectual property rights that are owned by others. Except as set forth on Schedule 5.13 hereto, no litigation is pending and no claim has been made against the Company or any Affiliate or, to the best knowledge of the Company, is threatened, contesting the right of the Company to sell or use any product, process, method, substance or other material presently sold by or employed by the Company.

5.14. Tax Matters.

(a) Filing of Tax Returns. Except as set forth on Schedule 5.14, the Company and BABW (each such entity hereinafter a "Taxpayer" or collectively the "Taxpayers") have timely filed with the appropriate taxing authorities all returns (including without limitation information returns and other material information) in respect of Taxes required to be filed through the date hereof and will timely file any such returns required to be filed on or prior to the Closing Date. The returns and other information filed (or to be filed) are complete and accurate in all material respects. No Taxpayer has requested any extension of time within which to file returns (including without limitation information returns) in respect of any Taxes that have not been filed.

(b) Payment of Taxes. Except as set forth on Schedule 5.14, all Taxes due and payable of each of the Taxpayers in respect of periods beginning before the Closing Date have been timely paid, or will be timely paid prior to the Closing Date, and no Taxpayer has any material liability for Taxes in excess of the amounts so paid. All Taxes that each Taxpayer has been required to collect or withhold have been duly collected or withheld and, to the extent required when due, have been or will be (prior to the Closing Date) paid if due and payable to the proper taxing authority.

(c) Audits, Investigations or Claims. The federal income tax returns of each of the Taxpayers have not been examined by the Internal Revenue Service, and no material deficiencies for Taxes of any of the Taxpayers have been claimed, proposed or assessed by any taxing or other governmental authority against any of the Taxpayers. There are no pending or, to the best knowledge of the Taxpayers, threatened audits, investigations or claims for or relating to any material additional liability to any of them in respect of Taxes, and there are no matters under discussion with any governmental authorities with respect to Taxes that in the reasonable judgment of any of the Taxpayers, or its or their counsel, is likely to result in a material additional liability to any of them for Taxes. No audits of any of the Taxpayers' federal, state, and local returns for Taxes by the relevant taxing authorities have occurred. None of the Taxpayers have been notified that any taxing authority intends to audit a return for any period. No extension of a statute of limitations relating to Taxes is in effect with respect to any of the Taxpayers.

(d) Lien. There are no liens for Taxes on any assets of any Taxpayer other than Permitted Liens.

(e) Tax Elections; Tax Sharing Arrangements.

(i) None of the Taxpayers have made an election, and none of them are required, to treat any asset as owned by another person or as tax-exempt bond financed property or tax-exempt use property within the meaning of section 168 of the Code or under any comparable state or local income tax or other tax provision.

(ii) None of the Taxpayers are a party to or bound by any binding tax sharing, tax indemnity or tax allocation agreement or other similar arrangement with any other party.

(iii) None of the Taxpayers have filed a consent pursuant to the collapsible corporation provisions of Section 341(f) of the Code (or any corresponding provision of state or local law) or agreed to have Section 341(f)(2) of the Code (or any corresponding provision of state or local law) apply to any disposition of any asset owned by it.

(f) Affiliated Group. None of the Taxpayers have ever been a member of an affiliated group of corporations, within the meaning of Section 1504 of the Code.

(g) Section 481(a). None of the Taxpayers have agreed to make, or are required to make, any adjustment under Section 481(a) of the Code by reason of a change in accounting method or otherwise.

(h) Excess Parachute Payments. Except as set forth on Schedule 5.14, none of the Taxpayers are a party to any agreement, contract, arrangement or plan that has resulted or would result, separately or in the aggregate, in the payment of any "excess parachute payments" within the meaning of Section 280G of the Code.

5.15. Severance Arrangements. Except as set forth on Schedule 5.15, neither the Company nor the Subsidiary has entered into any severance or similar arrangement in respect of any present or former employee of the Company that will result in any obligation (absolute or contingent) of the Purchasers or the Company to make any payment to any present or former employee following termination of employment.

5.16. No Material Adverse Effect. Since the Balance Sheet Date, there has not been any Material Adverse Effect.

5.17. Environmental Matters.

(a) Except as set forth on Schedule 5.17, to the best knowledge of the Company, the property, assets and operations of the Company, BABW and the Subsidiary are and have been in compliance in all material respects with all applicable Environmental Laws; to the best knowledge of the Company there are and have been no Hazardous Materials stored, handled or otherwise located in, on or under any of the property or assets of the Company and the Subsidiary, including the groundwater other than in compliance with any Environmental Law; and, to the best knowledge of the Company, there have been no reportable releases of Hazardous Materials in, on or under any property adjoining any of the property or assets of the Company and the Subsidiary. Neither the Company, BABW nor the Subsidiary has stored or caused to be stored any Hazardous Materials on or under any of the property or assets of the Company, including the groundwater, other than in compliance with Environmental Laws; and the neither the Company nor BABW has generated, released or discharged any Hazardous Materials other than in compliance with Environmental Laws.

(b) To the best knowledge of the Company, none of the property, assets or operations of the Company, BABW or the Subsidiary is or has been the subject of any federal, state or local investigation evaluating whether (i) any remedial action is needed to respond to a release or threatened release of any Hazardous Materials into the environment or (ii) any release or threatened release of any Hazardous Materials into the environment is in contravention of any Environmental Law.

(c) There are no pending, or, to the best knowledge of the Company, threatened lawsuits or proceedings against the Company, BABW or the Subsidiary, with respect to violations of an Environmental Law or in connection with the presence of or exposure to any Hazardous Materials in the environment or any release or threatened release of any Hazardous Materials into the environment, and neither the Company nor the Subsidiary is or was the owner or operator of any property which (i) pursuant to any Environmental Law has been placed on any list of Hazardous Materials disposal sites, including without limitation, the "National Priorities List" or "CERCLIS List," (ii) has or, to the best knowledge of the Company, had any subsurface storage tanks located thereon; or (iii) to the knowledge of the Company, has ever been used as or for a waste disposal facility, a mine, a gasoline service station or a petroleum products storage facility.

(d) To the best knowledge of the Company, neither the Company, BABW nor the Subsidiary has any present or contingent liability in connection which the presence either on or off the property or assets of the Company or any Affiliate of any Hazardous Materials in the environment or any release or threatened release of any Hazardous Materials into the environment, except for any such liability that would not have a Material Adverse Effect on the Condition of the Company.

5.18. Investment Company/Government Regulations. Immediately following the Closing, after giving effect to the transactions contemplated by the Transaction Agreements, neither the Company nor any Person controlling, controlled by or under common control with the Company will be an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

5.19. Broker's, Finder's or Similar Fees. There are no brokerage commissions, finder's fees or similar fees or commissions payable in connection with the transactions contemplated

hereby based on any agreement, arrangement or understanding with the Company or any officer, director, shareholder, or Affiliate of the Company, or any action taken by any such person.

5.20. Labor Relations and Employee Matters.

(a) The Company is not engaged in any unfair labor practice. There is (i) no unfair labor practice complaint pending or, to the best knowledge of the Company, threatened against the Company or BABW before the National Labor Relations Board, and no grievance or arbitration proceeding arising out of or under collective bargaining agreements is so pending or, to the best knowledge of the Company, threatened against the Company, (ii) no strike, labor dispute, slowdown or stoppage pending or, to the best knowledge of the Company, threatened against the Company, and (iii) no union representation question existing with respect to the employees of the Company and, to the knowledge of the Company, no union organizing activities are taking place.

(b) Except as set forth on Schedule 5.12, the Company is not a party to any employment agreement (other than "at will" employment relationships), collective bargaining agreement or covenant not to compete.

5.21. Employee Benefits Matters.

(a) Except as set forth on Schedule 5.21, neither the Company nor the Subsidiary maintains or contributes to any Employee Plans which cover or have covered employees of the Company or a Affiliate (with respect to their relationship with such entities).

(b) Except as set forth in Schedule 5.21, the Company represents as follows:

(1) Deductibility of Payments. There is no contract, agreement, plan or arrangement covering any employee or former employee of the Company or the Subsidiary (with respect to their relationship with such entities) that, individually or collectively, provides for the payment by the Company of any amount (i) that is not deductible under Section 162(a)(1) or 404 of the Code or (ii) that is an "excess parachute payment" pursuant to Section 280G of the Code.

(2) No Amendments. Neither the Company nor the Subsidiary has any announced plan or legally binding commitment to create any additional Employee Plans which are intended to cover employees or former employees of the Company or the Subsidiary(with respect to their relationship with such entities) or to amend or modify any existing Employee Plan which covers or has covered employees or former employees of the Company or the Subsidiary(with respect to their relationship with such entities).

(3) No Other Material Liability. No event has occurred in connection with which the Company or any ERISA Affiliate or any Employee Plan, directly or indirectly, could be subject to any material liability (i) under any statute, regulation or governmental order relating to any Employee Plans or (ii) pursuant to any obligation of the Company or the Subsidiary to indemnify any person against liability incurred under, any such statute, regulation or order as they relate to the Employee Plans.

5.22. Potential Conflicts of Interest. Except as set forth on Schedule 5.22, no officer, director, or stockholder of five percent (5%) or more of the aggregate number of shares of Common Stock then outstanding on a fully diluted basis of the Company or the Subsidiary, no spouse of any such

officer, director or stockholder: (a) owns, directly or indirectly, any interest in, or is an officer, director, employee or consultant of, any Person which is, or is engaged in business as, a competitor, lessor, lessee, supplier, distributor, sales agent or customer of, or lender to or borrower from, the Company; (b) owns, directly or indirectly, in whole or in part, any tangible or intangible property that the Company uses in the conduct of business; or (c) has any cause of action or other claim whatsoever against, or owes any amount to, the Company, except for claims in the ordinary course of business such as for accrued vacation pay, accrued benefits under employee benefit plans, and similar matters and agreements existing on the date hereof and described in Schedule 5.22.

5.23. Business Relationships. There exists no actual or, to the best of the Company's knowledge, threatened, termination, cancellation or limitation of, or any adverse modification or change in, the business relationship of the Company with any customer, supplier or any group of customers or suppliers whose purchases or sales, as the case may be, are individually or in the aggregate are material to the Condition of the Company, and there exists no present condition or state of facts or circumstances that would have a Materially Adverse Effect or prevent the Company from conducting its business after the consummation of this Agreement, in substantially the same manner in which it has been heretofore conducted by BABW and the Company.

5.24. Outstanding Borrowings. Schedule 5.24 lists the amount of all Outstanding Borrowings as of the date hereof and the name of each lender thereof.

5.25. Insurance Schedule. Schedule 5.25 accurately summarizes all of the insurance policies or programs of the Company in effect as of the date hereof, including key-person insurance, (true and correct copies of which have been provided to the Purchasers), and indicates the insurer's name, policy number, expiration date, amount of coverage, type of coverage, annual premiums and deductibles, and also indicates any self-insurance program that is in effect. The insurance policies summarized on Schedule 5.25 are in full force and effect and are adequate to protect the Company's assets, and businesses and to cover property damage by fire, business interruption or other casualty, sufficient in amount to allow it to replace any of its properties damaged or destroyed and are adequate to protect against all liabilities, claims, and risks against which it is customary to insure.

5.26. Undisclosed Liabilities. The Company has no liabilities or obligations (absolute, accrued, contingent or otherwise) except (i) liabilities that are reflected and reserved against on the balance sheets included in the Financial Statements (including the notes thereto), (ii) liabilities incurred in the ordinary course of business since the Balance Sheet Date, and which are reflected and reserved for in the balance sheets included in the Financial Statements, and (iii) liabilities arising under Contractual Obligations described on Schedule 5.12.

5.27. Solvency. Neither the Company nor any Affiliate has (i) made a general assignment for the benefit of its creditors, (ii) filed any voluntary petition in bankruptcy or suffered the filing of any involuntary petition in bankruptcy by its creditors, (iii) suffered the appointment of a receiver to take possession of all or substantially all of its assets or properties, (iv) suffered the attachment or other judicial seizure of all or substantially all of its assets or (v) admitted in writing its inability to pay its debts as they come due.

5.28. Compliance with Law. The Company and the conduct of its business is in compliance with all applicable laws, statutes, ordinances and regulations, whether federal, state or local, except where the failure to comply would not have a Material Adverse Effect. Neither the Company nor the Subsidiary has received any written notice to the effect that it is not in compliance with any of such

statutes, regulations, orders, ordinances or other laws where the failure to comply would have a Material Adverse Effect.

5.29. No Other Agreements to Sell the Assets or Capital Stock of the Company.

Except as set forth on Schedule 5.29, neither the Company nor any Affiliate has any legal obligation, absolute or contingent, other than the obligations under the Transaction Agreements, to any person or firm to (i) sell the assets other than in the ordinary course of business consistent with past practices, (ii) sell any capital stock of the Company (other than as set forth in Section 5.6) or effect any merger, consolidation or other reorganization of the Company or (iii) enter into any agreement with respect any of the foregoing, other than agreements related to the merger of BABW with and into the Company and the Transaction Documents.

5.30. Inventory. The inventory of the Company is reflected in the Financial Statements in a manner consistent with GAAP, except for obsolete items and items of below-standard quality, all of which have been written off or written down to net realizable value in the Financial Statements or on the accounting records of the Company, as of the Closing Date, as the case may be. All inventories not written off have been priced at the lower of cost or net realizable value on a average cost basis. The quantities of each item of inventory (whether raw materials, work-in-process, or finished goods) are not excessive, but are reasonable in the present circumstances of the Company.

5.31. Suppliers. Except as disclosed in Schedule 5.31, the Company has not received any actual notice that any current supplier that sold goods or merchandise to the Company or BABW in an aggregate amount in excess of $50,000 during the preceding twelve months will not sell raw materials, supplies, merchandise and other goods to the Company at any time after the Closing Date on terms and conditions substantially similar to those currently in effect, subject only to general and customary price increases.

5.32. Changes.

Since the Balance Sheet Date, except for the merger of BABW with and into the Company and as set forth on Schedule 5.32, there has not been (for purposes of this Section 5.32, all references to the "Company" include BABW):

(a) any change in the assets, liabilities, financial condition or operating results of the Company from that reflected in the Financial Statements, except changes in the ordinary course of business that have not been materially adverse;

(b) any damage, destruction or loss, whether or not covered by insurance, materially and adversely affecting the assets, properties, financial condition, operating results, prospects or business of the Company (as such business is presently conducted);

(c) any waiver by the Company of a valuable right or of a material debt owed to it;

(d) any satisfaction or discharge of any lien, claim or encumbrance or payment of any obligation by the Company, except in the ordinary course of business and that is not material to the assets, properties, financial condition, operating results or business of the Company (as such business is presently conducted and as it is proposed to be conducted);

(e) any material change or amendment to a material contract or arrangement by which the Company or any of its assets or properties is bound or subject;

(f) any material change in any compensation arrangement or agreement with any employee;

(g) any sale, assignment or transfer of any patents, trademarks, copyrights, trade secrets or other intangible assets;

(h) any resignation or termination of employment of any key officer of the Company; and to the knowledge of the Company, there is no impending resignation or termination of employment of any such officer;

(i) receipt of notice that there has been a loss of, or material order cancellation by, any major customer of the Company;

(j) receipt of notice that any material supplier or third-party outsourcing provider will no longer supply products or services to the Company;

(k) any mortgage, pledge, transfer of a security interest in, or lien, created by the Company, with respect to any of its material properties or assets, except liens for taxes not yet due or payable;

(l) any loans or guarantees made by the Company to or for the benefit of its employees, officers or directors, or any members of their immediate families, other than travel advances and other advances made in the ordinary course of its business;

(m) any declaration, setting aside or payment or other distribution in respect of any of the Company's capital stock, or any direct or indirect redemption, purchase or other acquisition of any of such stock by the Company;

(n) to the Company's knowledge, any other event or condition of any character that would reasonably be expected to materially and adversely affect the assets, properties, financial condition, operating results or business of the Company (as such business is presently conducted); or

(o) any agreement or commitment by the Company to do any of the things described in this Section 5.31.

5.33. Certain Payments. Neither the Company nor any director, officer, agent, or employee of the Company, or any other Person associated with or acting for or on behalf of the Company has directly or indirectly (a) made any contribution, gift, bribe, payoff, influence payment, kickback, or other payment to any person, private or public, regardless of form, whether in money, property, or services (i) to obtain favorable treatment in securing business, (ii) to pay for favorable treatment for business secured, (iii) to obtain special concessions or for special concessions already obtained, for or in

respect of the Company, or (iv) in violation of any law, (b) established or maintained any fund or asset that has not been recorded in the books and records of the Company.

ARTICLE 6.

REPRESENTATIONS AND
WARRANTIES OF THE PURCHASERS

Catterton and each other Purchaser, severally but not jointly, hereby represents and warrants to the Company as of the date hereof as follows:

6.1. Existence and Authority. Such Purchaser who is not a natural person: (a) is a corporation, limited liability company, or limited partnership duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation, (b) has all requisite partnership or corporate power and authority to own its assets and operate its business, and (c) has all requisite corporate or partnership power and authority to execute, deliver and perform its obligations under each of the Transaction Agreements to which it is or will be a party.

6.2. Authorization; No Contravention. The execution, delivery and performance by such Purchaser of the Transaction Agreements to which it is a party and the consummation of the transactions contemplated thereby, including, without limitation, the acquisition of the Preferred Shares: (a) is within such Purchaser's partnership or corporate power and authority and has been duly authorized by all necessary partnership or corporate action on the part of such Purchaser; (b) does not conflict with or contravene the terms of such Purchaser's partnership agreement or certificate of limited partnership or certificate of incorporation or bylaws or any amendment thereof; and (c) will not violate, conflict with or result in any material breach or contravention of (i) any Contractual Obligation of such Purchaser, or (ii) the Requirements of Law or any order or decree applicable to such Purchaser.

6.3. Binding Effect. This Agreement has been duly executed and delivered by such Purchaser, and this Agreement constitutes the legal, valid and binding obligation of such Purchaser, enforceable against it in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability.

6.4. Purchase for Own Account. The Preferred Shares and the Common Stock to be issued upon conversion of the Preferred Shares, are being or will be acquired by such Purchaser for its own account and with no intention of distributing or reselling such securities or any part thereof in any transaction that would be in violation of the securities laws of the United States of America, or any state. Such Purchaser agrees to the imprinting, so long as required by law, of legends on certificates representing all of the Preferred Shares or the shares of Common Stock to be issued upon conversion of the Preferred Shares to the following effect:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN APPLICABLE EXEMPTION TO THE REGISTRATION REQUIREMENTS OF SUCH

ACT OR SUCH LAWS."

"THE SALE, TRANSFER OR ENCUMBRANCE OF THIS CERTIFICATE IS SUBJECT TO A STOCKHOLDERS' AGREEMENT DATE AS OF APRIL 3, 2000 BETWEEN THE CORPORATION AND CERTAIN HOLDERS OF SHARES OF THE CAPITAL STOCK OF THE CORPORATION. A COPY OF THIS AGREEMENT IS ON FILE IN THE OFFICE OF THE SECRETARY OF THE CORPORATION AND MAY BE OBTAINED FROM THE COMPANY UPON REQUEST. THE AGREEMENT PROVIDES, AMONG OTHER THINGS, FOR CERTAIN OBLIGATIONS TO SELL AND TO PURCHASE THE SHARES EVIDENCED BY THIS CERTIFICATE, FOR A DESIGNATED PURCHASE PRICE. BY ACCEPTING THE SHARES EVIDENCED BY THIS CERTIFICATE THE HOLDER AGREES TO BE BOUND BY SAID AGREEMENT."

6.5. Accredited Investor Status; Institutional Investor Status. Such Purchaser is an "accredited investor" as such term is defined in Rule 501(a) of Regulation D, promulgated under the Securities Act.

Broker's, Finder's or Similar Fees. There are no brokerage commissions, finder's fees or similar fees or commissions payable by the Company in connection with the transactions contemplated hereby based on any agreement, arrangement or understanding with the Purchasers.

Exculpation Among Purchasers.

Each Purchaser acknowledges that in making its decision to invest in the Company, it is not relying on any other Purchaser or upon any person, firm or company, other than the Company and its officers, employees and/or directors. Each Purchaser agrees that no other Purchaser, nor the partners, employees, officers or controlling persons of any other Purchaser shall be liable for any actions taken by such Purchaser, or omitted to be taken by such Purchaser, in connection with such investment.

No Public Market. Each Purchaser acknowledges and understands that no public market now exists for any securities of the Company and that the Company has made no assurances that a public market will ever exist for any securities of the Company.

6.9 Access to Data. Each Purchaser has had an opportunity to discuss the Company's business, management and financial affairs with the Company's officers and management.

6.10 Tax-Free Contribution. Each Purchaser hereby represents and warrants that such the Purchaser, individually or with any other Purchaser or group of Purchasers, does not have a plan, intention or agreement to dispose of any or all of their shares of stock of the Company and hereby covenants not to take any action which would cause the transactions contemplated by the Transaction Documents and the merger of BABW into the Company not to be treated as a tax-free transfer to a controlled corporation within the meaning of Section 351 of the Code.

ARTICLE 7.

COVENANTS OF THE COMPANY WITH
RESPECT TO THE PERIOD FOLLOWING THE CLOSING

Until (i) all shares of Series A Convertible Preferred Stock, Series B Convertible Preferred Stock and Common Stock are no longer outstanding due to conversion, redemption or otherwise, and (ii) the Company has paid to the Purchasers all other amounts due to them under the Transaction Agreements or the Certificate, the Company hereby covenants and agrees with the Purchasers as follows, except with respect to the obligations of the Company set forth in paragraph 8.1 which shall terminate upon the earlier of either (a) a Qualified Initial Public Offering or (b) the date on which the Purchasers or their Affiliates hold less than 15% of the Preferred Shares (or Common Stock issued upon conversion of such Preferred Shares) issued hereunder:

7.1. Notices. Within 5 business days of obtaining knowledge of any of the events described below, the Company shall give written notice to the Purchasers:

(a) any of the following: (i) default or event of default under any material Contractual Obligation of the Company or any Affiliate, (ii) initiation or resolution of any material dispute, litigation, investigation, or proceeding which may exist at any time between the Company or any Affiliate and any private third party or Governmental Authority, and (iii) any default or breach of the terms of any of the Transaction Agreements by the Company; and

(b) any other matter that has resulted in a Material Adverse Effect in the Condition of the Company.

Each notice pursuant to this Section 7.1 shall be accompanied by a statement on behalf of the Company by the Chief Executive Officer, President or Chief Financial Officer of the Company setting forth details of the occurrence referred to therein, stating what action the Company proposes to take with respect thereto, the Company officer responsible for such action and the timetable with respect to such action.

7.2. Reservation of Shares. The Company shall at all times reserve and keep available out of its authorized Common Stock, solely for the purpose of issue or delivery upon conversion of the Preferred Shares as provided in the Certificate, the maximum number of shares of Common Stock that may be issuable or deliverable upon such conversion, as well as the number of shares of Common Stock that may be issuable or deliverable upon conversion of the Preferred Shares issued to the Purchasers as dividends. Such shares of Common Stock shall, when issued or delivered in accordance with the provisions of the Certificate, be duly authorized, validly issued and fully paid and non-assessable. The Company shall issue such Common Stock in accordance with the provisions of the Certificate and shall otherwise comply with the terms thereof.

7.3 Directors and Officers Insurance. The Company will use its reasonable best efforts to have in full force and effect no later than 60 days from the date of the Closing a directors and officers insurance policy in a commercially reasonable amount.

7.4 Use of Proceeds. The Company shall not use the proceeds of the sale of the Preferred Shares hereunder for the redemption of any of its capital stock, the payment of dividends on shares of its capital stock or any purpose other than working capital in the ordinary course of business.

ARTICLE 8.

INDEMNIFICATION

8.1. Indemnification. The Company with respect to the Purchasers or the Purchasers, severally and not jointly, with respect to the Company (the "Indemnifying Party") agrees to indemnify and hold harmless each Purchaser or the Company, as the case may be, and its Affiliates and its respective officers, directors, agents, employees, Affiliates, partners, shareholders and assigns (each, an "Indemnified Party") to the fullest extent permitted by law from and against any and all (i) Environmental Expenses that are the proximate cause of the Company's violation of any Environmental Law and (ii) tax liabilities, losses, costs, claims, damages, expenses (including reasonable fees, disbursements and other charges of counsel) (collectively, "Liabilities") based upon, relating to or arising out of any breach of any representation or warranty, covenant or agreement of such Indemnifying Party in this Agreement or any legal, administrative or other actions (including actions brought by any of the Purchasers or any Indemnifying Party or any equity holders of the Company or derivative actions brought by any Person claiming through or in the Company's name), proceedings or investigations (whether formal or informal), based upon, relating to or arising out of (A) the status of the Purchasers as shareholders of the Company and the existence or exercise of the rights and powers of the Purchasers relating (including without limitation, any claim against any Indemnified Party relating to Environmental Matters), (B) violations of applicable securities laws by the Company in connection with the offering of the Shares, or (C) third party claims that the Preferred Shares hereunder violate preexisting understandings or arrangements with the Company upon the settlement or final judicial determination of (A) through (C) above; provided, however, that no Indemnifying Party shall be liable under this Section 8.1 to an Indemnified Party: (a) for any amount paid in settlement of claims without such Indemnifying Party's consent (which consent shall not be unreasonably withheld), (b) to the extent that it is finally judicially determined that such Liabilities resulted solely from the willful misconduct or gross negligence of such Indemnified Party, or (c) to the extent that it is finally judicially determined that such Liabilities resulted solely from the breach by such Indemnified Party of any representation, warranty, covenant or other agreement of such Indemnified Party contained in this Agreement; provided, further, that if and to the extent that such indemnification is unenforceable for any reason, the Indemnifying Party shall make the maximum contribution to the payment and satisfaction of such indemnified liability which shall be permissible under applicable laws. In connection with the obligation of the Indemnifying Party to indemnify for expenses as set forth above, the Indemnifying Party further agrees to reimburse each Indemnified Party for all such expenses (including reasonable fees, disbursements and other charges of counsel) as they are incurred by such Indemnified Party.

8.2. Notification. Each Indemnified Party under this Article 8 will, promptly after the receipt of notice of the commencement of any action, investigation, claim or other proceeding against such Indemnified Party in respect of which indemnity may be sought from any Indemnifying Party under this Article 9, notify the Indemnifying Party in writing of the commencement thereof. The omission of any Indemnified Party to so notify the Indemnifying Party of any such action shall not relieve the Indemnifying Party from any liability which it may have to such Indemnified Party under this Article 8 except to the extent that such failure to notify results in a loss of a material defense of such Indemnified Party. In case any such action, claim or other proceeding shall be brought against any Indemnified Party and such Indemnified Party shall notify the Indemnifying Party of the commencement thereof, the Indemnifying Party shall be entitled to assume the defense thereof at its own expense, with counsel

satisfactory to such Indemnified Party in its reasonable judgment; provided, however, that any Indemnified Party may, at its own expense, retain separate counsel to participate in such defense. Notwithstanding the foregoing, in any action, claim or proceeding in which both the Indemnifying Party, on the one hand, and an Indemnified Party, on the other hand, is, or is reasonably likely to become, a party, such Indemnified Party shall have the right to employ separate counsel at the Indemnifying Party's expense and to control its own defense of such action, claim or proceeding if, in the reasonable opinion of counsel to such Indemnified Party, a conflict or potential conflict exists between the Indemnifying Party, on the one hand, and such Indemnified Party, on the other hand, that would make such separate representation advisable. The Indemnifying Party agrees that it will not, without the prior written consent of the Purchasers (such consent not to be unreasonably withheld), settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding relating to the matters contemplated hereby (if any Indemnified Party is a party thereto or has been actually threatened to be made a party thereto) unless such settlement, compromise or consent includes an unconditional release of the Purchasers (and each other Indemnified Party) from all liability arising or that may arise out of such claim, action or proceeding. The rights accorded to Indemnified Parties hereunder shall be in addition to any rights that any Indemnified Party may have at common law, by separate agreement or otherwise.

8.3. Registration Rights Agreement. Notwithstanding anything to the contrary in this Article 8, the indemnification and contribution provisions of the Registration Rights Agreement shall govern any claim made with respect to registration statements filed pursuant thereto or sales made thereunder.

ARTICLE 9.

MISCELLANEOUS

9.1. Survival of Representations and Warranties. All of the representations and warranties made herein shall survive the Closing Date of this Agreement for a period of two (2) years from the date hereof except the representations and warranties in (i) Section 5.17 shall survive until the statute of limitations period has expired for such representations and warranties and (ii) Section 5.14 and Section 6.10 shall survive until thirty days after the expiration of the statute of limitations period has expired for such representations and warranties.

9.2. Notices. All notices, demands and other communications provided for or permitted hereunder shall be made in writing and shall be by registered or certified first-class mail, return receipt requested, courier service or personal delivery:

(a) if to the Company:

Build-A-Bear Workshop, Inc.
1964 Innerbelt Business Center Drive
St. Louis, Missouri 63114-5760
Attention: Maxine Clark
Facsimile (not to be deemed notice): 314-423-8188

with a copy to:

Bryan Cave LLP
211 N. Broadway, Suite 3600
St. Louis, Missouri 63102
Attention: James H. Erlinger III
Facsimile (not to be deemed notice): 314-259-2020

(b) if to a Purchaser, to the last recorded address on the books and records of the Company with a copy to the last known counsel of such Purchaser.

All such notices and communications shall be deemed to have been duly given: when delivered by hand, if personally delivered; when delivered by courier, if delivered by commercial overnight courier service; when mailed, five business days after being deposited in the mail, postage prepaid.

9.3. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of the parties hereto. Neither the Company nor any of the Purchasers may assign any of its rights under this Agreement without the written consent of each of the other Parties hereto provided however that any Purchaser may assign its rights and obligations to one or more Affiliates or wholly-owned corporations, which shall agree to be bound by the terms hereof. Except as provided in Article 9, no Person other than the parties hereto and their successors and permitted assigns is intended to be a beneficiary of any of the Transaction Agreements.

9.4. Amendment and Waiver.

(a) No failure or delay on the part of the Company, or the Purchasers in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies provided for herein are cumulative and are not exclusive of any remedies that may be available to the Company or the Purchasers at law, in equity or otherwise.

(b) Any amendment, supplement or modification of or to any provision of this Agreement, any waiver of any provision of this Agreement, and any consent to any departure by any party from the terms of any provision of this Agreement, shall be effective (i) only if it is made or given in writing and signed by the Company and Catterton or by the party or parties to be bound hereby, and (ii) only in the specific instance and for the specific purpose for which made or given. Except where notice is specifically required by this Agreement, no notice to or demand on any party in any case shall entitle any party hereto to any other or further notice or demand in similar or other circumstances.

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

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

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

9.8. Jurisdiction. Each party to this Agreement hereby irrevocably agrees that any legal action or proceeding arising out of or relating to this Agreement or any agreements or transactions contemplated hereby shall be brought in the courts of the United States of America for the Eastern District of Missouri and hereby expressly submits to the personal jurisdiction and venue of such courts for the purposes thereof and expressly waives any claim of improper venue and any claim that such courts are an inconvenient forum. Each party hereby irrevocably consents to the service of process of any of the aforementioned courts in any such suit, action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the address set forth in Section 10.3, such service to become effective 10 days after such mailing.

9.9. Severability. If any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired, unless the provision or provisions held invalid, illegal or unenforceable shall substantially impair the remaining provisions hereof.

9.10. Rules of Construction. Unless the context otherwise requires, "or" is not exclusive, and references to sections or subsections refer to sections or subsections of this Agreement.

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

9.12. Transaction Expenses. The Company will pay all Transaction Expenses of the Purchasers with payments to each Purchaser being made pro rata in proportion to the number of shares of Preferred Stock purchased by such Purchaser hereunder.

9.13. Publicity. Except as may be required by applicable law, none of the parties hereto shall issue a publicity release or announcement or otherwise make any public disclosure concerning this Agreement or the transactions contemplated hereby, without prior approval by the other parties hereto. If any announcement is required by law to be made by any party hereto, prior to making such announcement such party will deliver a draft of such announcement to the other parties and shall give the other parties an opportunity to comment thereon.

9.14. Further Assurances. Upon the terms and subject to the conditions contained herein, each of the parties hereto agrees, both before and after the Closing, (i) to use all reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective the transactions contemplated by this Agreement, (ii) to execute any documents, instruments or conveyances of any kind which may be reasonably necessary or advisable to carry out any of the transactions contemplated hereunder, and (iii) to cooperate with each other in connection with the foregoing, including using their respective best efforts (A) to obtain all necessary waivers, consents and approvals from other parties that may be required; (B) to obtain all necessary permits as are required to be obtained under any federal, state, local or foreign law or regulations, and (C) to fulfill all conditions to this Agreement.

9.15. Rights of Purchasers Inter Se. Each Purchaser shall have the absolute right to exercise or refrain from exercising any right or rights which such Purchaser may have by reason of this Agreement or any security, including, without limitation, the right to consent to the waiver of any obligation of the Company under this Agreement and to enter into an agreement with the Company for the purpose of modifying this Agreement or any agreement effecting any such modification, and such Purchasers shall not incur any liability to any other or with respect to exercising or remaining from exercising any such right or rights.

9.16. Severability of the Representations, Warranties and Covenants.

No Purchaser shall be liable to the Company for the breach or violation, if any, of any representation, warranty or covenant made or to be complied with by any of the other Purchasers, but each such Purchaser shall be liable to the Company solely for its own breaches or violations, if any, of any representation, warranty or covenant made or to be complied with by such Purchasers. For purposes of this Section 9.16, Catterton shall be deemed to be one Purchaser.

9.17. Arbitration. If any controversy or dispute shall arise between the parties hereto in connection with, arising from or in respect to this Agreement, any provision hereof, or any provision of any instrument, document, agreement, certification or other writing delivered pursuant hereto, or with respect to the validity of this Agreement or any such document, agreement, certification or other writing, and if such controversy or dispute shall not be resolved within thirty (30) days after the same shall arise, then such dispute or controversy shall be submitted for arbitration to the St. Louis, Missouri office of the American Arbitration Association in accordance with its commercial arbitration rules then in effect. Such proceeding shall be conducted in St. Louis, Missouri. Any such dispute or controversy shall be determined by one (1) arbitrator. Such arbitrator may award any relief which he shall deem proper in the circumstances, without regard to the relief which would otherwise be available to either party hereto in a court of law or equity, including without limitation an award of money damages (including interest on unpaid amounts, calculated from the due date of any such amount, at a rate per annum determined by said arbitrator), specific performance and injunctive relief. The award and findings of such arbitrator shall be conclusive and binding upon the parties thereto, and judgment upon such award may be entered in any court of competent jurisdiction. Any party against whom an arbitrator's award shall be issued shall not, in any manner, oppose or defend against any suit to confirm such award, or any enforcement proceedings brought against such party, whether within or outside of the United States of America, with respect to any judgment entered upon the award, or any enforcement proceedings brought against such party, whether within or outside of the United States of America, with respect to any judgment entered upon the award, and such party hereby consents to the entry of a judgment against it, in the full amount thereof, or other relief granted therein, in any jurisdiction in which such enforcement is sought. The party against whom the arbitrator award is issued shall pay the fees of the arbitrator.

THIS AGREEMENT CONTAINS A BINDING ARBITRATION PROVISION WHICH MAY BE ENFORCED BY THE PARTIES.

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

BUILD-A-BEAR WORKSHOP, INC.

By: /s/ Maxene Clark

Name:
Title:

CATTERTON PARTNERS IV, L.P.

By: CATTERTON MANAGING PARTNER IV, L.L.C., its General Partner

By: CP4 PRINCIPALS, L.L.C., its Managing Member

By: /s/ Frank Vest

Name:
Title: Authorized Person

CATTERTON PARTNERS IV OFFSHORE, L.P.

By: CATTERTON MANAGING PARTNER IV, L.L.C., its Managing General Partner

By: CP4 PRINCIPALS, L.L.C., its Managing Member

By: /s/ Frank Vest

Name:
Title: Authorized Person

CATTERTON PARTNERS IV SPECIAL PURPOSE, L.P.

By: CATTERTON MANAGING PARTNER IV, L.L.C., its Managing General Partner

By: CP4 PRINCIPALS, L.L.C., its Managing Member

By: /s/ Frank Vest

Name:
Title: Authorized Person

CLARK/FOX, L.L.C.

a Missouri limited liability company

/s/ Maxine Clark

By: Maxine Clark, its Manager

/s/ Barney A. Ebsworth

BARNEY A. EBSWORTH

/s/ Wayne L. Smith, II

Wayne L. Smith, II

/s/ Brian Vent

Brian Vent

HYCEL PARTNERS V, L.L.C.,
a Missouri limited liability company

/s/ Mark H. Zorensky

By: Mark H. Zorensky, Manager

KCEP VENTURES II, L.P.,
a Missouri limited partnership

KCEP Ventures II, L.C., its General Partner

By: /s/ William Reisler, Managing Director

/s/ Adrienne Weiss

Adrienne Weiss

EXHIBIT 4.3

STOCK PURCHASE AGREEMENT

BY

AND

AMONG

BUILD-A-BEAR WORKSHOP, INC.

AND THE

PURCHASERS

NAMED HEREIN

Dated as of September 21, 2001

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SERIES D STOCK PURCHASE AGREEMENT

THIS SERIES D STOCK PURCHASE AGREEMENT (the "Agreement") is entered into as of the 21st day of September, 2001 by and among those Persons named on Schedule 1 hereto (the "Purchasers") and Build-A-Bear Workshop, Inc., a Delaware corporation (the "Company").

RECITALS:

A. WHEREAS, upon the terms and subject to the conditions set forth in this Agreement, the Company proposes to issue and sell shares of its Series D Preferred Stock (defined herein) to the Purchasers.

B. WHEREAS, upon the terms and subject to the conditions set forth in this Agreement, the Purchasers desire to contribute capital to the Company in exchange for the issuance to the Purchasers of shares of the Series D Preferred Stock as set forth herein.

C. WHEREAS, the Company and the Purchasers desire to set forth the objectives and agreements, that will govern their relations and responsibilities with respect to each other by entering into concurrently with the sale and purchase of securities hereunder an Amended and Restated Stockholders' Agreement and an Amended and Restated Registration Rights Agreement (each as defined herein).

AGREEMENT

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

ARTICLE 1.

DEFINITIONS

1.1. Definitions. As used in this Agreement, and unless the context requires a different meaning, the following terms have the meanings indicated:

"Affiliate" means, with respect to any specified Person, any Person that, directly or indirectly, controls, is controlled by, or is under common control with, such specified Person, whether by contract, through one or more intermediaries, or otherwise, provided however, that Smart Stuff, Inc., a Missouri corporation, is not an Affiliate of the Company. Unless otherwise qualified, all references to a "Affiliate" or to "Affiliates" in this Agreement shall refer to a Affiliate or Affiliates of the Company.

"Amended and Restated Registration Rights Agreement" means the Amended and Restated Registration Rights Agreement substantially in the form attached hereto as Exhibit A.

"Amended and Restated Stockholders' Agreement" means the Amended and Restated Stockholders' Agreement substantially in the form attached hereto as Exhibit B.

"BABW" means the predecessor to the Company, Build-A-Bear Workshop, L.L.C., a Missouri limited liability company.

"Benefit Arrangement" means any employment, consulting, severance or other similar contract, arrangement or policy and each plan, arrangement (written or oral), program, agreement or commitment providing for insurance coverage (including any self-insured arrangements), workers' compensation, disability benefits, supplemental unemployment benefits, vacation benefits, retirement benefits, life, health, disability or accident benefits (including, without limitation, any "voluntary employees' beneficiary association" as defined in Section 501(c)(9) of the Code providing for the same or other benefits) or for deferred compensation, profit-sharing bonuses, stock options, stock appreciation rights, stock purchases or other forms of incentive compensation or post-retirement insurance, compensation or benefits which (A) is not a Welfare Plan, Pension Plan or Multiemployer Plan, (B) is entered into, maintained, contributed to or required to be contributed to, as the case may be, by the Company or an ERISA Affiliate or under which the Company or any ERISA Affiliate may incur any liability, and (C) covers any employee or former employee of the Company or any ERISA Affiliate (with respect to their relationship with such entities).

"Catterton" means Catterton Partners IV, L.P., Catterton Partners IV-A, L.P., and Catterton Partners IV-B, L.P., each a Delaware limited partnership, Catterton Partners IV Offshore, L.P. a Cayman Island limited partnership and Catterton Partners IV Special Purpose, L.P. a Cayman Island limited partnership.

"Clark" means Maxine Clark and her Affiliates, including Smart Stuff, Inc., Clark/Fox LLC and Clark/Fox II LLC.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor statute thereto.

"Commission" means the Securities and Exchange Commission or any similar agency then having jurisdiction to enforce the Securities Act.

"Common Stock" means the common stock, par value $0.01 per share, of the Company, or any other capital stock of the Company into which such stock is reclassified or reconstituted.

"Condition of the Company" means the assets, business, properties, operations or financial condition of the Company and its Subsidiaries taken as a whole.

"Contractual Obligation" means as to any Person, any provision of any security issued by such Person or any provision of any agreement, lease of real or personal property, undertaking, contract, indenture, mortgage, deed of trust or other instrument to which such Person is a party or by which it or any of its property is bound.

"Employee Plans" means all Benefit Arrangements, Multiemployer Plans, Pension Plans and Welfare Plans.

"Environmental Expenses" means any liability, loss, cost or expense arising from any pre-Closing violation by the Company of any Environmental Law which proximately causes expenses, including, without limitation, costs of investigation, cleanup, removal, remedial, corrective or response action, the costs associated with posting financial assurances for the completion of investigation, cleanup, removal, remedial, corrective or response actions, the preparation of any closure or other necessary or required plans or analyses, or other reports or analyses submitted to or prepared by regulating agencies, including the cost of health assessments, epidemiological studies and the like, retention of engineers and other expert consultants, legal counsel, operation and maintenance testing and monitoring costs, and administrative costs or damages.

"Environmental Laws" means any federal, state or local law, common law doctrine, rule, order, decree, judgment, injunction, license, permit or regulation relating to environmental matters, including those pertaining to land use, air, soil, surface water, ground water (including the protection, cleanup, removal, remediation or damage thereof), public or employee health or safety or any other environmental matter, together with any other laws (federal, state or local) relating to emissions, discharges, releases or threatened releases of any pollutant or contaminant including, without limitation, medical, chemical, biological, biohazardous or radioactive waste and materials, into ambient air, land, surface water, groundwater, personal property or structures, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transportation, discharge or handling of any contaminant, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. Section 9601 et seq.), the Hazardous Material Transportation Act (49 U.S.C. Section 1801 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.), the Federal Water Pollution Control Act (33 U.S.C. Section 1251 et seq.), the Clean Air Act (42 U.S.C. Section 1251 et seq.), the Toxic Substances Control Act (15 U.S.C. Section 2601 et seq.), and the Occupational Safety and Health Act (29 U.S.C. Section 651 et seq.), as such laws have been, or are, amended, modified or supplemented heretofore or from time to time hereafter and any analogous future federal, or present or future state or local laws, statutes and regulations promulgated thereunder.

"Equipment" means all of the tangible personal property owned or leased by the Company or any of its Affiliates and used in or held for use in the operations of the business of the Company or any of its Affiliates.

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

"ERISA Affiliate" means any Person that is (or at any relevant time was) a member of a "controlled group of corporations" with or under "common control" with the Company as defined in Section 414(b), (c), (m) or (o) of the Code.

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

"Facilities" means the buildings, plants, offices and all other improvements on any real property (including fixtures affixed thereto) which are owned or leased by the Company or any of its Affiliates and used or held for use in the operation of the business of the Company or any of its Affiliates.

"GAAP" means United States generally accepted accounting principles, in effect from time to time, consistently applied.

"Governmental Authority" means the government of any nation, state, city, locality or other political subdivision of any thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity exercising public functions owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

"Hazardous Materials" means those substances which are regulated by or form the basis of liability under any Environmental Laws, including, without limitation, petroleum products, radon and asbestos.

"Indebtedness" means, as to any Person: (a) all obligations, whether or not contingent, of such Person for borrowed money (including, without limitation, reimbursement and all other obligations with respect to surety bonds, letters of credit and bankers' acceptances, whether or not matured), (b) all obligations of such Person evidenced by notes, bonds, debentures or similar instruments, (c) all obligations of such Person representing the balance of deferred purchase price of property or services, except trade accounts payable and accrued commercial or trade liabilities arising in the ordinary course of business, (d) all interest rate and currency swaps, caps, collars and similar agreements or hedging devices under which payments are obligated to be made by such Person, whether periodically or upon the happening of a contingency, (e) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or

lender under such agreement in the event of default are limited to repossession or sale of such property), (f) all obligations of such Person under leases recorded as capital leases in accordance with GAAP, (g) all indebtedness secured by any Lien (other than Liens in favor of lessors under leases other than leases included in clause (f)) on any property or asset owned or held by that Person regardless of whether the indebtedness secured thereby shall have been assumed by that Person or is non-recourse to the credit of that Person, and (h) all Indebtedness of any other Person referred to in clauses (a) through (g) above, guaranteed, directly or indirectly, by that Person.

"Initial Issue Date" shall mean the date that shares of Series D Preferred Stock are first issued by the Company to the Purchasers.

"Lien" means any mortgage, deed of trust, pledge, hypothecation, assignment, encumbrance, lien (statutory or other) or other security interest of any kind or nature whatsoever (excluding preferred stock or equity related preferences) including, without limitation, those created by, arising under or evidenced by any conditional sale or other title retention agreement, the interest of a lessor under a capital lease obligation, or any financing lease having substantially the same economic effect as any of the foregoing.

"Material Adverse Effect" means any material adverse change in Condition of the Company.

"Multiemployer Plan" means any "multiemployer plan," as defined in Section 4001(a)(3) or Section 3(37) of ERISA, (A) which the Company or any ERISA Affiliate maintains, administers, contributes to or is required to contribute to, or, after September 25, 1980, maintained, administered, contributed to or was required to contribute to, or under which the Company or any ERISA Affiliate may incur any liability and (B) which covers any employee or former employee of the Company or any ERISA Affiliate (with respect to their relationship with such entities).

"Outstanding Borrowings" means all Indebtedness of the Company and/or its Affiliates for borrowed money (including without limitation, reimbursement and all other obligations with respect to surety bonds, letters of credit and bankers' acceptances, whether or not matured), excluding obligations with respect to trade payables incurred in the ordinary course of business.

"Pension Plan" means any "employee pension benefit plan" as defined in Section 3(2) of ERISA (other than a Multiemployer Plan) (A) which the Company or any ERISA Affiliate maintains, administers, contributes to or is required to contribute to, or, within the five years prior to the Initial Closing Date, maintained, administered, contributed to or was required to contribute to, or under which the Company or any ERISA Affiliate may incur any liability and (B) which covers any employee or former employee of the Company or any ERISA Affiliate (with respect to their relationship with such entities).

"Permitted Liens" means (i) Liens for taxes, governmental charges or levies which (a) are not yet due and payable, or (b) are being diligently contested in good faith by appropriate proceedings; provided, that for any such taxes being diligently contested in good faith, the Company has set aside adequate reserves, (ii) Liens imposed by law, such as mechanic's, materialman's, landlord's, warehouseman's and carrier's liens, securing obligations incurred in the ordinary course of business which are not yet overdue or which are being diligently contested in good faith by appropriate proceeding and, with respect to such obligations which are being contested, for which the Company has set aside adequate reserves, (iii) Liens which (x) in each case, secure obligations of less than $10,000, and (y) do not in the aggregate interfere with the use and enjoyment of the property subject thereto and (iv) Liens with respect to the Amended and Restated Credit Facility dated as of June 1, 2001 by and among Firstar Bank, National Association, the Company and Shirts Illustrated, LLC, and the agreements contemplated thereby, including, without limitation, the Security Agreement, for up to an aggregate principal amount of $13,000,000.

"Person" means any individual, firm, corporation, partnership, trust, incorporated or unincorporated association, joint venture, joint stock company, limited liability company, Governmental Authority or other entity of any kind, and shall include any successor (by merger or otherwise) of such entity.

"Qualified Initial Public Offering" shall mean a public offering, underwritten on a firm commitment basis pursuant to an effective registration statement under the Securities Act of shares of the Common Stock the aggregate gross proceeds (prior to underwriting discounts and commissions and other expenses of issuance) of which equal or exceed $25,000,000 and (i) at any time prior to the third anniversary of the date hereof, the offering is managed by a nationally recognized underwriter, (ii) between the third and fourth anniversary hereof, the price per share is at least $15 (appropriately adjusted for stock splits, recapitalizations and the like), or (iii) thereafter the price per share is at least $20 (appropriately adjusted for stock splits, recapitalizations and the like).

"Requirements of Law" means, as to any Person, the provisions of the Certificate of Incorporation and By-laws or other organizational or governing documents of such Person, and any law, treaty, rule, regulation, right, privilege, qualification, license or franchise, order, judgment, or determination, in each case, of an arbitrator or a court or other Governmental Authority, in each case, applicable to or binding upon such Person or any of its property (or to which such Person or any of its property is subject) or applicable to any or all of the transactions contemplated by or referred to in the Transaction Agreements.

"SBIC Certificate" shall mean the certificate attached as Exhibit D hereto.

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

"Series D Preferred Stock" means the Series D Convertible Preferred Stock, par value $0.01 per share, of the Company, or any other capital stock of the Company into which such stock is reclassified or reconstituted.

"Series E Preferred Stock" means the capital stock of the Company to be designated the Series E Convertible Preferred Stock, par value $0.01 per share, of the Company, or any other capital stock of the Company into which such stock is reclassified or reconstituted.

"Subsidiaries" means Shirts Illustrated, L.L.C., a Missouri limited liability company, and Build-A-Bear Entertainment, LLC, each Subsidiaries of the Company.

"Tax" or "Taxes" shall mean all federal, state, local foreign and other taxes, assessments or other government charges, including, without limitation, income, estimated income, business, occupation, franchise, property sales, transfer, use, employment, commercial rent or withholding taxes, including interest, penalties and additions in connection therewith for which the Company may be liable.

"Transaction Agreements" means collectively, this Agreement, the Amended and Restated Registration Rights Agreement and the Amended and Restated Stockholders' Agreement.

"Transaction Expenses" means up to $35,000 in fees and reasonable out-of-pocket expenses incurred by Catterton in connection with the negotiation and preparation of the Transaction Agreements, the consummation of the transactions contemplated thereby and preparation for any of the foregoing, including, without limitation, fees and expenses for one legal counsel engaged by Catterton.

"Welfare Plan" means any "employee welfare benefit plan" as defined in Section 3(1) of ERISA, (A) which the Company or any ERISA Affiliate maintains, administers, contributes to or is required to contribute to, or under which the Company or any ERISA Affiliate may incur any liability and (B) which covers any employee or former employee of the Company or any ERISA Affiliate (with respect to their relationship with such entities).

1.2. Accounting Terms; Financial Statements. All accounting terms used herein not expressly defined in this Agreement shall have the respective meanings given to them in accordance with GAAP.

1.3. Knowledge Standard. When used herein, the phrase "to the knowledge of" any Person, "to the best knowledge of" any Person or any similar phrase shall mean, (i) with respect to any individual, the actual knowledge of such Person after reasonable inquiry, (ii) with respect to any corporation, the actual knowledge of officers and directors, or Persons acting in similar capacities, of such corporation after reasonable inquiry, (iii) with respect to any limited liability company, the actual knowledge

of the Manager or Persons acting in similar capacities, of such entity after reasonable inquiry, and (iv) with respect to a partnership, the actual knowledge of the officers and directors of the general partner of such partnership after reasonable inquiry. Notwithstanding the foregoing, "to the best knowledge of" or "to the knowledge of" either BABW or the Company shall mean the actual knowledge of Maxine Clark, Tina Klocke, Brian Vent and Jack Burtelow after due inquiry. When used herein, the phrase "to the knowledge of the Company," "to the best knowledge of the Company" or any similar phrase shall mean "to the best knowledge of the Company and each Affiliate" using the standards set forth in the previous sentence.

1.4. Other Defined Terms. The following terms shall have the meanings specified in the Sections set forth below:

Term	Section
Audited Financial Statements	5.10
Actions	5.9
Additional Closing	2.2
Certificate	2.1
Clark Shares	2.2
Greenshoe Closing	2.2
Greenshoe Period	2.2
Initial Closing	2.3
Initial Closing Date	2.3
Indemnified Party	8.1
Indemnifying Party	8.1
Intellectual Property	5.13
Investment Banker	3.17
KCEP	Schedule 1
Liability (and Liabilities)	8.1
Options	3.16
Purchase Price	2.2
Secondary Closing	2.2
Series E Closing	7.3
Subscription Period Closing	2.2
Walnut	Schedule 1

ARTICLE 2.

AUTHORIZATION OF PREFERRED STOCK; PURCHASE AND SALE OF PREFERRED STOCK

2.1. Series D Preferred Stock. The Company has authorized (a) the issuance and sale to the Purchasers of not less than 3,301,350 nor more than 3,629,219 shares of Series D Preferred Stock and (b) has filed (or will have filed as of the Initial Closing) the Certificate (as hereinafter defined) establishing the rights, preferences, privileges and restrictions of the Series D

Preferred Stock. The Series D Preferred Stock will have the respective rights, preferences and privileges set forth in the Company's Amended and Restated Certificate of Incorporation substantially in the form attached hereto as Exhibit C (the "Certificate").

2.2. Purchase and Sale of Preferred Shares. (a) Upon the terms and subject to the conditions herein contained, at the Initial Closing and/or the Secondary Closing (each as defined herein) on the Initial Closing Date or the appropriate Additional Closing Date (each as defined herein), the Company agrees that it will issue and sell to each of the Purchasers, and (except as provided in Section 2.2(b)) each Purchaser agrees severally, and not jointly and severally, that it will acquire and purchase from the Company, the number of shares of Series D Preferred Stock listed next to such Purchaser's name on Schedule 1 hereto. The purchase price of the Series D Preferred Stock shall be $6.10 per share ("Purchase Price"). Notwithstanding the foregoing, the parties agree that KCEP shall be entitled to defer payment for up to 98,361 shares to be purchased by KCEP under this Agreement until a second closing to occur on or before October 5, 2001 (the "Secondary Closing"). The parties agree that the obligation of KCEP to purchase such shares is unconditional and irrevocable and that the Company shall be entitled to specific performance of its rights to require such Purchaser to purchase such shares. The parties agree that if KCEP fails to make payment in full for the shares on or before October 5, 2001, the Company may, at any time prior to accepting payment in full from KCEP for the shares to be purchased by KCEP hereunder, elect to terminate this Agreement as it relates to KCEP, in which case the Company shall so notify KCEP and the other parties hereto.

(b) Clark may purchase less than the number of shares allocated to Clark pursuant to Schedule 1 (the "Clark Shares"), provided that Clark shall purchase no less than 213,115 shares at the Initial Closing. If Clark does not purchase all of such Clark Shares at the Initial Closing (defined below), then at any one time during the period ending on the earlier of (1) 60 days following the Initial Closing (2) the Greenshoe Closing (defined herein), or (3) the Series E Closing (defined herein) (the "Greenshoe Period"), Clark shall have the right to purchase all or part of the remaining number of Clark Shares on the same terms and conditions as set forth in this Agreement, provided that such additional Clark Shares may be allocated to Clark and Clark's Affiliates in such manner as Clark may determine. Should Clark elect to purchase additional Clark Shares during such time, the closing of such purchase shall take place no later than five (5) business days following the expiration of such Greenshoe Period, and in the manner described in Section 2.3 (the "Greenshoe Closing"). Should Clark purchase less than all of the Clark Shares, then the other Purchasers of the Series D Preferred Stock shall purchase any remaining portion of the Clark Shares not purchased by Clark, in the same relative proportions that the subscribing Purchasers of the Series D Preferred Stock hold among themselves. The closing of such purchases shall take place no later than 30 days after the Greenshoe Period (the "Subscription Period Closing").

(c) In addition, in the event that Clark purchases all of the Clark Shares, Clark shall also have an option to purchase in whole or in part, an additional 131,148 shares of Series D Preferred (the "Optional Increase") under the same terms and conditions outlined herein (increasing the aggregate amount of the Clark Shares to 836,066 shares). Clark shall exercise such option by providing notice of intent to exercise such option to the Company with copies to

Catterton, Walnut and KCEP prior to the expiration of the Greenshoe Period. If Clark does not notify the Company of its intent to exercise the Optional Increase prior to the expiration of the Greenshoe Period, then the Option Increase right shall expire at the end of the Greenshoe Period. If Clark does provide notice of intent to exercise any portion of the Optional Increase during the Greenshoe Period, then Clark will purchase such additional shares at the Optional Increase Closing (defined below) and during the 30 days after the end of the Greenshoe Period, Catterton, Walnut and KCEP shall each have an option to purchase additional Series D Preferred Stock in an amount equal 50% of the amount of shares purchased by Clark pursuant to the Optional Increase (i.e., for greater clarity, if Clark purchases 131,148 shares of additional Series D Preferred Stock pursuant to the Optional Increase, then each of Catterton, Walnut and KCEP shall have an option to purchase 65,574 shares of additional Series D Preferred Stock). The closing of the transactions described in this Section 2.2(c) shall be referred to as the "Optional Increase Closing," and such purchases shall take place no later than thirty (30) days following the expiration of the Greenshoe Period.

(d) Each of the Secondary Closing, Greenshoe Closing, the Subscription Period Closing and the Optional Increase Closing shall be collectively referred to herein as the "Additional Closings." The Company will reaffirm the original representations and warranties given as of the Initial Closing Date at each of the Additional Closings.

2.3. Closing. The closing of the sale to and purchase by the Purchasers of the Series D Preferred Stock referred to in Section 2.2(a) hereof (the "Initial Closing") shall occur on September 21, 2001 (the "Initial Closing Date"). The Additional Closings shall take place on such date as set forth in Section 2.2.(b) or Section 2.2(c) (each an "Additional Closing Date"). Each of the Initial Closing and the Additional Closings shall occur at the offices of Bryan Cave LLP, One Metropolitan Square, Suite 3600, St. Louis, MO 63102 at 10:00 a.m. Central Standard Time. At the Initial Closing and the Additional Closings, (i) the Company shall deliver to each Purchaser certificates evidencing the Series D Preferred Stock being purchased by such Purchaser, free and clear of any Liens of any nature whatsoever, other than those created by the Certificate, registered in such Purchaser's name, and shall have delivered the SBIC Certificate to Walnut and KCEP, and (ii) each Purchaser shall deliver to the Company an amount equal to the Purchase Price multiplied by the number of shares purchased by such Purchaser, by cashier's check, wire transfer of immediately available funds.

ARTICLE 3.

CONDITIONS TO THE OBLIGATION OF THE PURCHASERS TO PURCHASE THE SECURITIES

The obligation of each Purchaser to purchase the Series D Preferred Stock, to pay the purchase prices therefor and to perform any obligations hereunder on the Initial Closing Date or Additional Closing Date, as the case may be (unless otherwise specified) shall be subject to the satisfaction as determined by, or waiver by, such Purchaser of the following conditions on or before the Initial Closing Date or Additional Closing Date, as the case may be:

3.1. Representations and Warranties. The representations and warranties of the Company contained in Article 5 hereof shall be true and correct at and as of the Initial Closing Date or Additional Closing Date, as the case may be (both before and after giving effect to the transactions contemplated under this Agreement), as if made at and as of such date.

3.2. Compliance with Terms and Conditions of this Agreement. The Company shall have duly and properly performed and complied with all of the agreements, covenants, obligations and conditions set forth herein that are required to be performed or complied with by the Company on or before the Initial Closing Date or Additional Closing Date, as the case may be.

3.3. Delivery of Certificates Evidencing the Series D Preferred Stock. The Company shall have delivered to each Purchaser the certificates evidencing the Series D Preferred Stock as set forth in Section 2.3.

3.4. Closing Certificates. The Company shall have delivered to each Purchaser a certificate executed by an authorized officer of the Company certifying to such matters as the Purchasers may reasonably request, including that the representations and warranties of the Company contained in the Agreement are true and correct on and as of the Initial Closing Date or Additional Closing Date, as the case may be, and that the conditions set forth in this Article 3 to be satisfied by the Company have been satisfied on and as of the Initial Closing Date or Additional Closing Date, as the case may be.

3.5. Secretary's Certificates. Each Purchaser shall have received a certificate from the Company, dated as of the Initial Closing Date or Additional Closing Date, as the case may be and signed by the Secretary or an Assistant Secretary of the Company, certifying that the attached copies of the Certificate, By-laws of the Company, and resolutions of the Board of Directors of the Company approving the Transaction Agreements and the transactions contemplated thereby, are all true, complete and correct and remain unamended and in full force and effect.

3.6. Documents. Each Purchaser or one Purchaser on behalf of all Purchasers shall have received true, complete and correct copies of such documents and such other information as it may have reasonably requested in connection with or relating to the sale of the Series D Preferred Stock and the transactions contemplated by the Transaction Agreements, all in form and substance reasonably satisfactory to the Purchasers prior to the Initial Closing.

3.7. Purchase Permitted by Applicable Laws. The acquisition of and payment for the Series D Preferred Stock to be acquired by the Purchasers hereunder and the consummation of the transactions contemplated by the Transaction Agreements shall not (a) violate any Requirements of Law, (b) result in a breach or default (i) under any of the Contractual Obligations of the Company or (ii) under any order, writ, judgment, injunction, decree, determination or award of any court, arbitrator, or commission, board, bureau, agency or other governmental instrumentality, (c) result in, or require, the creation or imposition of any Lien, or the obligation to make any payment with respect to any Lien, upon or with respect to any of the

property of the Company or (d) require any consents, approvals, exemptions, authorizations, registrations, declarations or filings by the Company.

3.8. Opinion of Counsel. Each Purchaser shall have received an opinion of counsel to the Company, dated as of the Initial Closing Date or Additional Closing Date, as the case may be substantially in the form of Exhibit E hereto.

3.9. Consents and Approvals. All agreements, approvals, consents, exemptions, authorizations, or other actions by, or notices to, or filings with, Governmental Authorities and other Persons in respect of all Requirements of Law and with respect to those material Contractual Obligations of the Company, necessary or required in connection with the execution, delivery or performance of the Transaction Agreements (including, without limitation, the issuance of the Series D Preferred Stock, and issuance of the Common Stock upon conversion of the Series D Preferred Stock) by the Company, shall have been obtained and be in full force and effect, and the Purchasers shall have been furnished with appropriate evidence thereof, and all waiting periods shall have lapsed without extension or the imposition of any conditions or restrictions.

3.10. Certain Waivers. Each holder of the shares of the capital stock of the Company (or any other party who may possess such rights) shall have waived any and all preemptive rights, rights of first refusal, "tag along" rights, rights of co-sale and any similar rights with respect to the issuance of the Series D Preferred Stock contemplated hereby.

3.11. No Material Adverse Effect. Since July 28, 2001, there shall have been no Material Adverse Effect.

3.12. No Material Judgment or Order. There shall not be on the Initial Closing Date or Additional Closing Date, as the case may be, any judgment or order of a court of competent jurisdiction or any ruling of any Governmental Authority or any condition imposed under any Requirement of Law which, in the reasonable judgment of the Purchasers, would (i) prohibit the purchase of the Series D Preferred Stock or the consummation of the other transactions contemplated hereunder, (ii) subject the Purchasers to any penalty if the Series D Preferred Stock were to be purchased hereunder, (iii) question the validity or legality of the transactions contemplated hereby, or (iv) be reasonably expected to adversely affect the value of the capital stock of the Company, the Series D Preferred Stock or the Condition of the Company.

3.13. Financial Statements. The Company shall have delivered to the Purchasers a copy of the audited balance sheet of the Company as of December 31, 2000 and the related consolidated statements of operations and cash flows for the fiscal year then ended, accompanied by the report of an independent auditor, together with a copy of the unaudited balance sheet of the Company as of July 28, 2001 and the related consolidated statements of operations and cash flows for the period then ended. Such financial statements fairly present the financial condition and results of operations in accordance with GAAP as of the dates and for the periods set forth in the balance sheet included therein and the results of operations of the Company for the period covered.

3.14. Registration Rights Agreement. The Company shall have duly executed and delivered to the Purchasers the Amended and Restated Registration Rights Agreement.

3.15. Stockholders' Agreement. The Company and the shareholders of the Company shall have duly executed and delivered to the Purchasers the Amended and Restated Stockholders' Agreement.

3.16. Stock Options. The Company shall have agreed to take and the shareholders of the Company shall have approved the following actions with respect to stock options for the Company's common stock (each an "Option"): (a) the Company shall increase the Option pool for existing management and new management team members from 1,374,074 to 2,200,000 (an increase of 825,926 shares); and (b) the Company shall grant a special Option to Maxine Clark to purchase 75,000 shares of Common Stock at $6.10 per share.

3.17. Investment Banker.

The Company shall have engaged an investment banker (the "Investment Banker") to represent the Company in connection with the sale of the Series E Preferred Stock and the Company's other financial and capital formation strategies.

3.18. Amendment to Certificate.

The Company shall have filed with the Delaware Secretary of State an amendment to its Certificate increasing the authorized capital stock of the Company from 30,000,000 to 50,000,000 shares and establishing the rights, preferences and privileges of the Series D Preferred Stock.

3.19 SBIC Certificate.

The following shall only be a condition to Walnut Investment Partners, L.P.'s and KCEP's obligation to close the transactions contemplated hereby: The Company shall have delivered the SBIC Certificate to Walnut Investment Partners, L.P. and KCEP.

ARTICLE 4.

CONDITIONS TO THE OBLIGATIONS OF THE COMPANY TO CLOSE

The obligation of the Company to issue and sell the Series D Preferred Stock and the other obligations of the Company hereunder, shall be subject to the satisfaction as determined by, or waiver by, the Company of the following conditions on or before the Initial Closing Date or Additional Closing Date, as the case may be, provided however, that the non-fulfillment of a condition by a Purchaser will not relieve the Company of its obligation to each other fulfilling Purchaser:

4.1. Representations and Warranties. The representations and warranties of the Purchasers contained in Section 6 hereof shall be true and correct at and as of the Initial Closing Date or Additional Closing Date, as the case may be (both before and after giving effect to the transactions contemplated under this Agreement) as if made at and as of such date.

4.2. Compliance with Terms and Conditions of this Agreement. The Purchasers shall have performed and complied with all of the obligations and conditions set forth herein that are required to be performed or complied with by the Purchasers on or before the Initial Closing Date or Additional Closing Date, as the case may be.

4.3. Issuance Permitted by Applicable Laws. The issuance of the Series D Preferred Stock by the Company hereunder and the consummation of the transactions contemplated by the Transaction Agreements shall not (a) violate any Requirements of Law, or (b) result in a breach or default (i) under any of the Contractual Obligations of the Purchasers, or (ii) under any order, writ, judgment, injunction, decree, determination or award of any court, arbitrator, or commission, board, bureau, agency or other governmental instrumentality, or (c) require any consents, approvals, exemptions, authorizations, registrations, declarations or filings by the Purchasers.

4.4. Payment of Purchase Price. The Purchasers shall tender to the Company the Purchase Price set forth in Section 2.2 in the respective amounts specified on Schedule 1 hereto, subject to Section 2.2(b) hereof.

4.5. Consents and Approvals. All agreements, approvals consents, exemptions, authorizations, or other actions by, or notices to, or filings with, Governmental Authorities and other Persons in respect of all Requirements of Law and with respect to those material Contractual Obligations of the Purchasers; necessary or required in connection with the execution, delivery or performance of the Transaction Agreements by each Purchaser, shall have been obtained and be in full force and effect, and the Company shall have been furnished with appropriate evidence thereof as requested by the Company and all waiting periods shall have lapsed without extension or imposition of any conditions or restrictions.

4.6. No Material Judgment or Order. There shall not be on the Initial Closing Date or Additional Closing Date, as the case may be any judgment or order of a court of competent jurisdiction or any ruling of any Governmental Authority or any condition imposed under any Requirements of Law which, in the reasonable judgment of the Company would (i) prohibit the sale of the Series D Preferred Stock or the consummation of the other transactions contemplated hereunder, (ii) subject the Company to any penalty if the Series D Preferred Stock were to be sold hereunder, or (iii) question the validity or legality of the transactions contemplated hereby.

4.7. Registration Rights Agreement. The Purchasers shall have duly executed and delivered to the Company the Amended and Restated Registration Rights Agreement.

4.8. Stockholders' Agreement. The Purchasers shall have duly executed and delivered to the Company the Amended and Restated Stockholders' Agreement.

ARTICLE 5.

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents and warrants to each of the Purchasers as of the date hereof as follows:

5.1. Corporate Existence and Authority. The Company (a) is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, (b) has all requisite corporate power and authority to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently, or is currently proposed to be engaged, (c) is duly qualified as a foreign corporation, licensed and in good standing in each jurisdiction in which such qualification is necessary under applicable law as a result of the conduct of its business or the ownership of its properties except where the failure to qualify would not have a Material Adverse Effect, and (d) has the corporate power and authority to execute, deliver and perform its obligations under each Transaction Agreement to which it is or will be a party.

5.2. Corporate Authorization; No Contravention. The execution, delivery and performance by the Company of each of the Transaction Agreements and the consummation of the transactions contemplated thereby, including without limitation, the issuance of the Series D Preferred Stock (a) has been duly authorized by all necessary corporate action, including, if required, stockholder action, (b) does not and will not conflict with or contravene the terms of the Certificate or the By-Laws of the Company, or any amendment thereof; and (c) does not and will not violate, conflict with or result in any material breach or contravention of (i) any Contractual Obligation of the Company or the Subsidiaries, or (ii) any Requirements of Law applicable to the Company or the Subsidiaries.

5.3. Governmental Authorization; Third Party Consents. No approval, consent, compliance, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person in respect of any applicable Requirements of Law, and no lapse of a waiting period under any applicable Requirements of Law, is necessary or required in connection with the execution, delivery or performance (including, without limitation, the issuance of the Series D Preferred Stock, the issuance of the Common Stock upon the conversion or exercise of the Series D Preferred Stock) by the Company or the enforcement against the Company of the Transaction Agreements or the transactions contemplated thereby.

5.4. Binding Effect. The Transaction Agreements have been duly executed and delivered by the Company and constitute the legal, valid and binding obligations of the Company enforceable against the Company in accordance with their terms, except as enforceability may be limited by applicable bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity relating to enforceability.

5.5. Other Agreements. None of the Company, BABW or the Subsidiaries have previously entered into any agreement which is currently in effect or to which the Company or the Subsidiaries are currently bound, granting any registration or other material rights to any Person, the provision or performance of which would render the provision or performance (including, without limitation, the issuance of the Series D Preferred Stock and the issuance of the Common Stock upon the conversion of the Series D Preferred Stock) of the material rights to be granted to the Purchasers by the Company in the Transaction Agreements impracticable.

5.6. Capitalization.

(a) As of the date hereof and prior to the consummation of the transactions contemplated hereby, the capital stock of the Company consists solely of (i) 15,000,000 authorized shares of Common Stock (of which 533,316 are issued and outstanding, 3,506,952 are reserved for issuance upon the exercise of outstanding shares of Series A Convertible Preferred Stock, 3,644,107 are reserved for issuance upon the exercise of outstanding shares of Series B Convertible Preferred Stock, and 4,998,089 are reserved for issuance upon exercise of Series C Convertible Preferred Stock and 804,815 are reserved for issuance upon the exercise of outstanding options); and (ii) 15,000,000 shares of Preferred Stock, consisting of (A) 3,506,952 authorized shares of Series A Convertible Preferred Stock (of which 3,506,952 are issued and outstanding); (B) 3,644,107 authorized shares of Series B Convertible Preferred Stock (of which 3,644,107 are issued and outstanding), (C) 4,998,089 authorized shares of Series C Convertible Preferred Stock(of which 4,998,089 are issued and outstanding), (D) 3,629,219 shares of Series D Preferred Stock reserved for the issuance of the Series D Preferred Stock hereunder, (of which none are be outstanding), and (E) the remainder of which are undesignated and not outstanding. Immediately following the Initial Closing, the capital stock of the Company will consist solely of (i) 25,000,000 authorized shares of Common Stock (of which 533,316 will be issued and outstanding, 3,506,952 will be reserved for issuance upon the exercise of outstanding shares of Series A Convertible Preferred Stock, 3,644,107 will be reserved for issuance upon the exercise of outstanding shares of Series B Convertible Preferred Stock, and 4,998,089 are reserved for issuance upon exercise of Series C Convertible Preferred Stock and 804,815 will be reserved for issuance upon the exercise of outstanding options); and (ii) 25,000,000 million shares of Preferred Stock, consisting of (A) 3,506,952 authorized shares of Series A Convertible Preferred Stock (of which 3,506,952 will be issued and outstanding); (B) 3,644,107 authorized shares of Series B Convertible Preferred Stock (of which 3,644,107 will be issued and outstanding), (C) 4,998,089 authorized shares of Series C Convertible Preferred (of which 4,998,089 are issued and outstanding), (D) 3,629,219 authorized shares of Series D Preferred Stock (of which 2,809,547 will be outstanding), and (E) the remainder of which are undesignated and not outstanding. A total of 16,654,828 fully diluted shares of Common Stock will be outstanding immediately following the consummation of the Initial Closing, assuming the conversion of all outstanding shares of Preferred Stock and the exercise of all outstanding options. All outstanding shares of capital stock of the Company are, and the Series D Preferred Stock (when issued, sold and delivered against payment therefor) will be, duly authorized and validly issued, fully paid, nonassessable and free and clear of any Liens, preferential rights, priorities, claims, options, charges or other encumbrances or restrictions, other than those created by the Certificate and the Stockholders' Agreement.

(b) Schedule 5.6 sets forth the name of each holder of the issued and outstanding capital stock of the Company, the number of shares of such capital stock held of record by each such holder, the name of each Person holding any options, warrants or other rights to purchase any capital stock of the Company, the number, class and series of shares of capital stock subject to each such option, warrant or right and the exercise price of each such option, warrant or right. Except as set forth on Schedule 5.6, and except for the stock options and rights referred to in Section 5.6(a) and the Series D Preferred Stock, there are no outstanding securities convertible into or exchangeable for capital stock of the Company or options, warrants or other rights to purchase or subscribe to capital stock of the Company or contracts, commitments, agreements, understandings or arrangements of any kind to which the Company or any such holder of capital stock is a party relating to the issuance of any capital stock of the Company, any such convertible or exchangeable securities or any such options, warrants or rights. Schedule 5.6 sets forth the dividends that have accrued to date on the Series A Convertible Preferred Stock. No dividends have been declared or paid on the Series A Convertible Preferred Stock.

(c) Except as set forth on Schedule 5.6 or as contained in any of the Transaction Documents, no Person has any preemptive rights, rights of first refusal, "tag along" rights, rights of co-sale or any similar rights with respect to the issuance of the Series D Preferred Stock contemplated hereby. Schedule 5.6 identifies all Persons holding any such rights and describes the material terms of all such rights and as of the Initial Closing Date, except for such rights contained in the Transaction Documents.

5.7. Subsidiaries. The Subsidiaries are the only subsidiaries of the Company. The Subsidiaries are limited liability companies duly organized, validly existing and in good standing under the laws of the State of Missouri, with the requisite power and authority to own its properties and conduct its business. The Subsidiaries are qualified and licensed to transact business in each jurisdiction where such qualification is necessary under applicable law as a result of the conduct of its business and ownership of its properties except where failure to qualify would not have a Material Adverse Effect. All of the outstanding ownership interests of the Subsidiaries have been duly authorized and validly issued and are fully paid and nonassessable. All of the outstanding ownership interests in the Subsidiaries are owned by the Company free and clear of any Liens, claims, options, charges or other encumbrances other than Permitted Liens. The Subsidiaries have no outstanding options, warrants, subscriptions, calls, rights, convertible securities or other agreements or commitments obligating the Subsidiaries to issue, transfer or sell any securities of the Subsidiaries or any phantom equity or similar plans.

5.8. Private Offering. No form of general solicitation or general advertising was used by the Company or its representatives in connection with the offer or sale of the Series D Preferred Stock. No registration of the Series D Preferred Stock pursuant to the provisions of the Securities Act will be required by the offer, sale or issuance of the Series D Preferred Stock pursuant to this Agreement. The Company agrees that neither it, nor anyone acting on its behalf, will offer or sell the Series D Preferred Stock or any other security so as to require the issuance and sale of the Series D Preferred Stock pursuant to the provisions of the Securities Act or any state securities or "blue sky" laws, unless such shares are so registered.

5.9. Litigation. Except as set forth on Schedule 5.9 or as disclosed in the Financial Statements, there is no complaint, action, order, writ, injunction, judgment or decree outstanding, or claim, suit, litigation, proceeding, labor dispute, arbitral action or investigation (collectively, "Actions") pending or, to the knowledge of the Company, threatened against or relating to (i) the assets of the Company or the Subsidiaries which would have a Material Adverse Effect, or (ii) the transactions required to be performed under this Agreement or by the Transaction Agreements. Neither the Company nor the Subsidiaries are in default with respect to any judgment, order, writ, injunction or decree of any court or governmental agency, and there are no unsatisfied judgments against the Company or the Subsidiaries.

5.10. Financial Statements. The Company has furnished the Purchasers with the audited balance sheet of the Company as of December 31, 2000 and the related statements of income and cash flows for the fiscal year then ended, accompanied by the report of an independent auditor (collectively, the "Audited Financial Statements"), together with a copy of the unaudited balance sheet of the Company as of July 28, 2001 and the related consolidated statements of operations and cash flows for the period then ended (collectively, together with the Audited Financial Statements, the "Financial Statements"). The Financial Statements fairly present the financial condition and results of operations in accordance with GAAP as of the dates set forth in the balance sheet included therein and the results of operations and cash flows of the Company for the periods covered.

5.11. Title and Condition of Assets.

(a) The Company has good, and with respect to real property, marketable, title to all of the real and personal property reflected on the balance sheets included in the Financial Statements or acquired by the Company and the Subsidiaries since July 28, 2001, free and clear of any Liens or defects of title, other than Permitted Liens. Except as set forth on Schedule 5.11, the Company has a valid and enforceable leasehold interest in all real property leased by it pursuant to the terms of the respective lease agreements. The Company is in compliance with all of its real estate leases except to the extent, either individually or in the aggregate, such non-compliance would not have a Material Adverse Effect, and such leases are sufficient for the conduct of the Company's business as now being conducted (without regard to the Company's expansion plans).

(b) The Facilities and Equipment are in good operating condition and repair (except for ordinary wear and tear and any defect the cost of repairing which would not be material), are sufficient for the operation of the Company's business (without regard to the Company's expansion plans) and are in conformity in all material respects with applicable laws, ordinances, orders, regulations and other requirements (including applicable zoning, environmental, motor vehicle safety standards, occupational safety and health laws and regulations) relating thereto, except where such failure to conform would not have a Material Adverse Effect. The Company enjoys peaceful and undisturbed possession of all Facilities owned or leased by the Company, and, to the knowledge of the Company, such Facilities are not subject to any encroachments, building or use restrictions, exceptions, reservations or limitations which in any material respect interfere with or impair the present and continued use thereof in the

usual and normal conduct of the business of the Company. There are no pending or, to the knowledge of the Company, threatened, condemnation proceedings relating to any of the Facilities. The Facilities and the Equipment are insured.

(c) Assets are valued on the books of the Company at or below actual cost less adequate and proper depreciation charges. The Company has not depreciated any of its assets for tax purposes in any manner inconsistent with the Code or the rules, regulations, or guidelines of the Internal Revenue Service.

5.12. Contractual Obligations.

Except as set forth on Schedule 5.12, the Company is not in default or breach under or with respect to any Contractual Obligation to which it is a party (and to the best knowledge of the Company, no other party to any such Contractual Obligation is in default or breach thereunder), except any such default which, individually or together with all such defaults, would not have a Material Adverse Effect or which would not materially affect the ability of the Company to perform its obligations under the Transaction Agreements. Neither the Company nor the Subsidiaries have received notice that any party to any such Contractual Obligation intends to cancel, amend or terminate any such agreement. All leases and agreements whereby the Company's commitments or receipts are reasonably expected to exceed $250,000 are valid and binding obligations of the Company and, to the Company's knowledge, the other parties thereto, enforceable by the Company and, to the Company's knowledge, the other parties thereto, in accordance with the terms thereof. All leases and all agreements whereby the Company's commitments or receipts are reasonably expected to exceed $250,000 are set forth on Schedule 5.12.

5.13. Patents, Trademarks, Etc. As of the Initial Closing, the Company owns or has applied for or is licensed or otherwise have the right to use all patents, trademarks, service marks, trade names, copyrights, licenses, franchises and other intellectual property rights that are material to the operation of the businesses of the Company (the "Intellectual Property"). All domestic registered patents, copyrights, trademarks and service marks are in full force and effect and are not subject to any taxes or other fees except for annual filing and maintenance fees. To the best of the Company's knowledge, no product, process, method, substance or other material presently sold by or employed by the Company, or which the Company contemplates selling or employing, infringes upon the patents, trademarks, service marks, trade names, copyrights, licenses or other intellectual property rights that are owned by others. Except as set forth on Schedule 5.13, no litigation is pending and no claim has been made against the Company or any Affiliate or, to the best knowledge of the Company, is threatened, contesting the right of the Company to sell or use any product, process, method, substance or other material presently sold by or employed by the Company.

5.14. Tax Matters.

(a) Filing of Tax Returns. The Company and BABW (each such entity hereinafter a "Taxpayer" or collectively the "Taxpayers") have timely filed with the appropriate taxing authorities all returns (including without limitation information returns and other material information) in respect of Taxes required to be filed through the date hereof and will timely file any such returns required to be filed on or prior to the Closing Date. The returns and other information filed (or to be filed) are complete and accurate in all material respects.

(b) Payment of Taxes. Except as set forth on Schedule 5.14, all Taxes due and payable of each of the Taxpayers in respect of periods beginning before the Closing Date have been timely paid, or will be timely paid prior to the Closing Date, and no Taxpayer has any material liability for Taxes in excess of the amounts so paid. All Taxes that each Taxpayer has been required to collect or withhold have been duly collected or withheld and, to the extent required when due, have been or will be (prior to the Closing Date) paid if due and payable to the proper taxing authority.

(c) Audits, Investigations or Claims. The federal income tax returns of each of the Taxpayers have not been examined by the Internal Revenue Service, and no material deficiencies for Taxes of any of the Taxpayers have been claimed, proposed or assessed by any taxing or other governmental authority against any of the Taxpayers. There are no pending or, to the best knowledge of the Taxpayers, threatened audits, investigations or claims for or relating to any material additional liability to any of them in respect of Taxes, and there are no matters under discussion with any governmental authorities with respect to Taxes that in the reasonable judgment of any of the Taxpayers, or its or their counsel, is likely to result in a material additional liability to any of them for Taxes. No audits of any of the Taxpayers' federal, state, and local returns for Taxes by the relevant taxing authorities are currently in process or, to the Company's knowledge, threatened. None of the Taxpayers have been notified that any taxing authority intends to audit a return for any period. No extension of a statute of limitations relating to Taxes is in effect with respect to any of the Taxpayers.

(d) Lien. There are no liens for Taxes on any assets of any Taxpayer other than Permitted Liens.

(e) Tax Elections; Tax Sharing Arrangements.

(i) None of the Taxpayers have made an election, and none of them are required, to treat any asset as owned by another person or as tax-exempt bond financed property or tax-exempt use property within the meaning of section 168 of the Code or under any comparable state or local income tax or other tax provision.

(ii) None of the Taxpayers are a party to or bound by any binding tax sharing, tax indemnity or tax allocation agreement or other similar arrangement with any other party.

(iii) None of the Taxpayers have filed a consent pursuant to the collapsible corporation provisions of Section 341(f) of the Code (or any corresponding provision of state or local law) or agreed to have Section 341(f)(2) of the Code (or any corresponding provision of state or local law) apply to any disposition of any asset owned by it.

(f) Affiliated Group. None of the Taxpayers have ever been a member of an affiliated group of corporations, within the meaning of Section 1504 of the Code.

(g) Section 481(a). None of the Taxpayers have agreed to make, or are required to make, any adjustment under Section 481(a) of the Code by reason of a change in accounting method or otherwise.

(h) Excess Parachute Payments. Except as set forth on Schedule 5.14, none of the Taxpayers are a party to any agreement, contract, arrangement or plan that has resulted or would result, separately or in the aggregate, in the payment of any "excess parachute payments" within the meaning of Section 280G of the Code.

5.15 Severance Arrangements. Except as set forth on Schedule 5.15, neither the Company nor the Subsidiaries have entered into any severance or similar arrangement in respect of any present or former employee of the Company that will result in any obligation (absolute or contingent) of the Purchasers or the Company to make any payment to any present or former employee following termination of employment.

5.16 No Material Adverse Effect. Since July 28, 2001, there has not been any Material Adverse Effect.

5.17 Environmental Matters.

(a) Except as set forth on Schedule 5.17, to the best knowledge of the Company, the property, assets and operations of the Company, BABW and the Subsidiaries are and have been in compliance in all material respects with all applicable Environmental Laws; to the best knowledge of the Company there are and have been no Hazardous Materials stored, handled or otherwise located in, on or under any of the property or assets of the Company and the Subsidiaries, including the groundwater other than in compliance with any Environmental Law; and, to the best knowledge of the Company, there have been no reportable releases of Hazardous Materials in, on or under any property adjoining any of the property or assets of the Company and the Subsidiaries. Neither the Company, BABW nor the Subsidiaries have stored or caused to be stored any Hazardous Materials on or under any of the property or assets of the Company, including the groundwater, other than in compliance with Environmental Laws; and the neither the Company, BABW nor the Subsidiaries have generated, released or discharged any Hazardous Materials other than in compliance with Environmental Laws.

(b) To the best knowledge of the Company, none of the property, assets or operations of the Company, BABW or the Subsidiaries are or has been the subject of any federal, state or local investigation evaluating whether (i) any remedial action is needed to respond to a release or threatened release of any Hazardous Materials into the environment or (ii) any release or threatened release of any Hazardous Materials into the environment is in contravention of any Environmental Law.

(c) There are no pending, or, to the best knowledge of the Company, threatened lawsuits or proceedings against the Company, BABW or the Subsidiaries, with respect to violations of an Environmental Law or in connection with the presence of or exposure to any Hazardous Materials in the environment or any release or threatened release of any Hazardous Materials into the environment, and neither the Company nor the Subsidiaries are or was the owner or operator of any property which (i) pursuant to any Environmental Law has been placed on any list of Hazardous Materials disposal sites, including without limitation, the "National Priorities List" or "CERCLIS List," (ii) has or, to the best knowledge of the Company, had any subsurface storage tanks located thereon; or (iii) to the knowledge of the Company, has ever been used as or for a waste disposal facility, a mine, a gasoline service station or a petroleum products storage facility.

(d) To the best knowledge of the Company, neither the Company, BABW nor the Subsidiaries have any present or contingent liability in connection which the presence either on or off the property or assets of the Company or any Affiliate of any Hazardous Materials in the environment or any release or threatened release of any Hazardous Materials into the environment, except for any such liability that would not have a Material Adverse Effect on the Condition of the Company.

5.18 Investment Company/Government Regulations. Immediately following the all of the closings hereunder, after giving effect to the transactions contemplated hereby, neither the Company nor any Person controlling, controlled by or under common control with the Company will be an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

5.19 Broker's, Finder's or Similar Fees. There are no brokerage commissions, finder's fees or similar fees or commissions payable in connection with the transactions contemplated hereby based on any agreement, arrangement or understanding with the Company or any officer, director, shareholder, or Affiliate of the Company, or any action taken by any such person.

5.20 Labor Relations and Employee Matters.

(a) The Company is not engaged in any unfair labor practice. There is (i) no unfair labor practice complaint pending or, to the best knowledge of the Company, threatened against the Company or BABW before the National Labor Relations Board, and no grievance or arbitration proceeding arising out of or under collective bargaining agreements is so pending or, to the best knowledge of the Company, threatened against the Company, (ii) no strike, labor

dispute, slowdown or stoppage pending or, to the best knowledge of the Company, threatened against the Company, and (iii) no union representation question existing with respect to the employees of the Company and, to the knowledge of the Company, no union organizing activities are taking place.

(b) Except as set forth on Schedule 5.20, the Company is not a party to any employment agreement (other than "at will" employment relationships), collective bargaining agreement or covenant not to compete.

5.21 Employee Benefits Matters.

(a) Except as set forth on Schedule 5.21, neither the Company nor the Subsidiaries maintains or contributes to any Employee Plans which cover or have covered employees of the Company or a Affiliate (with respect to their relationship with such entities).

(b) Except as set forth on Schedule 5.21, the Company represents as follows:

(1) Deductibility of Payments. There is no contract, agreement, plan or arrangement covering any employee or former employee of the Company or the Subsidiaries (with respect to their relationship with such entities) that, individually or collectively, provides for the payment by the Company of any amount (i) that is not deductible under Section 162(a)(1) or 404 of the Code or (ii) that is an "excess parachute payment" pursuant to Section 280G of the Code.

(2) No Amendments. Neither the Company nor the Subsidiaries have any announced plan or legally binding commitment to create any additional Employee Plans which are intended to cover employees or former employees of the Company or the Subsidiaries(with respect to their relationship with such entities) or to amend or modify any existing Employee Plan which covers or has covered employees or former employees of the Company or the Subsidiaries(with respect to their relationship with such entities).

(3) No Other Material Liability. No event has occurred in connection with which the Company or any ERISA Affiliate or any Employee Plan, directly or indirectly, could be subject to any material liability (i) under any statute, regulation or governmental order relating to any Employee Plans or (ii) pursuant to any obligation of the Company or the Subsidiaries to indemnify any person against liability incurred under, any such statute, regulation or order as they relate to the Employee Plans.

5.22 Potential Conflicts of Interest. Except as set forth on Schedule 5.22, no officer, director or stockholder of five percent (5%) or more of the aggregate number of shares of Common Stock then outstanding on a fully diluted basis of the Company or the Subsidiaries, no spouse of any such officer, director or stockholder: (a) owns, directly or indirectly, any interest in, or is an officer, director, employee or consultant of, any Person which is, or is engaged in business as, a competitor, lessor, lessee, supplier, distributor, sales agent or customer of, or

lender to or borrower from, the Company; (b) owns, directly or indirectly, in whole or in part, any tangible or intangible property that the Company uses in the conduct of business; or (c) has any cause of action or other claim whatsoever against, or owes any amount to, the Company, except for claims in the ordinary course of business such as for accrued vacation pay, accrued benefits under employee benefit plans, and similar matters and agreements existing on the date hereof and described on Schedule 5.22.

5.23 Business Relationships. There exists no actual or, to the best of the Company's knowledge, threatened, termination, cancellation or limitation of, or any adverse modification or change in, the business relationship of the Company with any customer, supplier or any group of customers or suppliers whose purchases or sales, as the case may be, are individually or in the aggregate are material to the Condition of the Company, and there exists no present condition or state of facts or circumstances that would have a Materially Adverse Effect or prevent the Company from conducting its business after the consummation of this Agreement, in substantially the same manner in which it has been heretofore conducted by BABW and the Company.

5.24 Outstanding Borrowings. Schedule 5.24 lists the amount of all Outstanding Borrowings as of the date hereof and the name of each lender thereof. Except as set forth in Schedule 5.24, the Company is not in default under any Outstanding Borrowings.

5.25 Insurance. Schedule 5.25 accurately summarizes all of the insurance policies or programs of the Company in effect as of the date hereof, including key person insurance, directors and officers liability insurance, and indicates the insurer's name, policy number, expiration date, amount of coverage, type of coverage, annual premiums and deductibles, and also indicates any self-insurance program that is in effect. The Company's insurance policies or programs are in full force and effect and are adequate to protect the Company's assets, and businesses and to cover property damage by fire, business interruption or other casualty, sufficient in amount to allow it to replace any of its properties damaged or destroyed and are adequate to protect against all liabilities, claims, and risks against which it is customary to insure.

5.26 Undisclosed Liabilities. The Company has no liabilities or obligations (absolute, accrued, contingent or otherwise) except (i) liabilities that are reflected and reserved against on the balance sheets included in the Financial Statements (including the notes thereto), (ii) liabilities incurred in the ordinary course of business since July 28, 2001, and (iii) liabilities arising under the Company's Contractual Obligations.

5.27 Solvency. Neither the Company nor any Affiliate has (i) made a general assignment for the benefit of its creditors, (ii) filed any voluntary petition in bankruptcy or suffered the filing of any involuntary petition in bankruptcy by its creditors, (iii) suffered the appointment of a receiver to take possession of all or substantially all of its assets or properties, (iv) suffered the attachment or other judicial seizure of all or substantially all of its assets or (v) admitted in writing its inability to pay its debts as they come due.

5.28 Compliance with Law. The Company and the conduct of its business is in compliance with all applicable laws, statutes, ordinances and regulations, whether federal, state or local, except where the failure to comply would not have a Material Adverse Effect. Neither the Company nor the Subsidiaries have received any written notice to the effect that it is not in compliance with any of such statutes, regulations, orders, ordinances or other laws where the failure to comply would have a Material Adverse Effect.

5.29 No Other Agreements to Sell the Assets or Capital Stock of the Company. Except as set forth on Schedule 5.29, neither the Company nor any Affiliate has any legal obligation, absolute or contingent, other than the obligations under the Transaction Agreements, to any person or firm to (i) sell the assets other than in the ordinary course of business consistent with past practices, (ii) sell any capital stock of the Company (other than as set forth in Section 5.6) or effect any merger, consolidation or other reorganization of the Company or (iii) enter into any agreement with respect any of the foregoing, other than agreements related to the merger of BABW with and into the Company and the Transaction Documents.

5.30 Inventory. The value at which the inventory of the Company is carried on the Financial Statements reflects the customary inventory valuation policy of the Company and is in accordance with GAAP consistently applied. The current inventory of the Company and its Subsidiaries consists of items of a quantity and quality which are usable and saleable in the ordinary course of business except to the extent deviations in such quality or quantity could not have, individually or in the aggregate, a Material Adverse Effect.

5.31 Suppliers. Except as disclosed on Schedule 5.31, the Company has not received any actual notice that any current supplier that sold goods or merchandise to the Company in an aggregate amount in excess of $250,000 during the preceding twelve months will not sell raw materials, supplies, merchandise and other goods to the Company at any time after the Initial Closing Date on terms and conditions substantially similar to those currently in effect, subject only to general and customary price increases.

5.32 Changes.

Except as set forth on Schedule 5.32, since July 28, 2001, there has not been:

(a) any change in the assets, liabilities, financial condition or operating results of the Company from that reflected in the Financial Statements, except changes in the ordinary course of business that have not been materially adverse;

(b) any damage, destruction or loss, whether or not covered by insurance, materially and adversely affecting the assets, properties, financial condition, operating results, prospects or business of the Company (as such business is presently conducted);

(c) any waiver by the Company of a material right or of a material debt owed to it;

(d) any satisfaction or discharge of any lien, claim or encumbrance or payment of any obligation by the Company, except in the ordinary course of business and that is not material to the assets, properties, financial condition, operating results or business of the Company (as such business is presently conducted and as it is proposed to be conducted);

(e) any material change or amendment to a material contract or arrangement by which the Company or any of its assets or properties is bound or subject;

(f) any material change in any compensation arrangement or agreement with any employee;

(g) any sale, assignment or transfer of any patents, trademarks, copyrights, trade secrets or other intangible assets;

(h) any resignation or termination of employment of any key officer of the Company; and to the knowledge of the Company, there is no impending resignation or termination of employment of any such officer;

(i) receipt of notice that there has been a loss of, or material order cancellation by, any major customer of the Company;

(j) receipt of notice that any material supplier or third-party outsourcing provider will no longer supply products or services to the Company;

(k) any mortgage, pledge, transfer of a security interest in, or lien, created by the Company, with respect to any of its material properties or assets, except liens for taxes not yet due or payable;

(l) any loans or guarantees made by the Company to or for the benefit of its employees, officers or directors, or any members of their immediate families, other than travel advances and other advances made in the ordinary course of its business;

(m) any declaration, setting aside or payment or other distribution in respect of any of the Company's capital stock, or any direct or indirect redemption, purchase or other acquisition of any of such stock by the Company;

(n) to the Company's knowledge, any other event or condition of any character that would reasonably be expected to materially and adversely affect the assets, properties, financial condition, operating results or business of the Company (as such business is presently conducted); or

(o) any agreement or commitment by the Company to do any of the things described in this Section 5.32.

5.33 Certain Payments. Neither the Company nor any director, officer, agent, or employee of the Company, or any other Person associated with or acting for or on behalf of the Company has directly or indirectly (a) made any contribution, gift, bribe, payoff, influence payment, kickback, or other payment to any person, private or public, regardless of form, whether in money, property, or services (i) to obtain favorable treatment in securing business, (ii) to pay for favorable treatment for business secured, (iii) to obtain special concessions or for special concessions already obtained, for or in respect of the Company, or (iv) in violation of any law, (b) established or maintained any fund or asset that has not been recorded in the books and records of the Company.

ARTICLE 6.

REPRESENTATIONS AND WARRANTIES OF THE PURCHASERS

Each Purchaser, severally but not jointly, hereby represents and warrants to the Company as of the date hereof as follows:

6.1. Existence and Authority. Such Purchaser who is not a natural person: (a) is a corporation, limited liability company, or limited partnership duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation, (b) has all requisite partnership or corporate power and authority to own its assets and operate its business, and (c) has all requisite corporate or partnership power and authority to execute, deliver and perform its obligations under each of the Transaction Agreements to which it is or will be a party.

6.2. Authorization; No Contravention. The execution, delivery and performance by such Purchaser of the Transaction Agreements to which it is a party and the consummation of the transactions contemplated thereby, including, without limitation, the acquisition of the Series D Preferred Stock: (a) is within such Purchaser's partnership or corporate power and authority and has been duly authorized by all necessary partnership or corporate action on the part of such Purchaser; (b) does not conflict with or contravene the terms of such Purchaser's partnership agreement or certificate of limited partnership or certificate of incorporation or bylaws or any amendment thereof; and (c) will not violate, conflict with or result in any material breach or contravention of (i) any Contractual Obligation of such Purchaser, or (ii) the Requirements of Law or any order or decree applicable to such Purchaser.

6.3. Binding Effect. This Agreement has been duly executed and delivered by such Purchaser, and this Agreement constitutes the legal, valid and binding obligation of such Purchaser, enforceable against it in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability.

6.4. Purchase for Own Account. The Series D Preferred Stock and the Common Stock to be issued upon conversion of the Series D Preferred Stock, are being or will be acquired by such Purchaser for its own account and with no intention of distributing or reselling such securities or any part thereof in any transaction that would be in violation of the securities laws of the United States of America, or any state. Such Purchaser agrees to the imprinting, so long as required by law, of legends on certificates representing all of the Series D Preferred Stock or the shares of Common Stock to be issued upon conversion of the Series D Preferred Stock to the following effect:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN APPLICABLE EXEMPTION TO THE REGISTRATION REQUIREMENTS OF SUCH ACT OR SUCH LAWS."

"THE SALE, TRANSFER OR ENCUMBRANCE OF THIS CERTIFICATE IS SUBJECT TO AN AMENDED AND RESTATED STOCKHOLDERS' AGREEMENT DATED AS OF SEPTEMBER __, 2001 BETWEEN THE CORPORATION AND CERTAIN HOLDERS OF SHARES OF THE CAPITAL STOCK OF THE CORPORATION. A COPY OF THIS AGREEMENT IS ON FILE IN THE OFFICE OF THE SECRETARY OF THE CORPORATION AND MAY BE OBTAINED FROM THE COMPANY UPON REQUEST. THE AGREEMENT PROVIDES, AMONG OTHER THINGS, FOR CERTAIN OBLIGATIONS TO SELL AND TO PURCHASE THE SHARES EVIDENCED BY THIS CERTIFICATE, FOR A DESIGNATED PURCHASE PRICE. BY ACCEPTING THE SHARES EVIDENCED BY THIS CERTIFICATE THE HOLDER AGREES TO BE BOUND BY SAID AGREEMENT."

6.5. Accredited Investor Status; Institutional Investor Status. Such Purchaser is an "accredited investor" as such term is defined in Rule 501(a) of Regulation D, promulgated under the Securities Act.

6.6 Broker's, Finder's or Similar Fees. There are no brokerage commissions, finder's fees or similar fees or commissions payable by the Company in connection with the transactions contemplated hereby based on any agreement, arrangement or understanding with the Purchasers.

6.7 Exculpation Among Purchasers.

Each Purchaser acknowledges that in making its decision to invest in the Company, it is not relying on any other Purchaser or upon any person, firm or company, other than the Company and its officers, employees and/or directors. Each Purchaser agrees that no other Purchaser, nor the partners, employees, officers or controlling persons of any other Purchaser shall be liable for any actions taken by such Purchaser, or omitted to be taken by such Purchaser, in connection with such investment.

6.8 No Public Market. Each Purchaser acknowledges and understands that no public market now exists for any securities of the Company and that the Company has made no assurances that a public market will ever exist for any securities of the Company.

6.9 Access to Data. Each Purchaser has had an opportunity to discuss the Company's business, management and financial affairs with the Company's officers and management.

6.10 Potential Conflicts of Interest.

Except as set forth on Schedule 5.22, no Purchaser who is an officer, director or stockholder of five percent (5%) or more of the aggregate number of shares of Common Stock then outstanding on a fully diluted basis of the Company or the Subsidiaries, or spouse of any such officer, director or stockholder: (a) owns, directly or indirectly, any interest in, or is an officer, director, employee or consultant of, any Person which is, or is engaged in business as, a competitor, lessor, lessee, supplier, distributor, sales agent or customer of, or lender to or borrower from, the Company; (b) owns, directly or indirectly, in whole or in part, any tangible or intangible property that the Company uses in the conduct of business; or (c) has any cause of action or other claim whatsoever against, or owes any amount to, the Company, except for claims in the ordinary course of business such as for accrued vacation pay, accrued benefits under employee benefit plans, and similar matters and agreements existing on the date hereof and described on Schedule 5.22.

ARTICLE 7.

COVENANTS OF THE COMPANY WITH RESPECT TO THE PERIOD FOLLOWING THE CLOSING

Until (i) all shares of Series D Preferred Stock and Common Stock are no longer outstanding due to conversion, redemption or otherwise, and (ii) the Company has paid to the Purchasers all other amounts due to them under the Transaction Agreements or the Certificate, the Company hereby covenants and agrees with the Purchasers as follows, except with respect to the obligations of the Company set forth in paragraph 8.1 which shall terminate upon the earlier of either (a) a Qualified Initial Public Offering or (b) the date on which the Purchasers or their Affiliates hold less than 15% of the Series D Preferred Stock (or Common Stock issued upon conversion of such Series D Preferred Stock) issued hereunder:

7.1. Notices. Within 5 business days of obtaining knowledge of any of the events described below, the Company shall give notice to the Purchasers:

(a) any of the following: (i) default or event of default under any material Contractual Obligation of the Company or any Affiliate, (ii) initiation or resolution of any material dispute, litigation, investigation, or proceeding which may exist at any time between the Company or any Affiliate and any private third party or Governmental Authority, and (iii) any default or breach of the terms of any of the Transaction Agreements by the Company; and

(b) any other matter that has resulted in a Material Adverse Effect in the Condition of the Company.

Each notice pursuant to this Section 7.1 shall be accompanied by a statement on behalf of the Company by the Chief Executive Officer, President or Chief Financial Officer of the Company setting forth details of the occurrence referred to therein, stating what action the Company proposes to take with respect thereto, the Company officer responsible for such action and the timetable with respect to such action.

7.2. Reservation of Shares. The Company shall at all times reserve and keep available out of its authorized Common Stock, solely for the purpose of issue or delivery upon conversion of the Series D Preferred Stock as provided in the Certificate, the maximum number of shares of Common Stock that may be issuable or deliverable upon such conversion, the maximum number of shares of Series E Preferred Stock issuable at the time of the Series E Closing, as well as the number of shares of Common Stock that may be issuable or deliverable upon conversion of the Series D Preferred Stock issued to the Purchasers as dividends. Such shares of Common Stock shall, when issued or delivered in accordance with the provisions of the Certificate, be duly authorized, validly issued and fully paid and non-assessable. The Company shall issue such Common Stock in accordance with the provisions of the Certificate and shall otherwise comply with the terms thereof.

7.3 Series E Closing. The Company will use reasonable business efforts, subject to the discretion of the Board of Directors of the Company, to issue and receive proceeds of Ten Million Dollars ($10,000,000) for Series E Preferred Stock sold on or before June 30, 2002. The closing of such transaction is sometimes referred to herein as the "Series E Closing." The Series E Preferred Stock shall have such rights as designated in the Certificate of Designation for the Series E Preferred Stock filed at the time of the Series E Closing, provided that in no event shall the Series E Preferred Stock have dividend rights, preemptive rights, liquidation rights and participation rights which are more favorable than the rights granted to the Series D Preferred Stock. In the event any such rights are granted to the Series E Preferred Stock which are more favorable than those granted to the Series D Preferred Stock, then the Company shall amend the Certificate as it relates to the Series D Preferred Stock such that the rights granted therein are similar to those granted to the Series E Preferred Stock, unless such more favorable rights are approved by the holders of at least 75% of the holders of the Series A Preferred Stock, the Series B Preferred Stock, the Series C Preferred Stock and the Series D Preferred Stock.

7.4 Use of Proceeds.

The Company shall not use the proceeds of the sale of the Series D Preferred Stock hereunder for the redemption of any of its capital stock or the payment of dividends on shares of its capital stock or any purpose other than working capital in the ordinary course of business.

7.5 Line of Credit.

The Company shall use reasonable business efforts to increase the aggregate funds available under its line(s) of credit to Twenty-Five Million Dollars ($25,000,000) on or before December 31, 2001.

7.6 Board of Directors.

Within 60 days of the date of the Initial Closing of the Series D Preferred Stock, the currently authorized second Board of Directors seat that is to be designated by SSI (as defined in the Amended and Restated Stockholders' Agreement) shall be filled.

7.7 Insurance.

The Company shall maintain in force its directors and officers liability insurance as currently in effect.

ARTICLE 8.

INDEMNIFICATION

8.1. Indemnification. The Company with respect to the Purchasers or the Purchasers, severally and not jointly, with respect to the Company (the "Indemnifying Party") agrees to indemnify and hold harmless each Purchaser or the Company, as the case may be, and its Affiliates and its respective officers, directors, agents, employees, Affiliates, partners, shareholders and assigns (each, an "Indemnified Party") to the fullest extent permitted by law from and against any and all (i) Environmental Expenses that are the proximate cause of the Company's violation of any Environmental Law and (ii) tax liabilities, losses, costs, claims, damages, expenses (including reasonable fees, disbursements and other charges of counsel) (collectively, "Liabilities") based upon, relating to or arising out of any breach of any representation or warranty, covenant or agreement of such Indemnifying Party in this Agreement or any legal, administrative or other actions (including actions brought by any of the Purchasers or any Indemnifying Party or any equity holders of the Company or derivative actions brought by any Person claiming through or in the Company's name), proceedings or investigations (whether formal or informal), based upon, relating to or arising out of (A) the status of the Purchasers as shareholders of the Company and the existence or exercise of the rights and powers of the Purchasers relating (including without limitation, any claim against any Indemnified Party relating to Environmental Matters), (B) violations of applicable securities laws by the Company

in connection with the offering of the Shares, or (C) third party claims that the Series D Preferred Stock hereunder violate preexisting understandings or arrangements with the Company upon the settlement or final judicial determination of (A) through (C) above; provided, however, that no Indemnifying Party shall be liable under this Section 8.1 to an Indemnified Party: (a) for any amount paid in settlement of claims without such Indemnifying Party's consent (which consent shall not be unreasonably withheld), (b) to the extent that it is finally judicially determined that such Liabilities resulted solely from the willful misconduct or gross negligence of such Indemnified Party, or (c) to the extent that it is finally judicially determined that such Liabilities resulted solely from the breach by such Indemnified Party of any representation, warranty, covenant or other agreement of such Indemnified Party contained in this Agreement; provided, further, that if and to the extent that such indemnification is unenforceable for any reason, the Indemnifying Party shall make the maximum contribution to the payment and satisfaction of such indemnified liability which shall be permissible under applicable laws. In connection with the obligation of the Indemnifying Party to indemnify for expenses as set forth above, the Indemnifying Party further agrees to reimburse each Indemnified Party for all such expenses (including reasonable fees, disbursements and other charges of counsel) as they are incurred by such Indemnified Party.

8.2. Notification. Each Indemnified Party under this Article 8 will, promptly after the receipt of notice of the commencement of any action, investigation, claim or other proceeding against such Indemnified Party in respect of which indemnity may be sought from any Indemnifying Party under this Article 9, notify the Indemnifying Party in writing of the commencement thereof. The omission of any Indemnified Party to so notify the Indemnifying Party of any such action shall not relieve the Indemnifying Party from any liability which it may have to such Indemnified Party under this Article 8 except to the extent that such failure to notify results in a loss of a material defense of such Indemnified Party. In case any such action, claim or other proceeding shall be brought against any Indemnified Party and such Indemnified Party shall notify the Indemnifying Party of the commencement thereof, the Indemnifying Party shall be entitled to assume the defense thereof at its own expense, with counsel satisfactory to such Indemnified Party in its reasonable judgment; provided, however, that any Indemnified Party may, at its own expense, retain separate counsel to participate in such defense. Notwithstanding the foregoing, in any action, claim or proceeding in which both the Indemnifying Party, on the one hand, and an Indemnified Party, on the other hand, is, or is reasonably likely to become, a party, such Indemnified Party shall have the right to employ separate counsel at the Indemnifying Party's expense and to control its own defense of such action, claim or proceeding if, in the reasonable opinion of counsel to such Indemnified Party, a conflict or potential conflict exists between the Indemnifying Party, on the one hand, and such Indemnified Party, on the other hand, that would make such separate representation advisable. The Indemnifying Party agrees that it will not, without the prior written consent of the Purchasers (such consent not to be unreasonably withheld), settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding relating to the matters contemplated hereby (if any Indemnified Party is a party thereto or has been actually threatened to be made a party thereto) unless such settlement, compromise or consent includes an unconditional release of the Purchasers (and each other Indemnified Party) from all liability arising or that may arise out of such claim, action or proceeding. The rights accorded to Indemnified Parties hereunder shall be

in addition to any rights that any Indemnified Party may have at common law, by separate agreement or otherwise.

8.3. Amended and Restated Registration Rights Agreement. Notwithstanding anything to the contrary in this Article 8, the indemnification and contribution provisions of the Amended and Restated Registration Rights Agreement shall govern any claim made with respect to registration statements filed pursuant thereto or sales made thereunder.

ARTICLE 9.

MISCELLANEOUS

9.1. Survival of Representations and Warranties. All of the representations and warranties made herein shall survive the Initial Closing Date or Additional Closing Date, as the case may be of this Agreement for a period of two (2) years from the date hereof except the representations and warranties in (i) Section 5.17 shall survive until the statute of limitations period has expired for such representations and warranties and (ii) Section 5.14 and Section 6.10 shall survive until thirty days after the expiration of the statute of limitations period has expired for such representations and warranties.

9.2. Notices. All notices, demands and other communications provided for or permitted hereunder shall be made in writing and shall be by registered or certified first-class mail, return receipt requested, courier service or personal delivery:

(a) if to the Company:

Build-A-Bear Workshop, Inc.
1964 Innerbelt Business Center Drive
St. Louis, Missouri 63114-5760
Attention: Maxine Clark
Facsimile (not to be deemed notice): 314-423-8188

with a copy to:

Bryan Cave LLP
211 N. Broadway, Suite 3600
St. Louis, Missouri 63102
Attention: James H. Erlinger III
Facsimile (not to be deemed notice): 314-259-2020

(b) if to a Purchaser, to the last recorded address on the books and records of the Company with a copy to the last known counsel of such Purchaser.

With a copy to:

Latham & Watkins
555 Eleventh Street N.W., Suite 1000
Washington, D.C. 20004-1304
Attention: David McPherson
Facsimile (not to be deemed notice): 202-637-2201

All such notices and communications shall be deemed to have been duly given: when delivered by hand, if personally delivered; when delivered by courier, if delivered by commercial overnight courier service; when mailed, five business days after being deposited in the mail, postage prepaid.

9.3. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of the parties hereto. Neither the Company nor any of the Purchasers may assign any of its rights under this Agreement without the written consent of each of the other Parties hereto provided however that any Purchaser may assign its rights and obligations to one or more Affiliates or wholly-owned corporations, which shall agree to be bound by the terms hereof. Except as provided in Article 9, no Person other than the parties hereto and their successors and permitted assigns is intended to be a beneficiary of any of the Transaction Agreements.

9.4. Amendment and Waiver.

(a) No failure or delay on the part of the Company, or the Purchasers in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies provided for herein are cumulative and are not exclusive of any remedies that may be available to the Company or the Purchasers at law, in equity or otherwise.

(b) Any amendment, supplement or modification of or to any provision of this Agreement, any waiver of any provision of this Agreement, and any consent to any departure by any party from the terms of any provision of this Agreement, shall be effective (i) only if it is made or given in writing and signed by the Company and all of the Purchasers, and (ii) only in the specific instance and for the specific purpose for which made or given. Except where notice is specifically required by this Agreement, no notice to or demand on any party in any case shall entitle any party hereto to any other or further notice or demand in similar or other circumstances.

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

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

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

9.8. Jurisdiction. Each party to this Agreement hereby irrevocably agrees that any legal action or proceeding arising out of or relating to this Agreement or any agreements or transactions contemplated hereby shall be brought in the courts of the United States of America for the Eastern District of Missouri and hereby expressly submits to the personal jurisdiction and venue of such courts for the purposes thereof and expressly waives any claim of improper venue and any claim that such courts are an inconvenient forum. Each party hereby irrevocably consents to the service of process of any of the aforementioned courts in any such suit, action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the address set forth in Section 10.3, such service to become effective 10 days after such mailing.

9.9. Severability. If any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired, unless the provision or provisions held invalid, illegal or unenforceable shall substantially impair the remaining provisions hereof.

9.10. Rules of Construction. Unless the context otherwise requires, "or" is not exclusive, and references to sections or subsections refer to sections or subsections of this Agreement.

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

9.12. Transaction Expenses. The Company will pay the Transaction Expenses.

9.13. Publicity. Except as may be required by applicable law, none of the parties hereto shall issue a publicity release or announcement or otherwise make any public disclosure concerning this Agreement or the transactions contemplated hereby, without prior approval by the other parties hereto. If any announcement is required by law to be made by any party hereto, prior to making such announcement such party will deliver a draft of such announcement to the other parties and shall give the other parties an opportunity to comment thereon.

9.14. Further Assurances. Upon the terms and subject to the conditions contained herein, each of the parties hereto agrees, both before and after the Closing, (i) to use all

reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective the transactions contemplated by this Agreement, (ii) to execute any documents, instruments or conveyances of any kind which may be reasonably necessary or advisable to carry out any of the transactions contemplated hereunder, and (iii) to cooperate with each other in connection with the foregoing, including using their respective best efforts (A) to obtain all necessary waivers, consents and approvals from other parties that may be required; (B) to obtain all necessary permits as are required to be obtained under any federal, state, local or foreign law or regulations, and (C) to fulfill all conditions to this Agreement.

9.15. Rights of Purchasers Inter Se. Each Purchaser shall have the absolute right to exercise or refrain from exercising any right or rights which such Purchaser may have by reason of this Agreement or any security, including, without limitation, the right to consent to the waiver of any obligation of the Company under this Agreement and to enter into an agreement with the Company for the purpose of modifying this Agreement or any agreement effecting any such modification, and such Purchasers shall not incur any liability to any other or with respect to exercising or remaining from exercising any such right or rights.

9.16. Severability of the Representations, Warranties and Covenants.

No Purchaser shall be liable to the Company for the breach or violation, if any, of any representation, warranty or covenant made or to be complied with by any of the other Purchasers, but each such Purchaser shall be liable to the Company solely for its own breaches or violations, if any, of any representation, warranty or covenant made or to be complied with by such Purchasers. For purposes of this Section 9.16, Catterton shall be deemed to be one Purchaser.

9.17. Arbitration. If any controversy or dispute shall arise between the parties hereto in connection with, arising from or in respect to this Agreement, any provision hereof, or any provision of any instrument, document, agreement, certification or other writing delivered pursuant hereto, or with respect to the validity of this Agreement or any such document, agreement, certification or other writing, and if such controversy or dispute shall not be resolved within thirty (30) days after the same shall arise, then such dispute or controversy shall be submitted for arbitration to the St. Louis, Missouri office of the American Arbitration Association in accordance with its commercial arbitration rules then in effect. Such proceeding shall be conducted in St. Louis, Missouri. Any such dispute or controversy shall be determined by one (1) arbitrator. Such arbitrator may award any relief which he shall deem proper in the circumstances, without regard to the relief which would otherwise be available to either party hereto in a court of law or equity, including without limitation an award of money damages (including interest on unpaid amounts, calculated from the due date of any such amount, at a rate per annum determined by said arbitrator), specific performance and injunctive relief. The award and findings of such arbitrator shall be conclusive and binding upon the parties thereto, and judgment upon such award may be entered in any court of competent jurisdiction. Any party against whom an arbitrator's award shall be issued shall not, in any manner, oppose or defend against any suit to confirm such award, or any enforcement proceedings brought against such party, whether within or outside of the United States of America, with respect to any judgment entered upon the award, or any enforcement proceedings brought against such

party, whether within or outside of the United States of America, with respect to any judgment entered upon the award, and such party hereby consents to the entry of a judgment against it, in the full amount thereof, or other relief granted therein, in any jurisdiction in which such enforcement is sought. The party against whom the arbitrator award is issued shall pay the fees of the arbitrator.

THIS AGREEMENT CONTAINS A BINDING ARBITRATION PROVISION
WHICH MAY BE ENFORCED BY THE PARTIES.

SIGNATURE PAGES FOR SERIES D STOCK PURCHASE AGREEMENT

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

BUILD-A-BEAR WORKSHOP, INC.

By: /s/ Maxine Clark

Name: Maxine Clark
Title: President

CATTERTON PARTNERS IV, L.P.,
a Delaware limited partnership

By: Catterton Managing

Partner IV, L.L.C.
Its: General Partner

By: CP4 Principals, L.L.C.
Its: Managing Member

By: /s/ Frank M. Vest, Jr.

Name: Frank M. Vest, Jr.
Title: Authorized Person

CATTERTON PARTNERS IV-A, L.P.,
a Delaware limited partnership

By: Catterton Managing

Partner IV, L.L.C.
Its: General Partner

By: CP4 Principals, L.L.C.
Its: Managing Member

By: /s/ Frank M. Vest, Jr.

Name: Frank M. Vest, Jr.
Title: Authorized Person

CATTERTON PARTNERS IV-B, L.P.,
a Delaware limited partnership

By: Catterton Managing
Partner IV, L.L.C.
Its: General Partner

By: CP4 Principals, L.L.C.
Its: Managing Member

By: /s/ Frank M. Vest, Jr.

Name: Frank M. Vest, Jr.
Title: Authorized Person

CATTERTON PARTNERS IV OFFSHORE, LP.
a Cayman limited partnership

By: Catterton Managing
Partner IV, L.L.C.
Its: Managing General Partner

By: CP4 Principals, L.L.C.
Its: Managing Member

By: /s/ Frank M. Vest, Jr.

Name: Frank M. Vest, Jr.
Title: Authorized Person

CATTERTON PARTNERS IV SPECIAL PURPOSE, L.P.
a Cayman limited partnership

By: Catterton Managing
Partner IV, L.L.C.
Its: Managing General Partner

By: CP4 Principals, L.L.C.
Its: Managing Member

By: /s/ Frank M. Vest, Jr.

Name: Frank M. Vest, Jr.
Title: Authorized Person

CLARK/FOX, L.L.C.
a Missouri limited liability company

/s/ Maxine Clark

By: Maxine Clark, its Manager

CLARK/FOX II, L.L.C.
a Missouri limited liability company

/s/ Maxine Clark

By: Maxine Clark, its Manager

HYCEL PARTNERS V, L.L.C.,
a Missouri limited liability company

/s/ Mark H. Zorensky

By:

Name: Mark H. Zorensky

Title: Manager

KCEP VENTURES II, L.P.,
a Missouri limited partnership

By: KCEP II, L.C., its general partner

By: /s/ William Reisler

William Reisler, its Managing Director

WALNUT INVESTMENT PARTNERS, L.P.,
a Delaware limited partnership

By: Walnut Investments Holding Company,
LLC, its general partner

By: /s/ James M. Gould

Name: James M. Gould

Title: Manager

/s/ Wayne L. Smith, II

Wayne L. Smith, II

/s/ Brian Vent

Brian Vent

/s/ Adrienne Weiss

Adrienne Weiss

Thomas Holley

EXHIBIT 4.4

AMENDED AND RESTATED

BUILD-A-BEAR WORKSHOP, INC.

STOCKHOLDERS' AGREEMENT

THIS AMENDED AND RESTATED STOCKHOLDERS' AGREEMENT ("Agreement"), made as of the 21st day of September, 2001, by and among Build-A-Bear Workshop, Inc., a Delaware corporation, hereinafter referred to as the "Corporation", and the individuals, hereinafter sometimes referred to collectively as "Stockholders" or individually as "Stockholder," set forth on Schedule 1 hereto:

WITNESSETH:

WHEREAS, the Stockholders own the shares of capital stock of the Corporation as indicated on EXHIBIT A attached to this Agreement and incorporated herein by reference, which shares constitute all of the outstanding capital stock of the Corporation as of the date hereof (hereinafter referred to as "Shares"); and

WHEREAS, the Stockholders previously entered into a Stockholders' Agreement dated April 3, 2000, as amended on April 10, 2001 (the "Original Agreement"); and

WHEREAS, Barney A. Ebsworth and Windsor Capital, Inc., a Missouri corporation ("Windsor") conveyed all of their respective Shares (the "Transferred Shares") to the Barney A. Ebsworth Revocable Trust dated July 23, 1986 (the "Trust"); and

WHEREAS, the Corporation's business is such that it is in its best interests that its Shares be closely-held by persons knowledgeable about the Corporation's business, and the Corporation and Stockholders desire to provide for continuity and harmony in the management of the Corporation; and

WHEREAS, it is in the best interests of the Stockholders and the Corporation that management of the Corporation be conducted in an orderly manner with the consensus of the Stockholders as hereinafter provided.

NOW, THEREFORE, the Stockholders and the Corporation agree as follows:

1. Scope of Agreement; Restrictions on Transfer; Effectiveness.

1.1 Scope; Restrictions on Transfer. From and after the date hereof, none of the Stockholders will sell, assign, pledge, or otherwise transfer, any interest in any Shares except pursuant to the provisions of this Agreement. This Agreement shall apply to all transfers of Shares (now owned or hereafter acquired) by the Stockholders, whether voluntary, involuntary or by operation of law, resulting from death or otherwise and all exchanges or conversions of Shares

in a merger, consolidation or mandatory share exchange. Clark/Fox and SSI shall cause all of their respective members or shareholders, as the case may be (the "Indirect Stockholders"), to be bound by the terms and conditions of Sections 1 through 8, 10, 12 and 15 of this Agreement with respect to transfers of their membership interests in Clark/Fox and/or shares in SSI, as the case may be (such membership interests or SSI shares to be Shares for purposes of the transfer restrictions herein), provided that such transfer restrictions in Sections 1 through 8 shall not apply to transfers to other Indirect Stockholders.

1.2 Supersedes. Upon the execution of this Agreement by holders of not less than 90% of the Shares of the Corporation, this Agreement shall supersede the Original Agreement.

2. Option Upon Voluntary Transfer.

2.1 Notice of Intention to Transfer. If a Stockholder intends to transfer Shares of which he, she or it is owner to any person other than to the Corporation or as a permitted transfer as provided in SECTION 2.4 hereof, such Stockholder shall give written notice to the Corporation and the other Stockholders of the proposed terms (including sales price), conditions and manner of disposition, the number of Shares to be disposed of and the person(s), firm(s) or corporation(s) to whom the selling Stockholder proposes to transfer such Shares. The notice, in addition to stating the fact of the intention to transfer Shares, shall state: (i) the number of Shares to be transferred; (ii) the name, business and residence address of the proposed transferee; and (iii) whether or not the transfer is for valuable consideration, and, if so, the amount of the consideration and the other terms of sale.

2.2 Corporation Option to Purchase. Within thirty (30) days of the Corporation's receipt of the notice of the proposed transfer, the Corporation may exercise an option (hereby granted by each Stockholder) to purchase all or any of the Shares proposed to be transferred for the sales price and terms thereof as set forth in the notice, and upon the other terms provided hereinafter.

2.3 Stockholders' Option to Purchase. If the Corporation does not exercise its option to purchase all or any portion of such Shares, the remaining Stockholders within sixty (60) days of the Corporation's receipt of the notice of the proposed transfer, shall have an option (hereby granted by each Stockholder) to purchase all unpurchased Shares, pro rata according to their respective percentages of Common Stock, par value $.01 per share (the "Common Stock") (without regard to the selling Stockholder's Shares and assuming all of the Shares which are convertible into Common Stock had been so converted as of the date of such determination), provided however, that if any such Stockholder elects to exercise her or his option to purchase pursuant to this Section 2.3, such Stockholder shall exercise it with respect to all but not less than all of her or his respective pro rata portion. If the remaining Stockholders do not exercise their respective options to purchase all of such Shares, then any Stockholder who has exercised his or her option to purchase his or her pro rata share of the remaining Shares may exercise an option to purchase all of its pro rata portion of such unpurchased Shares, subject to SECTION 4.2 hereof. The process in the immediately preceding sentence shall continue until all of the unpurchased

Shares have been purchased or until no Stockholder desires to purchase any remaining unpurchased Shares.

2.4 Transfer to Revocable Trust; Permitted Transfers. Notwithstanding any other provision of this Agreement, a Stockholder may transfer Shares to an Affiliate (as hereinafter defined), or to a revocable trust established for his or her benefit, of which he or she is the sole trustee at the time of the transfer; provided, however, that any such Shares so transferred shall remain subject to this Agreement, and the Stockholder shall remain obligated under this Agreement. In the event Shares are transferred by a Stockholder to his or her revocable trust, such Stockholder and his or her revocable trust shall be treated as a single Stockholder for purposes of this Agreement.

3. Option Upon Involuntary Transfer.

If other than by reason of a Stockholder's death, disability or dissolution of marriage, Shares are transferred by operation of law to any person other than to the Corporation (such as, but not limited to, a Stockholder's trustee in bankruptcy or a purchaser at any creditor's or court sale), the Corporation or the remaining Stockholders, within seventy (70) days of the Corporation's receipt of actual notice of the transfer may exercise an option (hereby granted by each Stockholder) to purchase all but not less than all of the Shares so transferred in the same manner and upon the same terms as provided in SECTION 2, with respect to Shares proposed to be transferred.

4. Exercise of Options and Effect of Non-Exercise of Options.

4.1 Notice. The Corporation and the Stockholders who exercise options granted in SECTIONS 2 OR 3 shall do so by delivering written notice of their exercise of the options within the time provided in said Sections to the proposed transferor or to the transferee in the case of SECTION 3.

4.2 Non-Exercise. If the purchase options are forfeited or not exercised in the aggregate for all the Shares proposed to be transferred in compliance with SECTIONS 2 or SECTION 3, then, in the case of a proposed transfer under SECTION 2, the Shares may be transferred, within ten (10) days after the expiration of the option period granted to the other Stockholders, to the transferee named in the notice required by SECTION 2, and upon the terms therein stated, which Shares when so transferred shall be subject to the terms of this Agreement. In the case of a transfer of Shares under SECTION 2 or SECTION 3, the Shares shall, in the hands of the transferee, be subject to the terms of this Agreement.

4.3 Requirements. No transfer pursuant to SECTION 2 shall be valid if the transfer is not within the aforesaid ten (10) day period, or is not for the consideration or upon the terms or to the transferee stated in the notice required of the transferring Stockholder by SECTION 2. In such a case the Shares shall remain subject to this Agreement.

4.4 Shares Reacquired. In the event a transferor in a SECTION 2 transfer reacquires all or any portion of the transferred Shares, the Shares shall be subject to this Agreement as if no transfer had been made.

4.5 Vote. A proposed transferor of Shares under SECTION 2, as a Stockholder or a director, or both, of the Corporation, shall vote in favor of the Corporation's exercise of the purchase options granted to it by this Agreement at any meeting of Stockholders or directors called for such purpose.

5. Purchase Price.

5.1 Voluntary Transfer. For purposes of any purchase of all of a Stockholder's Shares pursuant to SECTION 2 the purchase price shall be as set forth in the notice given as provided in SECTION 2.

5.2 Involuntary Transfer. For purposes of any purchase of all of a Stockholder's Shares pursuant to SECTION 3, the purchase price of Shares shall be lesser of (i) the price determined by all the Stockholders of the Corporation pursuant to EXHIBIT B of this Agreement or (ii) the price per share at which Shares were transferred pursuant to the most recent transaction giving rise to an option granted in SECTION 3 of this Agreement.

6. Payment of the Purchase Price and Other Payments.

6.1 Cash Payment. The purchase price for Shares purchased pursuant to SECTION 2 and shall be paid in cash at the closing, except that at the option of Clark, Klocke, Vent and Smith, if such persons are the purchasing party or parties, fifty percent (50%) of the purchase price may be deferred and at least fifty percent (50%) shall be paid at closing. The aggregate amount deferred by Clark, Klocke, Vent and Smith shall not exceed $500,000 in the aggregate. The purchase price for Shares purchased pursuant to SECTION 2 shall be paid on such terms as set forth in the notice provided therein.

6.2 Promissory Note. The deferred portion of the price, if any, shall be evidenced by the promissory note of the purchasing party, shall be in substantially the form set forth in EXHIBIT C to this Agreement, shall bear interest at the semi-annual applicable federal rate (as determined pursuant to regulations promulgated under the Internal Revenue Code of 1986, as amended in effect on the date of closing) plus two percent (2%) and shall be payable in equal monthly installments for a period not to exceed five (5) years. Notwithstanding the foregoing, in no event shall the cumulative deferred portion of the purchase price owed collectively by Clark, Klocke, Vent and Smith outstanding at any time and pursuant any purchase under SECTION 2 exceed $500,000.

6.3 Pledge Agreement. All Shares purchased pursuant to this Agreement and financed by a note shall be pledged to the selling Stockholder as security for the payment of the note by a Collateral Pledge Agreement, in the form attached hereto as EXHIBIT D.

7. The Closing.

7.1 Time of Closing. In the case of a purchase of Shares under SECTIONS 2 OR 3, the closing of the sale and purchase shall take place twenty (20) days after the delivery to the selling Stockholders of written notice by the last of the purchasing party or parties to deliver such notice of its, his or their exercise of the option or options to purchase said Stockholder's Shares.

7.2 Absence of Liens. All Shares shall be delivered to the Corporation or purchasing Stockholder free and clear of all liens, claims and encumbrances excepting only those for which provision is expressly made in this Agreement.

7.3 Sequence of Closings. The sale and purchase of Shares which the remaining Stockholders have elected to purchase pursuant to SECTION 2 or SECTION 3 hereof shall take place immediately prior to the sale and purchase of Shares, if any, which the Corporation has elected to purchase.

8. Compliance with Agreement.

8.1 Legend on Certificates. All Shares now or hereafter owned by the Stockholders of the Corporation shall be subject to the provisions of this Agreement and the certificates representing Shares, including Shares in the hands of permitted transferees, shall bear the following legend:

"THE SALE, TRANSFER OR ENCUMBRANCE OF THIS CERTIFICATE IS SUBJECT TO AN AMENDED AND RESTATED STOCKHOLDERS' AGREEMENT DATED AS OF SEPTEMBER 21, 2001 BETWEEN THE CORPORATION AND CERTAIN HOLDERS OF SHARES OF THE CAPITAL STOCK OF THE CORPORATION. A COPY OF THIS AGREEMENT IS ON FILE IN THE OFFICE OF THE SECRETARY OF THE CORPORATION AND MAY BE OBTAINED FROM THE COMPANY UPON REQUEST. THE AGREEMENT PROVIDES, AMONG OTHER THINGS, FOR CERTAIN OBLIGATIONS TO SELL AND TO PURCHASE THE SHARES EVIDENCED BY THIS CERTIFICATE, FOR A DESIGNATED PURCHASE PRICE. BY ACCEPTING THE SHARES EVIDENCED BY THIS CERTIFICATE THE HOLDER AGREES TO BE BOUND BY SAID AGREEMENT."

Omission of such legend shall not, however, vitiate the effect of this Agreement in any respect as against any person with actual or constructive notice of the existence of this Agreement.

8.2 Additional Parties to Agreement. Before any Shares are issued or transferred of record on the books of the Corporation in the future to any person or entity whatsoever other than a signatory to this Agreement, such person or entity shall be required to become a party to this Agreement.

8.3 Pledge of Shares. No Stockholder may pledge his, her or its Shares without the consent of the Board of Directors.

9. Drag-Along Rights; Pre-Emptive Rights.

9.1 Drag-Along Rights. In the event that (i) (a) Maxine Clark ceases to be President, Chairman or an employee of the Corporation, (b) Clark ceases to own all of the capital stock of SSI, or (c) SSI ceases to own the Shares it currently owns, and (ii) all of Walnut, Windsor and Catterton arrange for a bona fide third-party to purchase or otherwise acquire all of the shares of the Corporation, then Walnut, Windsor and Catterton shall give written notice to the Stockholders of the terms of the offer and the Stockholders shall agree to transfer and hereby agree to transfer all of the Shares in the Corporation pursuant to the same terms as Walnut, Windsor and Catterton are bound.

9.2 Pre-Emptive Rights. (a) The Corporation hereby grants to each Stockholder the right to purchase his, her or its pro rata share of Additional Shares (as defined below) that the Corporation may, from time to time, propose to sell and issue. Each Stockholder's pro rata share, for purposes of this preemptive right, is such Stockholder's pro rata share of Common Stock (which number shall be determined as if all of the Shares which are convertible into Common Stock had been so converted as of the date of such determination).

(b) "Additional Shares" shall mean any shares or other securities of the Corporation, whether now authorized or not, and rights, options or warrants to purchase said shares or other securities of the Corporation, and securities of any type whatsoever that are, or may become, convertible into or exchangeable for said Shares (or other securities of the Corporation), provided that "Additional Shares" shall not include (i) up to 2,200,000 shares of Common Stock or other securities, or rights, options or warrants to purchase said shares of Common Stock or other securities of the Corporation, securities of any type whatsoever that are, or may become, convertible into or exchangeable for said shares of Common Stock sold or granted to employees or advisors of the Corporation pursuant to an Employee Stock Plan approved by the Board of Directors of the Corporation, (ii) securities of the Corporation issued and sold pursuant to a registration statement filed under the Securities Act of 1933, as amended (the "Securities Act"), (iii) Shares or other securities of the Corporation, options or warrants to purchase the Shares or other securities of the Corporation and securities of any type whatsoever that are, or may become, convertible or exchangeable for said Shares issued in connection with acquisitions by the Corporation; (iv) the Clark Shares and the Optional Increase (as defined in the Series D Stock Purchase Agreement between the Corporation and the Purchasers named therein, dated September 21, 2001 (the "Stock Purchase Agreement")) or (v) up to $10,000,000 of the Company's Series E Preferred Stock (as defined in the Stock Purchase Agreement).

(c) In the event that the Corporation proposes to undertake an issuance of Additional Shares, the Corporation shall give each Stockholder written notice (a "Sales Notice") of the Corporation's intention, describing the type of Additional Shares, the price and the general terms upon which the Corporation proposes to issue the same. Each Stockholder shall have twenty (20) business days from the date of receipt of any such Sales Notice (unless a shorter period is consented to by the President and greater than fifty percent (50%) of the shares of

Common Stock (which number shall be determined as if all of the Shares which are convertible into Common Stock had been so converted as of the date of such determination)) to agree to purchase his, her or its pro rata share of such Additional Shares for the price and upon the general terms specified in the Sales Notice by giving written notice to the Corporation and stating therein the quantity of Additional Shares to be purchased. In the event that a Stockholder initially fails to exercise in full his, her or its preemptive rights within said period, the Corporation shall promptly advise those Stockholders who have exercised such right who may then purchase the Additional Shares as to which Stockholders have not exercised such right, pro rata based upon their respective percentage of the Common Stock of the Corporation as provided in paragraph (a) of this SECTION 9.2 or as they otherwise may agree among themselves. The process in the immediately preceding sentence shall continue until all of the Additional Shares have been purchased or until no Stockholder desires to purchase any remaining unpurchased Shares. This right of over-allotment must be exercised by notice to the Corporation within five (5) business days after the Stockholder's receipt of notice that all Stockholders have not exercised their preemptive rights in full.

(d) In the event that the Stockholders collectively fail to exercise in full the preemptive right as aforesaid, the Corporation shall have 90 days thereafter to sell (or enter into an agreement pursuant to which the sale of Additional Shares covered thereby shall be closed, if at all, within thirty (30) days from the date of said agreement) the Additional Shares respecting which the Stockholders' rights were not exercised at a price and upon general terms and conditions materially no more favorable to the purchasers thereof than specified in the Corporation's Sales Notice. In the event the Corporation has not sold the Additional Shares within said 90 day period (or sold and issued Additional Shares in accordance with the foregoing within thirty (30) days from the date of said agreement), the Corporation shall not thereafter issue or sell any Additional Shares without first offering such Shares to the Stockholders in the manner provided in this SECTION 9.2. The failure by any Stockholder to exercise his, her or its preemptive rights with respect to any Additional Shares on any occasion shall not affect its right to purchase Additional Shares hereunder on any subsequent occasion.

(e) If a Stockholder gives the Corporation notice, in accordance with the foregoing provisions of this SECTION 9.2, that such Stockholder desires to purchase any Additional Shares, payment therefor shall be made by check or wire transfer within ten (10) business days after giving the Corporation such notice, or at the option of the Corporation, upon the closing date for the sale of such Additional Shares to other persons as contemplated by SECTION 9.2 above.

10. Termination.

10.1 Events. This Agreement and all restrictions on transfer of Shares created hereby shall terminate on the occurrence of any of the following events:

(a) The bankruptcy or dissolution of the Corporation.

(b) A single Stockholder becoming the owner of all of the Shares of the Corporation, which are then subject to this Agreement.

(c) The execution of a written instrument by the Corporation and the Stockholders who are party to this Agreement and who collectively own not less than ninety percent (90%) of the Corporation's Shares of Common Stock (which number shall be determined as if all of the Shares which are convertible into Common Stock had been so converted as of the date of such determination), which terminates the same.

(d) The closing of a sale of Shares of the Corporation's Common Stock in a firm-commitment underwritten public offering registered under the Securities Act in which gross proceeds to the Corporation (prior to underwriter's discounts and commissions and other expenses) are at least $25,000,000 and (i) at any time prior to the third anniversary of the date hereof, the offering is managed by a nationally recognized underwriter, (ii) between the third and fourth anniversary of the date hereof, the price per share is at least $15 (appropriately adjusted for stock splits, recapitalizations and the like) and (iii) thereafter the price per share is at least $20.

10.2 Effect. The termination of this Agreement for any reason shall not affect any right or remedy existing hereunder prior to the effective date of its termination.

11. Management of the Corporation.

11.1 Composition of the Board. The Corporation shall have a Board of Directors comprised of seven (7) members. With respect to each of the Trust, Walnut, KCEP and Catterton ("Senior Stockholders") for so long as each holds fifty percent (50%) or more of such Senior Stockholder's originally acquired preferred stock of the Corporation ("Senior Preferred Shares") then each such Senior Stockholder shall designate one member of the Board of Directors; provided, however, that in the case of the Trust, the Trust may only nominate Barney A. Ebsworth, his wife or Christianne Ebsworth as such director. In the event that one or more such Senior Stockholder's ceases to hold 50% of such Senior Stockholder's Senior Preferred Shares then such Senior Stockholder shall not designate a successor director at the expiration of such directors term and such successor director shall be designated by a majority of the then-elected board of directors. SSI shall designate two directors, one of whom shall be Maxine Clark. One director's seat shall remain vacant until the date upon which the Company issues the Series E Preferred Stock or the date upon which the Board of Directors unanimously agrees to fill such seat, provided that the person designated to fill such seat shall not be an Affiliate of any of the other members.

11.2 Agreement to Vote Shares. Each of the Stockholders shall at all times exercise their respective voting power to support each of the other Stockholders in appointing directors to the Board in accordance with this SECTION 11 and shall cause each of his nominated directors to exercise their respective voting power to elect the Maxine Clark as the Corporation's Chairman, President, and Chief Executive Officer so long as Maxine Clark is in compliance with the terms and conditions of the Employment Agreement with the Corporation. Each Stockholder hereby agrees at all times during which this Agreement remains in effect to vote any Pledged

Shares (as hereinafter defined) held by such Stockholder in the same manner as the holders of greater than fifty percent (50%) of the Shares on all matters on which such Stockholder is entitled to vote. For purposes of this Section 11.2 "Pledged Shares" shall mean all shares of Common Stock that are pledged to, or used as collateral for or secure any loan or other obligation by a Stockholder to the Corporation.

11.3 Removal and Vacancy of Directors. In the event any Stockholder wishes to remove a director who has been elected as such Stockholder's nominee, the other Stockholders shall vote for such removal. In the event a vacancy in the office of a director so elected is caused by death, disability, retirement or removal of a director other than Maxine Clark, the vacancy shall be filled by appointing or electing the nominee of the Stockholder whose previous nominee is deceased, retired or removed. In the event of the death or disability of Maxine Clark, such vacancy shall be filled by a vote of greater than fifty percent (50%) of the Senior Preferred Shares. In the event any Stockholder wishes to remove an officer who has been elected as his or her nominee, the other Stockholders shall cause the directors they have nominated to vote for such removal. In the event a vacancy in the office of an officer so elected is caused by death, retirement or removal of such officer other than Maxine Clark, the vacancy shall be filled by appointing or electing the nominee of the Stockholder whose previous nominee is deceased, retired or removed.

11.4 Required Votes. Except as provided in this Agreement or the Bylaws of the Corporation, all actions by the Board shall be by (i) simple majority of the Board members present either in person or by telephone at a duly called meeting at which a quorum is present or (ii) by written unanimous consent.

11.5 Interested Directors. Persons nominated for the position of director shall not be deemed disqualified to serve by reason of their being officers, directors or stockholders of any of the Stockholders or their Affiliates. Except as otherwise provided herein, no director shall be deemed to have an interest in a matter and thereby disqualified to vote or serve on the ground that such director is a nominee of one of the Stockholders if the matter under consideration involves commercial, financial or other relationships between the Corporation and any of the Stockholders or their Affiliates.

11.6 Committees. The Directors designated by Catterton, Walnut and Windsor shall each have the option to be appointed to any committees of the Board of Directors, whether now existing or hereinafter created (but consistent with the fiduciary duties of the members of the Board of Directors). No executive or other committee consisting of less than all of the members of the Board of Directors shall be established with the maximum powers of the Board of Directors permitted under Delaware law to be delegated to a Board committee.

11.7 Observer Rights. Each Director shall be entitled to have one representative attend in a nonvoting observer capacity at all meetings of the Board of Directors; provided, however, that the Corporation shall not be required to pay the expenses of any such observer incurred with respect to attending any meeting of the Board of Directors and reserves the right to exclude such representative from access to any meeting or portion thereof if the Corporation

reasonably believes that such exclusion is reasonably necessary to preserve the attorney-client privilege, to protect highly confidential proprietary information or for other similar reasons.

12. Arbitration.

Any dispute between the Stockholders as to the interpretation of this Agreement shall be settled by arbitration in accordance with the following procedures:

12.1 The party desiring to arbitrate an issue (the "Commencing Party") shall send a notice to the other Stockholders (the "Responding Parties") specifying in reasonable detail the issue to be arbitrated. The parties shall thereafter agree as to the arbitrator to be used to decide the issue, but if the parties do not agree on one arbitrator within three weeks of the Commencing Party's sending such notice, or if the arbitrator selected by the parties is unable or unwilling to serve as an arbitrator for any reason, the head of the American Arbitration Association in St. Louis, Missouri shall select a single arbitrator.

12.2 Within five business days after selection, the arbitrator shall set a date for the arbitration proceedings which shall be not later than 30 days thereafter. The arbitration shall be conducted at such location in the St. Louis Metropolitan area as may be selected by the arbitrator.

12.3 The decision entered by the arbitrator shall be final and binding on all parties to arbitration.

12.4 Each party shall bear its respective arbitration expenses. The Commencing Party shall pay fifty percent (50%) of the arbitrator's charges and expenses and the Responding Parties shall collectively pay fifty percent (50%) of the arbitrator's charges and expenses, pro rata according to their respective Share percentages.

13. Financial Statements and Other Information. The Corporation shall maintain a system of accounting established and administered in accordance with sound business practices to permit preparation of financial statements in conformity with GAAP (it being understood that monthly financial statements are not required to have footnote disclosures). The Corporation shall deliver to the Stockholders each of the financial statements and other reports described below:

13.1 Monthly and Quarterly Financial Information. As soon as available and in any event within forty-five (45) days after the end of each month, the Corporation shall deliver (i) the balance sheet of the Corporation, as at the end of such month and the related statements of income, stockholders' equity and cash flow for such month and for the period from the beginning of the then current fiscal year of the Corporation to the end of such month (and, with respect to financial statements delivered for months that are also the last month of any fiscal quarter, accompanied by the related consolidated and consolidating statements of income, stockholders' equity and cash flow for such fiscal quarter) and (ii) a schedule of the material outstanding Indebtedness for borrowed money of the Corporation describing in reasonable detail each such debt issue or loan outstanding and the principal amount and amount of accrued and unpaid

interest with respect to each such debt issue or loan. Notwithstanding the foregoing to the contrary, from and after January 1, 2002, the financial information required to be delivered pursuant to this paragraph shall be delivered as soon as available following the end of each fiscal month, but in no event later than thirty (30) days after the end of such fiscal month.

13.2 Year-End Financial Information. As soon as available and in any event within one hundred twenty (120) days after the end of the fiscal year of the Corporation, the Corporation shall deliver (i) the balance sheets of the Corporation as at the end of such year and the related statements of income, stockholders' equity and cash flow for such fiscal year, (ii) a schedule of the material outstanding Indebtedness for borrowed money of the Corporation describing in reasonable detail each such debt issue or loan outstanding and the principal amount and amount of accrued and unpaid interest with respect to each such debt issue or loan, and (iii) a report with respect to the financial statements from a "Big Five" firm of certified public accountants selected by the Corporation, which report shall be issued pursuant to an audit conducted by such firm of certified public accountants in conformity with generally accepted accounting standards. The Corporation shall use commercially reasonable efforts to ensure that such report shall contain an "Unqualified" opinion (as such term is defined in AU Section 508.10 of the American Institute of Certified Public Accountants Professional Standards).

13.3 Accountants' Reports. Promptly upon receipt thereof, the Corporation shall deliver copies of all significant reports submitted by the Corporation's firm of certified public accountants in connection with each annual, interim or special audit or review of any type of the financial statements or related internal control systems of the Corporation made by such accountants, including any comment letter submitted by such accountants to management in connection with their services.

13.4 Management Reports. The Corporation will deliver within forty-five (45) days after the end of each fiscal month a management report (i) describing the operations and financial condition of the Corporation for the month then ended and the portion of the current fiscal year then elapsed (or for the fiscal year then ended in the case of year-end financials), (ii) setting forth in comparative form the corresponding figures for the corresponding periods of the previous fiscal year and the corresponding figures from the most recent projections for the current fiscal year and (iii) discussing the reasons for any significant variations. The information above shall be presented in reasonable detail and shall be certified by the chief financial officer of the Corporation to the effect that such information fairly presents the results of operations and financial condition of the Corporation as at the dates and for the periods indicated.

13.5 Projections. No earlier than sixty (60) days prior nor later than thirty (30) days after the end of each fiscal year beginning with the current fiscal year, the Corporation shall prepare and deliver to Stockholders projections of the Corporation for the next succeeding fiscal year, on a month to month basis and for the following four (4) fiscal years on a quarter to quarter basis, including a balance sheet as of the end of each relevant period and income statements and statements of cash flows for each relevant period and for the period commencing at the beginning of the fiscal year and ending on the last day of such relevant period.

13.6 Events of Default, Etc. Promptly upon the Corporation's obtaining knowledge of any of the following events or conditions, the Corporation shall deliver copies of all notices given or received by the Corporation with respect to any such event or condition and a certificate of the Corporation's chief executive officer specifying the nature and period of existence of such event or condition and what action the Corporation has taken, is taking and proposes to take with respect thereto: (i) any condition or event that constitutes a material breach of any provision of this Agreement; (ii) any notice that any Person has given to the Corporation, or any other action, taken with respect to a claimed default in any agreement evidencing indebtedness or any other material agreement to which the Corporation is a party; or (iii) any event or condition that could reasonably be expected to result in any Material Adverse Effect on the Condition of the Corporation.

13.7 Litigation. Promptly upon the Corporation's obtaining knowledge of (i) the institution of any action, suit, proceeding, governmental investigation or arbitration against or affecting the Corporation or any property of the Corporation not previously disclosed by the Corporation to the Stockholders or (ii) any material development in any action, suit, proceeding, governmental investigation or arbitration at any time pending against or affecting the Corporation or any property of the Corporation which, in each case, is reasonably possible to have a Material Adverse Effect on the Condition of the Corporation, the Corporation will promptly give notice thereof to the Stockholders and provide such other information as may be reasonably available to them to enable the Stockholders and their counsel to evaluate such matter.

14. Representations and Warranties. Each Stockholder represents and warrants to the Corporation and the other Stockholders as follows:

14.1 The execution, delivery and performance of this Agreement by such Stockholder will not violate any provision of law, any order of any court or other agency of government, or any provision of any indenture, agreement or other instrument to which such Stockholder or any of its or his properties or assets is bound, or conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of such Stockholder.

14.2 This Agreement has been duly executed and delivered by such Stockholder and constitutes the legal, valid and binding obligation of such Stockholder, enforceable in accordance with its terms.

14.3 The Shares set forth in EXHIBIT A opposite the name of such Stockholder constitute all the shares of the capital stock of the Corporation owned by such Stockholder or that such Stockholder has acquired or may acquire pursuant to any stock purchase or other subscription agreements.

15. General Provisions.

15.1 Governing Law. This Agreement shall be construed pursuant to the laws of the State of Delaware, without regard to principles of conflict of laws.

15.2 Definitions. Unless the context otherwise requires, the words "Stockholder" and "Stockholders" shall for all purposes of this Agreement mean and include (i) all of the individual parties hereto and (ii) all persons to whom any Shares may hereafter be transferred. "Affiliate" or "Affiliates" shall mean with respect to any Stockholder, any individual, partnership, limited partnership, limited liability company, corporation, trust, real estate investment trust, estate, association and other business or not for profit entity ("Person") (ii) (a) who directly or indirectly controls, is controlled by, or is under common control with the Stockholder; (b) who owns or controls fifty percent (50%) or more of the Stockholder's outstanding voting securities or equity interests; (c) in whom such Stockholder owns or controls fifty percent (50%) or more of the outstanding voting securities or equity interests; (d) who is a director, partner, member, manager, executive officer or trustee of the Stockholder; (e) in whom the Stockholder is a director, partner, member, manager, executive officer or trustee; or (f) who has any relationship with the Stockholder by blood, marriage or adoption, not more remote than first cousin.

15.3 Remedies for Breach. The Shares are unique chattels and each party to this Agreement shall have the remedies which are available to him or it for the violation of any of the terms of this Agreement, including, but not limited to, the equitable remedies for specific performance and injunctive relief.

15.4 Notices. All notices provided for by this Agreement shall be made in writing (i) either by actual delivery or (ii) by the mailing of the notice in the United States mail to the last known address of the party entitled thereto, registered or certified mail, return receipt requested, courier service or personal delivery and shall be deemed to have been duly given or made and to have become effective when delivered in hand to the party to which directed, when delivered by courier if delivered by commercial overnight courier service, or if sent by first-class registered mail, postage prepaid and properly addressed, at the earlier of (a) the time when received by the addressee or (b) the fifth business day following the dispatch thereof.

15.5 Amendment. This Agreement may be amended or altered at any time if the amendment or alteration is both ratified by the Board of Directors of the Corporation and consented to in writing by Stockholders who are parties to this Agreement and who collectively own not less than seventy-five percent (75%) of the Corporation's Shares.

15.6 Descriptive Headings. Titles to Sections are for information purposes only.

15.7 Binding Effect. This Agreement is binding upon and inures to the benefit of the Corporation, its successors, assigns, and transferees, and to the Stockholders and their respective heirs, personal representatives, successors and permitted assigns and transferees including any successor entity by merger or consolidation to the Corporation, unless

Stockholders who own not less than two-thirds of the Corporation's Senior Preferred Shares (as defined in the Certificate of Incorporation) approve the merger or consolidation.

15.8 Conflict With Bylaws. If any terms or provisions in this Agreement conflict with or are inconsistent with the terms of the Bylaws of the Corporation, then the terms of this Agreement shall control.

SIGNATURE PAGES FOR
AMENDED AND RESTATED STOCKHOLDERS AGREEMENT

IN WITNESS WHEREOF, the Corporation and the Stockholders have executed this Agreement on the day and year above written.

THIS AGREEMENT CONTAINS A BINDING ARBITRATION PROVISION WHICH MAY BE ENFORCED BY THE PARTIES.

BUILD-A-BEAR WORKSHOP, INC.

By /s/ Maxine Clark

Maxine Clark, President

STOCKHOLDERS:

SMART STUFF, INC.,
a Missouri corporation

/s/ Maxine Clark

By: Maxine Clark

CLARK/FOX, L.L.C.
a Missouri limited liability company

/s/ Maxine Clark

By: Maxine Clark, its Manager

CLARK/FOX II, L.L.C.
a Missouri limited liability company

/s/ Maxine Clark

By: Maxine Clark, its Manager

/s/ Maxine Clark

Maxine Clark

Barney A. Ebsworth Revocable Trust dated
July 23, 1986

Barney A. Ebsworth Rev. Tr.

By: /s/ Barney A. Ebsworth

/s/ Wayne L. Smith, II

Wayne L. Smith, II

/s/ Brian Vent
Brian Vent

HYCEL PARTNERS V, L.L.C.,
a Missouri limited liability company

/s/ Mark H. Zorensky

By: Mark H. Zorensky, Manager

WALNUT CAPITAL PARTNERS, L.P.,
a Delaware limited partnership

By: Walnut Capital Management Group, LLC,
its general partner

By: /s/ James M. Gould

Manager

WALNUT INVESTMENT PARTNERS, L.P.,
a Delaware limited partnership

By: Walnut Investments Holding Company, LLC,
its general partner

By: /s/ James M. Gould

Manager

KCEP VENTURES II, L.P.,
a Missouri limited partnership

By: KCEP II, L.C., its general partner

By: /s/ William Reisler

William Reisler, its Managing Director

CATTERTON PARTNERS IV, L.P.,
a Delaware limited partnership

By: Catterton Managing
Partner IV, L.L.C.
Its: General Partner

By: CP4 Principals, L.L.C.
Its: Managing Member

By: /s/ Frank M. Vest, Jr.

Name: Frank M. Vest, Jr.
Title: Authorized Person

CATTERTON PARTNERS IV-A, L.P.,
a Delaware limited partnership

By: Catterton Managing
Partner IV, L.L.C.
Its: General Partner

By: CP4 Principals, L.L.C.
Its: Managing Member

By: /s/ Frank M. Vest, Jr.

Name: Frank M. Vest, Jr.
Title: Authorized Person

CATTERTON PARTNERS IV-B, L.P.,
a Delaware limited partnership
By: Catterton Managing
Partner IV, L.L.C.
Its: General Partner

By: CP4 Principals, L.L.C.
Its: Managing Member

By: /s/ Frank M. Vest, Jr.

Name: Frank M. Vest, Jr.
Title: Authorized Person

CATTERTON PARTNERS IV OFFSHORE, LP.
a Cayman limited partnership

By: Catterton Managing
Partner IV, L.L.C.
Its: Managing General Partner

By: CP4 Principals, L.L.C.
Its: Managing Member

By: /s/ Frank M. Vest, Jr.

Name: Frank M. Vest, Jr.
Title: Authorized Person

CATTERTON PARTNERS IV SPECIAL PURPOSE, L.P.
a Cayman limited partnership

By: Catterton Managing Partner IV, L.L.C.
Its: Managing General Partner

By: CP4 Principals, L.L.C.
Its: Managing Member

By: /s/ Frank M. Vest, Jr.

Name: Frank M. Vest, Jr.
Title: Authorized Person

The following persons are executing this document solely with respect to the Sections 1 through 12, 14 and 15 of this Agreement:

/s/ Adrienne Weiss

Adrienne Weiss

/s/ Christianne Ebsworth

Christianne Ebsworth

/s/ Thomas Holley

Thomas Holley

SCHEDULE 1

STOCKHOLDERS

Smart Stuff, Inc., a Missouri corporation ("SSI");
Barney A. Ebsworth Revocable Trust dated July 23, 1986 (the "Trust")
Maxine Clark ("Clark");
Wayne L. Smith, II ("Smith");
Brian Vent ("Vent");
Hycel Partners V, L.L.C., a Missouri limited liability company ("Hycel");
Walnut Capital Partners, L.P., a Delaware limited partnership and Walnut Investment Partners, L.P., a Delaware limited partnership (collectively, "Walnut");
KCEP Ventures II, L.P., a Missouri limited partnership ("KCEP");
Adrienne Weiss ("Weiss");
Christianne Ebsworth;
Thomas Holley;
Clark/Fox, L.L.C., and Clark/Fox II, L.L.C., each a Missouri limited liability company (collectively, "Clark/Fox"); and
Catterton Partners IV, L.P., Catterton Partners IV-A, L.P., and Catterton Partners IV-B, L.P., each a Delaware limited partnership, Catterton Partners IV Offshore, L.P. a Cayman Island limited partnership and Catterton Partners IV Special Purpose, L.P. a Cayman Island limited partnership (collectively, "Catterton").

EXHIBIT A

SHARES OWNED BY THE STOCKHOLDERS

STOCKHOLDER	CLASS	SHARES OWNED
SSI	C	3,418,306
Trust	C	911,383
	A	1,264,278
	B	190,963
	Common	84,791
Clark	Common	274,815
Smith	C	64,500
	A	3,230
	B	4,881
	D	18,409
Vent	C	64,500
	A	3,230
	B	4,881
	D	18,409
	Common	20,491
Hycel	A	160,782
	B	306,783
	D	131,148
	Common	23,572
Walnut Capital Partners, L.P.	A	913,199.85
	B	1,380,418.4
	Common	93,863.8
Walnut Investment Partners, L.P.	D	677,869
KCEP	A	231,708
	B	350,115
	D	426,230
	Common	10,352

	C	65,276
Weiss	A	3,269
	B	4,940
	D	18,631
Christianne Ebsworth	C	474,124
Thomas Holley	Common	4,940.2
	A	48,063.15
	B	72,653.6
Clark/Fox, L.L.C.	A	171,200
	B	258,686
	D	65,574
Clark/Fox II, L.L.C.	D	147,541
Catterton	A	707,992
	B	1,069,786
	D	1,305,738

EXHIBIT B

DETERMINATION OF THE PURCHASE PRICE

1. The price of Shares to be purchased under this Agreement shall be their Fair Market Value as of the end of the Corporation's fiscal quarter immediately preceding the event giving rise to the purchase and sale.

2. The term "Fair Market Value" as used in paragraph 1 of this EXHIBIT B shall be an amount which bears the same proportion to the amount of the Net Worth of the Corporation as the number of Shares to be purchased bears to the total number of the Corporation's Shares outstanding.

3. The Net Worth of the Corporation shall be the price at which the Corporation would be sold to a willing buyer by willing seller. The Net Worth of the Corporation shall be determined by agreement of the Board of Directors of the Corporation (with the transferring Stockholder not participating) and the transferring Stockholder. If the Corporation and the transferring Stockholder are unable to agree as to the Net Worth of the Corporation, then the Net Worth of the Corporation shall be determined by one or more qualified business appraisers selected in the following manner:

a. The Corporation and the transferring Stockholder shall attempt jointly to select an appraiser within 30 days after the event giving rise to the purchase and sale. If an appraiser is so selected in a timely manner, the appraisal shall be binding on all parties.

b. If the Corporation and the transferring Stockholder are unable jointly to select an appraiser in a timely manner, the Corporation shall select an appraiser within 40 days of the event giving rise to the purchase and sale and shall notify the transferring Stockholder of its selection within one business day thereafter. The Corporation shall pay the costs of such appraisal and shall provide the transferring Stockholder with a copy of such appraisal within one business day after receipt of the appraisal by the Corporation. Unless the transferring Stockholder submits to the Corporation not later than 5 business days thereafter written notice that the transferring Stockholder objects to the appraisal, such appraisal shall be binding on all the parties.

c. If the transferring Stockholder delivers to the Corporation timely written notice of objection to the Corporation's appraisal as above provided, the transferring Stockholder shall select an appraiser within 5 business days after the date of the Stockholder's written objection, and shall notify the Corporation of such selection within one business day

thereafter. The Transferring Stockholder shall pay the costs of such appraisal obtained by the transferring Stockholder. The transferring Stockholder shall provide the Corporation with a copy of such appraisal within one business day after receipt of the appraisal by the transferring Stockholder. If the transferring Stockholder declines or fails to make a timely selection of an appraiser, then the single appraisal obtained by the Corporation as above provided shall be binding on all parties.

d. If the two appraisals differ in value by less than 15%, the average of the two appraisals shall be binding on all parties.

e. If the two appraisals differ in value by more than 15%, the appraisers who made the two appraisals shall select a third appraiser, and shall notify the transferring Stockholder and the Corporation of such selection within one business day thereafter. The cost of the third appraisal shall be split evenly between the Transferring Stockholder and the Corporation. The third appraiser shall select one of the two previously prepared appraisals, and such selection shall be binding on all parties.

EXHIBIT C

PROMISSORY NOTE

$ _____ _____, _____

For value received, the undersigned promises to pay to _____ or order the sum of $____ at_____, with interest at _____ percent (__%) per annum, in installments payable as follows: Monthly payments in the sum of $_____, the first payment to be made on the _____ day of _____, _____ and a like amount on the ____ day of each succeeding month thereafter with the final payment on the then outstanding principal balance to be made on the _____ day _____,____.

This Note and all installments are to bear interest after maturity thereof at the rate of _____ percent (__%) per annum. The interest on each installment, and the interest on the unpaid balance of the principal sum are to be paid at the maturity of each installment.

If default is made in the payment of any installment whether interest or principal, when due, then all the remaining installments shall, at the option of the holder, become due and payable at once. In addition, in the event of a sale of assets by the Maker, other than in the ordinary course of business, or as trade-ins or other sale or exchange for the purpose of replacing any such assets, or the sale of Shares by the current stockholders to a new stockholder, or the issuance of new stock by the Maker to someone other than the current stockholders, the Holder may, at the Holder's option, declare this Note immediately due and payable to the extent of the proceeds received by the Maker upon such sale.

In case suit shall be brought on this Note, the Maker agrees to pay the Holder's reasonable attorney's fees and Court costs. All signers, endorsers, guarantors and parties to this instrument hereby waive demand, protest and notice of nonpayment and agree to all extensions and partial payments before or after maturity.

By:

, President

ATTEST:

- ---
, Secretary
- ---

EXHIBIT D

COLLATERAL PLEDGE AGREEMENT

In consideration of, and as collateral security for the payment of, the liabilities of _____ (the "Pledgor"), to _____ (the "Pledgee") evidenced by or arising in connection with (1) a certain Stockholders' Agreement entered into between Pledgor and Pledgee on April 3, 2000, and (2) a certain Promissory Note of even date herewith executed by the Pledgor and payable to Pledgee' and all renewals and extensions of such liabilities (herein collectively called the "Liabilities"), Pledgor hereby assigns, pledges and delivers to Pledgee _____ shares of the _____ stock of Build-A-Bear Workshop, Inc. and grants Pledgee a continuing security interest in said shares, together with all proceeds thereof, substitutions therefor and rights associated therewith (referred to collectively herein as the "Collateral"), all of which the Pledgor owns free of liens or claims of any kind and has the right to pledge to Pledgee.

Pledgor hereby agrees that the Collateral shall constitute security for any and all of the Liabilities. Pledgor authorizes Pledgee to cause any Collateral to be transferred, in such manner and at such time(s) as Pledgee may determine, into the names of Pledgee or Pledgee's nominees and this instrument shall constitute Pledgee's authority to make such transfer(s).

Pledgor agrees that:

(1) Pledgor will execute, endorse and deliver all documents which Pledgee may reasonably require to secure Pledgee's interests under this Collateral Pledge Agreement.

(2) Pledgor shall have no right to call, exchange, convert or otherwise change or alter the form of the Collateral without the consent of Pledgee so long as any portion of the Liabilities remain unpaid. Any dividend, increase or distribution paid in cash out of the earnings of the issuer of any stock constituting a part of the Collateral shall be released to Pledgor by Pledgee unless such Collateral is transferred into the name of Pledgee or Pledgee's nominee, and Pledgor shall retain all voting rights with respect to such Collateral, except in the case of a default as defined herein. Any instruments, securities, rights or the like which an owner of the Collateral has the right to receive by way of stock split-up, stock dividend, warrants or other increase in the Collateral (except dividends as set forth above) will be delivered to Pledgee and Pledgee may, without notice or demand, take such action as is necessary to assure Pledgor's direct receipt thereof.

(3) The following events shall severally be considered events of default: (a) material misrepresentation of any fact or warranty stated or made to Pledgee by Pledgor, (b) failure by Pledgor to perform any term or provision of this or any other agreement with Pledgee, (c) default in the payment of any sum due on any of the Liabilities, (d) Pledgor's insolvency, adjudication of bankruptcy, making an assignment for the benefit of creditors or

suffering appointment of a receiver or seeking relief under any debtor's relief law, (e) seizure of the Collateral by lawful execution or the sale or encumbrance thereof (except as provided herein), failure to pay any tax thereon when due (except any tax contested in good faith) or default on any debt or security instrument constituting part of the Collateral , (f) material default under the Stockholder's Agreement. Upon any such event of default all of the Liabilities shall, at the option of Pledgee, become immediately due and payable and Pledgee may without notice or demand (i) offset any obligations of Pledgee to Pledgor against any of the Liabilities and (ii) forthwith realize upon the Collateral or any part thereof and receive the proceeds therefrom, and may also, without demand, advertisement or notice, sell at public or private sale, or at any exchange or broker's board, at such prices and upon such terms and conditions as Pledgee may deem best, either for cash or on credit, or for future delivery, any part or all of such Collateral. Pledgee shall have the right at any such sale, public or private, to purchase the whole or any part of such Collateral so sold, provided that any excess of such Collateral or proceeds thereof over the amount of the Liabilities shall be returned to the Pledgor.

(4) In addition, Pledgee shall have all rights of a secured party under the Missouri Uniform Commercial Code and shall first be entitled to apply the proceeds of collection, disposition or other realization on the Collateral to reasonable attorneys' fees and legal expenses incurred by Pledgee in the collection of any Liabilities, and thereafter as required by law.

(5) If notice of default or of intended disposition is required by law, then such notice, if mailed, shall be deemed reasonably and properly given if mailed by or on behalf of Pledgee to the principal business address of Pledgor at least ten (10) days before the time of such disposition. If in the opinion of Pledgee any Collateral cannot be disposed of in a commercially reasonable manner without registration under applicable securities laws, Pledgor will take or cause to be taken such action as is necessary to effect proper registration, and if Pledgor shall refuse to take such action, Pledgee, at his or her sole election, but without any obligation to do so, may take such action as he or she deems warranted to effect or attempt to effect compliance with any applicable law and any cost incurred by Pledgee in connection therewith or in enforcing Pledgor's agreement will be considered a cost incurred in disposition of the Collateral.

(6) Pledgee's rights hereunder shall continue unimpaired notwithstanding foreclosure or other disposition of any part of the Collateral, the availability of additional Collateral, any release of or substitution for any of the Collateral, any act or omission impairing Pledgee's lien on the Collateral or the lien of any underlying security constituting part of the Collateral, including failure to perfect the same, any extension (including extension of time for payment), renewal, substitution, alteration, compromise, settlement, surrender or other such agreement or action transferring, modifying or varying the terms of or otherwise affecting any of the Liabilities or any part of the Collateral, including any act or omission releasing any party primarily or secondarily liable on the Collateral or on any of the Liabilities. No failure by Pledgee to exercise or delay in exercising any of his or her rights hereunder shall constitute a waiver thereof by Pledgee and no single or partial exercise of any right shall preclude the further exercise thereof or the exercise of any other right from time to time. All rights granted to Pledgee hereunder are cumulative and not in substitution of any other rights at law or equity with

respect to the Collateral or the collection of the Liabilities. Pledgor hereby waives notice of any and all actions, forbearance's and omissions of any rights contemplated by this section and consents to be bound thereby as effectively as if Pledgor had agreed thereto in advance.

(7) Pledgee may assign or negotiate and deliver any of the Collateral to any transferee of any of the Liabilities and Pledgee shall thereafter be relieved of any responsibility for the Collateral so transferred and all rights of Pledgee hereunder shall inure to his or her transferees.

(8) This Agreement shall be governed by Missouri law and the rights and obligations hereunder shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, assigns, legatees, transferees and legal representatives.

Pledgor

EXHIBIT 4.5

AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT

THIS AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT (the "Agreement"), dated as of 21st day of September, 2001, among BUILD-A-BEAR WORKSHOP, INC., a Delaware corporation (the "Company"), SMART STUFF, INC., a Missouri corporation ("SSI"), MAXINE CLARK ("Clark"), CHRISTIANE EBSWORTH, BARNEY A. EBSWORTH REVOCABLE TRUST DATED JULY 23, 1986 ("Trust"), WAYNE L. SMITH, II ("Smith"), BRIAN VENT ("Vent"), THOMAS HOLLEY ("Holley"), HYCEL PARTNERS V, L.L.C., a Missouri limited liability company ("Hycel"), WALNUT CAPITAL PARTNERS, L.P., a Delaware limited partnership ("WCP"), WALNUT INVESTMENT PARTNERS, L.P., a Delaware limited partnership ("WIP"), KCEP VENTURES II, L.P., a Missouri limited partnership ("KCEP"), ADRIENNE WEISS ("Weiss"), CATTERTON PARTNERS IV, L.P., CATTERTON PARTNERS IV-A, L.P. and CATTERTON PARTNERS IV-B, L.P., each a Delaware limited partnership, CATTERTON PARTNERS IV OFFSHORE, L.P., a Cayman Island limited partnership and CATTERTON PARTNERS IV SPECIAL PURPOSE, L.P., a Cayman Island limited partnership (collectively, "Catterton"), CLARK/FOX, L.L.C., a Missouri limited liability company ("Clark/Fox"), and CLARK/FOX II, L.L.C., a Missouri limited liability company ("Clark/Fox II") (SSI, Clark, Christiane Ebsworth, Trust, Smith, Vent, Holley, Hycel, WCP, WIP, KCEP, Weiss, Catterton, Clark/Fox and Clark/Fox II collectively, "Holders").

1. Background. Certain of the parties originally entered into that certain Registration Rights Agreement dated April 3, 2000 (the "Original Agreement"). Due to an additional issuance of preferred stock, the parties now desire to amend and restate the Original Agreement and the Original Agreement shall be deemed superseded in its entirety upon execution of this Agreement by the requisite number of Holders required to amend the Original Agreement. It is contemplated that the Company may effect an initial public offering of securities (the "Initial Public Offering") and the parties to this Agreement desire to define the respective rights and obligations of the Holders and the Company with respect to the registration, upon and after the Initial Public Offering, of Registrable Securities of the Company held by the Holders.

2. Registration under Securities Act, etc.

2.1 Registration of Registrable Securities on Demand.

(a) Priority Demand. At any time subsequent to the date that is eighteen (18) months after the date of this Agreement, but subject to Section 2.3, a Series D Holder or Series D Holders of at least a majority of the originally issued Series D Registrable Securities in the Company shall have the right to demand in writing that the Company use its reasonable best efforts to effect an underwritten registration under the Securities Act of 1933, as amended (the "Securities Act"), of at least two-thirds (2/3) of the shares of common stock issuable upon conversion of Series D Registrable Securities originally issued to such Series D Holders; provided, however, that the only securities which the Company shall be required to register pursuant hereto shall be shares of common stock of the Company; provided further, that

if the requested registration is the Company's Initial Public Offering, the reasonably anticipated aggregate price to the public would equal at least $25 million (otherwise, such aggregate price to the public shall be $2,000,000); and provided, further, notwithstanding anything to the contrary contained herein, that if, at any time after giving written notice of their intention to register such securities and prior to filing the registration statement in connection with such registration, the Company may elect to delay the filing of such registration, in the reasonable judgment of the Board of Directors, for a period of up to ninety (90) days upon giving written notice of such determination to each Series D Holder. In no event shall the Company be obligated to effect more than one (1) registration under this Section 2.1(a).

(b) Demand. At any time subsequent to the date that is six (6) months after the date the Company's Initial Public Offering is consummated, but subject to Section 2.3, a Holder or Holders that own Registrable Securities equal to or greater than ten percent (10%) of the outstanding Registrable Securities in the Company shall have the right to demand in writing that the Company effect an underwritten registration under the Securities Act, of all or part of such Holders' Registrable Securities; provided, however, that the only securities which the Company shall be required to register pursuant hereto shall be shares of common stock of the Company; provided further, that the reasonably anticipated aggregate price to the public would equal at least $2 million. In no event shall the Company be obligated to effect more than two (2) registrations under this Section 2.1(b), other than registrations on Form S-3 (as defined herein).

(c) Effecting the Registration. The Company will promptly give written notice of any registration requested under Sections 2.1(a) and 2.1(b) to all other Series D Holders in the case of registration requests under Section 2.1(a) or all other Holders in all other cases, which Holders shall be entitled to include, with respect to Section 2.1(a) their Series D Registrable Securities and with respect to Section 2.1(b) their Registrable Securities, in such registration subject to Sections 2.1(d) and 2.1(i). Thereupon the Company will use its best efforts to effect the registration under the Securities Act of:

(i) the Series D Registrable Securities or the Registrable Securities which the Company has been so requested to register by the Holders making the registration demand under Sections 2.1(a) or 2.1(b), as applicable; and

(ii) subject to Sections 2.1(d) and 2.1(i), all other Series D Registrable Securities or Registrable Securities, as applicable, which the Company has been requested to register by the Holders thereof by written request given to the Company within twenty (20) days after the giving of such written notice by the Company (which request shall specify the intended method of disposition of such Series D Registrable Securities or Registrable Securities, as applicable) all to the extent requisite to permit the disposition of the Series D Registrable Securities or the Registrable Securities, as applicable, so to be registered.

The Company shall be entitled to include in any registration statement referred to in this Section 2.1, for sale in accordance with the method of disposition specified by the requesting Holders, shares of common stock of the Company to be sold by the Company for its own

account, except as and to the extent that, in the opinion of the managing underwriter, such inclusion would adversely affect the marketing or pricing of the Registrable Securities to be sold.

(d) Registration of Other Securities. Whenever the Company shall effect a registration pursuant to this Section 2.1, Series D Registrable Securities held by Series D Holders other than the Holder or Holders that make the registration demand under Section 2.1(a) and Registrable Securities held by Holders other than the Holder or Holders that make the registration demand under Section 2.1(b), shall, upon the request of such Holders, be included in the registration unless the managing underwriter of such offering shall have advised each Series D Holder of Series D Registrable Securities and each Holder of Registrable Securities, as applicable, to be covered by such registration in writing that the inclusion of such other Series D Registrable Securities or Registrable Securities, as applicable, would, in the opinion of the underwriter, materially adversely affect the marketing or the selling price of the Series D Registrable Securities or Registrable Securities, as applicable, to be covered by such registration. In such event, the Series D Registrable Securities or Registrable Securities, as applicable, to be included in the registration shall be allocated pro rata among the Holders demanding or requesting registration, all as set forth in Section 2.1(i). The Company will not grant to any person at any time on or after the date hereof the right to be included among the securities registered pursuant to this Section 2.1 that is inconsistent with the provisions of this Section 2.1(d).

(e) Registration Statement Form. Registrations under this Section 2.1 shall be on such appropriate registration form or prospectus of the Commission (i) as shall be reasonably selected by the Company provided, however, that the Company shall be entitled to use Form S-3 promulgated under the Securities Act or any successor form thereto ("Form S-3") if eligible to do so, and (ii) as shall permit the disposition of such Series D Registrable Securities or Registrable Securities, as applicable, in accordance with the intended method or methods of disposition specified in their demand for such registration.

(f) Expenses. The Company will pay all Registration Expenses for all Holders participating in a registration in connection with the registration demands made pursuant to this Section 2.1 other than with respect to registrations on Form S-3, in which case the Holders shall pay their own expenses.

(g) Effective Registration Statement. A registration demanded pursuant to this Section 2.1 shall not be deemed to have been effected and shall not count as a demand registration pursuant to Section 2.1(a) or Section 2.1(b), as applicable, hereof (i) unless a registration statement with respect thereto has become effective, (ii) if a registration statement has been filed with the Commission and prior to its becoming effective a majority of, with respect to Section 2.1(a) the Series D Holders of the Series D Registrable Securities or with respect to Section 2.1(b) the Holders of the Registrable Securities, as applicable, that have demanded registration has decided to terminate the registration process and has agreed in writing to reimburse the Company for all reasonable Registration Expenses, (iii) if after it has become effective, such registration is subject to any stop order, injunction or other order or requirement of the Commission or other governmental agency or court or is withdrawn, suspended or

terminated by the Company, for any reason not the fault of a Holder of Series D Registrable Securities or Registrable Securities, as applicable, and the Series D Registrable Securities or Registrable Securities, as applicable, covered thereby have not been sold, or (iv) if the conditions to closing specified in the selling agreement or underwriting agreement entered into in connection with such registration are not satisfied or waived by the parties thereto other than a Holder of Series D Registrable Securities or Registrable Securities, as applicable.

(h) Underwriters. Any registration effected pursuant to Section 2.1(a) shall, at the election of the Company or the Holders requesting such registration, be an underwritten public offering on a firm commitment basis and, in such case, the Holders requesting such registration shall have the right to select a nationally recognized managing underwriter or underwriters, subject to the approval of the Company, which approval shall not be unreasonably withheld. Any registration effected pursuant to Section 2.1(b) shall, at the election of the Holders of at least fifty percent (50%) (by number of shares or other equity interests) of the Registrable Securities held by the Holders making the registration demand under Section 2.1(b), be an underwritten public offering on a firm commitment basis or a best efforts basis. The managing underwriter or underwriters thereof shall be selected by the Company and such managing underwriting or underwriters, as well as the price, terms and provisions of the offering, shall be subject to the approval of the Company and the Holders of more than fifty percent (50%) (by number of shares) of the Registrable Securities held by the Holders making the registration demand under Section 2.1(b).

(i) Apportionment in Registrations Requested. If, in connection with a registration demanded pursuant to this Section 2.1, the managing underwriter shall advise the Company in writing that, in its opinion, the number of securities requested to be included in such registration would be likely to have an adverse effect on marketing the offering, the Company will include in such registration prior to including any other shares in such registration, to the extent of the number which the Company is so advised can be sold in such offering, Series D Registrable Securities or Registrable Securities, as applicable, requested to be included in such registration pro rata among the Holders thereof requesting such registration on the basis of the percentage of the Series D Registrable Securities or Registrable Securities, as applicable, sought to be registered held by such Holders of Series D Registrable Securities or Registrable Securities, as applicable, which have requested that such Series D Registrable Securities or Registrable Securities, as applicable, be included.

2.2 "Piggyback" Registrations.

(a) Right to Include Registrable Securities. If the Company at any time subsequent to its Initial Public Offering proposes to register any of its common stock under the Securities Act (other than by a registration on Form S-4 or Form S-8 or any other form not available for registering restricted stock for sale to the public), whether or not for sale for its own account, it will each such time give prompt written notice to all Holders of Registrable Securities of its intention to do so and of such Holders' rights under this Section 2.2. Upon the written request of any such Holder made within ten (10) days after the date of any such notice given in accordance with Section 7 hereof, the Company will use its best efforts to effect the registration

under the Securities Act of all Registrable Securities which the Company has been so requested to register by the Holders thereof, to the extent requisite to permit the disposition of the Registrable Securities so to be registered, provided, that if, at any time after giving written notice of its intention to register any securities and prior to the effective date of the registration statement filed in connection with such registration, the Company shall determine for any reason not to effect or to delay such registration, the Company may, at its election, give written notice of such determination to each Holder of Registrable Securities and, thereupon, (i) in the case of a determination not to register, shall be relieved of its obligation to register any Registrable Securities in connection with such registration, without prejudice, however to the rights of any Holder or Holders of Registrable Securities entitled to do so to request that such registration be effected as a demand registration under Section 2.1, and (ii) in the case of a determination to delay registering, shall be permitted to delay registering any Registrable Securities for the same period as the delay in registering such other securities. No registration effected under this Section 2.2 shall relieve the Company of its obligation to effect any demand registration under Section 2.1. Each participating Holder will pay all Registration Expenses allocable or otherwise applicable to such Holder in connection with each registration of Registrable Securities requested pursuant to this Section 2.2.

(b) Apportionment in "Piggyback" Registrations. If (i) a registration to this 2.2 involves an underwritten offering of the securities being registered, whether or not for sale for the account of the Company, to be distributed (on a firm commitment basis) by or through one or more underwriters of recognized national or regional standing under underwriting terms appropriate for such a transaction, and (ii) the managing underwriters of such underwritten offering shall inform the Company in writing that in its opinion, that the number of securities requested to be included in such registration would be likely to have an adverse effect on marketing the offering, then the Company may include all securities proposed by the Company to be sold for its own account or the maximum amount that the underwriters considers saleable and such limitation on any remaining securities that may, in the opinion of the underwriter, be sold will be imposed pro rata among Holders of Registrable Securities on the basis of the percentage of the securities sought to be registered, provided, however, that no holders of securities other than Holders of Registrable Securities shall be entitled to include their securities in such registration if such limitation is imposed on Holders of Registrable Securities.

(c) Notwithstanding anything to the contrary contained in this Section 2.2, if, in the event of a firm commitment underwritten public offering of the Company's common stock a Holder of Registrable Securities does not elect, or is not allowed (at the discretion of the underwriters thereof), to sell his Registrable Securities in connection with such offering, such Holder shall refrain from selling such Registrable Securities during the period of distribution of the common stock of the Company by such underwriters.

2.3 Registration Procedures. If and whenever the Company is required to use its best efforts to effect the registration of any Registrable Securities and under the Securities Act as provided in Sections 2.1 and 2.2, the Company will as expeditiously as possible:

(i) prepare and (as soon thereafter as possible or in any event no later than forty-five (45) days after the end of the period within which requests for a registration may be given to the Company) file with the Commission a registration statement (which, in the case of an underwritten public offering, shall be on Form S-1, Form S-3 or other form of general applicability satisfactory to the managing underwriter) to effect such registration and thereafter use its best efforts to cause such registration statement to become effective, provided that the Company may discontinue and/or delay any registration of the securities which are not Registrable Securities (and, under the circumstances specified in Section 2.2(a), its securities which are Registrable Securities) at any time prior to the effective date of the registration statement relating thereto;

(ii) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective and to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement until such time as all of such securities have been disposed of in accordance with the intended methods of disposition by the Holder or Holders thereof set forth in such registration statement or for one hundred eighty (180) days, whichever period is shorter;

(iii) furnish to each Holder of Registrable Securities covered by such registration statement such number of conformed copies of such registration statement and of each such amendment and supplement thereto, such number of copies of the prospectus contained in such registration statement (including each preliminary prospectus and any summary prospectus) and any other prospectus filed under Rule 424 or Rule 430A under the Securities Act, in conformity with the requirements of the Securities Act, and such other documents, as such Holder may reasonably request;

(iv) use its best efforts to register or qualify all Registrable Securities and other securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as each Holder thereof shall reasonably request, to keep such registration or qualification in effect for so long as such registrations statement remains in effect, and take any other action which may be reasonably necessary to enable such Holder or Holders to consummate the disposition in such jurisdictions of the securities owned by such Holder or Holders, except that the Company shall not for any such purpose be required to qualify generally to do business as a foreign corporation in any jurisdiction wherein it would not but for the requirements of this subdivision (iv) be obligated to be qualified or to consent to general service of process in any such jurisdiction or subject itself to be required to pay any franchise or income taxes in any such jurisdiction;

(v) use its best efforts to cause all Registrable Securities covered by registration statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the Holder or Holders thereof to consummate the disposition of such Registrable Securities;

(vi) use its best efforts to cause to be furnished to each Holder of Registrable Securities as signed counterpart, addressed to such Holder (and the underwriters, if any), of

(x) an opinion of counsel for the Company, dated the effective date of such registration statement (and, if such registration includes an underwritten public offering, dated the date of the closing under the underwriting agreement), reasonably satisfactory in form and substance to counsel for all such Holders or, if such registration includes an underwritten public offering, to such underwriter, and

(y) a "comfort" letter, dated the effective date of such registration statement (and, if such registration includes an underwritten public offering, dated the date of the closing under the underwriting agreement), signed by the independent public accountants who have certified the Company's financial statements included in such registration statement, addressed to each Holder, to the extent the same can be reasonably obtained, and addressed to the underwriters, if any, covering substantially the same matters with respect to such registration statement (and the prospectus included therein) and, in the case of the accountants' letter, with respect to events subsequent to the date of such financial statements, as are customarily covered in accountants' letters delivered to the underwriters in underwritten public offerings of securities and such other financial matters as such Holder (or the underwriters, if any) may reasonably request;

(vii) notify each Holder of Registrable Securities covered by such registration statement, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, upon discovery that, or upon the happening of any event as a result of which, the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made, and at the request of any such Holder promptly prepare to furnish to such Holder a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made;

(viii) otherwise use its best efforts to comply with all applicable rules and regulations of the Commission, and make available to its security holders, as soon as

reasonably practicable, an earnings statement covering the period of at least twelve (12) months, but not more than eighteen (18) months, beginning with the first full calendar month after the effective date of such registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act, and in the case of a registration requested pursuant to Section 2.1 hereof, will furnish to each such Holder at least two (2) business days prior to the filing thereof a copy of any amendment or supplement to such registration statement or prospectus and shall not file any thereof to which any such Holder shall have reasonably objected on the grounds that such amendment or supplement does not comply in all material respects with the requirements of the Securities Act or of the rules or regulations thereunder;

(ix) provide and caused to be maintained a transfer agent and registrar for all Registrable Securities covered by such registration statement from and after a date not later than the effective date of such registration statement; and

(x) use its best efforts to list all Registrable Securities covered by such registration statement on any securities exchange on which any of the Registrable Securities is then listed.

Notwithstanding the foregoing, the Company may defer its obligations under Section 2.1(b) to file a registration statement, but not its obligations to initiate the process of preparing the applicable registration statement, for a period of no more than (i) ninety (90) days in any three hundred sixty-five (365) day period, if the Company's Board of Directors (or comparable governing body) determines in good faith that filing such a registration statement would be materially detrimental to the Company, provided, that once any such detrimental information has been publicly disclosed or the condition which caused such filing to be potentially materially detrimental to the Company no longer exists, the Company shall promptly proceed to fulfill its obligations under Section 2.1 and (ii) one hundred eighty (180) days from the most recent effective date of any registration statement of the Company filed under the Securities Act pursuant to Section 2.1 and occurring prior to the demand for registration made pursuant to Section 2.1.

The Company may require each proposed Holder of Registrable Securities as to which any registration is being effected to promptly furnish the Company, as a condition precedent to including such Holder's Registrable Securities in any registration, such information regarding such Holder and the distribution of such securities as the Company may from time to time reasonably request in writing.

Each Holder of Registrable Securities agrees by acquisition of such Registrable Securities that upon receipt of any notice from the Company of the happening of any event of the kind described in subdivision (vii) of this Section 2.3, such Holder will forthwith discontinue such Holder's disposition of Registrable Securities pursuant to the registration statement relating to such Registrable Securities until such Holder's receipt of the copies of the supplemented or amended prospectus contemplated by subdivision (vii) of this Section 2.3 and, if so directed by the Company, will deliver to the Company (at the Company's expense) all copies, other than

permanent file copies, then in such Holder's possession of the prospectus relating to such Registrable Securities current at the time of receipt of such notice.

2.4 Underwritten Offerings.

(a) Underwritten Demand Offerings. If requested by the underwriters for any offering by Holders of Registrable Securities pursuant to a registration demanded under Section 2.1, the Company will enter into an underwriting agreement with such underwriters for such offering, such agreement to be satisfactory in substance and form to the Company, to Holders of more than fifty percent (50%) (by number of shares or other equity interests) of the Registrable Securities held by the Holders making the registration request under Section 2.1(b) and the underwriters and to contain such representations and warranties by the Company and such other terms as are generally prevailing in agreements of this type, including, without limitation, indemnities to the effect and to the extent provided in Section 2.6. The Holders of the Registrable Securities will cooperate with the Company in the negotiation of the underwriting agreement and will give consideration to the reasonable requests of the Company regarding the form thereof, provided, that nothing herein contained shall diminish the foregoing obligations of the Company. The Holders of Registrable Securities to be distributed by such underwriters shall be parties to such underwriting agreement.

(b) Incidental Underwritten Offerings. If the Company at any time proposes to register any of its securities under the Securities Act as contemplated by Section 2.2 and such securities are to be distributed by or through one or more underwriters, the Company will, if requested by any Holder of Registrable Securities as provided in Section 2.2 and subject to the provisions of Sections 2.2(a) and 2.2(b), arrange for such underwriters to include all the Registrable Securities to be offered and sold by such Holder among the securities to be distributed by such underwriters. The Holders of Registrable Securities to be distributed by such underwriters shall be parties to the underwriting agreement between the Company and such underwriters.

2.5 Preparation; Reasonable Investigation. In connection with the preparation and filing of each registration statement under the Securities Act pursuant to this Agreement, the Company will give the Holders of Registrable Securities registered under such registration statement, the underwriters, if any, and their respective counsel (such Holders' counsel to be appointed by the Holders of more than fifty percent (50%) (by number of shares or other equity interests) of Registrable Securities held by the Holders making the registration request under Section 2.1(b)), reasonable opportunity to review and comment on such registration statement, each prospectus included there or filed with the Commission, and each amendment thereof or supplement thereto, and will give each of them such access to its books and records and such opportunities to discuss the business of the Company with its officers and the independent public accountants who have certified its financial statements as shall be necessary, in the opinion of such Holders' and such underwriters' respective counsel, to conduct a reasonable investigation within the meaning of the Securities Act.

2.6 Indemnification.

(a) Indemnification by the Company. In the event of any registration of any securities of the Company under the Securities Act, the Company agrees to indemnify and hold harmless the Holder of any Registrable Securities covered by such registration statement, its directors and officers, each other Person who participates as an underwriter in the offering or sale of such securities and such other Person, if any, who controls such Holder or any such underwriter within the meaning of the Securities Act, against any losses, claims, damages or liabilities, joint or several, to which such Holder or any such director or officer or underwriter or controlling person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which such securities were registered under the Securities Act, any preliminary prospectus, final prospectus or summary prospectus contained therein, or any amendment or supplement thereto, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and the Company will reimburse such Holder and each such director, officer, underwriter and controlling person for any legal or any other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, liability, action or proceeding; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, said preliminary or final prospectus or said amendment or supplement in reliance upon and in conformity with written information furnished to the Company by an instrument duly executed by such Holder, specifically for use in the preparation thereof. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Holder or any such director, officer, underwriter or controlling person and shall survive the transfer of such securities by such Holder.

(b) Indemnification by the Holders of Securities. The Holders of Registrable Securities agrees to severally and not jointly, indemnify and hold harmless (in the same manner and to the same extent as set forth in subdivision (a) of this Section 2.6) the Company, each director of the Company, each officer of the Company and each other Person, if any, who controls the Company within the meaning of the Securities Act against any losses, claims, damages or liabilities, joint or several, to which such indemnified Person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon any statement or alleged statement in or omission or alleged omission from such registration statement, any preliminary prospectus, final prospectus or summary prospectus contained therein, or any amendment or supplement thereto, if such statement or alleged statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by such Holder or Holders of Registrable Securities for use in the preparation of such registration statement, preliminary prospectus, final prospectus, summary prospectus, amendment or supplement. Such indemnity shall remain in full force and effect, regardless of any investigation made by or on behalf of the Company or any

such director, officer or controlling person and shall survive the transfer of such securities by such Holder with respect to information furnished by such Holder prior to such transfer. Provided however that in no event shall the indemnification obligation of any Holder pursuant to this Section 2.6(b) exceed the gross proceeds received by such Holder pursuant to the sale of the Holders Registrable Securities.

(c) Notices of Claims, etc. Promptly after receipt by an indemnified party of notice of the assertion of a claim referred to in the preceding subdivisions of this Section 2.6, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party, give written notice to the latter of the assertion, provided that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations under the preceding subdivisions of this Section 2.6, except to the extent that the indemnifying party is prejudiced by such failure to give notice. In case any such claim is made against an indemnified party, unless in the written opinion of counsel a conflict of interest between such indemnified party and indemnifying parties may exist in respect of such claim, the indemnifying party shall be entitled to participate in and to assume the defense thereof, jointly with any other indemnifying party similarly notified to the extent that it may wish, with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party for any legal or other expenses subsequently incurred by the latter in connection with the defense thereof. No indemnifying party shall, without the consent of the indemnified party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation.

(d) Other Indemnification. Indemnification similar to that specified in the preceding subdivisions of this Section 2.6 (with appropriate modifications) shall be given by the Company and each Holder of Registrable Securities with respect to any required registration or other qualification of securities under any Federal or state law or regulation of any governmental authority other than the Securities Act.

(e) Indemnification Payments. The indemnification required by this Section 2.6 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or expense, loss, damage or liability is incurred.

2.7 Adjustments Affecting Registrable Securities. The Company will not effect or permit to occur any combination or subdivision of shares which would adversely affect the ability of the Holders of Registrable Securities to include such Registrable Securities in any registration of its securities contemplated by this Section 2 or the marketability of such Registrable Securities under any such registration.

2.8 Exercise of Demand Rights. Notwithstanding anything to the contrary contained herein, each Holder of Registrable Securities hereby agrees not to exercise any demand

registration right pursuant to Section 2.1(a) or 2.1(b) hereof, (i) during the seven (7) days prior to and during the ninety (90) days following the effective date of any underwritten demand registration or any underwritten piggyback registration pursuant to this Section 2 (other than the Initial Public Offering) in which Registrable Securities are included, or (ii) during the seven (7) days prior to and during the one hundred eighty (180) days following the effective date of the registration statement relating to the Initial Public Offering.

3. Definitions. As used herein, unless the context otherwise requires, the following terms have the following respective meanings:

Commission: The Securities and Exchange Commission or any other Federal agency at the time administering the Securities Act.

Company Securities: All shares or other equity interests now or hereafter authorized by the Company and stock or other equity interests of any other class with which such shares or equity interests may hereafter have been exchanged or reclassified.

Exchange Act: The Securities and Exchange Act of 1934, as amended.

Person: A corporation, an association, a partnership, a limited liability company, a business, an individual, a governmental or political subdivision thereof or a governmental agency.

Registrable Securities: Any Company Securities held by the Holders from time to time.

As to any particular Registrable Securities, such securities shall cease to be Registrable Securities when (a) a registration statement with respect to the sale of such securities shall have become effective under the Securities Act and such securities shall have been disposed of in accordance with such registration statement, (b) they shall have been distributed to the public pursuant to Rule 144 (or any successor provision) under the Securities Act, or (c) they shall have ceased to be outstanding.

Registration Expenses: All expenses incident to the Company's performance of or compliance with Section 2, including, without limitation, all registration, filing and National Association of Securities Dealers, Inc. fees, all fees and expenses of complying with securities or blue sky laws, all word processing, duplicating and printing expenses, messenger and delivery expenses, the reasonable fees and disbursements of counsel for the Company and the Company's independent public accountants, including the expenses of any special audits or "cold comfort" letters required by or incident to such performance and compliance, the reasonable fees and disbursements of a single counsel retained by the Holder or Holders of more than fifty percent (50%) (by number of shares or other equity interests) of the

Registrable Securities being registered, premiums and other costs of policies of insurance obtained by the Company against liabilities arising out of the public offering of the Registrable Securities being registered and any fees and disbursements of underwriters customarily paid by issuers or seller of securities, including reasonable fees of underwriters counsel incurred in the qualification of the Securities under blue sky laws, but excluding all agency fees and commissions, underwriting discounts and commissions and transfer taxes, if any.

Securities Act: As defined in Section 2.1(a).

Series D Holder: Any Holder of Series D Registrable Securities.

Series D Registrable Securities: Any Registrable Securities classified as Series D Preferred Stock, par value $.01 per share.

4. Rule 144. If the Company shall have filed a registration statement pursuant to the requirements of Section 12 of the Exchange Act or a registration statement pursuant to the requirements of the Securities Act, the Company will file the reports required to be filed by it, and in the manner required to be filed by it, under the Securities Act and the Exchange Act (or, if the Company is not required to file such reports, will, upon the request of any Holder of Registrable Securities, make publicly available other information) and will take such further action as any Holder of Registrable Securities may reasonably request, all to the extent required from time to time to enable such Holder to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by (a) Rule 144 under the Securities Act, as such Rule may be amended from time to time, or (b) any similar rule or regulation hereafter adopted by the Commission ("Rule 144"). Upon the request of any Holder of Registrable Securities, the Company will deliver to such Holder a written statement as to whether it has complied with such requirements.

5. Amendment and Waivers. This Agreement may be amended, and the Company may take any action herein prohibited or omit to perform any act herein required to be performed by it, only if the Company shall have obtained the written consent to such amendment, action or omission to act, of the Holder or Holders of seventy-five percent (75%) or more (by number of shares or other equity interests) of Registrable Securities. Each Holder of any Registrable Securities at the time or thereafter outstanding shall be bound by any consent authorized by this Section 5, whether or not such Registrable Securities shall have been marked to indicate such consent.

6. Nominees for Beneficial Owners. In the event that any Registrable Securities are held by a nominee for the beneficial owner thereof, the beneficial owner thereof may, upon the giving of written notice to the Company, at its election, be treated as the holder of such Registrable Securities for purposes of any demand, request or other action by any Holder or Holders of Registrable Securities pursuant to this Agreement or any determination of any number or percentage of shares of Registrable Securities held by any Holder or Holders of Registrable

Securities contemplated by this Agreement. The Company may require assurances reasonably satisfactory to it of such owner's beneficial ownership of such Registrable Securities.

7. Notices. All notices provided for by this Agreement shall be made in writing (i) either by actual delivery or (ii) by the mailing of the notice in the United States mail to the last known address of the party entitled thereto, registered or certified mail, return receipt requested, courier service or personal delivery and shall be deemed to have been duly given or made and to have become effective when delivered in hand to the party to which directed, when delivered by courier if delivered by commercial overnight courier service, or if sent by first-class registered mail, postage prepaid and properly addressed, at the earlier of (a) the time when received by the addressee or (b) the fifth business day following the dispatch thereof.

8. Assignment. Subject to the restrictions on transfer of the Registrable Securities imposed by the Company's Stockholders' Agreement or other organizational documents, this Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and permitted assigns. In addition, and whether or not any express assignment shall have been made, the provisions of this Agreement which are for the benefit of the parties hereto other than the Company shall also be for the benefit of and enforceable by any subsequent Holder of any Registrable Securities, subject to the provisions respecting minimum numbers or percentages of shares of Registrable Securities required in order to be entitled to certain rights, or take certain actions, contained herein.

9. Descriptive Headings. The descriptive headings of the several sections and paragraphs of this Agreement are inserted for reference only and shall not limit or otherwise affect the meaning hereof.

10. Governing Law. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the internal substantive laws of the State of Missouri.

11. Counterparts. This Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original, but all such counterparts shall together constitute one and the same instrument.

12 Expiration. The registration rights granted pursuant to Sections 2.1 and 2.2 hereof shall expire on the earlier of (a) the date which is four (4) years following an Initial Public Offering; or (b) as to each individual Holder, at such time after the Company's Initial Public Offering as all Registrable Securities held by and issuable to such Holder may be sold under Rule 144 of the 1933 Act without regard to volume and manner of sale limitations.

SIGNATURE PAGES FOR
AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT

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

COMPANY:

BUILD-A-BEAR WORKSHOP, INC.,
a Delaware corporation

By: /s/ Maxine Clark

Name: Maxine Clark
Title: President

HOLDERS:

SMART STUFF, INC.,
a Missouri corporation

/s/ Maxine Clark

By: Maxine Clark

CLARK/FOX, L.L.C.
a Missouri limited liability company

/s/ Maxine Clark

By: Maxine Clark, its Manager

CLARK/FOX II, L.L.C.
a Missouri limited liability company

/s/ Maxine Clark

By: Maxine Clark, its Manager

/s/ Maxine Clark

Maxine Clark

Barney A. Ebsworth Revocable Trust dated
July 23, 1986

/s/ Barney A. Ebsworth Rev. Tr.

By: Barney A. Ebsworth

/s/ Wayne L. Smith, II

Wayne L. Smith, II

/s/ Brian Vent

Brian Vent

HYCEL PARTNERS V, L.L.C.,
a Missouri limited liability company

/s/ Mark H. Zorensky

By: Mark H. Zorensky, Manager

WALNUT CAPITAL PARTNERS, L.P.,
a Delaware limited partnership

By: Walnut Capital Management Group, LLC,
its general partner

By: /s/ James M. Gould

Manager

WALNUT INVESTMENT PARTNERS, L.P.,
a Delaware limited partnership

By: Walnut Investments Holding Company, LLC,
its general partner

By: /s/ James M. Gould

Manager

KCEP VENTURES II, L.P.,
a Missouri limited partnership

By: KCEP II, L.C., its general partner

By: /s/ William Reisler

William Reisler, its Managing Director

CATTERTON PARTNERS IV, L.P.,
a Delaware limited partnership

By: Catterton Managing
Partner IV, L.L.C.
Its: General Partner

By: CP4 Principals, L.L.C.
Its: Managing Member

By: /s/ Frank M. Vest, Jr.

Name: Frank M. Vest, Jr.
Title: Authorized Person

CATTERTON PARTNERS IV-A, L.P.,
a Delaware limited partnership

By: Catterton Managing
Partner IV, L.L.C.
Its: General Partner

By: CP4 Principals, L.L.C.
Its: Managing Member

By: /s/ Frank M. Vest, Jr.

Name: Frank M. Vest, Jr.
Title: Authorized Person

CATTERTON PARTNERS IV-B, L.P.,
a Delaware limited partnership
By: Catterton Managing
Partner IV, L.L.C.
Its: General Partner

By: CP4 Principals, L.L.C.
Its: Managing Member

By: /s/ Frank M. Vest, Jr.

Name: Frank M. Vest, Jr.
Title: Authorized Person

CATTERTON PARTNERS IV OFFSHORE, LP.
a Cayman limited partnership

By: Catterton Managing
Partner IV, L.L.C.
Its: Managing General Partner

By: CP4 Principals, L.L.C.
Its: Managing Member

By: /s/ Frank M. Vest, Jr.

Name: Frank M. Vest, Jr.
Title: Authorized Person

CATTERTON PARTNERS IV SPECIAL
PURPOSE, L.P.
a Cayman limited partnership

By: Catterton Managing Partner IV, L.L.C.
Its: Managing General Partner

By: CP4 Principals, L.L.C.
Its: Managing Member

By: /s/ Frank M. Vest, Jr.

Name: Frank M. Vest, Jr.
Title: Authorized Person

/s/ Adrienne Weiss

Adrienne Weiss

/s/ Christiane Ebsworth

Christiane Ebsworth

/s/ Thomas Holley

Thomas Holley

EXHIBIT 10.1

BUILD-A-BEAR WORKSHOP, INC.
2000 STOCK OPTION PLAN

1. Purpose of the Plan.

The Build-A-Bear Workshop, Inc. 2000 Stock Option Plan (the "Plan") is intended as an incentive to, and to encourage ownership of the stock of Build-A-Bear Workshop, Inc. ("Company") by, certain employees of the Company, a parent or a subsidiary as well as certain other individuals. It is intended that certain options granted hereunder will qualify as incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code") (hereinafter referred to as an "Incentive Stock Option") and that other options granted hereunder will not qualify as Incentive Stock Options.

2. Stock Subject to the Plan.

One million three hundred seventy-four thousand seventy-four (1,374,074) shares of the authorized but unissued common stock, par value of $ 0.01 per share, of the Company ("Common Stock") have been allocated to the Plan and will be reserved for issue upon the exercise of options granted under the Plan. The Company may, in its discretion, use shares held in the treasury in lieu of authorized but unissued shares. If any such option shall expire or terminate for any reason without having been exercised in full, the unpurchased shares subject thereto shall again be available for the purposes of the Plan. Any shares of Common Stock which are used by an optionee as full or partial payment to the Company of the purchase price of shares of Common Stock upon exercise of a stock option shall again be available for the purposes of the Plan.

3. Administration.

The Plan shall be administered by the Committee referred to in Section 4 (the "Committee"). Subject to the express provisions of the Plan, the Committee shall have plenary authority, in its discretion, to determine the individuals to whom, and the time or times at which, options shall be granted and the number of shares to be subject to each option. In making such determinations the Committee may take into account the nature of the services rendered by the respective individuals, their present and potential contributions to the Company's success and such other factors as the Committee, in its discretion, shall deem relevant. Subject to the express provisions of the Plan, the Committee shall also have plenary authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective stock option agreements (which need not be identical) and to make all other determinations necessary or advisable for the administration of the Plan. The Committee's determinations on the matters referred to in this Section 3 shall be conclusive.

4. The Committee.

The Committee shall be comprised of directors on the compensation committee of the Board of Directors of the Company ("Board of Directors") and shall at all times be constituted to comply with Rule 16b-3 under the Securities Exchange Act of 1934, or any successor to such Rule. For calendar years beginning after the "reliance period" defined in Treas. Reg. Section 1.162-27(f)(2) or any successor thereto with respect to the Company, such Committee shall consist solely of two or more Outside Directors. For this purpose, an Outside Director shall mean a director of the Company who:

(1) is not an employee of the Company, a parent or a subsidiary while he or she is a member of the Committee;

(2) is not a former employee of the Company, a parent or a subsidiary who receives compensation for prior services (other than benefits under a tax-qualified retirement plan) during the taxable year;

(3) has not been an Officer of the Company, a parent or a subsidiary; and

(4) shall not receive Remuneration from the Company, a parent or a subsidiary either directly or indirectly in any capacity other than as a director.

"Remuneration" and "Officer" as used herein shall be determined in accordance with Treas. Reg. Section 1.162-27(e)(3) or any successor thereto.

The Committee shall be appointed by the Board of Directors, which may from time to time appoint members of the Committee in substitution for members previously appointed and may fill vacancies, however caused, in the Committee. The Board of Directors shall select one of the Committee members as its Chairman, and shall hold its meetings at such times and places as it may determine. A majority of its members shall constitute a quorum. All determinations of the Committee shall be made by a majority of its members present at any meeting at which there is a quorum. Any decision or determination reduced to writing and signed by all of the members shall be fully as effective as if it had been made by a majority vote at a meeting duly called and held. The Committee may appoint a secretary, shall keep minutes of its meetings and shall make such rules and regulations for the conduct of its business as it shall deem advisable

5. Eligibility.

Incentive Stock Options may be granted to any individual classified by the Committee as an employee of the Company, a parent or a subsidiary. The term "parent" shall mean any corporation (other than Company) in an unbroken chain of corporations ending with the Company if, at the time of the granting of the option, each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain, or such other meaning as may be

hereafter ascribed to it in Section 424 of the Code. The term "subsidiary" shall mean any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of the granting of the option, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain, or such other meaning as may be hereafter ascribed to it in Section 424 of the Code. Options which are not Incentive Stock Options may be granted to any individual selected by the Committee.

6. Option Prices.

(a) Incentive Stock Options. The purchase price of the Common Stock under each Incentive Stock Option shall not be less than 100% of the fair market value of the stock at the time of the granting of the option; provided that, in the case of an optionee who owns more than 10% of the total combined voting power of all classes of stock of the Company, a parent or a subsidiary, the purchase price of the Common Stock under each Incentive Stock Option shall not be less than 110% of the fair market value of the stock on the date such option is granted. If the Common Stock is publicly traded, such fair market value shall generally be considered to be the mean between the high and low prices of the Common Stock as traded on the applicable exchange on the day the option is granted; provided, however, that the Committee may adopt any other criterion for the determination of such fair market value as it may determine to be appropriate.

(b) Options Other Than Incentive Stock Options. The purchase price of the Common Stock under each option other than an Incentive Stock Option shall be determined from time to time by the Committee, which need not be uniform for all optionees.

(c) Exercise - Elections and Restrictions. The purchase price for an option is to be paid in full upon the exercise of the option, either (i) in cash, (ii) in the discretion of the Committee, by the tender to the Company (either actual or by attestation) of shares of the Common Stock, already owned by the optionee for a period of at least six months as of the date of tender and registered in his or her name, having a fair market value equal to the cash exercise price of the option being exercised, with the fair market value of such stock to be determined in such appropriate manner as may be provided for by the Committee or as may be required in order to comply with, or to conform to the requirements of, any applicable laws or regulations, or (iii) in the discretion of the Committee, by any combination of the payment methods specified in clauses (i) and (ii) hereof; provided that, no shares of Common Stock may be tendered in exercise of an Incentive Stock Option if such shares were acquired by the optionee through the exercise of an Incentive Stock Option unless (a) such shares have been held by the optionee for at least one year and (b) at least two years have elapsed since such prior Incentive Stock Option was granted. The Committee may, after consideration of any potential accounting consequences, cause the Company to loan the option price to the optionee or to guaranty that any shares to be issued will be delivered to a broker or lender in order to allow the optionee to borrow the option price. The Committee may provide in an option agreement that payment in full of the option

price need not accompany the written notice of exercise provided that the notice of exercise directs that the certificate or certificates for the shares of Common Stock for which the option is exercised be delivered to a licensed broker acceptable to the Company as the agent for the individual exercising the option and, at the time such certificate or certificates are delivered, the broker tenders to the Company cash (or cash equivalents acceptable to the Company) equal to the option price for the shares of Common Stock purchased pursuant to the exercise of the option plus the amount (if any) of any withholding obligations on the part of the Company. The proceeds of sale of stock subject to option are to be added to the general funds of the Company or to the shares of the Common Stock held in its Treasury, and used for its corporate purposes as the Board of Directors shall determine.

7. Incentive Stock Option Amounts Limit.

The maximum aggregate fair market value (determined at the time an option is granted in the same manner as provided for in Section 6 hereof) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any optionee during any calendar year (under all plans of the Company, a parent and a subsidiary) shall not exceed $100,000.

8. Exercise of Options.

The term of each option shall be not more than ten (10) years from the date of granting thereof or such shorter period as is prescribed in Section 9; provided that, in the case of an option holder who owns more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, a parent or a subsidiary, the term of any Incentive Stock Option shall not be more than five (5) years from the date of granting thereof or such shorter period as prescribed in Section 9 below. Within such limit, options will be exercisable at such time or times, and subject to such restrictions and conditions, as the Committee shall, in each instance, approve, which need not be uniform for all optionees; provided, however, that except as provided in Sections 9 and 10, no Incentive Stock Option may be exercised at any time unless the optionee is then an employee of the Company, a parent or a subsidiary and has been so employed continuously since the granting of the option. The holder of an option shall have none of the rights of a shareholder with respect to the shares subject to option until such shares shall be issued to him or her upon the exercise of his or her option. Upon the exercise of an option, the Committee shall withhold a sufficient number of shares to satisfy the Company's minimum required statutory withholding obligations for any taxes incurred as a result of such exercise (based on the minimum statutory withholding rates for federal and state tax purposes, including payroll taxes); provided that, in lieu of all or part of such withholding, the optionee may pay an equivalent amount of cash to the Company.

9. Termination of Employment.

9.1 In General.

The holder of any option issued hereunder must exercise the option prior to his or her termination of employment, except that if the employment of an optionee terminates with the consent and approval of his or her employer, the Committee may, in its absolute discretion, permit the optionee to exercise his or her option, to the extent that he or she was entitled to exercise it at the date of such termination of employment, at any time within three (3) months or such longer period as approved by the Committee after such termination, but not after ten (10) years (or five (5) years, if applicable) from the date of the granting thereof. Notwithstanding the preceding, the Committee may, in an optionee's stock option agreement, afford an optionee who terminates employment other than for cause, the right to exercise his or her option, to the extent that he or she was entitled to exercise it at such date of termination of employment, at any time within three (3) months or such longer period as approved by the Committee after such termination, but not after ten (10) years (or five (5) years, if applicable) from the date of granting thereof.

9.2 Disability.

If the optionee terminates employment on account of disability, his or her option shall become fully vested (if not already fully vested) and the optionee may exercise such option at any time within one year of the termination of his or her employment but not after ten (10) years (or five (5) years, if applicable) from the date of the granting thereof. For this purpose, a person shall be deemed to be disabled if he or she is permanently and totally disabled within the meaning of Section 422(c)(6) of the Code, which, as of the date hereof, shall mean that he or she is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. A person shall be considered disabled only if he or she furnishes such proof of disability as the Committee may require.

9.3 Transfers and Leaves of Absence.

Options granted under the Plan shall not be affected by any change of employment so long as the holder continues to be an employee of the Company, a parent or a subsidiary thereof. The option agreements may contain such provisions as the Committee shall approve with reference to the effect of approved leaves of absence.

9.4 No Right to Continued Employment.

Nothing in the Plan or in any option granted pursuant to the Plan shall confer on any individual any right to continue in the employ of the Company, a parent or a subsidiary or interfere in any way with the right of the Company, a parent or a subsidiary thereof to terminate his or her employment at any time.

10. Death of Holder of Option.

In the event of the death of an individual to whom an option has been granted under the Plan, while he or she is employed by the Company, a parent or a subsidiary or within three (3) months after the termination of his or her employment (or one year in the case of the termination of employment of an option holder who is disabled as provided above in Section 9), the option theretofore granted to him or her shall become fully vested (if not already fully vested) and may be exercised by a legatee or legatees of the option holder under his or her last will, or by his or her personal representatives or distributees, at any time within a period of one year after his or her death, but not after ten (10) years (or five (5) years, if applicable) from the date of granting thereof and only if and to the extent that he or she was entitled to exercise the option at the date of his or her death.

11. Transferability of Options.

The Committee may provide in option agreements that options, other than Incentive Stock Options, are transferable. Transferability may be subject to such conditions and limitations as the Committee deems appropriate. Except to the extent otherwise expressly set forth in the option agreement, each option granted under the Plan shall, by its terms, be non-transferable otherwise than by will or the laws of descent and distribution and an option may be exercised, during the lifetime of the holder thereof, only by the optionee or his or her guardian or legal representative.

12. Successive Option Grants.

Successive option grants may be made to any holder of options under the Plan.

13. Investment Purpose.

Each option under the Plan shall be granted only on the condition that all purchases of stock thereunder shall be for investment purposes, and not with a view to resale or distribution, except that the Committee may make such provision with respect to options granted under this Plan as it deems necessary or advisable for the release of such condition upon the registration with the Securities and Exchange Commission of stock subject to the option, or upon the happening of any other contingency warranting the release of such condition.

14. Adjustments Upon Changes in Capitalization or Corporate Acquisitions.

Notwithstanding any other provisions of the Plan, the option agreements may contain such provisions as the Committee shall determine to be appropriate for the adjustment of the number and class of shares subject to each outstanding option and the option prices in the event of changes in the outstanding Common Stock by reason of stock dividends, recapitalization, mergers, consolidations, split-ups, combinations or exchanges of shares and the like, and, in the

event of any such change in the outstanding Common Stock, the aggregate number and class of shares available under the Plan and the maximum number of shares as to which options may be granted to any individual shall be appropriately adjusted by the Committee, whose determination shall be conclusive. In the event the Company, a parent or a subsidiary enters into a transaction described in Section 424(a) of the Code with any other corporation, the Committee may grant options to employees or former employees of such corporation in substitution of options previously granted to them upon such terms and conditions as shall be necessary to qualify such grant as a substitution described in Section 424(a) of the Code.

15. Amendment and Termination.

The Board of Directors may at any time terminate the Plan, or make such modifications to the Plan as it shall deem advisable; provided, however, that the Board of Directors may not, without further approval by the holders of Common Stock, increase the maximum numbers of shares as to which options may be granted under the Plan (except under the anti-dilution provisions in Section 15), or change the class of employees to whom options may be granted, or withdraw the authority to administer the Plan from a committee whose members satisfy the requirements of Section 4. No termination or amendment of the Plan may, without the consent of the optionee to whom any option shall theretofore have been granted, adversely affect the rights of such optionee under such option.

16. Effectiveness of the Plan.

The Plan shall become effective upon adoption by the Board of Directors subject, however, to its further approval by the shareholders of the Company given within twelve (12) months of the date the Plan is adopted by the Board of Directors at a regular meeting of the shareholders or at a special meeting duly called and held for such purpose. Grants of options may be made prior to such shareholder approval but all option grants made prior to shareholder approval shall be subject to the obtaining of such approval and if such approval is not obtained, such options shall not be effective for any purpose.

17. Time of Granting of Options.

An option grant under the Plan shall be deemed to be made on the date on which the Committee, by formal action of its members duly recorded in the records thereof, makes an award of an option to an eligible employee of the Company, a parent or a subsidiary (but in no event prior to the adoption of the Plan by the Board of Directors); provided that, such option is evidenced by a written option agreement duly executed on behalf of the Company and on behalf of the optionee within a reasonable time after the date of the Committee action.

18. Term of Plan.

This Plan shall terminate ten (10) years after the date on which it is approved and adopted by the Board of Directors and no option shall be granted hereunder after the expiration of such ten-year period. Options outstanding at the termination of the Plan shall continue in accordance with their terms and shall not be affected by such termination.

* * *

The foregoing Plan was approved and adopted by the Board of Directors on April 3, 2000.

BUILD-A-BEAR WORKSHOP, INC.
2000 STOCK OPTION PLAN

WHEREAS, Build-A-Bear Workshop, Inc. ("Company") previously established the Build-A-Bear Workshop, Inc. 2000 Stock Option Plan ("Plan"); and

WHEREAS, the Company desires to amend Section 9 of the Plan concerning the effect of a termination of employment on an optionee's ability to exercise an option;

NOW, THEREFORE, Section 9 of the Plan is amended by deleting Section 9.1 in its entirety and replacing it to read as follows:

9.1 In General.

The holder of any option issued hereunder must exercise the option prior to his or her termination of employment, except that if the employment of an optionee terminates with the consent and approval of his or her employer, the Committee may, in its absolute discretion, permit the optionee to exercise his or her option, to the extent that he or she was entitled to exercise it at the date of such termination of employment, at any time within three (3) months or such longer period as approved by the Committee after such termination, but not after ten (10) years (or five (5) years, if applicable) from the date of the granting thereof. Notwithstanding the preceding, the Committee may, in an optionee's stock option agreement, afford an optionee who terminates employment other than for cause, the right to exercise his or her option, to the extent that he or she was entitled to exercise it at such date of termination of employment, at any time within three (3) months or such longer period as approved by the Committee after such termination, but not after ten (10) years (or five (5) years, if applicable) from the date of granting thereof.

IN WITNESS WHEREOF, the Company has caused this amendment to be effective as of this 13th day of September 2001.

BUILD-A-BEAR WORKSHOP, INC.

By /s/ MAXINE CLARK

EXHIBIT 10.2

BUILD-A-BEAR WORKSHOP, INC.
2002 STOCK INCENTIVE PLAN

BUILD-A-BEAR WORKSHOP, INC.
2002 STOCK INCENTIVE PLAN

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BUILD-A-BEAR WORKSHOP, INC.
2002 STOCK INCENTIVE PLAN

1. Purpose of the Plan.

The purpose of the Plan is to provide the Company with a means to assist in recruiting, retaining and rewarding certain employees, directors and consultants and to motivate such individuals to exert their best efforts on behalf of the Employer by providing incentives through the granting of Awards. By granting Awards to such individuals, the Company expects that the interests of the recipients will be better aligned with those of the Employer.

2. Definitions.

Unless the context clearly indicates otherwise, the following capitalized terms shall have the meanings set forth below:

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

B. "Award" means an a grant under the Plan of an Option, Stock Appreciation Right, Cash-Based Award or Other Stock-Based Award.

C. "Award Agreement" means an agreement entered into between the Employer and a Participant setting forth the terms and provisions applicable to Awards granted under the Plan.

D. "Board" means the Board of Directors of the Company.

E. "Cash-Based Award" means an Award described in Section 8 as a Cash-Based Award.

F. "Change in Control" means (i) the purchase or other acquisition (other than from the Company) by any person, entity or group of persons, within the meaning of Section 13(d) or 14(d) of the Act (excluding, for this purpose, the Company or its subsidiaries or any employee benefit plan of the Company or its subsidiaries), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Act) of 20% or more of either the then-outstanding shares of common stock of the Company or the combined voting power of the Company's then-outstanding voting securities entitled to vote generally in the election of directors; or (ii) individuals who, as of the date hereof, constitute the Board (and, as of the date hereof, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any person who becomes a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an individual whose

initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Act) shall be, for purposes of this section, considered as though such person were a member of the Incumbent Board; or (iii) approval by the stockholders of the Company of a reorganization, merger or consolidation, in each case with respect to which persons who were the stockholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of, respectively, the common stock and the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated corporation's then-outstanding voting securities, or of a liquidation or dissolution of the Company or of the sale of all or substantially all of the assets of the Company.

G. "Code" means the Internal Revenue Code of 1986, as amended, or any successor thereto.

H. "Committee" means the committee described in Section 5.

I. "Company" means Build-A-Bear Workshop, Inc., a Delaware corporation.

J. "Employer" means the Company and any other entity directly or indirectly controlling, controlled by, or under common control with, the Company or any other entity designated by the Board in which the Company has an interest.

K. "Fair Market Value" means (i) if there should be a public market for the relevant Stock on the determination date, the arithmetic mean between the high and low prices of such Stock as reported on such date on the Composite Tape of the principal national securities exchange on which such Stock is listed or admitted to trading, or, if such Stock is not listed or admitted on any national securities exchange, the arithmetic mean of the per share closing bid price and per share closing asked price on such date as quoted on the National Association of Securities Dealers Automated Quotation System (or such market in which such prices are regularly quoted) ("NASDAQ"), or if no sale of such shares shall have been reported on the Composite Tape of any national securities exchange or quoted on the NASDAQ on such date, then the immediately preceding date on which sales of such shares have been so reported or quoted shall be used, and (ii) if there should not be a public market for the Stock on such date, the Fair Market Value shall be the value established by the Committee in good faith.

L. "Incentive Stock Option" means a stock option which is an incentive stock option within the meaning of Code Section 422.

M. "Non-qualified Stock Option" means a stock option which is not an Incentive Stock Option.

N. "Option" means both an Incentive Stock Option and a Non-Qualified Stock Option.

O. "Other Stock-Based Award" means an Award granted pursuant to Section 8 and described as an Other Stock-Based Award.

P. "Parent" means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company if, at the time of the granting of the Option, each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain, or such other meaning as may be hereafter described to it in Code Section 424.

Q. "Participant" means an employee, director or consultant of the Employer who is selected by the Committee to receive an Award.

R. "Plan" means the Build-A-Bear Workshop, Inc. 2002 Stock Incentive Plan.

S. "Stock" means the common stock, par value of $0.01 per share, of the Company.

T. "Stock Appreciation Right" means a stock appreciation right described in Section 7.

U. "Subsidiary" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of granting an Award, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain, or such other meaning as may be hereafter ascribed to it in Code Section 424.

3. Stock Subject to the Plan.

_____ ( ) shares of Stock have been allocated to the Plan and will be reserved to satisfy Awards under the Plan. The maximum number of shares of Stock subject to Awards which are Options and Stock Appreciation Rights which may be granted during a calendar year to a Participant shall be _____ ( ). The Company may, in its discretion, use shares held in the treasury in lieu of authorized but unissued shares. If any Award shall expire or terminate for any reason, the shares subject to the Award shall again be available for the purposes of the Plan. Any shares of Stock which are used by a Participant as full or partial payment to the Company to satisfy a purchase price related to an Award shall again be available for the purposes of the Plan. To the extent any shares subject to an Award are not delivered to a Participant because such shares are used to satisfy an applicable tax-withholding obligation, such withheld shares shall again be available for the purposes of the Plan.

4. Administration.

The Plan shall be administered by the Committee. Subject to the express provisions of the Plan, the Committee shall have plenary authority, in its discretion, to determine the individuals to whom, and the time or times at which, Awards shall be granted and the number of shares, if applicable, to be subject to each Award. In making such determinations, the Committee may take into account the nature of services rendered by the respective individuals, their present and potential contributions to the Employer's success and such other factors as the Committee, in its discretion, shall deem relevant. Subject to the express provisions of the Plan, the Committee shall also have plenary discretionary authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective Award Agreements (which need not be identical) and to make all other determinations necessary or advisable for the administration of the Plan. The Committee's determinations on the matters referred to in this Section 4 shall be conclusive.

5. Committee.

The Committee shall be comprised of directors on the compensation committee of the Board of Directors of the Company ("Board of Directors") and, after such time as the Company is subject to the Act, shall thereafter be constituted to comply with Rule 16b-3 under the Act, or any successor to such Rule.

The Committee shall be appointed by the Board, which may from time to time appoint members of the Committee in substitution for members previously appointed and may fill vacancies, however caused, in the Committee. The Board shall select one of the Committee members as its Chairman, and shall hold its meetings at such times and places as it may determine. A majority of its members shall constitute a quorum. All determinations of the Committee shall be made by a majority of its members present at any meeting at which there is a quorum. Any decision or determination reduced to writing and signed by all of the members shall be fully as effective as if it had been made by a majority vote at a meeting duly called and held. The Committee may appoint a secretary, shall keep minutes of its meetings and shall make such rules and regulations for the conduct of its business as it shall deem advisable.

6. Options.

The Committee, in its discretion, may grant Options which are Incentive Stock Options or Non-qualified Stock Options, as evidenced by the Award Agreement, and shall be subject to the foregoing and the following terms and conditions and to such other terms and conditions, not inconsistent therewith, as the Committee shall determine:

A. Type of Option. Incentive Stock Options may be granted to any individual classified by the Committee as an employee of the Company, a Parent or a Subsidiary. A Non-Qualified Stock Option may be granted to any individual selected by the Committee.

B. Option Prices. The purchase price of the Stock under each Incentive Stock Option shall not be less than 100% of the Fair Market Value of the Stock at the time of the granting of the Option; provided that, in the case of a Participant who owns more than 10% of the total combined voting power of all classes of stock of the

Company, a Parent or a Subsidiary, the purchase price of the Stock under each Incentive Stock Option shall not be less than 110% of the Fair Market Value of the Stock on the date such Option is granted. The purchase price of the Stock under each Non-qualified Stock Option shall be determined from time to time by the Committee, which need not be uniform for all Participants.

C. Exercise - Elections and Restrictions. The purchase price for an Option is to be paid in full upon the exercise of the Option, either (i) in cash, (ii) in the discretion of the Committee, by the tender to the Company (either actual or by attestation) of shares of Stock already owned by the Participant for a period of at least six months as of the date of tender and registered in his or her name, having a Fair Market Value equal to the cash exercise price of the Option being exercised, or (iii) in the discretion of the Committee, by any combination of the payment methods specified in clauses (i) and (ii) hereof; provided that, no shares of Stock may be tendered in exercise of an Incentive Stock Option if such shares were acquired by the Participant through the exercise of an Incentive Stock Option unless (a) such shares have been held by the Participant for at least one year and (b) at least two years have elapsed since such prior Incentive Stock Option was granted. The Committee may, after consideration of any potential accounting consequences, cause the Company to loan the option price to the Participant or to guaranty that any shares to be issued will be delivered to a broker or lender in order to allow the Participant to borrow the option price. The Committee may provide in an Award Agreement that payment in full of the option price need not accompany the written notice of exercise provided that the notice of exercise directs that the certificate or certificates for the shares of Stock for which the Option is exercised be delivered to a licensed broker acceptable to the Company as the agent for the individual exercising the Option and, at the time such certificate or certificates are delivered, the broker tenders to the Company cash (or cash equivalents acceptable to the Company) equal to the option price for the shares of Stock purchased pursuant to the exercise of the Option plus the amount (if any) of any withholding obligations on the part of the Company. The proceeds of sale of Stock subject to the Option are to be added to the general funds of the Company or to the shares of the Stock held in its Treasury, and used for its corporate purposes as the Board shall determine.

D. Option Terms. The term of each Option shall not be more than ten (10) years from the date of granting thereof or such shorter period as is prescribed in the Award Agreement; provided that, in the case of a Participant who owns more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, a Parent or a Subsidiary, the term of any Incentive Stock Option shall not be more than five (5) years from the date of granting thereof or such shorter period as prescribed in the Award Agreement. Within such limit, Options will be exercisable at such time or times, and subject to such restrictions and conditions, as the Committee shall, in each instance, approve, which need not be uniform for all Participants. The holder of an Option shall have none of the rights of a shareholder with respect to the shares subject to Option until such shares shall be

issued to him or her upon the exercise of his or her Option. Upon exercise of an Option, the Committee shall withhold a sufficient number of shares to satisfy the Company's minimum required statutory withholding obligations for any taxes incurred as a result of such exercise (based on the minimum statutory withholding rates for federal and state tax purposes, including payroll taxes); provided that, in lieu of all or part of such withholding, the Participant may pay an equivalent amount of cash to the Company.

E. Successive Option Grants. As determined by the Committee, successive option grants may be made to any Participant under the Plan.

F. Additional Incentive Stock Option Requirements. The maximum aggregate Fair Market Value (determined at the time an Option is granted) of the Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under all plans of the Company, a Parent and a Subsidiary) shall not exceed $100,000. A Participant who disposes of Stock acquired upon the exercise of an Incentive Stock Option either (i) within two years after the date of grant of such Incentive Stock Option or (ii) within one year after the transfer of such shares to the Participant, shall notify the Company of such disposition and of the amount realized upon such disposition.

G. Deferral of Gain on a Non-qualified Stock Option. In accordance with the terms of the applicable non-qualified deferred compensation plan, if any, in which a Participant is eligible to participate, a Participant may elect to defer any gain realized upon the exercise of a Non-qualified Stock Option. The election to defer the gain must be made in accordance with the applicable non-qualified deferred compensation plan.

7. Stock Appreciation Rights.

A. Grant Terms. The Committee may grant a Stock Appreciation Right independent of an Option or in connection with an Option or a portion thereof. A Stock Appreciation Right granted in connection with an Option or a portion thereof shall cover the same shares of Stock covered by the Option, or a lesser number as the Committee may determine. A Stock Appreciation Right shall be subject to the same terms and conditions as an Option, and any additional limitations set forth in this Section 7 or the Award Agreement.

B. Exercise Terms. The exercise price per share of Stock of a Stock Appreciation Right shall be an amount determined by the Committee. A Stock Appreciation Right granted independent of an Option shall entitle the Participant upon exercise to a payment from the Company in an amount equal to the excess of the Fair Market Value on the exercise date of a share of Stock over the exercise price per share, times the number of Stock Appreciation Rights exercised. A Stock Appreciation Right granted in connection with an Option shall entitle the Participant to surrender an unexercised Option (or portion thereof) and to receive in exchange an amount equal to the excess of the Fair Market Value on the

exercise date of a share of Stock over the exercise price per share for the Option, times the number of shares covered by the Option (or portion thereof) which is surrendered. Payment may be made, in the discretion of the Committee, in (i) Stock, (ii) cash or (iii) any combination of Stock and cash. Cash shall be paid for fractional shares of Stock upon the exercise of a Stock Appreciation Right.

C. Limitations. The Committee may impose such conditions upon the exercisability or transferability of Stock Appreciation Rights as it determines in its sole discretion.

8. Other Stock-Based Awards and Cash-Based Awards.

The Committee may, in its sole discretion, grant Awards of Stock, restricted Stock and other Awards that are valued in whole or in part by reference to the Fair Market Value of Stock. These Awards shall collectively be referred to herein as Other Stock-Based Awards. The Committee may also, in its sole discretion, grant Cash-Based Awards, which shall have a value as may be determined by the Committee. Other Stock-Based Awards shall be in such form, and dependent on such conditions, as the Committee shall determine, including, but not limited to, the right to receive one or more shares of Stock (or the cash-equivalent thereof) upon the completion of a specified period of service, the occurrence of an event or the attainment of performance objectives. Other Stock-Based Awards and Cash-Based Awards may be granted with or in addition to other Awards. Subject to the other terms of the Plan, Other Stock-Based Awards and Cash-Based Awards may be granted to such Participants in such amounts and upon such terms, and at any time and from time to time, as shall be determined by the Committee and set forth in an Award Agreement.

9. Performance-Based Awards.

To the extent applicable, the Committee may, in its sole and absolute discretion, determine that certain Other Stock-Based Awards and/or Cash-Based Awards should be subject to such requirements so that they are deductible by the Employer under Code Section 162(m). If the Committee so determines, such Awards shall be considered Performance-Based Awards subject to the terms of this Section 9, as provided in the Award Agreement. A Performance-Based Award shall be granted by the Committee in a manner to satisfy the requirements of Code Section 162(m) and the regulations thereunder. The performance measures to be used for purposes of a Performance-Based Award shall be chosen by the Committee, in its sole and absolute discretion, from among the following: earnings per share of Stock; book value per share of Stock; net income (before or after taxes); operating income; return on invested capital, assets or equity; cash flow return on investments which equals net cash flows divided by owners' equity; earnings before interest or taxes; gross revenues or revenue growth; market share; expense management; improvements in capital structure; profit margins; Stock price; total shareholder return; free cash flow; or working capital. The performance measures may relate to the Company, a Parent, a Subsidiary, an Employer or one or more units of such an entity.

The Committee shall determine whether, with respect to a performance period, the applicable performance goals have been met with respect to an Award and, if they have, to so certify and ascertain the amount of the applicable Performance-Based Award. The Committee shall have the discretion to adjust Performance-Based Awards downward.

For calendar years beginning after the "reliance period" defined in Treas. Reg. Section 1.162-27(f)(2) or any successor thereto with respect to the Company, an Award shall be a Performance-Based Award only if the Committee described in Section 5 consists solely of two or more Outside Directors. For this purpose an Outside Director shall mean a director of the Company who:

(1) is not an employee of the Company, a parent or a subsidiary while he or she is a member of the Committee;

(2) is not a former employee of the Company, a parent or a subsidiary who receives compensation for prior services (other than benefits under a tax-qualified retirement plan) during the taxable year;

(3) has not been an Officer of the Company, a parent or a subsidiary; and

(4) shall not receive Remuneration from the Company, a parent or a subsidiary either directly or indirectly in any capacity other than as a director, or

such other definition as provided from time to time under Treas. Reg. Section 1.162-27(e)(3) or any successor thereto.

"Remuneration" and "Officer" as used herein shall be determined in accordance with Treas. Reg. Section 1.162-27(e)(3) or any successor thereto.

10. Nontransferability of Awards.

Unless otherwise determined by the Committee and expressly set forth in an Award Agreement, an Award granted under the Plan shall, by its terms, be non-transferable otherwise than by will or the laws or descent and distribution and an Award may be exercised, if applicable, during the lifetime of the Participant thereof, only by the Participant or his or her guardian or legal representative. Notwithstanding the above, the Committee may not provide in an Award Agreement that an Incentive Stock Option is transferable.

11. Investment Purpose.

Each Award under the Plan shall be awarded only on the condition that all purchases of Stock thereunder shall be for investment purposes, and not with a view to resale or distribution, except that the Committee may make such provision with respect to Awards granted under this Plan as it deems necessary or advisable for the release of such condition upon the registration with the Securities and Exchange Commission of Stock subject to the Award, or upon the happening of any other contingency warranting the release of such condition.

**

12. Adjustments Upon Changes in Capitalization or Corporation Acquisitions.

Notwithstanding any other provisions of the Plan, the Award Agreements may contain such provisions as the Committee shall determine to be appropriate for the adjustment of the number and class of shares subject to each outstanding Award and the exercise prices, if applicable, in the event of changes in the outstanding Stock by reason of stock dividends, recapitalization, mergers, consolidations, split-ups, combinations or exchanges of shares and the like, and, in the event of any such change in the outstanding Stock, the aggregate number and class of shares available under the Plan and the maximum number of shares as to which Awards may be granted to an individual shall be appropriate adjusted by the Committee, whose determination shall be conclusive. In the event the Company, a Parent or a Subsidiary enters into a transaction described in Section 424(a) of the Code with any other corporation, the Committee may grant options to employees or former employees of such corporation in substitution of options previously granted to them upon such terms and conditions as shall be necessary to qualify such grant as a substitution described in Section 424(a) of the Code.

In the event of a Change in Control, notwithstanding any other provisions of the Plan or an Award Agreement to the contrary, the Committee may, in its sole discretion, provide for:

(1) Accelerated vesting of any outstanding Awards that are otherwise unexercisable or unvested as of a date selected by the Committee;

(2) Termination of an Award upon the consummation of the Change in Control in exchange for the payment of a cash amount; and/or

(3) Issuance of substitute Awards to substantially preserve the terms of any Awards previously granted under the Plan.

13. Amendment and Termination.

The Board may at any time terminate the Plan, or make such modifications to the Plan as it shall deem advisable; provided, however, that the Board may not, without further approval by the holders of Stock, increase the maximum numbers of shares as to which Awards may be granted under the Plan (except under the anti-dilution provisions of Section 12), or change the class of employees to whom Incentive Stock Options may be granted, or withdraw the authority to administer the Plan from a committee whose members satisfy the requirements of Section 5. No termination or amendment of the Plan may, without the consent of the Participant to whom any Award shall theretofore have been granted, adversely affect the rights of such Participant under such Award.

14. Effectiveness of the Plan.

The Plan shall become effective upon adoption by the Board subject, however, to its further approval by the shareholders of the Company given within twelve (12) months of the date the Plan is adopted by the Board at a regular meeting of the shareholders or at a special meeting duly called and held for such purpose. Grants of Awards may be made prior to such shareholder approval but all Award grants made prior to shareholder approval shall be subject to the obtaining of such approval and if such approval is not obtained, such Awards shall not be

effective for any purpose.

15. Time of Granting of an Award.

An Award grant under the Plan shall be deemed to be made on the date on which the Committee, by formal action of its members duly recorded in the records thereof, makes an Award to a Participant (but in no event prior to the adoption of the Plan by the Board); provided that, such Award is evidenced by a written Award Agreement duly executed on behalf of the Company and on behalf of the Participant within a reasonable time after the date of the Committee action.

16. Term of Plan.

This Plan shall terminate ten (10) years after the date on which it is approved and adopted by the Board and no Award shall be granted hereunder after the expiration of such ten-year period. Awards outstanding at the termination of the Plan shall continue in accordance with their terms and shall not be affected by such termination.

17. Severability.

Any word, phrase, clause, sentence or other provision herein which violates or is prohibited by any applicable law, court decree or public policy shall be modified as necessary to avoid the violation or prohibition and so as to make this Plan and any Award Agreement entered into pursuant to this Plan enforceable as fully as possible under applicable law, and if such cannot be so modified, the same shall be ineffective to the extent of such violation or prohibition without invalidating or affecting the remaining provisions herein.

18. Non-Waiver of Rights.

The Company's failure to enforce at any time any of the provisions of this Plan or any Award agreement entered into pursuant to this Plan or to require at any time performance by Participant of any of the provisions hereof shall in no way be construed to be a waiver of such provisions or to affect either the validity of this Plan, and Award agreement entered into pursuant to this Plan, or any part hereof, or the right of the Company thereafter to enforce each and every provision in accordance with the terms of this Plan and any Award agreement entered into pursuant to this Plan.

19. Assignment.

Any Award agreement entered into pursuant this Plan shall be freely assignable by the Company to and shall inure to the benefit of, and be binding upon, the Company, its successors and assigns and/or any other entity which shall succeed to the business presently being conducted by the Company.

20. No Right To Continued Employment.

Nothing in the Plan or in any Award granted pursuant to the Plan shall confer on any individual any right to continue in the employ of the Employer or interfere in any way with the right of the Employer to terminate his or her employment at any time.

21. Choice of Law.

The Plan shall be governed by and construed in accordance with the laws of the State of Delaware without regard to conflicts of law.

The foregoing Plan was approved and adopted by the Board on _____, _____.

BUILD-A-BEAR WORKSHOP, INC.

By_____

EXHIBIT 10.10

SEPARATION AGREEMENT AND GENERAL RELEASE

THIS SEPARATION AGREEMENT AND GENERAL RELEASE ("Agreement") dated January 31, 2004, is made and entered into by and between Brian C. Vent ("Vent") and Build-A-Bear Workshop, Inc., a Delaware corporation ("Company").

WHEREAS, Vent and the Company desire to end Vent's employment with the Company effective January 31, 2004 ("Separation Date"); and

WHEREAS, Vent and the Company desire to enter into full and final settlement of all matters between them, including, but not limited to, any issues that might arise out of Vent's employment with, or termination of employment from, the Company;

NOW, THEREFORE, for and in consideration of the mutual releases, covenants and undertakings hereinafter set forth, and for other good and valuable consideration, which each party hereby acknowledges, it is agreed as follows:

1. Separation. Vent's employment with the Company shall cease effective on the Separation Date. As of that date, neither the Company nor any of its parent companies, affiliate companies, subsidiary companies, operating divisions, predecessors or successors, including without limitation Build-A-Bear Workshop, L.L.C., or their respective directors, shareholders, attorneys, agents, officers, employees, successors or assigns (together, "Releasees") shall have any further obligation to Vent for compensation or otherwise other than as set forth below, and Vent agrees to release and discharge the Releasees from any and all liability and obligations except as set forth below.

2. Severance Payment and Benefits. The Company will provide the payments set forth in this Section 2 in consideration and exchange for Vent's promises, agreements and obligations set out in this Agreement, so long as Vent submits this Agreement, properly executed, to Maxine Clark, Chief Executive Bear, within the time allowed herein, and adheres to the promises and agreements set out in this Agreement.

(a) The Company shall continue Vent's base salary for a period of six (6) months following the Separation Date. This amount will be paid in accordance with the Company's regular payroll periods and practices, and applicable local, state and federal taxes and other required withholdings will be deducted.

(b) Notwithstanding the provisions of the loan agreement evidenced in that Secured Promissory Note ("Note") between the parties dated September 19, 2001 and Repayment and Stock Pledge Agreement dated September 19, 2001 (together, "Loan") which require that the Note be due and payable on the ninetieth day following the date of Vent's termination of employment with the Company, payment of the Note shall not be accelerated as a result of Vent's termination of employment. Rather, the term of the Loan shall be determined under the provisions of the Note, and the principal amount of the Note shall be due and payable to the Company by Vent in accordance with the provisions of the Note, as if Vent had not terminated employment with the Company.

(c) Vent may exercise his incentive stock options to the extent provided and otherwise in accordance with the Company's 2000 Stock Option Plan ("Option Plan")and his stock option agreements dated February 28, 2001 and September 13, 2001, provided, however, that Vent may exercise any such incentive stock options by tendering as the exercise price, shares of Company Common Stock issuable upon the conversion of the Series C Preferred Company Stock owned by Vent for a period of at least six (6) months as of the date of tender, and registered in his name. Those incentive stock options which would vest during the first quarter of 2004 shall be deemed to be vested as of the Separation Date. Unless otherwise revoked in writing, Vent hereby exercises such incentive stock options with an exercise price lower than than the valuation of the underlying Common Stock (as determined in accordance with Section 2(d)) as of the 89th day following the Separation Date.

(d) Vent may exercise his nonqualified stock options to the extent provided and otherwise in accordance with the Option Plan and his stock option agreement dated April 3, 2000, as amended on September 13, 2001, provided, however, that Vent may exercise any such nonqualified stock options through a cashless exercise by tendering as the exercise price, shares of Company Common Stock issuable upon the conversion of the Series C Preferred Company Stock owned by Vent for a period of at least six (6) months as of the date of tender. The Compensation Committee shall withhold a sufficient number of shares of stock to cover the Company's withholding tax obligations incurred as a result of the exercise. The preliminary valuation of the Company's Common Stock is $8.74 per share, which will result in Vent recognizing income in the amount set forth on Schedule A hereto. The final determination of the valuation of the Company's Common Stock will be determined by the Compensation Committee based on a third-party appraisal and the Company will promptly notify Vent of such determination. The Company will use such valuation for purposes of determining the number of shares needed to satisfy the exercise price and withholding obligations. The Company will report Vent's income on a Form W-2 based on such valuation. Vent and the Company agree to take consistent reporting positions with respect to such income. Unless otherwise revoked in writing, Vent hereby exercises such nonqualified stock options as of the 179th day following the Separation Date.

(e) Assuming Vent exercises all of his options with an exercise price of less than $8.74 using a cashless exercise, following the exercise Vent's stock holdings in the Company shall be as set forth on Schedule A hereto. All such stock holding are subject to the Stockholders Agreement dated September 19, 2001.

(f) Vent shall be eligible to participate in the Company's group health plan(s) in which he currently participates for a period ending six (6) months after the Separation Date on the same terms and conditions as available to an active employee with the Company. After such six-month period, Vent shall be provided with such continuation notices, rights and obligations as may be required under federal or state law (including COBRA).

(g) Vent shall be entitled to all vacation accrued but unused as of the Separation Date. He shall be entitled to no additional vacation accruals on and after such date.

(h) Except as otherwise provided herein, on and after the Separation Date, Vent shall not participate in, or accrue additional rights or benefits under, any employee benefit plan, program or policy or any bonus plan, program or policy of the Company.

3. Vent's Release and Waiver of Claims. In exchange for the payment described herein, Vent hereby agrees to, and does, remise, release and forever discharge the Releasees from any and all matters, claims, demands, damages, causes of action, debts, liabilities, controversies, judgments and suits of every kind and nature whatsoever, foreseen or unforeseen, known or unknown, which have arisen or could arise between Vent and the Releasees from matters, actions or inactions which occurred on or before the Separation Date other than those continuing rights relating to Vent's stock ownership in the Company.

4. Vent's Agreement Not to File Suit or Claims. In exchange for the consideration described herein, Vent agrees:

(a) That he will not file or otherwise submit any claim, complaint, or action to any agency, court, organization, or judicial forum (nor will he permit any person, group of persons, or organizations to take such action on his behalf) against the Releasees, or anyone acting on their behalf, arising out of any actions or non-actions by the Releasees which occurred on or before the Separation Date.

(b) That his release of claims, complaints, and actions includes, but is not limited to: (i) any claim for breach of an actual or implied contract of employment between Vent and any of the Releasees (including any claim of fraudulent misrepresentation or negligent misrepresentation in the making of any actual or implied contract of employment), (ii) any claim of unjust, wrongful, discriminatory, retaliatory or tortious discharge or other adverse employment action (including any claim of whistleblowing), (iii) any claim of slander, libel or other similar action for defamation, (iv) any claim of intentional tort (including assault, battery, and intentional infliction of emotional distress), (v) any claim of negligence (including negligent infliction of emotional distress, negligent hiring, or negligent retention), (vi) any claim of a violation of a statute or ordinance, including, but not limited to, the Civil Rights Act of 1866, 42 U.S.C. Section 1981, the Civil Rights Act of 1964, 42 U.S.C. Section 2000e et seq., as amended by the Civil Rights Act of 1991, the Age Discrimination in Employment Act, 29 U.S.C. Section 621 et. seq. (including but not limited to the Older Worker Benefit Protection Act("OWBPA")) ("ADEA"), the Employee Retirement Income Security Act, 29 U.S.C. Section 1001 et seq. (including, but not limited to, COBRA), Executive Order 11246, the Occupational Safety and Health Act, 29 U.S.C. Section 651 et. seq., the National Labor Relations Act, 29 U.S.C. Section 151 et. seq. the Fair Labor Standards Act of 1938, 29 U.S.C. Section 201 et seq., (including, but not limited to, the Equal Pay Act), the Rehabilitation Act of 1973, 29 U.S.C. Section 701 et seq., the Americans with Disabilities Act, 42 U.S.C. Section 12101 et seq., the Family and Medical Leave Act, 29 U.S.C. Section 2601 et seq., the Worker Adjustment and Retraining Notification Act, 29 U.S.C. Section 2101 et seq., the Missouri Workers' Compensation Act, Section 287.010 R.S.Mo. et seq., the Missouri Employment Security Act, Section 288.010 R.S.Mo. et seq., the Missouri Human Rights Act, Section 213.010 R.S.Mo. et seq., the Missouri Service Letter Act, Section 290.140, or any other relevant

federal, state, or local statutes or ordinances governing employment and the payment of compensation.

(c) That he releases and waives any and all claims under or pursuant to any employment agreement with the Company, including without limitation the Employment, Confidentiality and Noncompete Agreement dated April 3, 2000.

(d) That in the event that he or any person or entity should bring such a charge, claim, complaint, or action on his behalf, he hereby waives and forfeits any right to recovery under said claim and will exercise every good faith effort to have such claim dismissed.

(e) That if he violates this Agreement by suing or making a claim against any of the Releasees, he agrees that he will pay all costs and expenses of defending against the suit incurred by the respective Releasees, including, but not limited to, reasonable attorneys' fees and shall hold the Releasees harmless against any judgment which may be rendered against them.

(f) That, with the exception of challenges for compliance with the ADEA or the OWBPA, Vent agrees not to challenge the enforceability of this Agreement and the release and waiver of claims herein.

(g) For purposes of the ADEA only, this Agreement does not affect the Equal Employment Opportunity Commission's ("EEOC") rights and responsibilities to enforce the ADEA, nor does this Agreement prohibit Vent from filing a charge under the ADEA (including a challenge to the validity of the waiver of claims in this Agreement) with the EEOC, or participating in any investigation or proceeding conducted by the EEOC. Nevertheless, Vent agrees that the Releasees will be shielded against any recovery by Vent, provided this Agreement is valid under applicable law.

5. No knowledge of injury. Vent represents and warrants that he has no present knowledge of any injury, illness or disease to him that is or might be compensable as a workers' compensation claim or similar claim for workplace injuries, illnesses or diseases.

6. Confidentiality. Vent agrees that he will not publicize this Agreement directly, either in specific or as to general content, to either the public generally, to any employee of any of the Releasees, or to any other person or entity, except to the extent he might be lawfully compelled to give testimony by a court of competent jurisdiction or participate in an EEOC proceeding. Any such publication shall be considered a material breach of the Agreement and shall subject Vent to liability for damages. Vent's agreement to keep confidential the terms of this Agreement extends to all persons other than his immediate family, his attorneys and accountants who have a legitimate need to know the terms in order to render professional advice or services to Vent; otherwise, Vent agrees not to identify or reveal any other terms of the Agreement except as otherwise provided herein. Notwithstanding any provision in this Agreement, the Company shall be entitled to seek and obtain injunctive relief to prevent or stop a breach of this paragraph concerning confidentiality, and should the Company prevail in an action seeking injunctive relief, Vent agrees to pay the Company's costs and attorneys' fees in connection with filing and prosecuting such an action.

7. Nondisparagement. The parties agree that they will not in any way disparage each other, including current or former officers, directors and employees, nor will they make or solicit any comments, statements or the like to the media or to others, including any claimants against each other or their agents or representatives, that may be considered to be derogatory or detrimental to the good name or business reputation of the other.

8. No Admission of Wrongdoing. The parties agree that nothing in this Agreement is an admission by any party hereto of any wrongdoing, either in violation of an applicable law or otherwise, and that nothing in this Agreement is to be construed as such by any person.

9. Voluntary Agreement. Vent further acknowledges that he understands this Agreement, the claims he is releasing, the promises and agreements he is making, and the effect of his signing this Agreement. Vent further represents, declares, and agrees that he voluntarily accepts the payment described above for the purpose of making a full and final compromise, adjustment, and settlement of all claims or potential claims against the Releasees from any action or inaction taking place prior on or before the Separation Date.

10. Non-Competition, Confidential Information and Return of Property.

(a) Vent agrees to keep secret and confidential, and not to use or disclose any of the Company's proprietary Confidential Information. Vent acknowledges and confirms that certain data and other information (whether in human or machine readable form) that has come into his possession or knowledge and which was obtained from Build-A-Bear Workshop, L.L.C. ("LLC") or the Company, or was obtained by Vent for or on behalf of the LLC or the Company, and which is identified herein ("Confidential Information") is the secret, confidential property of the Company. This Confidential Information includes, but is not limited to (it being understood and agreed that references below to the Company shall be deemed to include the LLC, as predecessor to the Company):

(1) lists or other identification of customers or prospective customers of the Company (and key individuals employed or engaged by such parties);

(2) lists or other identification of sources or prospective sources of the Company's products or components thereof (and key individuals employed or engaged by such parties);

(3) all compilations of information, correspondence, designs, drawings, files, formulae, lists, machines, maps, methods, models, notes or other writings, plans, records and reports;

(4) financial, sales and marketing data relating to the Company or to the industry or other areas pertaining to Company's activities and contemplated activities (including, without limitation, manufacturing, transportation, distribution and sales costs and non-public pricing information);

(5) equipment, materials, procedures, processes, and techniques used in, or related to, the development, manufacture, assembly, fabrication or other production and quality control of the Company's products and services;

(6) the Company's relations with its customers, prospective customers, suppliers and prospective suppliers and the nature and type of products or services rendered to such customers (or proposed to be rendered to prospective customers);

(7) the Company's relations with its employees (including, without limitation, salaries, job classifications and skill levels); and

(8) any other information designated by the Company to be confidential, secret and/or proprietary (including without limitation, information provided by customers or suppliers of Company).

Vent acknowledges that any and all notes, records, sketches, computer diskettes, training materials and other documents relating to the Company or the LLC obtained by or provided to Vent, or otherwise made, produced or compiled during Vent's employment, regardless of the type of medium in which they are preserved, are the sole and exclusive property of the Company and shall, together with any and all other Company property, be surrendered to the Company on the Separation Date. Vent shall immediately deliver to the Company without reproduction all Confidential Information in his possession or under his control, regardless of whether it is in document form or electronic media or any other form.

Any and all ideas, inventions, discoveries, patents, patent applications, continuation-in-part patent applications, divisional patent applications, technology, copyrights, derivative works, trademarks, service marks, improvements, trade secrets and the like (collectively, "Inventions"), which were developed, conceived, created, discovered, learned, produced and/or otherwise generated by Vent, whether individually or otherwise, during the time that Vent was employed by the LLC or the Company, whether or not during working hours, that relate to (i) current and anticipated businesses and/or activities of the Company and/or the LLC, either individually or on a combined and continuous bases, (ii) the current and anticipated research or development of the Company and/or the LLC, either individually or on a combined and continuous basis, or (iii) any work performed by Vent for the Company and/or the LLC, either individually or on a combined and continuous basis, shall be the sole and exclusive property of the Company, and the Company shall own any and all right, title and interest to such Inventions. Vent agrees to assign to the Company whenever so requested by the Company, any and all right, title and interest in and to any such Inventions, at the Company's expense, and Vent agrees to execute any and all applications, assignments or other instruments which the Company deems desirable or necessary to protect such interests, at the Company's expense.

(b) Vent recognizes that (i) the LLC and the Company have spent substantial money, time and effort over the years in developing and solidifying its relationships with its customers and suppliers and in developing its Confidential Information; (ii) long-term customer relationships often can be difficult to develop and require a significant investment of

time, effort and expense; (iii) the LLC has paid, and the Company pays its employees to, among other things, develop and preserve business information, customer goodwill, customer loyalty and customer contacts for and on behalf of the Company; and (iv) the Company is hereby agreeing to provide certain benefits to Vent based upon Vent's assurances and promises not to put himself in a position in which the confidentiality of Company's Confidential Information might somehow be compromised. Accordingly, Vent agrees that for the period of time set forth below following the Separation Date, Vent will not, directly or indirectly (whether as owner, partner, consultant, employee or otherwise):

(1) for three (3) years, engage in, assist or have an interest in, or enter the employment of or act as an agent, advisor or consultant for, any person or entity which is engaged in, or will be engaged in, the development, manufacture, supplying or sale of a product, process, service or development which is competitive with a product, process, service or development on which Vent worked or with respect to which Vent has or had access to Confidential Information while at the Company ("Restricted Activity"), and which is located within 100 miles of any Company retail store;

(2) for three (3) years, solicit, call on or provide any Restricted Activity to any customer or active prospective customer of the Company which was a customer or supplier of the Company at any time during the most recent twelve (12) months of Vent's employment by the Company, or cause or attempt to cause such a person to divert, terminate, limit, modify or fail to enter into any existing or potential relationship with the Company; or

(3) for three (3) years, induce or attempt to induce any employee, consultant or advisor of the Company to accept employment or an affiliation involving Restricted Activity;

provided, however, that following the Separation Date, Vent shall be entitled to be an employee of an entity that engages in Restricted Activity so long as: (i) the sale of stuffed animals is not a principal business of the entity; (ii) Vent has no direct or personal involvement in the sale of stuffed animals; and (iii) neither Vent, his relatives, nor any other entities with which he is affiliated own more than 1% of the entity. As used in this Section 10, "principal business" shall mean that greater than 10% of revenues received during the twelve (12) months preceding a dispute under this Section 10 were derived from the sale of stuffed animals and related products, or otherwise derives revenues from a retail concept that is similar in any material regard to the Company.

(c) Vent recognizes and agrees that the restraints contained in Section 10 (both separately and in total) are reasonable and enforceable in view of the Company's legitimate interests in protecting its Confidential Information and customer goodwill and the limited scope of the restrictions in Section 10.

11. Company's Right to Injunctive Relief. In the event of a breach or threatened breach of any of Vent's duties and obligations under the terms and provisions of Sections 10 hereof, the Company shall be entitled, in addition to any other legal or equitable remedies it may have in connection therewith (including any right to damages that it may suffer), to temporary, preliminary and permanent injunctive relief restraining such breach or threatened breach. Vent

hereby expressly acknowledges that the harm which might result to the Company's business as a result of any noncompliance by Vent with any of the provisions of Section 10 would be largely irreparable. Vent specifically agrees that if there is a question as to the enforceability of any of the provisions of Section 10 hereof, Vent will not engage in any conduct inconsistent with or contrary to such Section until after the question has been resolved by a final judgment of a court of competent jurisdiction.

12. Choice of Law and Venue. The parties agree that the Agreement shall be interpreted and governed by the laws of the state of Missouri, without regard for any conflict of law principles. The parties agree that any litigation relating to or arising out of this Agreement, or regarding the interpretation, validity and/ or enforceability of this Agreement shall be filed and conducted in the state or federal courts for or covering St. Louis County, Missouri.

13. Modification. The parties hereto agree that this Agreement may not be modified, altered, or changed except by a written agreement signed by the parties hereto.

14. Entire Agreement. The parties acknowledge that this constitutes the entire agreement between them superseding all prior written and oral agreements, regarding Vent's separation, and that there are no other understandings or agreements, written or oral, among them on the subject of Vent's separation.

15. Invalidity of Provisions / Severability. In the event that any provision of this Agreement is adjudicated to be invalid or unenforceable under applicable law, the validity or enforceability of the remaining provisions shall be unaffected. To the extent that any provision of this Agreement is adjudicated to be invalid or unenforceable because it is overbroad, that provision shall not be void but rather shall be limited only to the extent required by applicable law and enforced as so limited.

16. Effective Date. This Agreement shall become effective and binding on the date hereof, except that Vent shall have the right to revoke his agreement to waive claims under the ADEA at any time within eight days after the date hereof.

17. Time for Consideration. By executing this Agreement, Vent acknowledges that by being presented with this Agreement, he has been advised by a representative of the Company that he has been given at least twenty-one (21) days within which to consider this Agreement before his signing the same, and that he has, in fact, been given at least twenty-one (21) days within which to consider this Agreement prior to signing the Agreement.

18. Time for Revocation. By executing this Agreement, Vent acknowledges that by being presented with this Agreement, he has been advised by a representative of the Company that this Agreement shall not become effective until the eighth (8th) calendar day after the date of Vent's execution of this Agreement. During the seven (7) day period following Vent's execution of this Agreement, Vent may freely revoke his execution of this Agreement. Upon expiration of the seven (7) day period, Vent acknowledges that this Agreement becomes final and binding. If Vent revokes this Agreement within the seven (7) day period following his execution of this Agreement, it shall not be effective or enforceable,

and Vent will not receive the consideration described in this Agreement. Any such revocations should be made in writing and delivered to Maxine Clark, Chief Executive Bear.

19. Consultation with an Attorney. By executing this Agreement, Vent acknowledges that, by being presented with this Agreement for his consideration, he has been advised by a representative from the Company, in writing, to consult with an attorney about this Agreement, its meaning and effect, prior to executing this Agreement.

20. No Reliance. The parties have not relied on any representations, promises, or agreements of any kind made to them in connection with this Agreement, except for those set forth in this Agreement.

21. Forfeiture. Vent agrees that in the event he breaches the terms of this Agreement, he shall not be entitled to any of the payments or other benefits described herein, and he shall repay any payments previously made hereunder.

IN WITNESS WHEREOF, the undersigned parties have executed this Separation Agreement and General Release.

2/23/04 — /s/ BRIAN C. VENT

Date — Brian C. Vent

Subscribed and sworn to before me, a Notary Public, this 23 day of February, 2004.

/s/ SHIRLEY HERSHBARGER

NOTARY PUBLIC

My commission expires: (STAMP)
11-25-07

Build-A-Bear Workshop, Inc.

2/25/04 — By /s/ MAXINE CLARK

Date

Subscribed and sworn to before me, a Notary Public, this 25 day of February, 2004.

/s/ MARY J. BAUMGARTNER

NOTARY PUBLIC

My commission expires: (STAMP)
12/3/06

My commission expires:
_____

SCHEDULE A

I. INCOME		$ 1,655,000
II. WITHHOLDING(1/)		
Federal Income Tax Withholding (25%)	($ 413,750)	
State Income Tax Withholding (6%)	($ 99,300)	
FICA - HI (1.45%)	($ 23,997.5)	
Total Withholding Tax		($ 537,047.50)
Number of Shares of Nonqualified Option	200,000.000	
Total Withholding (shares) at $8.74 per share	61,447.082	
Net Shares After Withholding		138,552.918
III. OPTION EXERCISE PRICE		
Nonqualified Option ($0.465/share x 200,000 shares)	$ 93,000	
February Incentive Option ($6.04/share x 37,600 shares)	$ 227,104	
September Incentive Option ($6.10/share x 18,000 shares)	$ 109,800	
Total Exercise Price for All Vested Options		$ 336,997
Total Share Equivalent ($8.74 per share)(2)/		38,558.009 shares

IV. NET SHAREHOLDINGS (AFTER EXERCISE)

Class of Stock(3)/	Number of Shares
Series D preferred	18,409
Series C preferred	25,941.91(4/)
Series A preferred	3,230
Series B preferred	4,881
Common	215,443.918(5/)

- ------------------

(1/) Assumes that Vent has other prior wages in excess of $87,000.

(2/) Assumes that common stock tendered resulted from conversion of Series C preferred stock.

(3/) The Series D preferred stock and the Series A preferred stock accrue dividends from the initial issuance date. These amounts include accrued dividends through [December] 2003.

(4/) (64,500 - 38,558.09)

(5/) (20,491 + 200,000 +37,600 + 18,800 - 61,447.082)

EXHIBIT 10.11

INDEMNIFICATION AGREEMENT

This Indemnification Agreement (this "Agreement"), dated as of _____, 2004, is made by and between Build-A-Bear Workshop, Inc., a Delaware corporation (the "Company") and _____ (the "Indemnitee"), an "agent" (as hereinafter defined) of the Company.

RECITALS

A. The Company recognizes that competent and experienced persons are reluctant to serve as directors or officers of corporations unless they are protected by comprehensive liability insurance or indemnification, or both, due to increased exposure to litigation costs and risks resulting from their service to such corporations, and due to the fact that the exposure frequently bears no reasonable relationship to the compensation of such directors and officers;

B. The statutes and judicial decisions regarding the duties of directors and officers are often difficult to apply, ambiguous, or conflicting, and therefore fail to provide such directors and officers with adequate, reliable knowledge of legal risks to which they are exposed or information regarding the proper course of action to take;

C. The Company and the Indemnitee recognize that plaintiffs often seek damages in such large amounts and the costs of litigation may be so enormous (whether or not the case is meritorious), that the defense and/or settlement of such litigation is often beyond the personal resources of directors and officers;

D. The Company believes that it is unfair for its directors and officers to assume the risk of huge judgments and other expenses which may occur in cases in which the

director or officer received no personal profit and in cases where the director or officer was not culpable;

E. The Company, after reasonable investigation, has determined that the liability insurance coverage presently available to the Company may be inadequate to cover all possible exposure for which the Indemnitee should be protected. The Company believes that the interests of the Company and its stockholders would best be served by a combination of such insurance and the indemnification by the Company of the directors and officers of the Company;

F. Section 145 of the General Corporation Law of Delaware ("Section 145"), under which the Company is organized, empowers the Company to indemnify its officers, directors, employees and agents by agreement and to indemnify persons who serve, at the request of the Company, as the directors, officers, managers, employees or agents of other corporations or enterprises, and expressly provides that the indemnification provided by Section 145 is not exclusive;

G. The Board of Directors has determined that contractual indemnification as set forth herein is not only reasonable and prudent but necessary to promote the best interests of the Company and its stockholders;

H. The Company desires and has requested the Indemnitee to serve or continue to serve as a director or officer of the Company free from undue concern for claims for damages arising out of or related to such services to the Company; and

I. The Indemnitee is willing to serve, or to continue to serve, the Company, only on the condition that he or she is furnished the indemnity provided for herein.

AGREEMENT

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

1. Definitions

(a) Agent. For purposes of this Agreement, "agent" of the Company means any person who is or was a director, officer, manager, employee or other agent of the Company or a subsidiary of the Company; or is or was serving at the request of the Company or a subsidiary of the Company as a director, officer, manager, employee or agent of another foreign or domestic corporation, partnership, limited liability company, joint venture, trust or other enterprise; or was a director, officer, manager, employee or agent of a foreign or domestic corporation which was a predecessor corporation of the Company or a subsidiary of the Company; or was a director, officer, manager, employee or agent of another foreign or domestic corporation, partnership, limited liability company, joint venture, trust or other enterprise at the request of, for the convenience of, or to represent the interests of such predecessor corporation.

(b) Expenses. For purposes of this Agreement, "expenses" includes all direct and indirect costs of any type or nature whatsoever (including, without limitation, reasonable attorneys' fees and related disbursements, other out-of-pocket costs and reasonable compensation for time spent by the Indemnitee for which he or she is not otherwise compensated by the Company or any third party, provided that the rate of compensation and estimated time involved is approved by the Board of Directors, which approval shall not be unreasonably withheld), actually and reasonably incurred by the Indemnitee in connection with the investigation, defense, settlement and/or appeal of a proceeding or establishing or enforcing a

right to indemnification under this Agreement, Section 145 or otherwise, excluding the amount of any settlement, judgment, fine or penalty.

(c) Proceedings. For the purpose of this Agreement, "proceeding" shall include, without limitation, the investigation, preparation, prosecution, defense, settlement, arbitration and appeal of, and the giving of testimony in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative.

(d) Subsidiary. For purposes of this Agreement, "subsidiary" means any foreign or domestic corporation, partnership, limited liability company, joint venture, trust or other enterprise of which more than 50% of the outstanding voting securities (or comparable interests) are owned directly or indirectly by the Company, by the Company and one or more other subsidiaries, or by one or more other subsidiaries.

(e) Miscellaneous. For purposes of this Agreement, "other enterprise" shall include employee benefit plans; references to "fines" shall include any excise tax assessed with respect to any employee benefit plans; references to "serving at the request of the Company" shall include any service as a director, officer, manager, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, manager, employee or agent with respect to an employee benefit plan, its participants, or beneficiaries; any person who acts in good faith and in a manner he or she reasonably believes to be in the best interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

(f) Company. "Company" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power

and authority to indemnify its directors, officers, managers, employees or agents, so that any person who is or was a director, officer, manager, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, manager, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as he or she would have with respect to such constituent corporation if its separate existence had continued.

2. Agreement to Serve. The Indemnitee agrees to serve and/or continue to serve as an agent of the Company, at its will (or under separate agreement, if such agreement now or hereafter exists), in the capacity Indemnitee currently serves (or in such other positions which he or she agrees to assume) as an agent of the Company, so long as he or she is duly appointed or elected and qualified in accordance with the applicable provisions of the Bylaws of the Company, any subsidiary of the Company, or any applicable other foreign or domestic corporation, partnership, limited liability company, joint venture, trust or other enterprise, or until such time as he or she tenders his or her resignation in writing, provided, however, that nothing contained in this Agreement is intended to create any right to continued employment by Indemnitee in any capacity.

3. Indemnity in Third Party Proceedings. The Company shall indemnify the Indemnitee if the Indemnitee is a party to or threatened to be made a party to or otherwise involved in any proceeding (other than a proceeding by or in the name of the Company to procure judgment in its favor) by reason of the fact that the Indemnitee is or was an agent of the Company, or by reason of any act or inaction by him or her in any such capacity, against any and all expenses and liabilities of any type whatsoever (including, but not limited to, settlements,

judgments, fines and penalties), actually and reasonably incurred by him or her in connection with the investigation, defense, settlement or appeal of such proceeding, unless it is determined that the Indemnitee did not act in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any proceeding by judgment, order of court, settlement, conviction or on plea of nolo contendere, or its equivalent, shall not, of itself, create a presumption that Indemnitee did not act in good faith in a manner which he or she reasonably believed to be in the best interests of the Company, and with respect to any criminal proceedings, that such person had reasonable cause to believe that his or her conduct was unlawful.

4. Indemnity in Derivative Action. The Company shall indemnify the Indemnitee if the Indemnitee is a party to or threatened to be made a party to or otherwise involved in any proceeding by or in the name of the Company to procure a judgment in its favor by reason of the fact that the Indemnitee is or was an agent of the Company, or by reason of any act or inaction by him or her in any such capacity, against all expenses actually and reasonably incurred by the Indemnitee in connection with the investigation, defense, settlement and/or appeal of such proceeding, unless it is determined that the Indemnitee did not act in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company, except that no indemnification under this subsection shall be made in respect of any claim, issue or matter as to which the Indemnitee shall have been finally adjudged to be liable to the Company by a court of competent jurisdiction, unless and only to the extent that any court in which such proceeding was brought or another court of competent jurisdiction shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of

the case, such person is fairly and reasonably entitled to indemnity for such expenses as such court shall deem proper.

5. Indemnification of Expenses of Successful Party. Notwithstanding any other provisions of this Agreement, to the extent that the Indemnitee has been successful on the merits or otherwise in defense of any proceeding or in defense of any claim, issue or matter therein, including the dismissal of an action without prejudice, the Company shall indemnify the Indemnitee against all expenses actually and reasonably incurred in connection with the investigation, defense or appeal of such proceeding.

6. Partial Indemnification. If the Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of any expenses or liabilities of any type whatsoever (including, but not limited to, judgments, fines or penalties), but is not entitled, however, to indemnification for the total amount thereof, the Company shall nevertheless indemnify the Indemnitee for the portion thereof to which the Indemnitee is entitled.

7. Advancement of Expenses. Except as otherwise provided herein, the Company shall advance all expenses incurred by the Indemnitee in connection with the investigation, defense, settlement and/or appeal of any proceeding to which the Indemnitee is a party or is threatened to be made a party by reason of the fact that the Indemnitee is or was an agent of the Company. Indemnitee hereby undertakes to repay such amounts advanced only if, and to the extent that, it shall ultimately be finally determined that the Indemnitee is not entitled to be indemnified by the Company as authorized by this Agreement or otherwise. The advances to be made hereunder shall be paid by the Company to or on behalf of the Indemnitee promptly and in any event within thirty (30) days following delivery of a written request therefor by the Indemnitee to the Company.

8. Notice and Other Indemnification Procedures.

(a) Promptly after receipt by the Indemnitee of notice of the commencement of or the threat of commencement of any proceeding, the Indemnitee shall, if the Indemnitee believes that indemnification with respect thereto may be sought from the Company under this Agreement, notify the Company of the commencement or threat of commencement thereof, provided that the failure to provide such notification shall not diminish Indemnitee's indemnification hereunder, except to the extent that the Company can demonstrate that it was actually prejudiced as a result thereof.

(b) Any indemnification requested by the Indemnitee under Section 3 and/or 4 hereof shall be made no later than forty-five (45) days after receipt of the written request of Indemnitee unless a determination is made within said forty-five (45) day period (i) by the Board of Directors of the Company by a majority vote of a quorum thereof consisting of directors who are not parties to such proceedings, or (ii) in the event such quorum is not obtainable, at the election of the Company, either by independent legal counsel in a written opinion or by a panel of arbitrators, one of whom is selected by the Company, another of whom is selected by the Indemnitee and the last of whom is selected by the first two arbitrators so selected, that the Indemnitee has or has not met the relevant standard for indemnification set forth in Section 3 and 4 hereof.

(c) Notwithstanding a determination under Section 8(b) above that the Indemnitee is not entitled to indemnification with respect to any specific proceeding, the Indemnitee shall have the right to apply to any court of competent jurisdiction for the purpose of enforcing the Indemnitee's right to indemnification pursuant to this Agreement. The burden of proving that the indemnification or advances are not appropriate shall be on the Company.

Neither the failure of the Company (including its Board of Directors or independent legal counsel or the panel of arbitrators) to have made a determination prior to the commencement of such action that indemnification or advances are proper in the circumstances because the Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including its Board of Directors or independent legal counsel or the panel or arbitrators) that the Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create any presumption that the Indemnitee has or has not met the applicable standard of conduct.

(d) The Company shall indemnify the Indemnitee against all expenses incurred in connection with any hearing or proceeding under this Section 8 so long as such claims and/or defenses of the Indemnitee were made or asserted in good faith.

9. Assumption of Defense. In the event the Company shall be obligated to pay the expenses of any proceeding against or involving the Indemnitee, the Company, if appropriate, shall be entitled to assume the defense of such proceeding, with counsel reasonably acceptable to the Indemnitee, upon the delivery to the Indemnitee of written notice of its election to do so. After delivery of such notice, approval of such counsel by the Indemnitee and the retention of such counsel by the Company, the Company will not be liable to the Indemnitee under this Agreement for any fees of counsel subsequently incurred by the Indemnitee with respect to the same proceeding, provided that: (i) the Indemnitee shall have the right to employ his or her counsel in such proceeding at the Indemnitee's expense; and (ii) if (a) the employment of counsel by the Indemnitee is subsequently authorized in writing by the Company, (b) the Company shall have reasonably concluded that there may be a conflict of interest between the Company and the Indemnitee in the conduct of such defense, or (c) the Company shall not, in

fact, have employed counsel to assume the defense of such proceeding, the reasonable fees and expenses of the Indemnitee's counsel shall be at the expense of the Company.

10. Insurance. The Company may, but is not obligated to, obtain directors' and officers' liability insurance ("D&O Insurance") with respect to which the Indemnitee is named as an insured. Notwithstanding any other provision of the Agreement, the Company shall not be obligated to indemnify the Indemnitee for expenses, judgments, settlements, fines or penalties, which have been paid directly to or on behalf of the Indemnitee by D&O Insurance. If the Company has D&O Insurance in effect at the time the Company receives from the Indemnitee any notice of the commencement of a proceeding, the Company shall give notice of the commencement of such proceeding to the insurer in accordance with the procedures set forth in the policy. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, to or on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policy.

11. Exceptions. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

(a) Claims Initiated by Indemnitee. To indemnify or advance expenses to the Indemnitee with respect to proceedings or claims initiated or brought voluntarily by the Indemnitee and not by way of defense, except with respect to proceedings brought to establish or enforce a right to indemnification under this Agreement or any other statute or law or otherwise as required under Section 145, but such indemnification or advancement of expenses may be provided by the Company in specific cases if the Board of Directors finds it to be appropriate; or

(b) Action for Indemnification. To indemnify the Indemnitee for any expenses incurred by the Indemnitee with respect to any proceeding instituted by the Indemnitee

to enforce or interpret this Agreement if the material assertions made by the Indemnitee in such proceeding were not made in good faith or were frivolous; or

(c) Unauthorized Settlements. To indemnify the Indemnitee under this Agreement for any amounts paid in settlement of a proceeding effected without the Company's written consent, provided such consent shall not unreasonably withheld; or

(d) Non-compete and Non-disclosure. To indemnify the Indemnitee in connection with proceedings or claims involving the enforcement of non-compete and/or non-disclosure agreements or the non-compete and/or non-disclosure provisions of employment, consulting or similar agreements the Indemnitee may be a party to with the Company, any subsidiary of the Company or any other applicable foreign or domestic corporation, partnership, limited liability company, joint venture, trust or other enterprise, if any; or

(e) Certain Matters. To indemnify the Indemnitee on account of any proceeding with respect to (i) remuneration paid to Indemnitee if it is determined by final judgment or other final adjudication that such remuneration was in violation of law, (ii) which final judgment is rendered against the Indemnitee for an accounting of profits made by the purchase or sale by Indemnitee of securities of the Company pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended, or similar provisions of any federal, state or local statute, (iii) which it is determined by final judgment or other final adjudication that the Indemnitee's conduct was knowingly fraudulent or intentionally dishonest, or (iv) which it is determined by final judgment or other final adjudication by a court having jurisdiction in the matter that such indemnification is not lawful; or

(f) Amounts Otherwise Covered. To indemnify the Indemnitee under this Agreement for any amounts indemnified by the Company other than pursuant to this

Agreement or amounts paid to or for the benefit of Indemnitee by D&O Insurance pursuant to Section 10 hereof.

12. Nonexclusivity. The provisions for indemnification and advancement of expenses set forth in this Agreement shall not be deemed exclusive of, but shall be in addition to and shall not be deemed to diminish or otherwise restrict, any other rights which the Indemnitee may have under any provision of law, the Company's Certificate of Incorporation or Bylaws, in any court in which a proceeding is brought, the vote of the Company's stockholders or disinterested directors, other agreements or otherwise, both as to action in his or her official capacity and to action in another capacity while occupying his or her position as an agent of the Company. To the extent applicable law or the Company's Certificate of Incorporation or Bylaws permit greater indemnification than as provided for in this Agreement, the parties hereto agree that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such law or provision of Certificate of Incorporation or Bylaws, and this Agreement shall be deemed amended without any further action by the Company or Indemnitee to grant such greater benefits.

13. Settlement. The Company shall not settle any proceeding without the Indemnitee's written consent. Neither the Company nor Indemnitee will unreasonably withhold consent to any proposed settlement.

14. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute all papers required and shall do everything that may reasonably be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights. The Company shall pay or reimburse all reasonable expenses incurred by Indemnitee in connection with such subrogation.

15. Interpretation of Agreement. It is understood that the parties hereto intend this Agreement to be interpreted and enforced so as to provide indemnification to the Indemnitee to the fullest extent now or hereafter permitted by law.

16. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever, (i) the validity, legality and enforceability of the remaining provisions of the Agreement (including without limitation, all portions of any paragraphs of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby, and (ii) to the fullest extent possible, the provisions of this Agreement (including, without limitation, all portions of any paragraph of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby, and (iii) to the fullest extent possible, the provisions of this Agreement (including, without limitation, all portions of any paragraph of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable and to give effect to Section 12 and Section 15 hereof.

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

18. Continuance of Rights; Successor and Assigns. The Indemnitee's rights hereunder shall continue after the Indemnitee has ceased acting as an agent of the Company. The terms of this Agreement shall bind, and shall inure to the benefit of, the successor and assigns of the parties hereto.

19. Notice. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed duly given (i) if delivered by hand and receipted for by the party addressee, (ii) if mailed by certified or registered mail with postage prepaid, on the third business day after the mailing date, or (iii) if transmitted electronically by a means by which receipt thereof can be demonstrated. Addresses for notice to either party are set out on the signature page hereof and may be subsequently modified by written notice.

20. Supersedes Prior Agreement. This Agreement supersedes any prior indemnification agreement between Indemnitee and the Company or its predecessors.

21. Service of Process and Venue. For purposes of any claims or proceeding to enforce this agreement, the Company consents to the jurisdiction and venue of any federal or state court of competent jurisdiction in the states of Delaware and Missouri, and waives and agrees not to raise any defense that any such court is an inconvenient forum or any similar claim.

22. Governing Law. This Agreement shall be governed exclusively by and construed according to the laws of the State of Delaware, as applied to contracts between Delaware residents entered into and to be performed entirely within Delaware. If a court of competent jurisdiction shall make a final determination that the provisions of the law of any state other than Delaware govern indemnification by the Company of its officers and directors, then the indemnification provided under this Agreement shall in all instances be enforceable to the

fullest extent permitted under such law, notwithstanding any provision of this Agreement to the contrary.

The parties hereto have entered into this Indemnification Agreement effective as of the date first above written.

BUILD-A-BEAR WORKSHOP, INC.

By

Name:
Title:
Address: 1954 Innerbelt Business Center Drive
St. Louis, Missouri 63114

Indemnitee:

By

Name:
Address:

EXHIBIT 10.12

THIRD AMENDMENT TO LOAN DOCUMENTS

BUILD-A-BEAR WORKSHOP, INC. ("BABWI"), successor by merger to BUILD-A-BEAR WORKSHOP, LLC, SHIRTS ILLUSTRATED, LLC ("SHIRTS"), BUILD-A-BEAR WORKSHOP FRANCHISE HOLDINGS, INC. ("BABWF"), BUILD-A-BEAR ENTERTAINMENT, LLC ("BABE"), and BUILD-A-BEAR RETAIL MANAGEMENT, INC. ("BABRM"), jointly and severally (individually and collectively, the "Borrower"), BUILD-A-BEAR WORKSHOP CANADA, INC. ("Guarantor" or "BABWC") and U.S. BANK NATIONAL ASSOCIATION, formerly known as FIRSTAR BANK, NATIONAL ASSOCIATION ("Lender"), hereby agree as follows effective as of May 31, 2004 (the "Effective Date"):

1. RECITALS.

1.1 Lender and Build-A-Bear Workshop, LLC entered into a Loan Agreement and related loan and security documents dated as of March 1, 2000 pursuant to which the Lender extended a revolving credit facility to the Borrower (the "Loan");

1.2 Lender, Build-A-Bear Workshop, LLC and Build-A-Bear Workshop, Inc. entered into an assumption and amendment agreement dated as of April 3, 2000, whereby Build-A-Bear Workshop, Inc. assumed all of the obligations of its predecessor in interest, Build-A-Bear Workshop, LLC;

1.3 Lender and Borrower amended the terms of the Loan by the First Amended and Restated Loan Agreement and related loan and security documents dated as of June 1, 2001 (the "Prior Loan Agreement");

1.4 Lender and Borrower amended and restated the Prior Loan Agreement by the Second Amended and Restated Loan Agreement dated as of February 13, 2002 (the "Loan Agreement") and Borrower delivered to Lender in connection therewith the First Amended and Restated Revolving Credit Note (the "Note") and the First Amended and Restated Security Agreement (the "Security Agreement") (the Note, Security Agreement and Loan Agreement, the Guarantee of BABWC, and all other loan and security documents executed in connection with the Loan from time to time are referred to herein as the "Loan Documents");

1.5 Lender and Borrower amended the Loan Documents pursuant to the First Amendment to Loan Documents effective as of May 30, 2003 to add additional borrowers to the Loan Documents, to revise certain financial covenants in the Loan Documents, and to add BABWC as a guarantor of the obligations under the Loan Documents.

1.6 Lender and Borrower amended the Loan Documents pursuant to the Second Amendment to Loan Documents effective as of December 31, 2003 to add an additional borrower to the Loan Documents.

1.7 Capitalized terms used herein and not otherwise defined will have the meanings given such terms in the Loan Agreement.

1.8 Borrower and Lender desire to further amend the Loan Documents pursuant to this Third Amendment to Loan Documents ("Amendment").

2. AMENDMENTS.

2.1 Section 2.1.2 of the Loan Agreement is hereby deleted and replaced with the following:

2.1.2 MAXIMUM AMOUNT. The maximum amount that may be outstanding under the Revolving Credit Note at any particular time may not exceed the lesser of the following (the "Maximum Amount"): (A) the Total Facility; or (B) in the event that Lender determines in its sole discretion to limit the amount to be advanced under the Revolving Credit Note (after 30 days prior written notice to Borrower of such determination by Lender), an amount equal to the sum of (a) up to 75% of Borrower's Eligible Receivables, plus (b) up to the lesser of: (i) $12,000,000; or (ii) 50% of Borrower's Eligible Inventory, plus (c) up to 10% of the book value of Borrower's net fixed assets. Notwithstanding anything to the contrary contained herein, Lender in its sole discretion may, but will never be obligated to, increase the amount of the Total Facility or change or suspend the limits on the Maximum Amount.

2.2 Section 2.1 of the Loan Agreement is hereby amended to add the following as Section 2.1.5:

2.1.5 COMMITMENT FEE. Borrower will pay to Lender a commitment fee beginning effective June 1, 2004, computed at the rate of 0.125% per annum, on the average daily difference between: (i) the outstanding amount of the Note and (ii) the Maximum Amount, such Commitment Fee to be payable quarterly in arrears on the last day of each June, September, December and March and upon the Maturity Date of the Note and/or the date this Agreement is terminated.

2.3 Section 6.1 of the Loan Agreement is hereby deleted and replaced with the following:

6.1 DEBT. Incur any Indebtedness other than: (a) the Loans and any subsequent Indebtedness to Lender; (b) open account obligations incurred in the ordinary course of business having maturities of less than 150 days; (c) lease payments for real property; (d) lease and rental payments for personal property whose aggregate annual rental payments do not exceed $100,000 during any calendar year; and (e) Indebtedness secured by Permitted Liens.

2.4 Section 6.4 of the Loan Agreement is hereby deleted and replaced with the following:

6.4 MINIMUM TANGIBLE NET WORTH. Permit the Tangible Net Worth of

Borrower and Guarantor on a consolidated basis to be less than $54,000,000 at any time. Such amount shall be increased by the amount of all equity contributions made to the Borrower from time to time and shall be reduced by the amount of dividends, share repurchases, or any other return of capital contributions permitted under this Agreement; provided however, that such reductions shall not cause the Tangible Net Worth of Borrower and Guarantor on a consolidated basis to be less than $44,000,000 at any time.

2.5 Section 6.6 of the Loan Agreement is hereby deleted and replaced with the following:

6.6 DIVIDENDS. Declare or pay any dividends of any kind other than dividends payable solely in shares of its capital stock (including without limitation debt repayment, payment for goods and services); provided however, that Borrower may do so if such payment would not violate any of the other terms of this Agreement or the Security Documents and none of the following conditions exist or will exist as a result of any such payment: (i) an Event of Default or Default; and (ii) the difference between the Maximum Amount and the outstanding amount of the Revolving Credit Note is less than $5,000,000.

2.6 Section 6.8 of the Loan Agreement is hereby deleted and replaced with the following:

6.8 REDEMPTIONS. Purchase, retire, redeem or otherwise acquire for value, directly or indirectly, any shares of its capital stock now or hereafter outstanding; provided however, that Borrower may do so if such purchase, redemption or acquisition would not violate any of the other terms of this Agreement or the Security Documents and none of the following conditions exist or will exist as a result of any such purchase, redemption or acquisition: (i) an Event of Default or Default; and (ii) the difference between the Maximum Amount and the outstanding amount of the Revolving Credit Note is less than $5,000,000.

2.7 Section 6.11 of the Loan Agreement is hereby deleted and replaced with the following:

6.11 ADVANCES AND LOANS. Except as set forth in the Disclosure Schedule, lend money, give credit or make advances (other than ordinary, reasonable advances not to exceed $50,000 in the aggregate at any time) to any person, firm, joint venture or corporation, including, without limitation, Affiliates; provided however, that Borrower may make advances to BABWC so long as such advances shall not exceed $7,000,000 outstanding in the aggregate at any time.

2.8 Notwithstanding the terms of the Loan Agreement requiring the regular submission of Borrowing Base Certificates to Lender, Borrower shall no longer be required to submit such Borrowing Base Certificates to Lender unless and until such time as Lender requires that Borrower do so by written notice to Borrower.

2.9 The Maturity Date set forth in Section 3 of the Note is hereby extended from May 31, 2004 to May 31, 2005.

3. REPRESENTATIONS, WARRANTIES, AND COVENANTS. To induce Lender to enter into this Amendment, Borrower represents, warrants, and covenants as follows:

3.1 The representations and warranties of Borrower contained in the Loan Documents are deemed to have been made again on and as of the date of execution of this Amendment.

3.2 No Event of Default (as such term is defined in the Loan Documents) or Default exists on the date hereof.

3.3 Each Borrower and Guarantor represents and warrants that it has no claims, counterclaims, setoffs, actions or causes of actions, damages or liabilities of any kind or nature whatsoever whether at law or in equity, in contract or in tort, whether now accrued or hereafter maturing (collectively, "Claims") against Lender, their direct or indirect parent corporations or any direct or indirect Affiliates of such parent corporations, or any of the foregoing's respective directors, officers, employees, agents, attorneys and legal representatives, or the heirs, administrators, successors or assigns of any of them (collectively, "Lender Parties") that directly or indirectly arise out of, are based upon or are in any manner connected with any Prior Related Event. As an inducement to Lender to enter into this Agreement, each Borrower and Guarantor on behalf of itself, and all of its successors and assigns hereby knowingly and voluntarily releases and discharges all Lender Parties from any and all Claims, whether known or unknown, that directly or indirectly arise out of, are based upon or are in any manner connected with any Prior Related Event. As used herein, the term "Prior Related Event" means any transaction, event, circumstance, action, failure to act, occurrence of any sort or type, whether known or unknown, which occurred, existed, was taken, permitted or begun at any time prior to the Effective Date or occurred, existed, was taken, was permitted or begun in accordance with, pursuant to or by virtue of any of the terms of the Loan Documents or any documents executed in connection with the Loan Documents or which was related to or connected in any manner, directly or indirectly to the extension of credit represented by the Loan Documents.

3.4 Each Borrower and Guarantor has the full right, power and authority to enter into this Amendment and perform its obligations hereunder, and no information or material submitted to Lender in connection with this Amendment contains any material misstatement or misrepresentation nor omits to state any material fact or circumstance.

4. CONDITIONS PRECEDENT. The consent of Lender to this Amendment is subject to the satisfaction of the following conditions precedent:

4.1 Lender will have been furnished copies, certified by the Secretary of Borrower and Guarantor, of resolutions of the Board of Directors of Borrower and Guarantor authorizing the execution of this Amendment and any related documentation.

4.2 The representations and warranties of Borrower in Section 3 herein will be true.

4.3 Lender will have received an updated schedule of all locations of Borrower and of each Borrower's intellectual property, along with an executed pledge agreement of such intellectual property in form acceptable to Lender.

5. GENERAL.

5.1 Except as expressly modified herein, the Loan Documents, as amended, are and remain in full force and effect. Nothing contained herein will be construed as waiving any Default or Event of Default under the Loan Documents or will affect or impair any right, power or remedy of Lender under or with respect to the Loan Documents, as amended, or any agreement or instrument guaranteeing, securing or otherwise relating to any of the Advances.

5.2 All representations and warranties made by Borrower herein will survive the execution and delivery of this Amendment.

5.3 This Amendment will be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns.

5.4 Borrower will pay attorneys' fees and expenses of Lender incurred in connection with this Amendment and related documentation. Such fees, expenses may be charged to Borrower by Lender as a Revolving Advance.

5.5 This Amendment will in all respects be governed and construed in accordance with the laws of the State of Ohio.

5.6 A copy of this Amendment may be attached to the Note as an allonge.

5.7 This Amendment and the documents and instruments to be executed hereunder constitute the entire agreement among the parties with respect to the subject matter hereof and shall not be amended, modified or terminated except by a writing signed by the party to be charged therewith.

5.8 Borrower agrees to execute such other instruments and documents and provide Lender with such further assurances as Lender may reasonably request to more fully carry out the intent of this Amendment.

5.9 This Amendment may be executed in a number of identical counterparts. If so, each such counterpart shall collectively constitute one agreement. Any signature delivered by a party by facsimile transmission shall be deemed to be an original signature hereto.

5.10 No provision of this Amendment is intended or shall be construed to be for the benefit of any third party.

Executed as of the Effective Date.

BUILD-A-BEAR WORKSHOP, INC.
BORROWER

By: /s/ Maxine Clark
Print Name: Maxine Clark
Title: Chief Executive Bear

BUILD-A-BEAR
ENTERTAINMENT, LLC
BORROWER

By: /s/ Maxine Clark
Print Name: Maxine Clark
Title: Manager

BUILD-A-BEAR RETAIL
MANAGEMENT, INC.
BORROWER

By: /s/ Maxine Clark
Print Name: Maxine Clark
Title: Chief Executive Bear

BUILD-A-BEAR WORKSHOP
CANADA, INC.
GUARANTOR

By: /s/ Maxine Clark
Print Name: Maxine Clark
Title: Chief Executive Bear

U.S. BANK NATIONAL
ASSOCIATION
LENDER

By: /s/ Charles L. Thomas
Print Name: Charles L. Thomas
Title: Vice President

BUILD-A-BEAR WORKSHOP
FRANCHISE HOLDINGS, INC.
BORROWER

By: /s/ Maxine Clark
Print Name: Maxine Clark
Title: Chief Executive Bear

SHIRTS ILLUSTRATED, LLC

BORROWER
By: Build-A-Bear Workshop, LLC,
its Managing Member

By: /s/ Maxine Clark
Print Name: Maxine Clark
Title: Manager

EXHIBIT 10.13

SECOND AMENDED AND RESTATED LOAN AGREEMENT

BUILD-A-BEAR WORKSHOP, INC., successor by merger to BUILD-A-BEAR WORKSHOP, LLC, AND SHIRTS ILLUSTRATED, LLC, jointly and severally (individually and collectively, the "Borrower"), and U.S. BANK NATIONAL ASSOCIATION, formerly known as FIRSTAR BANK, NATIONAL ASSOCIATION ("Lender"), hereby agree as follows:

WHEREAS, Lender and Build-A-Bear Workshop, LLC entered into a Loan Agreement and related loan and security documents dated as of March 1, 2000;

WHEREAS, Lender, Build-A-Bear Workshop, LLC and Build-A-Bear Workshop, Inc. entered into an assumption and amendment agreement dated as of April 3, 2000, whereby Build-A-Bear Workshop, Inc. assumed all of the obligations of its predecessor in interest, Build-A-Bear Workshop, LLC;

WHEREAS, Lender and Borrower entered into a First Amended and Restated Loan Agreement and related loan and security documents dated as of June 1, 2001 (the "Prior Loan Agreement");

WHEREAS, Lender and Borrower now desire to amend and restate the Prior Loan Agreement by this Second Amended and Restated Loan Agreement;

NOW THEREFORE, in consideration of the mutual promises, conditions, and covenants set forth herein, the receipt and/or sufficiency of which is hereby acknowledged, Borrower and Lender agree that the Prior Loan Agreement is hereby amended and restated in its entirety as follows (the Prior Loan Agreement, as amended and restated hereby, being referred to as the "Loan Agreement"):

1. DEFINITIONS. Capitalized terms used herein and not otherwise defined herein will have the meanings given those terms in the second to last section of this Agreement.

2. CREDIT FACILITIES.

2.1 REVOLVING CREDIT LOAN.

2.1.1 TOTAL FACILITY. Lender will make available to Borrower a line of credit of up to $15,000,000 ("Total Facility"), subject to the terms and conditions and made upon the representations and warranties of Borrower set forth in this Agreement. Amounts outstanding under the line of credit from time to time will be referred to as the "Revolving Credit Loan". The Revolving Credit Loan will be represented by the First Amended and Restated Revolving Credit Note of Borrower of even date herewith and all amendments, extensions and renewals thereto and restatements and replacements thereof ("Revolving Credit Note"). The Revolving Credit Loan will bear interest and will be payable in the manner set forth in the Revolving Credit Note, the terms of which are incorporated herein by reference.

2.1.2 MAXIMUM AMOUNT. The maximum amount that may be outstanding under the Revolving Credit Note at any particular time may not exceed the lesser of the following (the "Maximum Amount"): (A) the Total Facility; or (B) an amount equal to the sum of (a) up to 75% of Borrower's Eligible Receivables, plus (b) up to the lesser of: (i) $12,000,000; or (ii) 50% of Borrower's Eligible Inventory, plus (c) up to 10% of the book value of Borrower's net fixed assets. Notwithstanding anything to the contrary contained herein, Lender in its sole discretion may, but will never be obligated to, increase the amount of the Total Facility or change or suspend the limits on the Maximum Amount.

2.1.3 ADVANCES. Advances will be made as specified in the Revolving Credit Note.

2.1.4 EXTENSIONS. After the initial term of the Revolving Credit Note, Lender in its sole discretion may extend or renew the Total Facility and the Revolving Credit Note by accepting from Borrower one or more new notes, each of which will be deemed to be the Revolving Credit Note under this Agreement. In no event will Lender be under any obligation to extend or renew the Total Facility or the Revolving Credit Note beyond the initial term thereof.

2.2 ADDITIONAL COSTS.

2.2.1 TAXES, RESERVE REQUIREMENTS, ETC. In the event that any applicable law, treaty, rule or regulation (whether domestic or foreign) now or hereafter in effect and whether or not presently applicable to Lender, or any interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof, or compliance by Lender with any guideline, request or directive of any such authority (whether or not having the force of law), will (a) affect the basis of taxation of payments to Lender of any amounts payable by Borrower under this Agreement (other than taxes imposed on the overall net income of Lender, by the jurisdiction, or by any political subdivision or taxing authority of any such jurisdiction, in which Lender has its principal office), (b) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by Lender, or (c) impose any other condition with respect to this Agreement, any Note executed in connection with this Agreement or any of the Security Documents, and the result of any of the foregoing is to increase the cost of making, funding or maintaining any such Note or to reduce the amount of any sum receivable by Lender thereon, then Borrower will pay to Lender from time to time, upon request by Lender, additional

amounts sufficient to compensate Lender for such increased cost or reduced sum receivable.

2.2.2 CAPITAL ADEQUACY. If either: (a) the introduction of, or any change in, or in the interpretation of, any United States or foreign law, rule or regulation or (b) compliance with any directive, guidelines or request from any central bank or other United States or foreign governmental authority (whether or not having the force of law) promulgated, made, or that becomes effective (in whole or in part) after the date hereof affects or would affect the amount of capital required or expected to be maintained by Lender or any corporation directly or indirectly owning or controlling Lender and Lender determines that such introduction, change or compliance has or would have the effect of reducing the rate of return on Lender capital or on the capital of such owning or controlling corporation as a consequence of its obligations hereunder or under any Note or any commitment to lend thereunder to a level below that which Lender or such owning or controlling corporation could have achieved but for such introduction, change or compliance (after taking into account Lender's policies or the policies of such owning or controlling corporation, as the case may be, regarding capital adequacy) by an amount deemed by Lender (in its sole discretion) to be material, then, from time to time, Borrower will pay to Lender such additional amount or amounts as will compensate Lender for such reduction.

2.2.3 CERTIFICATE OF LENDER. A certificate of Lender setting forth such amount or amounts as will be necessary to compensate Lender as specified above will be delivered to Borrower and will be conclusive absent manifest error. Borrower will pay Lender the amount shown as due on any such certificate within 10 days after its receipt of the same. Failure on the part of Lender to deliver any such certificate will not constitute a waiver of Lender's rights to demand compensation for any particular period or any future period. The protection of this Section will be available to Lender regardless of any possible contention of invalidity or inapplicability of the law, regulation, etc., that results in the claim for compensation under this Section.

3. COLLATERAL. The Collateral for the repayment of the Obligations will be that granted pursuant to the Security Documents.

4. REPRESENTATIONS AND WARRANTIES. To induce Lender to enter into this Agreement and to make the advances herein contemplated, Borrower hereby represents and warrants as follows:

4.1 ORGANIZATION. Borrower is a Delaware corporation or Missouri limited liability company duly organized and in good standing under the laws of the state of its organization, is duly qualified in all jurisdictions where required by the conduct of

its business or ownership of its assets except where the failure to so qualify would not have a material adverse effect on its condition, financial or otherwise, and has the power and authority to own and operate its assets and to conduct its business as is now done.

4.2 LATEST FINANCIALS. Its Current Financial Statements as delivered to Lender are true, complete and accurate in all material respects and fairly present its financial condition, assets and liabilities, whether accrued, absolute, contingent or otherwise and the results of its operations for the periods specified therein. The annual financial statements of all business entities included in the Current Financial Statements have been prepared in accordance with generally accepted accounting principles applied consistently with preceding periods subject to any comments and notes contained therein.

4.3 RECENT ADVERSE CHANGES. Except as specifically disclosed in the Disclosure Schedule, since the dates of its Current Financial Statements, Borrower has not suffered any damage, destruction or loss which has materially and adversely affected its business or assets and no event or condition of any character has occurred which has materially and adversely affected its assets, liabilities, business or financial condition, and Borrower has no knowledge of any event or condition which may materially and adversely affect its assets, liabilities, business or financial condition.

4.4 RECENT ACTIONS. Except as disclosed in the Disclosure Schedule, since the dates of its Current Financial Statements, its business has been conducted in the ordinary course and Borrower has not: (a) incurred any obligations or liabilities, whether accrued, absolute, contingent or otherwise, other than liabilities incurred and obligations under contracts entered into in the ordinary course of business and other than liabilities to Lender; (b) discharged or satisfied any lien or encumbrance or paid any obligations, absolute or contingent, other than current liabilities, in the ordinary course of business; (c) mortgaged, pledged or subjected to lien or any other encumbrance any of its assets, tangible or intangible, or cancelled any debts or claims except in the ordinary course of business; or (d) made any loans or otherwise conducted its business other than in the ordinary course.

4.5 TITLE. Borrower has good and marketable title to the assets reflected on its Current Financial Statements, free and clear from all liens and encumbrances except for: (a) current taxes and assessments not yet due and payable, (b) liens and encumbrances, if any, reflected or noted on said balance sheet or notes, (c) any security interests, pledges or mortgages to Lender in connection with the closing of this Agreement, (d) assets disposed of in the ordinary course of business, and (e) Permitted Liens.

4.6 LITIGATION, ETC. Except as disclosed on the Disclosure Schedule, as of the date hereof, there are no actions, suits, proceedings or governmental investigations

pending or, to its knowledge, threatened against Borrower which, if adversely determined, could result in a material and adverse change in its financial condition, business or assets; and there is no basis known to Borrower for any such actions, suits, proceedings or investigations.

4.7 TAXES. Except as to taxes not yet due and payable, Borrower has filed all returns and reports that are now required to be filed by Borrower in connection with any federal, state or local tax, duty or charge levied, assessed or imposed upon Borrower or its property, including unemployment, social security and similar taxes; and all of such taxes have been either paid or adequate reserve or other provision has been made therefor. Borrower has timely filed the payments of every tax and tax return with the appropriate governmental authorities, and Borrower has never incurred a penalty for failure to file or to file in a timely manner. If Borrower has currently filed an extension for the payment of taxes, Borrower has accrued sufficient funds for the payment of such tax in accordance with generally accepted accounting principles.

4.8 AUTHORITY. Borrower has full power and authority to enter into the transactions provided for in this Agreement. The documents to be executed by Borrower in connection with this Agreement, when executed and delivered by Borrower will constitute the legal, valid and binding obligations of Borrower enforceable in accordance with their respective terms except as such enforceability may be limited by applicable bankruptcy, reorganization, insolvency, moratorium or similar laws in effect from time to time affecting the rights of creditors generally and except as such enforceability may be subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in law or in equity).

4.9 OTHER DEFAULTS. There does not now exist any default or violation by Borrower of or under any of the terms, conditions or obligations of: (a) as to corporate entities only, its Articles or Certificate of Incorporation and Regulations or Bylaws, as applicable, or as to limited liability companies only, its Articles of Organization and Operating Agreement; (b) any material indenture, mortgage, deed of trust, franchise, permit, contract, agreement, or other material instrument to which Borrower is a party or by which Borrower is bound; or (c) any law, regulation, ruling, order, injunction, decree, condition or other requirement applicable to or imposed upon Borrower by any law or by any governmental authority, court or agency; and the transactions contemplated by this Agreement and the Security Documents will not result in any such default or violation.

4.10 STOCK OF BORROWER. If Borrower is not a publicly traded entity, all of the issued and outstanding securities of Borrower are owned by the parties listed on the Disclosure Schedule in the amounts specified by the name of each such shareholder and except as listed on the Disclosure Schedule, Borrower has no outstanding options, warrants or contracts to issue additional securities of any kind.

4.11 STOCK. Except as listed on the Disclosure Schedule, Borrower does not own more than one percent (1%) of the issued and outstanding capital stock or other ownership interests of any corporation, firm or entity.

4.12 SUBSIDIARIES, PARTNERSHIPS AND JOINT VENTURES. Except as listed on the Disclosure Schedule, Borrower has no Subsidiaries and is not a party to any partnership agreement or joint venture agreement.

4.13 LICENSES, ETC. Borrower has obtained any and all licenses, permits, franchises or other governmental authorizations necessary for the ownership of its properties and the conduct of its business. Borrower possesses adequate licenses, patents, patent applications, copyrights, trademarks, trademark applications, and trade names to continue to conduct its business as heretofore conducted by it, without any conflict with the rights of any other person or entity.

4.14 SUFFICIENT CAPITAL. Borrower now has capital sufficient to carry on its business, all business and transactions in which Borrower is about to engage, and is now solvent and able to pay its debts as they mature.

4.15 NAME, PLACES OF BUSINESS AND LOCATION OF COLLATERAL. Except as otherwise disclosed by written notice to Lender, the address of its principal place of business and every other place from which Borrower conducts business is as specified in the Disclosure Schedule. Except as otherwise disclosed by written notice to Lender, the Collateral and all books and records pertaining to the Collateral are and will be located at the addresses indicated on the Disclosure Schedule. In the five years preceding the date hereof, Borrower has not conducted business under any name other than its current name nor maintained any place of business or any assets in any jurisdiction other than those disclosed on the Disclosure Schedule.

4.16 ERISA. Borrower and each of its ERISA Affiliates are in compliance in all material respects with the applicable provisions of ERISA and the regulations and published interpretations thereunder. Neither Borrower nor any ERISA Affiliate maintains, sponsors or contributes to, or has ever maintained, sponsored or contributed to any Plan or Multiemployer Plan.

4.17 REGULATION U. No part of the proceeds of any Loans will be used to purchase or carry any margin stock (as such term is defined in Regulation U of the Board of Governors of the Federal Reserve System).

4.18 CLOSING MEMO. The information contained in each of the documents prepared by Borrower, executed by Borrower or provided by a third party at the request of Borrower listed on the Closing Memo to be executed or delivered by Borrower or relating to Borrower is complete and correct in all material respects.

4.19 ENVIRONMENTAL MATTERS.

4.19.1 Borrower and the activities or operations on any of the real estate that Borrower owns or occupies (the "Property") are in compliance in all material respects with all applicable federal, state and local, statutes, laws, regulations, ordinances, policies and orders relating to regulation of the environment, health or safety, or contamination or cleanup of the environment (collectively "Environmental Laws").

4.19.2 Borrower has obtained all approvals, permits, licenses, certificates, or satisfactory clearances from all governmental authorities required under Environmental Laws with respect to the Property and any activities or operations at the Property.

4.19.3 To the best of Borrower's knowledge, there have not been and are not now any solid waste, hazardous waste, hazardous or toxic substances, pollutants, contaminants, or petroleum in, on, under or about the Property. The use which Borrower makes and intends to make of the Property will not result in the deposit or other release of any hazardous or toxic substances, solid waste, pollutants, contaminants or petroleum on, to or from the Property.

4.19.4 To the best of Borrower's knowledge, there have been no complaints, citations, claims, notices, information requests, orders or directives on environmental grounds or under Environmental Laws (collectively "Environmental Claims") made or delivered to, pending or served on, or anticipated by Borrower or its agents, or of which Borrower or its agents, are aware or should be aware (i) issued by any governmental department or agency having jurisdiction over the Property or the activities or operations at the Property, or (ii) issued or claimed by any third party relating to the Property or the activities or operations at the Property.

4.19.5 To the best of Borrower's knowledge, no asbestos-containing materials are installed, used or incorporated into the Property, and no asbestos-containing materials have been disposed of on the Property.

4.19.6 To the best of Borrower's knowledge, no polychlorinated biphenyls ("PCBs") are located at, on or in the Property in the form of electrical equipment or devices, including, but not limited to, transformers, capacitors, fluorescent light fixtures with ballasts, cooling oils or any other device or form.

4.19.7 To the best of Borrower's knowledge, there have not been and are not now any underground storage tanks located within or about the Property.

4.19.8 The Property does not contain any wetlands as that term is defined by relevant governmental agencies under Environmental Laws and, to the best of Borrower's knowledge, there has been no filling of wetlands on the Property in violation of Environmental Laws.

4.19.9 Borrower has provided Lender with copies of all environmental reports, audits and studies known to Borrower and accessible to Borrower, whether in Borrower's possession or otherwise, regarding the Property.

4.20 LABOR MATTERS. There are no material strikes or other material labor disputes against Borrower pending or, to its knowledge, threatened. The hours worked and payment made to its employees in all material respects have not been in violation of the Fair Labor Standards Act or any other applicable law dealing with such matters. All payments due from it, or for which any claim may be made against it, on account of wages and employee health and welfare insurance and other benefits, have been paid or accrued as a liability on its books. The consummation of the transactions contemplated herein will not give rise to a right of termination or right of renegotiation on the part of any union under any collective bargaining agreement to which Borrower is a party or by which Borrower is bound.

5. AFFIRMATIVE COVENANTS. From the date of execution of this Agreement until all Obligations to Lender have been fully paid and this Agreement terminated, Borrower will:

5.1 BOOKS, RECORDS AND ACCESS TO THE COLLATERAL. Maintain proper books of account and other records and enter therein complete and accurate entries and records of all of its transactions and, upon reasonable advance notice, give representatives of Lender access thereto at all reasonable times, including permission to examine, copy and make abstracts from any of such books and records and such other information as Lender may from time to time reasonably request. Borrower, upon reasonable advance notice, will give Lender reasonable access to the Collateral for the purposes of examining the Collateral and verifying its existence. Borrower will make available to Lender for examination copies of any reports, statements or returns which Borrower may make to or file with any governmental department, bureau or agency, federal or state. In addition, Borrower will be available to Lender, or cause its officers or general partners, as applicable, to be available from time to time upon reasonable notice to discuss the status of the Loans, its business and any statements, records or documents furnished or made available to Lender in connection with this Agreement.

5.2 MONTHLY STATEMENTS. Furnish Lender within 45 days after the end of each calendar month internally prepared financial statements of Borrower with respect to such calendar month, which financial statements will: (a) be in reasonable detail and in form reasonably satisfactory to Lender; (b) be accompanied by a compliance certificate and a Borrowing Base Certificate; (c) include a balance sheet as of the end of such period, profit and loss and surplus statements for such

period and a statement of cash flows for such period; (d) include prior year comparisons; and (e) be on a consolidating and consolidated basis for Borrower and its Subsidiaries, if any, and for any entity in which Borrower's financial information is consolidated in accordance with generally accepted accounting principles.

5.3 ANNUAL STATEMENTS. Furnish Lender within 120 days after the end of each fiscal year of Borrower annual audited financial statements which will: (a) include a balance sheet as of the end of such year, profit and loss and surplus statements and a statement of cash flows for such year; (b) be on a consolidated basis with Borrower, its Subsidiaries, if any, and any entity into which Borrower's financial information is consolidated in accordance with generally accepted accounting principles; (c) be accompanied by a compliance certificate and a Borrowing Base Certificate, and (d) contain the unqualified opinion of a national independent certified public accountant and its examination will have been made in accordance with generally accepted auditing standards and such opinion will identify any generally accepted accounting principles not consistently applied from year to year, to the extent such inconsistency is material to the financing statements.

5.4 AUDITOR'S LETTERS, ETC. Furnish any letter, other than routine correspondence, directed to Borrower by its auditors or independent accountants, relating to its financial statements, accounting procedures, financial condition, tax returns or the like since the date of the Current Financial Statements to Lender.

5.5 TAXES. Pay and discharge when due all indebtedness and all taxes, assessments, charges, levies and other liabilities imposed upon it, its income, profits, property or business, except those which currently are being contested in good faith by appropriate proceedings and for which Borrower has set aside adequate reserves or made other adequate provision with respect thereto, but any such disputed item will be paid forthwith upon the commencement of any proceeding for the foreclosure of any lien which may have attached with respect thereto, unless Lender has received an opinion in form and substance and from legal counsel acceptable to Borrower that such proceeding is without merit.

5.6 OPERATIONS. Continue its business operations in substantially the same manner as at present, except where such operations are rendered impossible by a fire, strike or other events beyond its control; keep its real and personal properties in good operating condition and repair; make all necessary and proper repairs, renewals, replacements, additions and improvements thereto and comply with the provisions of all leases to which Borrower is party or under which Borrower occupies or holds real or personal property so as to prevent any loss or forfeiture thereof or thereunder.

5.7 INSURANCE. Comply with the insurance requirements of the Security Documents. In addition to the foregoing, keep its insurable real and personal property insured

with responsible insurance companies against loss or damage by fire, windstorm and other hazards which are commonly insured against in an extended coverage endorsement in an amount equal to not less than 90% of the insurable value thereof on a replacement cost basis and also maintain public liability insurance in a reasonable amount. In addition, the parties delivering to Lender insurance certificates as listed on the Closing Memo will maintain extended liability insurance and property insurance of at least the amounts and coverages listed on such certificates delivered in connection with the Closing and in a form and with companies reasonably satisfactory to Lender. Notwithstanding the foregoing, such property insurance will at all times be in an amount so that such party will not be deemed a "co-insurer" under any co-insurance provisions of such policies. All such insurance policies will name Lender as an additional insured and, where applicable, as lender's loss payee under a loss payable endorsement satisfactory to Lender. All such policies will provide that ten (10) days prior written notice must be given to Lender before such policy is altered or cancelled. Schedules of all insurance will be submitted to Lender upon request. Such schedules will contain a description of the risks covered, the amounts of insurance carried on each risk, the name of the insurer and the cost of such insurance. Borrower will provide new schedules to Lender promptly to reflect any change in insurance coverage.

5.8 COMPLIANCE WITH LAWS. Comply with all laws and regulations applicable to Borrower and to the operation of its business, including without limitation those relating to environmental and health matters, and do all things necessary to maintain, renew and keep in full force and effect all rights, permits, licenses, certificates, satisfactory clearances and franchises necessary to enable Borrower to continue its business.

5.9 ENVIRONMENTAL VIOLATIONS.

5.9.1 In the event that any hazardous or toxic substances, pollutants, contaminants, solid waste or hazardous waste, or petroleum are released (as that term is defined under Environmental Laws) at or from the Property, or are otherwise found to be in, on, under, about or migrating to or from the Property in violation of Environmental Laws or in excess of cleanup levels established under Environmental Laws, promptly will notify Lender in writing and will promptly commence such action as may be appropriate or required with respect to such conditions, including, but not limited to, investigation, removal and cleanup thereof, and deposit with Lender cash collateral, letter of credit, bond or other assurance of performance in form, substance and amount reasonably acceptable to Lender to cover the cost of such action. Upon request, Borrower will provide Lender with updates on the status of Borrower's actions to resolve or otherwise address such conditions, until such time as such conditions are fully resolved to the satisfaction of Lender, as determined by Lender in the exercise of its reasonable discretion.

5.9.2 In the event Borrower receives notice of an Environmental Claim from any governmental agency or other third party alleging a violation of or liability under Environmental Laws with respect to the Property or Borrower's activities or operations at the Property, promptly notify Lender in writing and will commence such action as may be appropriate or required with respect to such Environmental Claim. Upon request, Borrower will provide Lender with updates on the status of Borrower's actions to resolve or otherwise address such Environmental Claim, until such claim has been fully resolved to the satisfaction of Lender, as determined by Lender in the exercise of its reasonable discretion.

5.10 ENVIRONMENTAL AUDIT AND OTHER ENVIRONMENTAL INFORMATION. Provide copies of all environmental reports, audits, and studies obtained by Borrower from work conducted by Borrower or any other person or entity on the Property or property adjacent thereto as soon as such reports, audits and studies become available to it. If the submissions are considered inadequate or insufficient in order for Lender to adequately consider the environmental condition of the Property or the status of Borrower's environmental compliance or if the submissions are in error, then Lender may require Borrower, at Borrower's sole expense, to engage an independent engineering or consulting firm acceptable to Lender to conduct a complete environmental report, study, or audit in as timely as fashion as is reasonably possible. In addition, Borrower will provide Lender with information related to remedial action at its Property or adjacent to its Property as soon as such information becomes available to it.

5.11 BUSINESS NAMES AND LOCATIONS. Promptly notify Lender of: (a) any change in the name under which Borrower conducts its business; (b) any change in the location of the Collateral or Borrower's principal place of business; and (c) the opening or closing of any place from which Borrower conducts business.

5.12 ACQUISITION OF ASSETS. Not acquire any assets, real or personal, unless such assets are automatically covered by the existing Security Documents or within 10 days of such acquisition, Borrower delivers to Lender a mortgage, pledge or security agreement to encumber such asset in favor of Lender.

5.13 ACCOUNTS. So long as any of the Loans are in effect, maintain Lender as Borrower's primary bank of account and Borrower will maintain all operating accounts and all store accounts (in areas where a branch location of Lender or any of Lender's Affiliates is accessible to Borrower) with Lender or any of Lender's Affiliates.

5.14 ERISA COMPLIANCE. Comply in all material respects with the applicable provisions of ERISA and furnish to Lender: (i) as soon as possible, and in any event within 30 days after any officer of Borrower or any ERISA Affiliate knows or has reason to know that any Reportable Event for which the thirty (30) day

notice requirement has not been waived pursuant to Section 4043 of ERISA and the regulations promulgated thereunder has occurred that alone or together with any other Reportable Event could reasonably be expected to result in liability of Borrower to the PBGC in an aggregate amount exceeding $25,000, a statement of a financial officer setting forth details as to such Reportable Event and the action that Borrower proposes to take with respect thereto, together with a copy of the notice of such Reportable Event, if any, given to the PBGC, (ii) promptly after receipt thereof, a copy of any notice Borrower or any ERISA Affiliate may receive from the PBGC relating to the intention of the PBGC to terminate any Plan or Plans (other than a Plan maintained by an ERISA Affiliate which is considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Code Section 414) or to appoint a trustee to administer any such Plan, (iii) within 10 days after the due date for filing with the PBGC pursuant to Section 412(n) of the Code of a notice of failure to make a required installment or other payment with respect to a Plan, a statement of its financial officer setting forth details as to such failure and the action that Borrower proposes to take with respect thereto together with a copy of any such notice given to the PBGC and (iv) promptly and in any event within 30 days after receipt thereof by Borrower or any ERISA Affiliate from the sponsor of a Multiemployer Plan, a copy of each notice received by Borrower or any ERISA Affiliate concerning (A) the imposition of Withdrawal Liability in an amount exceeding $25,000, or (B) a determination that a Multiemployer Plan is, or is expected to be, terminated or in reorganization, both within the meaning of Title IV of ERISA, and which, in each case, is expected to result in an increase in annual contributions of Borrower or an ERISA Affiliate to such Multiemployer Plan in an amount exceeding $25,000.

5.15 NOTICE OF DEFAULT. Notify Lender in writing within five days after Borrower knows or has reason to know of the occurrence of an Event of Default.

5.16 SALE AND LEASEBACK. Except to the extent related to Indebtedness permitted by Section 6.1, not directly or indirectly enter into any arrangement to sell or transfer all or any part of its assets then owned by Borrower and thereupon or within one year thereafter rent or lease any of the assets so sold or transferred.

5.17 LINE OF BUSINESS. Not enter into any lines or areas of business substantially different from the business or activities in which Borrower is presently engaged.

5.18 BUSINESS OPPORTUNITIES. Not divert (or permit anyone to divert) any of its business or opportunities to any other corporate or business entity in which Borrower or its Affiliates may hold a direct or indirect interest.

5.19 WAIVERS. Not waive any right or rights of substantial value which, singly or in the aggregate, is or are material to its condition (financial or other), properties or business.

5.20 BORROWING BASE REPORTS. Upon the request from time to time of Lender but in no event less often than monthly furnish Lender a Borrowing Base Certificate.

5.21 LANDLORD LIEN WAIVERS. Use its commercially reasonable efforts to promptly deliver to Lender, in form and substance satisfactory to Lender, landlord lien waivers from the existing and future landlords of Borrower.

6. NEGATIVE COVENANTS. From the date of execution of this Agreement until all of the Obligations have been fully paid, Borrower will not without Lender's prior written consent:

6.1 DEBT. Incur any Indebtedness other than: (a) the Loans and any subsequent Indebtedness to Lender; (b) open account obligations incurred in the ordinary course of business having maturities of less than 150 days; (c) lease payments for real property; (d) lease and rental payments for personal property whose aggregate annual rental payments do not exceed $1,000,000 during calendar year 2002 and $1,300,000 through May, 2003; (e) Indebtedness secured by Permitted Liens; and (f) existing unsecured Indebtedness to Enterprise Bank in an amount not to exceed $525,000.

6.2 LIENS. Incur, create, assume, become or be liable in any way, or suffer to exist any mortgage, pledge, lien, charge or other encumbrance of any nature whatsoever on any of its assets, now or hereafter owned, other than Permitted Liens.

6.3 GUARANTEES. Guarantee, endorse or become contingently liable for the obligations of any person, firm or corporation, except in connection with the endorsement and deposit of checks in the ordinary course of business for collection.

6.4 MINIMUM TANGIBLE NET WORTH. Permit the Tangible Net Worth of Borrower on a consolidated basis to be less than the following: (a) $37,000,000 as of December 29, 2001 through December 27, 2002; and (b) $39,000,000 as of December 28, 2002 and thereafter. All such amounts shall be increased by the amount of all equity contributions made to the Borrower from time to time.

6.5 FUNDED DEBT RATIO. Permit the ratio of: (i) Funded Debt of Borrower to (ii) EBTIDA of Borrower calculated on a rolling historical 12-month basis, all on a consolidated basis to be greater than 2.00 to 1.00 at any time.

6.6 DIVIDENDS. Declare or pay any dividends of any kind other than dividends payable solely in shares of its capital stock (including without limitation debt repayment, payment for goods and services).

6.7 ADDITIONAL SECURITIES. Issue any additional securities of any description or issue warrants, options or rights to purchase its securities (collectively, "Additional Securities"), provided, however, that so long as no Default or Event of Default

has occurred and is continuing, the Borrower shall be permitted to issue Additional Securities to the extent that any such issuance (individually or in the aggregate) does not result in a transfer of Control of the Borrower from its current shareholders as of the date hereof. For purposes of this Section, "Control of the Borrower" shall mean the power, direct or indirect: (a) to vote 50% or more of the securities having ordinary voting power for the election of directors of Borrower; or (b) to direct or cause the direction of the management and policies of Borrower by contract or otherwise.

6.8 REDEMPTIONS. Purchase, retire, redeem or otherwise acquire for value, directly or indirectly, any shares of its capital stock now or hereafter outstanding.

6.9 INVESTMENTS. Except as disclosed on the Disclosure Schedule, purchase or hold beneficially any stock, other securities or evidences of indebtedness of, or make any investment or acquire any interest whatsoever in, any other person, firm or corporation other than (i) obligations of the United States Treasury and agencies thereof, (ii) commercial paper maturing within one-year and rated "A-1/P-2" and better, or (iii) Certificates of Deposit of the Lender.

6.10 MERGER, ACQUISITION OR SALE OF ASSETS. Except as disclosed on the Disclosure Schedule, merge or consolidate with or into any other entity or acquire all or substantially all the assets of any person, firm, partnership, joint venture, or corporation, or sell, lease or otherwise dispose of any of its assets except for dispositions in the ordinary course of business. Store closings from time to time (not in excess of ten during any 12-month period) are considered in the ordinary course of business

6.11 ADVANCES AND LOANS. Except as set forth in the Disclosure Schedule, lend money, give credit or make advances (other than ordinary, reasonable advances not to exceed $550,000 in the aggregate at any time) to any person, firm, joint venture or corporation, including, without limitation, Affiliates.

6.12 SUBSIDIARIES. Except as disclosed on the Disclosure Schedule, acquire any Subsidiaries, create any Subsidiaries or enter into any partnership or joint venture agreements.

6.13 TRANSACTIONS WITH AFFILIATES. Enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of property or the rendering of any service, with any Affiliate unless such transaction is otherwise permitted under this Agreement, is in the ordinary course of its business, and is on reasonable terms no less favorable to Borrower than Borrower would obtain in a comparable arm's length transaction with a non-Affiliate.

6.14 POST CLOSING MATTERS. Fail to deliver to Lender in form and substance satisfactory to Lender the documents, if any, noted as post closing items on the Closing Memo on or before the date specified in the Closing Memo.

7. EVENTS OF DEFAULT. Upon the occurrence of any of the following events with respect to Borrower:

7.1 NON-PAYMENT. The non-payment of any principal amount of any Note when due, whether by acceleration or otherwise, or the nonpayment of any interest upon any Note or any other amount due Lender pursuant to this Agreement within 5 days of when the same is due;

7.2 COVENANTS. The default in the due observance of any covenant or agreement to be kept or performed by it under the terms of this Agreement or any of the Security Documents and the failure or inability of it to cure such default within 30 days of the occurrence thereof; provided that such 30 day grace period will not apply to: (a) any default which in Lender's good faith determination is incapable of cure, (b) any default that has previously occurred more than 3 times, (c) any default in any negative covenants, or (d) any failure to maintain insurance or to permit inspection of the Collateral or of its books and records.

7.3 REPRESENTATIONS AND WARRANTIES. Any representation or warranty made by it in this Agreement, in any of the Security Documents or in any report, certificate, opinion, financial statement or other document furnished in connection with the Obligations is false or erroneous in any material respect or any material breach thereof has been committed;

7.4 OBLIGATIONS. Except as provided in Sections 7.1, 7.2 and 7.3 above, the default by it in the due observance of any covenant, negative covenant or agreement to be kept or performed by it under the terms of this Agreement, the Security Documents or any document now or in the future executed in connection with any of the Obligations and the lapse of any applicable cure period provided therein with respect to such default, or, if so defined therein, the occurrence of any Event of Default or Default (as such terms are defined therein);

7.5 BANKRUPTCY, ETC. It: (a) dissolves or is the subject of any dissolution, a winding up or liquidation; (b) makes a general assignment for the benefit of creditors; or (c) files or has filed against it a petition in bankruptcy, for a reorganization or an arrangement, or for a receiver, trustee or similar creditors' representative for its property or assets or any part thereof, or any other proceeding under any federal or state insolvency law, and if filed against it, the same has not been dismissed or discharged within 60 days thereof;

7.6 EXECUTION, ATTACHMENT. ETC. The commencement of any foreclosure proceedings, proceedings in aid of execution, attachment actions, levies against, or the filing by any taxing authority of a lien against it or against any of the Collateral, except those liens being diligently contested in good faith which in the aggregate do not exceed $100,000;

7.7 LOSS, THEFT OR SUBSTANTIAL DAMAGE TO THE COLLATERAL. In addition to the rights of Lender to deal with proceeds of insurance as provided in the Security Documents, the loss, theft or substantial damage to the Collateral if the result of such occurrence (singly or in the aggregate) is the failure or inability to resume substantially normal operation of its business within 30 days of the date of such occurrence;

7.8 JUDGMENTS. Unless in the opinion of Lender it is adequately insured or bonded, the entry of a final judgment for the payment of money involving more than $100,000 against it and the failure by it to discharge the same, or cause it to be discharged, within 10 days from the date of the order, decree or process under which or pursuant to which such judgment was entered, or to secure a stay of execution pending appeal of such judgment; the entry of one or more final monetary or non-monetary judgments or order which, singly or in the aggregate, does or could reasonably be expected to: (a) cause a material adverse change in the value of the Collateral or its condition (financial or otherwise), operations, properties or prospects, (b) have a material adverse effect on its ability to perform its obligations under this Agreement or the Security Documents, or (c) have a material adverse effect on the rights and remedies of Lender under this Agreement, any Note or any Security Document;

7.9 IMPAIRMENT OF SECURITY. (a) The validity or effectiveness of any Security Document or its transfer, grant, pledge, mortgage or assignment by the party executing it in favor of Lender is impaired; (b) any party, other than Lender, to a Security Document asserts that any Security Document is not a legal, valid and binding obligation of it enforceable in accordance with its terms; (c) the security interest or lien purporting to be created by any of the Security Documents ceases to be or is asserted by any party to any Security Document (other than Lender) not to be a valid, perfected lien subject to no liens other than liens not prohibited by this Agreement or any Security Document; or (d) any Security Document is amended, subordinated, terminated or discharged, or any person is released from any of its covenants or obligations except to the extent that Lender expressly consents in writing thereto;

7.10 OTHER INDEBTEDNESS OF LENDER'S AFFILIATES. A default with respect to any evidence of Indebtedness by it (other than to Lender pursuant to this Agreement) to any of Lender's Affiliates, if the effect of such default is to accelerate the maturity of such Indebtedness or to permit the holder thereof to cause such Indebtedness to become due prior to the stated maturity thereof, or if any Indebtedness of it for borrowed money (other than to Lender pursuant to this Loan Agreement) is not paid when due and payable, whether at the due date thereof or a date fixed for prepayment or otherwise (after the expiration of any applicable grace period;

7.11 OTHER INDEBTEDNESS. A default with respect to any evidence of Indebtedness in excess of $100,000 by it (other than to Lender or Lender's Affiliate pursuant to

this Agreement), if the effect of such default is to accelerate the maturity of such Indebtedness or to permit the holder thereof to cause such Indebtedness to become due prior to the stated maturity thereof, or if any Indebtedness of it in excess of $100,000 for borrowed money (other than to Lender or Lender's Affiliate pursuant to this Loan Agreement) is not paid when due and payable, whether at the due date thereof or a date fixed for prepayment or otherwise (after the expiration of any applicable grace period);

7.12 LEASES. Any declared material default, that is not cured within any applicable cure period, existing under more than two (2) of Borrower's real property leases at any one time;

then immediately upon the occurrence of any of the events described in Section 7.5 and at the option of the Lender upon the occurrence of any other Event of Default, the Loans, all Notes and all other Obligations immediately will mature and become due and payable without presentment, demand, protest or notice of any kind which are hereby expressly waived. After the occurrence of any Event of Default, Lender is authorized without notice to anyone to offset and apply to all or any part of the Obligations all moneys, credits and other property of any nature whatsoever of Borrower now or at any time hereafter in the possession of, in transit to or from, under the control or custody of, or on deposit with (whether held by Borrower individually or jointly with another party), Lender or any of Lender's Affiliates. The rights and remedies of Lender upon the occurrence of any Event of Default will include but not be limited to all rights and remedies provided in the Security Documents and all rights and remedies provided under applicable law. In furtherance but not in limitation of the foregoing, upon the occurrence of an Event of Default, Lender may refuse to make any further advances under any Note included in the Obligations. Borrower waives any requirement of marshalling of the assets covered by the Security Documents upon the occurrence of any Event of Default. Upon or during the occurrence of an Event of Default, Lender may request the appointment of a receiver of the Collateral. Such appointment may be made without notice, and without regard to (i) the solvency or insolvency, at the time of application for such receiver, of the person or persons, if any, liable for the payment of the Obligations; and (ii) the value of the Collateral at such time. Such receiver will have the power to take possession, control and care of the Collateral and to collect all accounts resulting therefrom. Notwithstanding the appointment of any receiver, trustee, or other custodian, Lender will be entitled to the possession and control of any cash, or other instruments at the time held by, or payable or deliverable under the terms of this Loan Agreement or any Security Documents to Lender.

8. CONDITIONS PRECEDENT.

8.1 AT CLOSING. Lender's obligation to make any of the Loans is conditioned upon the receipt by Lender of all documents in form and substance acceptable to Lender listed on the Closing Memo, except for those specifically listed thereon as post-closing items.

8.2 ADDITIONAL ADVANCES. Lender's obligations to make any Loan and/or any advance under any Note on any date in the future (to the extent that there are

funds remaining to be disbursed hereunder or under any Note) are subject to the conditions precedent that:

8.2.1 NO DEFAULTS. There does not exist any Event of Default, nor any event which upon notice or lapse of time or both would constitute an Event of Default.

8.2.2 ACCURACY. The representations and warranties contained in this Agreement, the Security Documents, and in each document listed on the Closing Memo prepared by Borrower, executed by Borrower or provided by a third party at the request of Borrower, and in any document delivered in connection therewith will be true and accurate on and as of such date, except as such warranties and representations may be affected by: (a) this Agreement or transactions contemplated thereby, and (b) events occurring after the Closing Date as to those representations and warranties relating to the Current Financial Statements.

8.2.3 OTHER DOCUMENTS. Lender will have received such other documents, instruments, opinions, certificates, or items of information which it may have reasonably required in connection with the transactions provided for in this Agreement.

8.3 BORROWING REPRESENTATIONS. Each borrowing by Borrower hereunder will constitute a representation and warranty by Borrower as of the date of such borrowing that the conditions set forth in Section 8.2 have been satisfied.

9. CLOSING EXPENSES. Borrower will pay Lender at closing a reasonable sum for expenses and Attorneys Fees incurred by Lender in connection with the preparation, execution and delivery of this Agreement and the attendant documents and the consummation of the transactions contemplated hereby together with all: (a) recording fees and taxes; (b) survey, appraisal and environmental report charges; and (c) title search and title insurance charges, including any stamp or documentary taxes, charges or similar levies which arise from the payment made hereunder or from the execution, delivery or registration of any Security Document or this Agreement. If Borrower fails to pay such fees, Lender is entitled to disburse such sums as an advance under any Note.

10. POST-CLOSING EXPENSES. To the extent that Lender incurs any costs or expenses in protecting or enforcing its rights in the Collateral or observing or performing any of the conditions or obligations of Borrower or any Guarantor thereunder, including but not limited to reasonable Attorneys' Fees in connection with litigation, preparation of amendments or waivers, present or future stamp or documentary taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of any Security Document or this Agreement, such costs and expenses will be due on demand, will be included in the Obligations and will bear interest at the Default Rate if not paid within fifteen (15) days of becoming due.

11. REPRESENTATIONS AND WARRANTIES TO SURVIVE. All representations, warranties, covenants, indemnities and agreements made by Borrower herein and in the Security Documents will survive the execution and delivery of this Agreement, the Security Documents and the issuance of any Notes.

12. ENVIRONMENTAL INDEMNIFICATION. Lender will not be deemed to assume any liability or obligation for loss, damage, fines, penalties, claims or duties to clean-up or dispose of wastes or materials on or relating to the Property merely by conducting any inspections of the Property or by obtaining title to the Property by foreclosure, deed in lieu of foreclosure or otherwise. Borrower, including its successors and assigns, agrees to remain fully liable and will indemnify, defend and hold harmless Lender, its directors, officers, employees, agents, contractors, subcontractors, licensees, invitees, successors and assigns, from and against any claims, demands, judgments, damages, actions, causes of action, injuries, administrative orders, liabilities, costs, expenses, clean-up costs, waste disposal costs, litigation costs, fines, penalties, damages and other related liabilities arising from (i) the failure of Borrower to perform any obligation herein required to be performed by Borrower, (ii) the removal or other remediation of hazardous or toxic substances, hazardous wastes, pollutants or contaminants, solid waste or petroleum at or from the Property, (iii) any act or omission, event or circumstance existing or occurring resulting from or in connection with the ownership, construction, occupancy, operation, use and/or maintenance of the Property, (iv) any and all claims or proceedings (whether brought by private party or governmental agency) for bodily injury, property damage, abatement or remediation, environmental damage or impairment and any other injury or damage resulting from or relating to any hazardous or toxic substances, hazardous waste, pollutants, contaminants, solid waste, or petroleum located upon or migrating into, from or through the Property (whether or not any or all of the foregoing was caused by the Borrower or its tenant or subtenant, or a prior owner of the Property or its tenant or subtenant, or any third party and whether or not the alleged liability is attributable to the handling, storage, generation, transportation or disposal of such material or the mere presence of such material on the Property), and (v) Borrower's breach of any representation or warranty contained in this Agreement. Without limitation, the foregoing indemnities will apply to Lender with respect to claims, demands, losses, damages (including consequential damages), liabilities, causes of action, judgements, penalties, costs and expenses (including reasonable attorneys' fees and court costs) which in whole or in part are caused by or arise out of the negligence of Lender. Such indemnity, however, will not apply to Lender to the extent the subject of the indemnification is caused by or arises out of the gross negligence or willful misconduct of Lender. All environmental representations, warranties, covenants, and indemnities will continue indefinitely and may not be cancelled or terminated except by a writing signed by Lender specifically referring to this Section. Notwithstanding anything contained to the contrary in any Note, the Loan Agreement, or other Security Documents evidencing or securing the Obligations, the provisions of this Section will survive the termination or expiration of the Obligations, the full repayment of the Obligations, or the acquiring of title by Lender or its successors and assigns by foreclosure, deed in lieu of foreclosure or otherwise, and will be fully enforceable against Borrower and its successors and assigns. The provisions of this Section will constitute a separate

undertaking by Borrower and will be an inducement to Lender in extending the Loan evidencing the Obligations to Borrower. The provisions of this Section will not be subject to any anti-deficiency or similar laws.

13. DEFINITIONS. For purposes hereof;

13.1 Each accounting term not defined or modified herein will have the meaning given to it under generally accepted accounting principles in effect on the Closing Date.

13.2 "Affiliate" will mean any person, partnership, joint venture, company or business entity under common control or having similar equity holders owning at least ten percent (10%) thereof, whether such common control is direct or indirect. All of Person's direct or indirect parent corporations, partners, Subsidiaries, and the officers, shareholders, members, directors and partners of any of the foregoing and persons related by blood or marriage to any of the foregoing will be deemed to be a Person's Affiliates for purposes of this Agreement.

13.3 "Attorneys Fees" will mean the reasonable value of the services (and all costs and expenses related thereto) of the attorneys (and all paralegals and other staff employed by such attorneys) employed by Lender from time to time to: (i) take any action in or with respect to any suit or proceedings (bankruptcy or otherwise) relating to the Collateral or this Agreement; (ii) protect, collect, lease or sell, any of the Collateral; (iii) attempt to enforce any lien on any of the Collateral or to give any advice with respect to such enforcement; (iv) enforce any of Lender's rights to collect any of the Obligations; (v) give Lender advice with respect to this Agreement, including but not limited to advice in connection with any default, workout or bankruptcy; (vi) prepare any amendments, restatements, amendments or waivers to this Agreement or any of the documents executed in connection with any of the Obligations.

13.4 "Borrowing Base Certificate" will mean the Borrowing Base Certificate in the form delivered by Lender to Borrower in connection with the Closing of this Agreement and all amendments thereto and revisions thereof required by Lender.

13.5 "Business Day" will mean any day excluding Saturday, Sunday and any other day on which banks are required or authorized to close in Ohio.

13.6 "Closing" will mean the execution and delivery of the documents listed on the Closing Memo.

13.7 "Closing Date" will mean the date on which this Agreement is executed.

13.8 "Closing Memo" will mean the Closing Memorandum between Borrower and Lender in connection with the transactions represented by this Agreement.

13.9 "Code" will mean the Internal Revenue Code of 1986, as amended from time to time.

13.10 "Collateral" will mean any property, real or personal, tangible or intangible, now or in the future securing the Obligations, including but not limited to the property covered by the Security Documents.

13.11 Intentionally Deleted

13.12 "Current Financial Statements" will mean the following financial statements: (a) Borrower's audited balance sheet dated December 31, 2000 and statement of profit, loss and surplus for the fiscal year ended December 31, 2000; and (b) Borrower's internally prepared balance sheet dated October 31, 2001 and statement of profit, loss and surplus for the period January 1, 2001 through October 31, 2001. For the purposes of any future date on which the representations and warranties contained in Section 4 hereof are deemed to be remade, the most current financial statements, tax returns or other documents with respect to Borrower delivered to Lender pursuant to Section 5 above will be deemed the "Current Financial Statements".

13.13 "Default Rate" will mean 4% per annum plus the highest rate of interest that would otherwise be in effect under any Note but not more than the highest rate permitted by applicable law.

13.14 "Default" will mean any event or condition that with the passage of time or giving of notice, or both, would constitute an Event of Default.

13.15 "Disclosure Schedule" will mean collectively, the Disclosure Schedule of Borrower dated March 1, 2000 and the first and second supplements thereto, now or previously delivered by the Borrower to the Lender in connection with the Loan.

13.16 "EBITDA" will mean the sum of: (i) net income (or loss), as determined in accordance with generally accepted accounting principles; (ii) depreciation and amortization; (iii) interest; (iv) taxes. Other non-cash charges and extraordinary items including, but not limited to, gain or loss from the sale or disposition of capital assets, will be included or excluded at the sole discretion of the Lender.

13.17 "Eligible Receivables" will mean those amounts set forth on Borrower's Current Financial Statements as "Tenant Allowances", less any amounts of such "Tenant Allowances" deemed by Lender, in its sole credit judgment, to be ineligible.

13.18 "Eligible Inventory" will mean Inventory which is not, in the good faith opinion of Lender, in accordance with its customary business practices, obsolete or unmerchantable and which Lender, in its sole credit judgment, deems Eligible Inventory, based on such credit and collateral considerations as Lender may deem appropriate. Eligible Inventory will be valued at the lower of cost or market value.

13.19 "ERISA Affiliate" will mean any trade or business (whether or not incorporated) that is a member of a group of which Borrower is a member and which is treated as a single employer under Section 414 of the Code.

13.20 "ERISA" will mean the Employee Retirement Income Security Act of 1974, or any successor statute, as amended from time to time.

13.21 "Event of Default" will mean any of the events listed in Section 7.

13.22 "Funded Debt" will mean all Indebtedness to financial institutions or commercial lenders.

13.23 "Hazardous Wastes", "hazardous substances" and "pollutants or contaminants" will mean any substances, waste, pollutant or contaminant now or hereafter included with any respective terms under any now existing or hereinafter enacted or amended federal, state or local statute, ordinance, code or regulation, including but not limited to the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601 et seq. ("CERCLA").

13.24 "Indebtedness" will mean, without duplication: (i) all obligations (including capitalized lease obligations) which in accordance with generally accepted accounting principles would be shown on a balance sheet as a liability; (ii) all obligations for borrowed money or for the deferred purchase price of property or services; and (iii) all guarantees, reimbursement, payment or similar obligations, absolute, contingent or otherwise, under acceptance, letter of credit or similar facilities.

13.25 "Lender's Affiliate" will mean any person, partnership, joint venture, company or business entity under common control or having similar equity holders owning at least ten percent (10%) thereof with Lender, whether such common control is direct or indirect. All of Lender's direct or indirect parent corporations, sister corporations, and subsidiaries will be deemed to be a Lender's Affiliate for purposes of this Agreement.

13.26 "Loan(s)" will mean any and all advances of funds under this Agreement or any of the Notes.

13.27 "Multiemployer Plan" will mean a multiemployer plan as defined in Section 4001(a)(3) of ERISA to which Borrower or any ERISA Affiliate (other than one considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Code Section 414) is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

13.28 "Note(s)" will mean any note, now or in the future, between Borrower and Lender, and will include any amendments made thereto and restatements thereof, extensions and replacements.

13.29 "Obligations" will mean and include all loans, advances, debts, liabilities, obligations, covenants and duties owing to Lender or any of Lender's Affiliates, from Borrower of any kind or nature, present or future, whether or not evidenced by any note, guaranty or other instrument, including but not limited to those arising under: (i) this Agreement, (ii) the Notes, (iii) under any other agreement, instrument or document, whether or not for the payment of money, whether arising by reason of an extension of credit, opening of a letter of credit, loan, guaranty, indemnification or in any other manner, whether direct or indirect (including those acquired by assignment, participation, purchase, negotiation, discount or otherwise), absolute or contingent, joint or several, due or to become due, now existing or hereafter arising and whether or not contemplated by Borrower or Lender or any Lender's Affiliate on the Closing Date; and as to all of the foregoing, including any amendments, modifications, or superceding documents to each of the foregoing; and all charges, expenses, fees, including but not limited to reasonable Attorneys' Fees, and any other sums chargeable to Borrower under any of the Obligations.

13.30 "PBGC" will mean the Pension Benefit Guaranty Corporation referred to and defined in ERISA.

13.31 "Permitted Liens" will mean:

13.31.1 liens securing the payment of taxes, either not yet due or the validity of which is being contested in good faith by appropriate proceedings, and as to which Borrower has set aside on its books adequate reserves to the extent required by generally accepted accounting principles;

13.31.2 deposits under workers' compensation, unemployment insurance and social security laws, or to secure the performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases, or to secure statutory obligations or surety or appeal bonds, or to secure indemnity, performance or other similar bonds in the ordinary course of business;

13.31.3 liens imposed by law, such as carrier's, warehousemen's or mechanics' liens, incurred by Borrower in good faith in the ordinary course of business, and liens arising out of a judgment or award against Borrower with respect to which Borrower will currently be prosecuting an appeal, a stay of execution pending such appeal having been secured;

13.31.4 liens in favor of Lender;

13.31.5 reservations, exceptions, encroachments and other similar title exceptions or encumbrances affecting real properties, provided such do not materially detract from the use or value thereof as used by the owner thereof;

13.31.6 attachment, judgment, and similar liens provided that execution is effectively stayed pending a good faith contest;

13.31.7 liens by a bank on deposit accounts of Borrower that arise by operation of law, and that are otherwise in compliance with the terms of this Agreement;

13.31.8 purchase money security interests limited to the asset financed by Borrower and securing Indebtedness not in excess of $100,000 in the aggregate at any time; and

13.31.9 security interests arising as a result of lease transactions permitted by Section 6.1(d) and limited to the asset leased by Borrower.

13.32 "Person" will include an individual, a corporation, a limited liability company, an association, a partnership, a trust or estate, a joint stock company, an unincorporated organization, a joint venture, a government (foreign or domestic), any agency or political subdivisions thereof, or any other entity.

13.33 "Plan" will mean any pension plan subject to the provisions of Title IV of ERISA or Section 412 of the Code and which is maintained for employees of Borrower or any ERISA Affiliate.

13.34 "Prime Rate" will mean the rate per annum established by Lender from time to time based on its consideration of various factors, including money market, business and competitive factors, and it is not necessarily Lender's most favored interest rate. Subject to any maximum or minimum interest rate limitations specified herein or by applicable law, if and when such Prime Rate changes, then in each such event, the rate of interest payable under this Agreement, any Note, the Security Documents or any other document evidencing the Obligations that is tied to the Prime Rate will change automatically without notice effective the date of such changes.

13.35 "Reportable Event" will mean any reportable event as defined in Section 4043(b) of ERISA or the regulations issued thereunder with respect to a Plan (other than a Plan maintained by an ERISA Affiliate which is considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Code Section 414).

13.36 "Security Documents" will mean this agreement and the agreements, pledges, mortgages, guarantees, or other documents delivered by Borrower, any Guarantor or any other person or entity to Lender or Lender's Affiliate previously, now or in the future to encumber the Collateral in favor of Lender or Lender's Affiliate, including but not limited to those listed on the Closing Memo, and all amendments thereto and restatements thereof.

13.37 "Subsidiaries" means a corporation of which shares of stock having ordinary voting power (other than stock having such power only by reason of the

happening of a contingency) to elect a majority of the Board of Directors or other managers of such corporation are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by Borrower.

13.38 "Tangible Net Worth" will mean the total of book net worth (including the sum of common stock, preferred stock, paid-in capital, subordinated debt and earned surplus) less capitalized organizational or closing costs, treasury stock, deferred leasing and financing costs, goodwill, and any other assets generally considered as intangible.

13.39 "Withdrawal Liability" will mean liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

13.40 All other terms contained in this Agreement and not otherwise defined herein will, unless the context indicates otherwise, have the meanings provided for by the Uniform Commercial Code of the State of Ohio to the extent the same are defined therein.

14. GENERAL.

14.1 INDEMNITY. Borrower will indemnify, defend and hold harmless Lender, its directors, officers, counsel and employees, from and against all claims, demands, liabilities, judgments, losses, damages, costs and expenses, joint or several (including all accounting fees and Attorneys' Fees reasonably incurred), that Lender or any such indemnified party may incur arising under or by reason of this Agreement or any act hereunder or with respect hereto or thereto including but not limited to any of the foregoing relating to any act, mistake or failure to act in perfecting, maintaining, protecting or realizing on any collateral or lien thereon except the willful misconduct or gross negligence of such indemnified party. Without limiting the generality of the foregoing, Borrower agrees that if, after receipt by Lender of any payment of all or any part of the Obligations, demand is made at any time upon Lender for the repayment or recovery of any amount or amounts received by Borrower in payment or on account of the Obligations and Lender repays all or any part of such amount or amounts by reason of any judgment, decree or order of any court or administrative body, or by reason of any settlement or compromise of any such demand, this Agreement will continue in full force and effect and Borrower will be liable, and will indemnify, defend and hold harmless Lender for the amount or amounts so repaid. The provisions of this Section will be and remain effective notwithstanding any contrary action which may have been taken by Borrower in reliance upon such payment, and any such contrary action so taken will be without prejudice to Lender's rights under this Agreement and will be deemed to have been conditioned upon such payment having become final and irrevocable. The provisions of this Section will survive the expiration or termination of this Agreement.

14.2 CONTINUING AGREEMENT. This Agreement is and is intended to be a continuing Agreement and will remain in full force and effect until the Loan is finally and irrevocably paid in full.

14.3 NO THIRD PARTY BENEFICIARIES. Nothing express or implied herein is intended or will be construed to confer upon or give any person, firm, or corporation, other than the parties hereto, any right or remedy hereunder or by reasons hereof.

14.4 NO PARTNERSHIP OR JOINT VENTURE. Nothing contained herein or in any of the agreements or transactions contemplated hereby is intended or will be construed to create any relationship other than as expressly stated herein or therein and will not create any joint venture, partnership or other relationship.

14.5 WAIVER. No delay or omission on the part of Lender to exercise any right or power arising from any Event of Default will impair any such right or power or be considered a waiver of any such right or power or a waiver of any such Event of Default or any acquiescence therein nor will the action or nonaction of Lender in case of such Event of Default impair any right or power arising as a result thereof or affect any subsequent default or any other default of the same or a different nature. No disbursement of the Loans hereunder will constitute a waiver of any of the conditions to Lender's obligation to make further disbursements; nor, in the event that Borrower is unable to satisfy any such condition, will any such disbursement have the effect of precluding Lender from thereafter declaring such inability to be an Event of Default.

14.6 NOTICES. All notices, demands, requests, consents, approvals and other communications required or permitted hereunder will be in writing and will be conclusively deemed to have been received by a party hereto and to be effective if delivered personally to such party, or sent by telecopy (followed by written confirmation) or by overnight courier service, or by certified or registered mail, return receipt requested, postage prepaid, addressed to such party at the address set forth below or to such other address as any party may give to the other in writing for such purpose:

Lender: U.S. BANK NATIONAL ASSOCIATION
425 Walnut Street, ML CN-WN-08
Cincinnati, Ohio 45202
Attention: Charles L. Thomas

To Borrower: BUILD-A-BEAR WORKSHOP, INC.
SHIRTS ILLUSTRATED, LLC
1954 Innerbelt Business Center Drive
St. Louis, Missouri 63114
Attention: Mr. Jack Burtelow

All such communications, if personally delivered, will be conclusively deemed to have been received by a party hereto and to be effective when so delivered, or if

sent by telecopy, on the day on which transmitted, or if sent by overnight courier service, on the day after deposit thereof with such service, or if sent by certified or registered mail, on the third Business Day after the day on which deposited in the mail.

14.7 SUCCESSORS AND ASSIGNS. This Agreement will be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns, provided, however, that Borrower may not assign this Agreement in whole or in part without the prior written consent of Lender and Lender at any time may assign this Agreement in whole or in part.

14.8 MODIFICATIONS. This Agreement, any Notes and the Security Documents, and the documents listed on the Closing Memo, constitute the entire agreement of the parties and supersede all prior agreements and understandings regarding the subject matter of this Agreement, including but not limited to any proposal or commitment letters. No modification or waiver of any provision of this Agreement, any Note, any of the Security Documents or any of the documents listed on the Closing Memo, nor consent to any departure by Borrower therefrom, will be established by conduct, custom or course of dealing; and no modification, waiver or consent will in any event be effective unless the same is in writing and specifically refers to this Agreement, and then such waiver or consent will be effective only in the specific instance and for the purpose for which given. No notice to or demand on Borrower in any case will entitle Borrower to any other or further notice or demand in the same, similar or other circumstance.

14.9 REMEDIES CUMULATIVE. No single or partial exercise of any right or remedy by Lender will preclude any other or further exercise thereof or the exercise of any other right or remedy. All remedies hereunder and in any instrument or document evidencing, securing, guaranteeing or relating to any Loan or now or hereafter existing at law or in equity or by statute are cumulative and none of them will be exclusive of the others or any other remedy. All such rights and remedies may be exercised separately, successively, concurrently, independently or cumulatively from time to time and as often and in such order as Lender may deem appropriate.

14.10 ILLEGALITY. If fulfillment of any provision hereof or any transaction related hereto or of any provision of the Notes or the Security Documents, at the time performance of such provision is due, involves transcending the limit of validity prescribed by law, then ipso facto, the obligation to be fulfilled will be reduced to the limit of such validity; and if any clause or provisions herein contained other than the provisions hereof pertaining to repayment of the Obligations operates or would prospectively operate to invalidate this Agreement in whole or in part, then such clause or provision only will be void, as though not herein contained, and the remainder of this Agreement will remain operative and in full force and effect; and if such provision pertains to repayment of the Obligations, then, at the option of Lender, all of the Obligations of Borrower to Lender will become immediately due and payable.

14.11 GENDER, ETC. Whenever used herein, the singular number will include the plural, the plural the singular and the use of the masculine, feminine or neuter gender will include all genders.

14.12 HEADINGS. The headings in this Agreement are for convenience only and will not limit or otherwise affect any of the terms hereof.

14.13 TIME. Time is of the essence in the performance of this Loan Agreement.

14.14 GOVERNING LAW AND JURISDICTION; No JURY TRIAL. THIS AGREEMENT WILL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE PARTIES HERETO DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE OF OHIO, WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES, AND BORROWER HEREBY AGREES TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED WITHIN HAMILTON COUNTY, OHIO AND CONSENTS THAT ALL SERVICE OF PROCESS BE MADE BY CERTIFIED MAIL DIRECTED TO BORROWER AT BORROWER'S ADDRESS SET FORTH HEREIN FOR NOTICES AND SERVICE SO MADE WILL BE DEEMED TO BE COMPLETED FIVE (5) BUSINESS DAYS AFTER THE SAME HAS BEEN DEPOSITED IN U.S. MAILS, POSTAGE PREPAID; PROVIDED THAT NOTHING CONTAINED HEREIN WILL PREVENT LENDER FROM BRINGING ANY ACTION OR EXERCISING ANY RIGHTS AGAINST ANY SECURITY OR AGAINST BORROWER INDIVIDUALLY, OR AGAINST ANY PROPERTY OF BORROWER, WITHIN ANY OTHER STATE OR NATION. BORROWER WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS AND ANY OBJECTION TO VENUE OF ANY ACTION INSTITUTED HEREUNDER. BORROWER AND LENDER EACH WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT, ANY DOCUMENTS EVIDENCING ANY OF THE OBLIGATIONS, OR ANY TRANSACTION CONTEMPLATED IN ANY OF SUCH AGREEMENTS.

Executed as of February _, 2002

BUILD-A-BEAR WORKSHOP, INC.

BY: /s/ Maxine Clark

PRINT NAME: MAXINE CLARK
TITLE: PRESIDENT

SHIRTS ILLUSTRATED, LLC

BY: Build-A-Bear Workshop, Inc.
Its Managing Member

BY: /s/ Maxine Clark

PRINT NAME: Maxine Clark
TITLE: President

U.S. BANK
NATIONAL ASSOCIATION

BY: /s/ Charles L. Thomas

PRINT NAME: Charles L. Thomas
TITLE: Vice President

STATE OF_____)
) SS.
COUNTY OF_____)

The foregoing instrument was acknowledged before me this February __, 2002 by Maxine Clark, the duly authorized Officer of BUILD-A-BEAR WORKSHOP, INC., a Delware corporation, on behalf of the corporation.

/s/ Marie A. Powers

Notary Public

STATE OF_____)
) SS.
COUNTY OF_____)

MARIE A. POWERS
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
ST. CHARLES COUNTY
MY COMMISSION EXPIRES: MAY 24, 2003

The foregoing instrument was acknowledged before me this February_____, 2002 by Maxine Clark, the duly authorized Officer of BUILD-A-BEAR WORKSHOP, INC., a Delaware corporation, the managing member of SHIRTS ILLUSTRATED, LLC, a Missouri limited liability company, on behalf of the company.

/s/ Marie A. Powers

Notary Public

MARIE A. POWERS
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
ST. CHARLES COUNTY
MY COMMISSION EXPIRES: MAY 24, 2003

EXHIBIT 10.14

FIRST AMENDED AND RESTATED REVOLVING CREDIT NOTE

$15,000,000 Cincinnati, Ohio
Dated as of February _, 2002

FOR VALUE RECEIVED BUILD-A-BEAR WORKSHOP, INC., successor by merger to BUILD-A-BEAR WORKSHOP, LLC, and SHIRTS ILLUSTRATED, LLC, jointly and severally (individually and collectively, the "Borrower") promises to pay to the order of U.S. BANK NATIONAL ASSOCIATION, formerly known as FIRSTAR BANK, NATIONAL ASSOCIATION ("Lender"), at its offices located at 425 Walnut Street, Cincinnati, Ohio 45202, or at such other location as Lender may designate from time to time, the principal sum of FIFTEEN MILLION DOLLARS (the "Total Facility") or such lesser amount as may be advanced and outstanding hereunder, together with interest thereon as provided below from the date of disbursement thereof until paid, all in lawful money of the United States of America and in immediately available funds.

1. RATE OF INTEREST. The outstanding principal balance of this Note will bear interest at a rate per annum of the Prime Rate minus 0.5% per annum, subject to the applicability of the Default Rate. All interest calculations under this Note will be made based on a year of 360 days for the actual number of days in each interest period. In no event will the rate of interest hereunder exceed 25% per annum, or the equivalent rate for a shorter or longer period.

2. SECURITY. This Note amends and restates the Revolving Credit Note of Borrower to Lender dated as of June 1, 2001. This Note is issued in connection with the Second Amended and Restated Loan Agreement between Borrower and Lender of even date herewith (the "Loan Agreement") and is secured by the property covered by the Security Documents as that term is defined in the Loan Agreement. All references to the Loan Agreement and the Security Documents will include all amendments thereto as made from time to time. The terms, covenants, conditions, stipulations and agreements contained in the Loan Agreement hereby are incorporated herein by reference. Capitalized terms used in this Note and not otherwise defined herein will have the meanings given such terms in the Loan Agreement.

3. PAYMENTS. This Note will be payable as follows: Accrued interest will be due and payable monthly, commencing on March 1, 2002 and on the first day of each month thereafter until May 31, 2003, on which date the entire outstanding principal balance hereunder and all accrued and unpaid interest will be due and payable (the "Maturity Date").

4. LATE PAYMENTS. If Borrower fails to make any payment of principal, interest or other amount coming due pursuant to the provisions of this Note within 5 calendar days of the date due and payable, Borrower also shall pay to Lender a late charge equal to five percent (5.00%) of the amount of such payment (but not less than $50.00) (the "Late Charge").

5. REVOLVING NATURE OF NOTE AND RECORDATION OF ADVANCES. Borrower may borrow, repay, and reborrow under this Note subject to the terms, conditions, and limits set forth herein and in the Loan Agreement, including without limitation, the Maximum Amount restriction set forth therein. Lender is authorized to record in its books and records the date and amount of each advance and payment hereunder, and other information related thereto, which books and records will constitute prima facie evidence of the accuracy of the information so recorded; provided, however, that failure of Lender to record, or any error in recording, any such information will not relieve Borrower of any of its obligations under this Note or any of the other Security Documents. Notwithstanding the foregoing, Lender will not make any Advance under this Note which would cause the outstanding principal balance under this Note to exceed the Maximum Amount.

6. ADVANCES.

6.1 Any request by Borrower for an advance hereunder must be made (i) in writing received by Lender prior to 3:00 p.m., Eastern Standard Time, on the proposed borrowing date or (ii) by telephonic request made prior to 3:00 p.m., Eastern Standard Time, on the proposed borrowing date. Each proposed borrowing date must be a Business Day prior to the Maturity Date. Upon the making of any request for an advance, Borrower will be deemed to have made all of the representations and warranties set forth in the Loan Agreement on and as of the date of such request.

6.2 Each request for an advance, whether telephonic or written, will be binding upon and irrevocable by Borrower. Lender will have no liability in acting upon any request that Lender believes in good faith to have been given on behalf of Borrower and will have no duty to verify the authenticity of the signature(s) appearing on any written request and no duty to verify the identity of any person making any telephonic request. Any disbursement of funds pursuant to a telephonic or written request for an advance under this Note will be subject to all of the terms and conditions of the Loan Agreement.

6.3 Lender hereby is authorized at any time and from time to time, in its discretion, to make an advance under this Note for the payment on behalf of Borrower of any interest, principal or other sums due under any of the Obligations, and each such advance will constitute an advance hereunder and part of the Obligations. Notwithstanding the foregoing, Lender is not obligated to take such action.

7. PREPAYMENT AND APPLICATION OF PAYMENTS. Borrower may prepay all or any portion of this Note at any time without premium or penalty. Payments received will be applied in the following order: (i) to repayment of any amounts owed to Lender for charges, fees and expenses (including reasonable Attorneys' Fees), (ii) to accrued interest, and (iii) to principal. Additional payments may be made under this Note at any time without premium or penalty but each such payment will be applied in the foregoing order.

8. EVENTS OF DEFAULT. Immediately and automatically upon the filing by or against Borrower or any Guarantor of a petition in bankruptcy, for a reorganization, arrangement or debt adjustment, or for a receiver, trustee, or similar creditors' representative for its, his or her property or any part thereof, or of any other proceeding under any federal or state insolvency or similar law (and if such petition or proceeding is an involuntary petition or proceeding filed against Borrower or such Guarantor without his, her or its acquiescence therein or thereto at any time, the same is not promptly contested and, within 60 days of the filing of such involuntary petition or proceeding, dismissed or discharged), or the making of any general assignment by Borrower or any Guarantor for the benefit of creditors, or Borrower or any Guarantor dissolves or is the subject of any dissolution, winding up or liquidation or, at the option of Lender, immediately upon the occurrence of any other Event of Default, in any case without demand or notice of any kind (which are hereby expressly waived): (i) the outstanding principal balance hereunder, together with all accrued and unpaid interest thereon, and any additional amounts secured by the Security Documents, will be accelerated and become immediately due and payable, (ii) Borrower will pay to Lender all reasonable costs and expenses (including but not limited to reasonable Attorneys' Fees) incurred by Lender in connection with Lender's efforts to collect the indebtedness evidenced hereby, and (iii) Lender may exercise from time to time any of the rights and remedies available to Lender under the Security Documents or applicable law. Upon and after the occurrence of any Event of Default or the maturity of this Note (by acceleration or otherwise), the principal balance under this Note, together with any arrearage of interest, will bear interest at the Default Rate until paid in full, whether before or after judgment and Lender will have no further obligation to make advances under this Note or any of the Security Documents. Borrower, all other makers, co-signers and indorsers waive presentment, demand, protest, and notice of demand, protest, non-payment and dishonor. Borrower also waives all defenses based on suretyship or impairment of collateral.

9. MISCELLANEOUS.

9.1 Both the Late Charge and the Default Rate are imposed as liquidated damages for the purpose of defraying Lender's expenses incident to the handling of delinquent payments, but are in addition to, and not in lieu of, Lender's exercise of any rights and remedies hereunder, under the other Security Documents or under applicable law, and any fees and expenses of any agents or any reasonable fees and expenses of any attorneys which Lender may employ. In addition, the Default Rate reflects the increased credit risk to Lender of carrying a loan that is in default. Borrower agrees that the Late Charge and Default Rate are reasonable forecasts of just compensation for anticipated and actual harm incurred by Lender, and that the actual harm incurred by Lender cannot be estimated with certainty and without difficulty.

9.2 Nothing contained in this Note regarding late charges or the Default Rate will be construed in any way to extend the due date of any payment or waive any payment default, and each such right is in addition to, and not in lieu of, the other and any other rights and remedies of Lender hereunder, under any of the Security

Documents or under applicable law (including, without limitation, the right to interest, reasonable Attorneys' Fees and other expenses).

9.3 If this Note is executed by more than one person or entity as "Borrower", the obligations of such parties hereunder will be joint and several and, unless otherwise specified herein, each reference to "Borrower" will mean each of such parties individually and all of such parties collectively.

9.4 This Note will bind Borrower and the heirs, executors, administrators, successors and assigns of Borrower, and the benefits hereof will inure to the benefit of Lender and its successors and assigns. All references herein to the "Borrower" and "Lender" will include the respective heirs, administrators, successors and assigns thereof; provided, however, that Borrower may not assign this Note in whole or in part without the prior written consent of Lender and Lender at any time may assign this Note in whole or in part (but no assignment by the Lender of less than all of this Note will operate to relieve Borrower from any duty to Lender with respect to the unassigned portion of this Note).

9.5 If any provision of this Note is prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision and without invalidating any other provision in this Note; provided, however, that if the provision that is the subject of such prohibition or invalidity pertains to repayment of this Note, then, at the option of Lender, all of the obligations hereunder will become immediately due and payable.

9.6 Without limiting the generality of the foregoing, if from any circumstances whatsoever the fulfillment of any provision of this Note involves transcending the limit of validity prescribed by any applicable usury statute or any other applicable law with regard to obligations of like character and amount, then the obligation to be fulfilled will be reduced to the limit of such validity as provided in such statute or law, so that in no event will any exaction of interest be possible under this Note in excess of the limit of such validity and the right to demand any such excess is hereby expressly waived by Lender. As used in this paragraph, "applicable usury statute" and "applicable law" mean such statute and law in effect on the date hereof, subject to any change therein that result in a higher permissible rate of interest.

9.7 No delay or failure on the part of Lender to exercise any right, remedy or power hereunder, under any of the other Security Documents or under applicable law will impair or waive any such right, remedy or power (or any other right, remedy or power), be considered a waiver of or an acquiescence in any breach, Default or Event of Default or affect any other or subsequent breach, Default or Event of Default of the same or a different nature. No waiver of any breach, Default or Event of Default, nor any modification, waiver, discharge or termination of any provision of this Note, nor consent to any departure by Borrower therefrom, will

be established by conduct, custom or course of dealing; and no modification, waiver, discharge, termination or consent will in any event be effective unless the same is in writing, signed by Lender and specifically refers to this Note, and then such modification, waiver, discharge or termination or consent will be effective only in the specific instance and for the specific purpose for which given. No notice to or demand on Borrower in any case will entitle Borrower to any other or further notice or demand in the same or any similar or other circumstance.

9.8 No single or partial exercise of any right or remedy by Lender will preclude any other or further exercise thereof or the exercise of any other right or remedy. All remedies hereunder, under any of the other Security Documents or now or hereafter existing at law or in equity are cumulative and none of them will be exclusive of the others or of any other right or remedy. All such rights and remedies may be exercised separately, successively, concurrently, independently or cumulatively from time to time and as often and in such order as Lender may deem appropriate.

9.9 If at any time all or any part of any payment or transfer of any kind received by Lender with respect to all or any part of this Note is repaid, set aside or invalidated by reason of any judgment, decree or order of any court or administrative body, or by reason of any agreement, settlement or compromise of any claim made at any time with respect to the repayment, recovery, setting aside or invalidation of all or any part of such payment or transfer, Borrower's obligations under this Note will continue (and/or be reinstated) and Borrower will be and remain liable, and will indemnify, defend and hold harmless Lender for, the amount or amounts so repaid, recovered, set aside or invalidated and all other claims, demands, liabilities, judgments, losses, damages, costs and expenses incurred in connection therewith. The provisions of this Section will be and remain effective notwithstanding any contrary action which may have been taken by Borrower in reliance upon such payment or transfer, and any such contrary action so taken will be without prejudice to Lender's rights hereunder and will be deemed to have been conditioned upon such payment or transfer having become final and irrevocable. The provisions of this Section will survive any termination, cancellation or discharge of this Note.

9.10 Time is of the essence in the performance of this Note.

9.11 This Note has been delivered and accepted at and will be deemed to have been made at Cincinnati, Ohio and will be interpreted and the rights and liabilities of the parties hereto determined in accordance with the laws of the State of Ohio, without regard to conflicts of law principles.

9.12 BORROWER HEREBY IRREVOCABLY AGREES AND SUBMITS TO THE EXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED WITHIN HAMILTON COUNTY, OHIO, OR, AT THE OPTION OF LENDER IN ITS SOLE DISCRETION, OF ANY STATE OR FEDERAL COURT(S) LOCATED WITHIN ANY OTHER COUNTY, STATE OR JURISDICTION IN WHICH LENDER AT ANY TIME OR

FROM TIME TO TIME CHOOSES IN ITS SOLE DISCRETION TO BRING AN ACTION OR OTHERWISE EXERCISE A RIGHT OR REMEDY, AND BORROWER WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS AND ANY OBJECTION TO VENUE OF ANY SUCH ACTION OR PROCEEDING. BORROWER HEREBY IRREVOCABLY CONSENTS THAT ALL SERVICE OF PROCESS BE MADE BY CERTIFIED MAIL DIRECTED TO BORROWER AT ITS ADDRESS SET FORTH IN THE LOAN AGREEMENT FOR NOTICES AND SERVICE SO MADE WILL BE DEEMED TO BE COMPLETED THE EARLIER OF BORROWER'S ACTUAL RECEIPT THEREOF OR FIVE (5) BUSINESS DAYS AFTER THE SAME HAS BEEN DEPOSITED IN U.S. MAILS, POSTAGE PREPAID. NOTHING CONTAINED HEREIN WILL PREVENT LENDER FROM SERVING PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

9.13 BORROWER AND LENDER EACH WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING RELATING TO THIS NOTE, THE SECURITY DOCUMENTS, THE COLLATERAL DESCRIBED THEREIN, OR ANY ACTUAL OR PROPOSED TRANSACTION OR OTHER MATTER CONTEMPLATED IN OR RELATING TO ANY OF THE FOREGOING.

BUILD-A-BEAR WORKSHOP, INC.

BY: /s/ Maxine Clark

PRINT NAME: Maxine Clark
TITLE: President

SHIRTS ILLUSTRATED, LLC

BY: Build-A-Bear Workshop, Inc.
Its Managing Member

BY: /s/ Maxine Clark

PRINT NAME: Maxine Clark
TITLE: Manager

STATE OF_____)
) SS.
COUNTY OF_____)

The foregoing instrument was acknowledged before me this February, 2002 by Maxine Clark, the duly authorized Officer of BUILD-A-BEAR WORKSHOP, INC., a Delaware corporation, on behalf of the corporation.

/s/ Marie A. Powers

Notary Public

My commission expires: May 24, 2003

MARIE A. POWERS
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
ST. CHARLES COUNTY
MY COMMISSION EXPIRES: MAY 24, 2003

STATE OF_____)
) SS.
COUNTY OF_____)

The foregoing instrument was acknowledged before me this February, 2002 by Maxine Clark, the duly authorized Officer of BUILD-A-BEAR WORKSHOP, INC., a Delaware corporation, the managing member of SHIRTS ILLUSTRATED, LLC, a Missouri limited liability company, on behalf of the company.

/s/ Marie A. Powers

Notary Public

My commission expires: May 24, 2003

MARIE A. POWERS
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
ST. CHARLES COUNTY
MY COMMISSION EXPIRES: MAY 24, 2003

EXHIBIT 10.15

FIRST AMENDED AND RESTATED SECURITY AGREEMENT

BUILD-A-BEAR WORKSHOP, INC. AND SHIRTS ILLUSTRATED, LLC (individually and collectively, the "Debtor"), for valuable consideration, receipt of which hereby is acknowledged, hereby transfer, assign and pledge to U.S. BANK NATIONAL ASSOCIATION, formerly known as FIRSTAR BANK, NATIONAL ASSOCIATION ("Secured Party"), and grant to Secured Party a security interest in, the following collateral, wherever located, now existing and hereafter arising or coming into existence (the "Collateral"):

1. All of Debtor's Accounts, Inventory, Equipment, General Intangibles, Chattel Paper, Investment Property, Instruments, Documents, Letter of Credit Rights, Supporting Obligations, and Commercial Tort Claims;

2. All moneys, credits and other property of any nature whatsoever of Debtor now or hereafter in the possession of, in transit to or from, under the custody or control of, or on deposit with (whether held by Debtor individually or jointly with another and including specifically but not by way of limitation all demand, time, savings, passbook, or other similar accounts) Secured Party or any Secured Party Affiliate, including but not limited to cash collateral accounts; and

3. The proceeds (including insurance proceeds) and products of the foregoing in whatever form the same may be,

for the purpose of securing the payment to Secured Party of all of the following ("Obligations"): all loans, advances, debts, liabilities, obligations, covenants and duties owing to Secured Party from any Debtor of any kind or nature, present or future, whether or not evidenced by any note, guaranty or other instrument, including but not limited to those arising under: (i) the Second Amended and Restated Loan Agreement by and between Debtor and Secured Party dated as of even date herewith, (ii) any International Swap and Derivatives Association Master Agreement ("Master Agreement"), and including each Transaction (as such term is defined in the Master Agreement), as confirmed in the applicable confirmation of each such Transaction, (iii) any obligation of Debtor to Secured Party or any Secured Party Affiliate under any other interest rate swap, cap, collar, floor, option, forward, or other type of interest rate protection, foreign exchange or derivative transaction agreement, (iv) under any other agreement, instrument or document, whether or not for the payment of money, whether arising by reason of an extension of credit, opening of a letter of credit, loan, guaranty, indemnification or in any other manner, whether direct or indirect (including those acquired by assignment, participation, purchase, negotiation, discount or otherwise), absolute or contingent, joint or several, due or to become due, now existing or hereafter arising and whether or not contemplated by Debtor or Secured Party or Secured Party Affiliate on the date hereof; and, as to all of the foregoing, including any amendments, modifications, or superceding documents to each of the foregoing; and all charges, expenses, fees, including but not limited to reasonable attorneys' fees, and any other sums chargeable to Debtor under any of the Obligations. As used herein, "Secured Party Affiliate" will mean any person, partnership, joint venture, company or business entity under common control or having similar equity holders owning at least ten percent (10%) thereof with Secured Party, whether such common control is direct or indirect. All of Secured Party's direct or

indirect parent corporations, sister corporations, and subsidiaries will be deemed to be a Secured Party Affiliate for purposes of this Security Agreement (the "Agreement"). This Agreement amends and restates the Security Agreement between Debtor and Secured Party dated as of June 1,2001.

Debtor further warrants to and agrees with Secured Party as follows:

1. PRESERVATION OF COLLATERAL. Debtor will keep the Collateral in good order and repair at all times, will use same with reasonable care and caution, will not part with possession or ownership thereof nor lease or hire out the Collateral without the written consent of Secured Party, and will exhibit the Collateral to Secured Party upon reasonable request. Debtor will promptly notify Secured Party of any loss or damage to any material portion of the Collateral, Debtor will not use, or permit the Collateral to be used, in violation of any federal, state, county or municipal law or regulation or for any unlawful purpose whatsoever

2. Execution of Appropriate Documentation with Respect to Collateral.

2.1 With respect to any and all of the Collateral, Debtor agrees to take such steps as Secured Party may reasonably request to perfect, maintain the priority of and keep in full force and effect the security interest granted by Debtor to Secured Party, including, but not limited to, the prompt payment upon demand therefor by Secured Party of all reasonable fees and expenses (including documentary stamp, excise or intangibles taxes) incurred in connection with the preparation, delivery, or filing of any document or the taking of any action deemed necessary or appropriate by Secured Party to perfect, protect, or enforce a security interest in any of the Collateral for the benefit of Secured Party, subject only to the liens to which Secured Party has specifically consented in writing (the "Permitted Liens"). All amounts not so paid within fifteen (15) days of becoming due will be added to the Obligations and (in addition to other rights and remedies resulting from such non-payment) will bear interest from the date of demand until paid in full at the Default Rate. Debtor also authorizes Secured Party to file one or more financing statements, as deemed necessary or desirable by Secured Party, which financing statements lists or otherwise describes the Collateral as consisting of all of Debtor's assets or words to that effect, regardless of the actual description of the Collateral set forth in this Agreement. Debtor hereby ratifies any filing by Secured Party that predates the date of this Agreement but that was intended to perfect the security interest granted hereby.

2.2 In addition to the foregoing and not in limitation thereof, Debtor agrees to furnish Secured Party with properly executed control agreements, registrar's certificates, issuer acknowledgements of Secured Party's interest in the Letter of Credit Rights, and evidence of the placement of a restrictive legend on tangible chattel paper (and the tangible components of electronic Chattel Paper), and will take all commercially reasonable action acceptable to Secured Party sufficient to establish Secured Party's control of electronic Chattel Paper (and the electronic

components of hybrid Chattel Paper), as appropriate, with respect to Collateral in which either (i) a security interest can be perfected only by control or such restrictive legending, or (ii) a security interest perfected by control or accompanied by such restrictive legending will have priority as against a lien creditor, a purchaser of such Collateral from Debtor, or a security interest perfected by any person not having control or not accompanied by such restrictive legending, in each case in form and substance reasonably acceptable to Secured Party and sufficient under applicable law so that Secured Party will have a security interest in all such Collateral perfected by control.

2.3 In addition to the foregoing and not in limitation thereof, Debtor agrees to deliver to Secured Party, or, if Secured Party has specifically consented in each instance, to an agent or bailee of Secured Party who has acknowledged such status in a properly executed control agreement, possession of all Collateral with respect to which either a security interest can be perfected only by possession or a security interest perfected by possession will have priority as against persons not having possession, and including in the case of Instruments, Documents, and Investment Property in the form of certificated securities, duly executed endorsements or stock powers in blank, as the case may be, all in form and substance reasonably acceptable to Secured Party, and subject only to Permitted Liens.

3. INSURANCE. Debtor will keep its insurable real and personal property insured with responsible insurance companies against loss or damage by fire, windstorm and other hazards which are commonly insured against in an extended coverage endorsement in an amount equal to not less than 90% of the insurable value thereof on a replacement cost basis and also maintain public liability insurance in a reasonable amount. In addition, Debtor will maintain extended liability insurance covering its operations of at least $1,000,000 and in a form and with companies reasonably satisfactory to Secured Party. Notwithstanding the foregoing, such property insurance will at all times be in an amount so that Debtor will not be deemed a "co-insurer" under any co-insurance provisions of such policies. All such insurance policies will name Secured Party as an additional insured and, where applicable, as lender's loss payee under a loss payable endorsement satisfactory to Secured Party. All such policies will be in form and substance satisfactory to Secured Party and will provide that ten (10) days' prior written notice must be given to Secured Party before such policy is altered or cancelled. Schedules of all insurance of Debtor will be submitted to Secured Party upon request. Such schedules will contain a description of the risks covered, the amounts of insurance carried on each risk, the name of the insurer and the cost of such insurance to Debtor. Debtor will provide new schedules to Secured Party promptly to reflect any change in insurance coverage. Debtor will deliver to Secured Party certificates representing such insurance policies upon the execution hereof. All amounts payable in settlement of insurance losses may be applied, at Secured Party's option, to the Obligations, or used to repair, replace or restore the Collateral.

4. PAVMENT OF EXPENSES BY SECURED PARTY. At its option and with reasonable notice to Borrower, Secured Party may discharge taxes, liens, security interests or such other

encumbrances as may attach to the Collateral, may pay for required insurance on the Collateral and may pay for the maintenance and preservation of the Collateral, as determined by Secured Party to be necessary, and such expenditures will become a part of the Obligations. Debtor will reimburse Secured Party on demand for any payment so made or any expense incurred by Secured Party pursuant to the foregoing authorization, and the Collateral also will secure any advances or payments so made or expenses so incurred by Secured Party.

5. INFORMATION. Debtor will furnish to Secured Party from time to time if and as requested current lists of the Collateral including names and addresses of account debtors and agings of Accounts; and, if and when requested by Secured Party from time to time, will furnish to it copies of all purchase orders, inventory lists, billings, shipping orders, correspondence and other instruments or writings in any way evidencing or relating to the Collateral or the proceeds thereof. Secured Party and its designated representatives and agents will have the right at all reasonable times and upon reasonable advance notice to examine, inspect, and audit the Collateral wherever located.

6. SALE OF INVENTORY. Debtor will have the right to process and sell the Inventory in the regular course of its business at customary prices (but in no event may Debtor transfer any Inventory in satisfaction of any debt).

7. RECEIPT OF PAYMENT; SET OFF. Upon and during the occurrence of an Event of Default and in the event that Debtor receives payment of or proceeds from any of the Collateral, including without limitation Accounts, monies, checks, notes, drafts, or any other items of payment, Debtor agrees that Debtor will deliver to Secured Party the same in the form received by Debtor without commingling with any funds belonging to Debtor, and promptly will deposit the same in a special collateral account with Secured Party. Upon and during the occurrence of an Event of Default, Debtor authorizes Secured Party at any time without notice to appropriate and apply any balances, credits, deposits or accounts or money of Debtor (held individually or with others) in its possession, custody or control or the possession, custody or control of any Secured Party Affiliate to the payment of the Obligations, all of which may at all times be held and treated as additional Collateral.

8. NOTIFICATION OF THIRD PARTY DEBTORS. Secured Party at any time during the occurrence of an Event of Default, and without notice to Debtor, may notify any persons who are indebted to Debtor with respect to any of the Collateral of the assignment thereof to Secured Party and may direct such account debtors to make payment directly to Secured Party of the amounts due. At the request of Secured Party during the occurrence of an Event of Default, Debtor will direct any persons who are indebted to Debtor with respect to any of the Collateral to make payment directly to Secured Party. Secured Party is authorized to give receipts to such account debtors for any such payments and the account debtors will be protected in making such payments to Secured Party.

9. REPRESENTATIONS, WARRANTIES AND COVENANTS. Debtor represents, warrants and covenants to Secured Party that, except for any Permitted Liens: (a) Debtor has not made any prior sale, pledge, encumbrance, assignment or other disposition of any of the

Collateral and the same is free from all encumbrances and rights of set off of any kind, and Debtor has not authorized any other action or executed any other record that has given any other person any right to any of the Collateral; (b) except as herein provided, Debtor will not hereafter without the prior written consent of Secured Party sell, pledge, encumber, assign or otherwise dispose of any of the Collateral or permit any right of set off, lien or security interest to exist thereon except to Secured Party; (c) Debtor will defend the Collateral against all claims and demands of all persons at any time claiming the same or any interest therein; (d) each General Intangible is genuine and enforceable in accordance with its terms and Debtor will defend the same against all claims, demands, set offs and counterclaims at any time asserted; (e) at the time any Account becomes subject to this Agreement, such Account will be what it purports to be and a good and valid account representing a bona fide sale of goods or services by Debtor and such goods will have been shipped to the respective account debtors or the services will have been performed for the respective account debtors, and no Account will be subject to any claim for credit, allowance or adjustment by any account debtor or any set off, defense or counterclaim; (f) all of the information provided by Debtor to Secured Party on the Disclosure Schedule executed by Debtor of even date herewith is true and complete in all respects, and (g) Debtor is not involved in any consignment arrangement with regard to any of the Collateral.

10. RECEIVERS. Upon or at any time during the occurrence of an Event of Default, Secured Party may request the appointment of a receiver of the Collateral. Such appointment may be made without notice, and without regard to (i) the solvency or insolvency, at the time of application for such receiver, of the person or persons, if any, liable for the payment of the Obligations; and (ii) the value of the Collateral at such time. Such receiver will have the power to take possession, control, and care of the Collateral and to collect all accounts resulting therefrom. Notwithstanding the appointment of any receiver, trustee, or other custodian, Secured Party will be entitled to the possession and control of any cash, or other instruments at the time held by, or payable or deliverable under the terms of this Security Agreement to Secured Party.

11. PLACE OF BUSINESS. Except as otherwise disclosed by written notice to Lender, Debtor (a) now keeps and will continue to keep the Collateral at its principal place of business as shown on the Disclosure Schedule or any other place of business set forth on such Disclosure Schedule; and Debtor now keeps and will continue to keep its books and records concerning the Collateral at its principal place of business.

12. DEBTOR'S CONSENT. Upon and during the continuance of an Event of Default (as defined in the Loan Agreement or any of the documents evidencing the Obligations), the Debtor shall be deemed to have consented to, with respect to any of the Collateral, to all extensions or postponements of time of payment thereof or any other indulgences in connection therewith, to the acceptance of partial payments thereon and to the settlement, compromise and adjustment thereof, all in such manner and at such time or times as Secured Party deems advisable

13. DEFAULT.

13.1 Upon the occurrence of any Event of Default (as defined in the Loan Agreement or any of the documents evidencing the Obligations), Secured Party may exercise any one or more of the rights and remedies granted pursuant to this Agreement or given to a secured party under applicable law, as it may be amended from time to time, including but not limited to the right to take possession and sell, lease or otherwise dispose of the Collateral and, at its option, operate, use or exercise any rights of ownership pertaining to the Collateral as the Secured Party deems necessary to preserve the value and receive the benefits of the Collateral and notifying all persons subject to a control agreement who may otherwise have possession or control of any of the Collateral and taking possession of any such Collateral. Upon the occurrence of an Event of Default, Secured Party may, so far as Debtor can give authority therefor, enter upon any premises on which the Collateral or any part thereof may be situated and take possession of and remove the same therefrom. At the request of Secured Party, Debtor agrees to store for a reasonable period all or any part of the Collateral in such a way as to prevent deterioration of any of the Collateral on property owned by Debtor, and Debtor will insure such Collateral for the benefit of Secured Party. Debtor gives permission to Secured Party to conduct a sale of any or all of the Collateral with prior notice to Debtor and conducted during normal business hours, which sale may be conducted on any real property owned by Debtor without charge or interference by Debtor. Secured Party may require Debtor to make the Collateral available to Secured Party at a place to be designated by Secured Party that is reasonably convenient to both parties. Debtor waives all claims for damages by reason of any seizure, repossession, retention, use, or sale of the Collateral under the terms of this Security Agreement.

13.2 The net proceeds arising from the disposition of the Collateral after deducting expenses incurred by Secured Party will be applied to the Obligations in the order determined by Secured Party. If any excess remains after the discharge of all of the Obligations, the same will be paid to Debtor. If after exhausting all of the Collateral, there should be a deficiency, Debtor will be liable therefor to Secured Party, provided, however, that nothing contained herein will obligate Secured Party to proceed against the Collateral prior to making a claim against Debtor or any other party obligated under the Obligations or prior to proceeding against any other collateral for the Obligations.

13.3 Whenever notice is required by law to be sent by Secured Party to Debtor of any sale, lease or other disposition of the Collateral, five days written notice sent to Debtor's address set forth below will be reasonable.

14. RIGHTS OF SECURED PARTY; POWER OF ATTORNEY. Debtor hereby irrevocably constitutes and appoints Secured Party and any officer thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of Debtor or in its name, from time to time in Secured Party's discretion, for the purpose of carrying out the terms of this Agreement, to take any and all commercially reasonable and appropriate action and to execute any and all documents and instruments

which may be necessary or desirable to accomplish the purposes of this Agreement and, without limiting the generality of the foregoing, Debtor hereby gives Secured Party the power and right, on behalf of Debtor, during an Event of Default, and without notice to or assent by Debtor, to do the following:

14.1 to receive payment of, endorse, and receipt for, any and all monies, claims and other amounts due and to become due at any time in respect of or arising out of the Collateral;

14.2 to commence and prosecute any suits, actions or proceeding at law or in equity in any court of competent jurisdiction to collect any of the Collateral and to enforce any other right in respect of the Collateral;

14.3 to settle, compromise or adjust any suit, action or proceeding described above, and, in connection therewith, to give such discharges or releases as Secured Party may deem appropriate; and

14.4 generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Secured Party were the absolute owner thereof for all purposes, and to do, at Secured Party's option, at any time, or from time to time, all acts and things which Secured Party deems necessary to protect or preserve the Collateral and Secured Party's security interest and rights therein in order to effect the intent of this Agreement, all as fully and effectively as Debtor might do.

Debtor hereby ratifies all that such attorneys will lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest, will be irrevocable and will terminate only upon payment in full of the Obligations and the termination of this Agreement. The powers conferred upon Secured Party hereunder are solely to protect Secured Party's interests in the Collateral and will not impose any duty upon it to exercise any such powers. Secured Party will have no obligation to preserve any rights of any third parties in the Collateral. Secured Party will be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither it nor any of its officers, directors, employees or agents will be responsible to Debtor for any action taken or omitted to be taken in good faith or in reliance on the advice of counsel except for its own gross negligence or willful misconduct.

15. GENERAL.

15.1 WAIVER. No delay or omission on the part of Secured Party to exercise any right or power arising from any Event of Default will impair any such right or power or be considered a waiver of any such right or power or a waiver of any such Event of Default or an acquiescence therein nor will the action or non-action of Secured Party in case of such Event of Default impair any right or power arising as a result thereof or affect any subsequent default or any other default of the same or a different nature.

15.2 NOTICES. All notices, demands, requests, consents or approvals required hereunder will be given in the manner specified in the Loan Agreement to Debtor as Borrower and Secured Party as Lender therein.

15.3 SUCCESSORS AND ASSIGNS. This Agreement will be binding upon and inure to the benefit of Debtor and Secured Party and their respective successors and assigns, provided, however, that Debtor may not assign this Agreement in whole or in part without the prior written consent of Secured Party and Secured Party at any time during an Event of Default may assign this Agreement in whole or in part. All references herein to the "Debtor" and "Secured Party" will be deemed to apply to Debtor and Secured Party and their respective heirs, administrators, successors and assigns.

15.4 MODIFICATIONS. No modification or waiver of any provision of this Agreement nor consent to any departure by Debtor therefrom, will be established by conduct, custom or course of dealing; and no modification, waiver or consent will in any event be effective unless the same is in writing and specifically refers to this Agreement, and then such waiver or consent will be effective only in the specific instance and for the purpose for which given. No notice to or demand on Debtor in any case will entitle Debtor to any other or further notice or demand in the same, similar or other circumstance.

15.5 JOINT AND SEVERAL OBLIGATIONS. If this Security Agreement is executed by more than one person or entity as the "Debtor," the obligations of such persons or entities hereunder will be joint and several. Unless otherwise specified herein, any reference to "Debtor" will mean each such person or entity executing this Security Agreement individually and all of such persons or entities collectively.

15.6 ILLEGALITY. If fulfillment of any provision hereof or any transaction related hereto or of any provision of this Agreement, at the time performance of such provision is due, involves transcending the limit of validity prescribed by law, then ipso facto, the obligation to be fulfilled will be reduced to the limit of such validity; and if any clause or provisions herein contained other than the provisions hereof pertaining to repayment of the Obligations operates or would prospectively operate to invalidate this Agreement in whole or in part, then such clause or provision only will be void, as though not herein contained, and the remainder of this Agreement will remain operative and in full force and effect.

15.7 CONTINUING AGREEMENT. This is a continuing Security Agreement and will continue in effect even though all or any part of the Obligations have been paid in full and even though for a period of time Debtor may not be indebted to Secured Party.

15.8 GENDER, ETC. Whenever used herein, the singular number will include the plural, the plural the singular and the use of the masculine, feminine or neuter gender will include all genders.

15.9 HEADINGS. The headings in this Agreement are for convenience only and will not limit or otherwise affect any of the terms hereof.

15.10 LIABILITY OF SECURED PARTY. Debtor hereby agrees that Secured Party will not be chargeable for any negligence, mistake, act or omission of any employee, accountant, examiner, agent or attorney employed by Secured Party (except for their willful misconduct) in making examinations, investigations or collections, or otherwise in perfecting, maintaining, protecting or realizing upon any lien or security interest or any other interest in the Collateral or other security for the Obligations.

15.11 COUNTERPARTS. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed will be deemed to be an original and all of which taken together will constitute one and the same agreement. Any party so executing this Agreement by facsimile transmission shall promptly deliver a manually executed counterpart, provided that any failure to do so shall not affect the validity of the counterpart executed by facsimile transmission.

15.12 DEFINITIONS. Capitalized terms used herein and not otherwise defined will be given the definitions set forth in the Uniform Commercial Code in force and effect in the State indicated in the Governing Law section of this Agreement.

15.13 GOVERNING LAW. This Agreement has been delivered and accepted at and will be deemed to have been made at Cincinnati, Ohio and will be interpreted and the rights and liabilities of the parties hereto determined in accordance with the laws of the State of Ohio, without regard to conflicts of law principles.

15.14 JURISDICTION. DEBTOR HEREBY IRREVOCABLY AGREES AND SUBMITS TO THE EXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED WITHIN HAMILTON COUNTY, OHIO, OR, AT THE OPTION OF SECURED PARTY IN ITS SOLE DISCRETION, OF ANY STATE OR FEDERAL COURT(S) LOCATED WITHIN ANY OTHER COUNTY, STATE OR JURISDICTION IN WHICH SECURED PARTY AT ANY TIME OR FROM TIME TO TIME CHOOSES IN ITS SOLE DISCRETION TO BRING AN ACTION OR OTHERWISE EXERCISE A RIGHT OR REMEDY, AND DEBTOR WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS AND ANY OBJECTION TO VENUE OF ANY SUCH ACTION OR PROCEEDING. DEBTOR HEREBY IRREVOCABLY CONSENTS THAT ALL SERVICE OF PROCESS BE MADE BY CERTIFIED MAIL DIRECTED TO DEBTOR AT ITS ADDRESS SET FORTH HEREIN OR ANY OTHER NOTICE ADDRESS WHICH DEBTOR HAS PROVIDED SECURED PARTY FOR NOTICES AND SERVICE SO MADE WILL BE DEEMED TO BE COMPLETED THE EARLIER OF DEBTOR'S ACTUAL RECEIPT THEREOF OR FIVE (5) BUSINESS DAYS AFTER THE SAME HAS BEEN DEPOSITED IN U.S. MAILS, POSTAGE PREPAID. NOTHING CONTAINED HEREIN WILL PREVENT SECURED PARTY FROM SERVING PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

15.15 WAIVER OF JURY TRIAL. THE PARTIES HERETO EACH WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT, THE OBLIGATIONS, THE

COLLATERAL, OR ANY ACTUAL OR PROPOSED TRANSACTION OR OTHER MATTER CONTEMPLATED IN OR RELATING TO ANY OF THE FOREGOING.

Dated as of February _, 2002.

DEBTOR:

BUILD-A-BEAR WORKSHOP, INC.

By: /s/ Maxine Clark

Print Name: Maxine Clark
Title: President

DEBTOR:

SHIRTS ILLUSTRATED, LLC

By: /s/ Maxine Clark

Print Name: Maxine Clark
Title: Manager

SECURED PARTY:

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Charles L. Thomas

Print Name: Charles L. Thomas
Title: Vice President

BUILD-A-BEAR WORKSHOP, INC.
RESTRICTED STOCK AGREEMENT
FOR MAXINE A. CLARK

THIS AGREEMENT, made as of the 3rd day of April, 2000, by and between Build-A-Bear Workshop, Inc., a Delaware corporation (hereinafter called the "Company"), and Maxine A. Clark (hereinafter called the "President");

WITNESSETH THAT:

WHEREAS, the Board of Directors of the Company ("Board of Directors") desires to benefit Build-A-Bear Workshop, Inc. ("Company") by increasing motivation on the part of Maxine A. Clark, the president of the Company ("President"), who is materially important to the development of the Company's business, by creating an incentive for her to remain in the employ of the Company and to work to the very best of her abilities for the achievement of the Company's strategic objectives; and

WHEREAS, to further this purpose, the Company desires to make a restricted stock award to the President for Two Hundred Seventy Four Thousand Eight Hundred Fifteen (274,815) shares under the terms hereinafter set forth:

NOW, THEREFORE, in consideration of the premises, and of the mutual agreements hereinafter set forth, it is covenanted and agreed as follows:

1. Terms of Award. Pursuant to action of the Committee (as defined in Section 6), which action was taken on April 3, 2000 ("Date of Award"), the Company awards to the President Two Hundred Seventy Four Thousand Eight Hundred Fifteen (274,815) shares of the common stock of the Company, of the par value of $0.01 per share ("Common Stock"); provided, however, that (i) 40% of the shares hereby awarded are immediately transferable (subject to Section 7) by the President and are not subject to any risk of forfeiture and (ii) 60% the shares hereby awarded are nontransferable by the President during the periods described below and are subject to the risk of forfeiture described below. Prior to the time shares become transferable, the shares of Restricted Stock shall bear a legend indicating their nontransferability, and, if the President terminates employment prior to the time a restriction lapses, she shall forfeit any shares of Restricted Stock which are still subject to the restrictions at the time of her termination of employment.

(a) On the date ending one year after the Date of Award, an additional 40% of the shares of Restricted Stock shall become transferable by the President if the President is still employed, and has been continuously employed during such one-year period, by the Company on such date. If on the date ending one year after the Date of Award, the President is not employed by the Company, the 40% shares of Restricted Stock shall be forfeited by the President.

(b) On the date ending two years after the Date of Award, an additional 20% of the shares of Restricted Stock shall become transferable by the President if the President is still employed, and has been continuously employed during such two-year period, by the Company on such date. If on the date ending two years after the Date of Award, the President is not employed by the Company, the additional 20% shares of Restricted Stock shall be forfeited by the President.

(c) Notwithstanding the foregoing, in the event of a Change of Control or a Public Offering (both defined below), all previously-granted shares of Restricted Stock not yet free of the restrictions of Sections 1(a) and (b) above shall become immediately free of such restrictions.

(1) For purposes of this Agreement, a Change in Control means:

(A) The purchase or other acquisition (other than from the Company) by any person, entity or group of persons, within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (excluding, for this purpose, the Company or its subsidiaries or any employee benefit plan of the Company or its subsidiaries), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either the then-outstanding shares of common stock of the Company or the combined voting power of the Company's then-outstanding voting securities entitled to vote generally in the election of directors; or

(B) Individuals who, as of the date hereof, constitute the Board of Directors of the Company (the "Board" and, as of the date hereof, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any person who becomes a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) shall be, for purposes of this section, considered as though such person were a member of the Incumbent Board; or

(C) Approval by the stockholders of the Company of a reorganization, merger or consolidation, in each case with respect to which persons who were the stockholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of, respectively, the common stock and the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated corporation's then-outstanding voting securities, or of a liquidation or dissolution of the Company or of the sale of all or substantially all of the assets of the Company.

(2) For purposes of this Agreement, a Public Offering means the creation of an active trading market in Common Stock by the sale of Common Stock to the public pursuant to a registration statement under the Securities Act of 1933.

2. Death of the President. In the event of the death of the President while she is employed by the Company (or its parent or a subsidiary), or within three (3) months after the termination of her employment (or one year in the case of the termination of employment of the President who is disabled), all previously-granted shares of Restricted Stock not yet free of the restrictions of Section 1 shall become immediately free of such restrictions and may be exercised by a legatee or legatees of the President under her last will, or by her personal representatives or distributees, at any time within a period of one year after her death.

3. Cost of Restricted Stock. The purchase price of the shares of Restricted Stock shall be the fair market value of such shares determined by the Company in its sole discretion as of the Date of Award. The President may request a loan from the Company for the purchase price in accordance with the terms set forth in Exhibit A. Notwithstanding, the purchase price shall not be less than $4.50 per share.

4. Adjustments Upon Changes in Capitalization or Corporate Acquisitions. Notwithstanding any other provision in the Agreement, if there is any change in the Common Stock by reason of stock dividends, spin-offs, split ups, recapitalizations, mergers, consolidations, reorganizations, combinations or exchanges of shares, the number of shares of Common Stock under this award of Restricted Stock not yet vested, and the price thereof, as applicable, shall be appropriately adjusted by the Committee.

5. No Right to Continued Employment. Nothing in this Agreement shall be deemed to create any limitation or restriction on such rights as the Company otherwise would have to terminate the employment of the President at any time for any reason.

6. Committee Administration. This award has been made pursuant to a determination made by the directors on the compensation committee of the Board of Directors ("Committee"), and the Committee or any successor or substitute committee authorized by the Board of Directors or the Board of Directors itself, subject to the express terms of this Agreement, shall have plenary authority to interpret any provision of this Agreement and to make any determinations necessary or advisable for the administration of this Agreement and may waive or amend any provisions hereof in any manner not adversely affecting the rights granted to the President by the express terms hereof.

The Committee shall be appointed by the Board of Directors, which may from time to time appoint members of the Committee in substitution for members previously appointed and may fill vacancies, however caused, in the Committee. The Board of Directors shall select one of the Committee members as its Chairman, and shall hold its meetings at such times and places as it may determine. A majority of its members shall constitute a quorum. All determinations of the Committee shall be made by a majority of its members present at any meeting at which there is a quorum. Any decision or determination reduced to writing and signed by all of the members shall be fully as effective as if it had been made by a majority vote at a meeting duly called and held. The Committee may appoint a secretary, shall keep minutes of its meetings and shall make such rules and regulations for the conduct of its business as it shall deem advisable.

7. Stockholders' Agreement. This award is granted under and is expressly subject to all the terms and provisions of the Build-A-Bear Workshop, Inc. Stockholders' Agreement dated April 3, 2000 ("Stockholders' Agreement"). Optionee hereby acknowledges receipt of a copy of the Stockholders' Agreement and agrees to be bound by all the terms and provisions thereof.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on its behalf and the President has signed this Agreement to evidence her acceptance of the terms hereof, all as of the date first above written.

BUILD-A-BEAR WORKSHOP, INC.

By: /s/ Maxine Clark

PRESIDENT

/s/ Maxine Clark

Maxine A. Clark

EXHIBIT 10.17

SECURED PROMISSORY NOTE

FOR VALUE RECEIVED, the undersigned, Maxine Clark ("Borrower"), promises to pay to Build-A-Bear Workshop, Inc. , a Delaware corporation ("Company"), or its order, the principal amount of One Million Two Hundred Thirty Six Thousand Six Hundred Sixty Seven and 50/100 Dollars ($1,236,667.50) with interest from the date hereof on the unpaid principal balance under this Note at the lower of (i) the rate equal to the semi-annual applicable federal rate (as defined in the Internal Revenue Code of 1986, as amended), and (ii) the highest rate per annum from time to time permitted by applicable law. The principal amount of this Note shall be due and payable on the earlier to occur of the following dates (the "Maturity Date"): (1) April 3, 2005 ; (2) the date on which the indebtedness under this Note is accelerated as provided for under this Note or the Pledge Agreement (as defined below); (3) the ninetieth day following the date of Borrower's termination of employment with Company (or one year following the date of Borrower's termination of employment if disabled); or (4) the first anniversary following the date of Borrower's death while she's employed by the Company. All accrued and unpaid interest under this Note shall be due and payable, concurrently with principal. On the Maturity Date the entire remaining unpaid principal balance of this Note, together with any and all accrued and unpaid interest and any and all costs and expenses provided for under this Note and the Pledge Agreement, shall be due and payable.

All payments under this Note shall be made to Company or its order, in lawful money of the United States of America and in immediately available funds and delivered to Company by wire transfer to Company's account as set forth in written instructions delivered by Company to Borrower prior to the Maturity Date or at the offices of Company at its then principal place of business or at such other place as Company or any holder hereof shall designate in writing for such purpose from time to time. If a payment under this Note otherwise would become due and payable on a Saturday, Sunday or legal holiday, the due date thereof shall be extended to the next day which is not a Saturday, Sunday or legal holiday, and interest shall be payable thereon during such extension. All amounts due under this Note and the Pledge Agreement shall be payable without defense, set off or counterclaim.

Each payment under this Note shall be applied in the following order: (i) to the payment of costs and expenses provided for under this Note or the Pledge Agreement; (ii) to the payment of accrued and unpaid interest; and (iii) to the payment of outstanding principal. Company and each holder hereof shall have the continuing and exclusive right to apply or reverse and reapply any and all payments under this Note.

This Note may be prepaid in whole or in part at any time, without penalty except that interest shall be paid to the date of payment on the principal amount prepaid.

This Note shall be not assignable by either of Company or Borrower without the written consent of the other.

Upon the occurrence of a default under this Note or the Pledge Agreement, including, without limitation, failure to make any principal or interest payment by the stated

maturity (whether by acceleration, notice of prepayment or otherwise) for such payment, interest shall thereafter accrue on the entire unpaid principal balance under this Note, including, without limitation, any delinquent interest which has been added to the principal amount due under this Note pursuant to the terms hereof, at the rate set forth herein plus [5 PERCENT] per annum (on the basis of a 360-day year and the actual number of days elapsed) or, if lower, the maximum rate from time to time permitted by applicable law. In addition, upon the occurrence of a default under this Note or the Pledge Agreement, the holder of this Note may, at its option, without notice to or demand upon Borrower or any other party, declare immediately due and payable the entire principal balance hereof together with all accrued and unpaid interest thereon, plus any other amounts then owing pursuant to this Note or the Pledge Agreement, whereupon the same shall be immediately due and payable. On each anniversary of the date of any default under this Note and while such default is continuing, all interest which has become payable and is then delinquent shall, without curing the default under this Note by reason of such delinquency, be added to the principal amount due under this Note, and shall thereafter bear interest at the same rate as is applicable to principal, with interest on overdue interest to bear interest, in each case to the fullest extent permitted by applicable law, both before and after default, maturity, foreclosure, judgment and the filing of any petition in a bankruptcy proceeding. In no event shall interest be charged under this Note which would violate any applicable law.

This Note is secured under that certain Repayment and Stock Pledge Agreement, dated as of even date herewith, by and between Borrower and Company (as amended from time to time, the "Pledge Agreement"). Reference is hereby made to the Pledge Agreement for a description of the nature and extent of the security for this Note and the rights with respect to such security of the holder of this Note. Nothing herein shall be deemed to limit the rights of Company under this Note or the Pledge Agreement, all of which rights and remedies are cumulative.

No waiver or modification of any of the terms of this Note shall be valid or binding unless set forth in a writing specifically referring to this Note and signed by a dully authorized officer of Company or any holder of this Note, and then only to the extent specifically set forth therein.

If any default occurs in any payment due under this Note, Borrower and all guarantors and endorsers hereof, and their successors and assigns, promise to pay all costs and expenses, including attorney's fees, incurred by each holder hereof in collecting or attempting to collect the indebtedness under this Note, whether or not any action or proceeding is commenced. None of the provisions hereof and none of the holder's rights or remedies under this Note on account of any past or future defaults shall be deemed to have been waived by the holder's acceptance of any past due installments or by any indulgence granted by the holder to Borrower.

Borrower and all guarantors and endorsers hereof, and their successors and assigns, hereby waive presentment, demand, diligence, protest and notice of every kind (except such notices as may be required under the Pledge Agreement), and agree that, subject to the limitations set forth in the Pledge Agreement, they shall remain liable for amounts due under this Note notwithstanding any extension of time or change in the terms of payment of this Note

granted by any holder hereof, any change, alteration or release of any property now or hereinafter securing the payment hereof or any delay or failure by the holder hereof to exercise any rights under this Note or the Pledge Agreement. Borrower and all guarantors and endorsers hereof, and their successors and assigns, hereby waive the right to plead any and all statutes of limitations as a defense to a demand under this Note to the fullest extent permitted by law.

This Note shall inure to the benefit of Company, its successors and assigns and shall bind the heirs, executors, administrators, successors and assigns of Borrower. Each reference herein to powers or rights of Company shall also be deemed a reference to the same power or right of such assignee, to the extent of the interest assigned to them.

In the event any one or more provisions of this Note shall be held to be illegal, invalid or otherwise unenforceable, the same shall not affect any other provision of this Note and the remaining provisions of this Note shall remain in full force and effect.

This Note shall be governed by and construed in accordance with the laws of the State of Missouri, without giving affect to the principles thereof relating to conflicts of law; provided, that Company and each holder hereof reserves any and all rights it may have under federal law, including without limitation those relating to the charging of interest.

IN WITNESS WHEREOF, Borrower has caused this Note to be duly executed the day and year first above written.

/s/ Maxine Clark

Maxine Clark

EXHIBIT 10.18

REPAYMENT AND STOCK PLEDGE AGREEMENT

This Repayment and Stock Pledge Agreement (this "Agreement or "Pledge Agreement") is made as of April 3, 2000 between Build-A-Bear Workshop, Inc., a Delaware corporation ("Pledgee"), and Maxine A. Clark ("Pledgor").

Recitals

A. Pursuant to Pledgor's purchase of shares of Pledgee's common stock, par value $.01 per share ("Common Stock"), under the Restricted Stock Purchase Agreement dated April 3, 2000 (the "Purchase Agreement"), between Pledgor and Pledgee under the Build-A-Bear Workshop, Inc. 2000 Stock Option Plan (the "Stock Plan"), and Pledgor's payment for such shares with monies advanced pursuant to that certain promissory note executed by Pledgor in favor of the Pledgee dated April 3, 2000 (the "Note"), Pledgor has purchased 274,815 shares of Common Stock (the "Shares") at a price of $4.50 per share, for a total purchase price of $1,236,667.50.

B. It is a condition precedent to the extension of credit pursuant to the Note that the Pledgor shall have executed and delivered this Pledge Agreement in favor of the Pledgee.

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

1. Creation and Description of Security Interest. Pledgor hereby grants a lien on and pledges all of the Shares (herein sometimes referred to as the "Collateral") represented by certificate number ____, duly endorsed in blank or with executable stock powers in form and substance satisfactory to Pledgee, and herewith delivers said certificate to the Secretary of Pledgee (the "Escrow Agent"), who shall hold said certificate subject to the terms and conditions of this Pledge Agreement.

The pledged stock shall be held by the Escrow Agent as security for the repayment of the Note, and any costs and expenses incurred in the enforcement or attempted enforcement of the Note, and any extensions or renewals thereof, and the Escrow Agent shall not encumber, sell or otherwise dispose of such Shares except in accordance with the provisions of this Pledge Agreement.

2. Pledgor's Representations and Covenants. Pledgor represents and covenants to Pledgee, its successors and assigns, as follows:

(a) Pledgor will pay the principal sum of the Note secured hereby, together with interest thereon, at the time and in the manner provided in the Note.

(b) The Shares are free of all other encumbrances, defenses and liens (other than the lien granted hereunder), and Pledgor will not encumber or allow to be

encumbered the Shares without the prior written consent of Pledgee or enter into any agreement that could restrict Pledgee's exercise of its rights hereunder or under the Note.

(c) Pledgor shall pay, prior to the delinquency date, all taxes, liens, assessments and other charges levied against the Collateral, and in the event Pledgor fails to do so, Pledgee shall have the right, but not the obligation, to pay all or any portion of such taxes and charges without contesting the validity or legality thereof. Any payment made by Pledgee pursuant to this Section 2(c) shall become part of the indebtedness of Pledgor secured hereunder, and until paid by Pledgor, shall bear interest at the default rate per annum set forth in the Note.

3. Voting Rights. During the term of this pledge, Pledgor shall vote the Shares pledged hereunder solely in accordance with the provisions of that certain Stockholders' Agreement dated as of April 3, 2000 among the Company and certain of its stockholders a party thereto.

4. Stock Adjustments. In the event during the term of this Agreement of any stock dividend, reclassification, readjustment, or other changes declared or made in the capital structure of Pledgee, all new, substituted and additional shares or other securities issued by reason of any such change shall be delivered to and held by the Pledgee under the terms of this Pledge Agreement in the same manner as the Shares originally pledged hereunder. In the event of substitution of such securities, Pledgor, Pledgee and Escrow Agent shall cooperate and execute such documents as are reasonable so as to provide for the substitution of such Collateral and, upon such substitution, references to "Shares" in this Pledge Agreement shall include the substituted shares of capital stock of Pledgor as a result thereof.

5. Warrants and Rights. In the event that, during the term of this Agreement, subscription warrants or other rights or options shall be issued in connection with the Shares, such rights, warrants and options shall be the property of Pledgor and, if exercised by Pledgor, all new stock or other securities so acquired by Pledgor as it relates to the Share then held by Pledgee shall be immediately delivered to Pledgee, to be held under the terms of this Agreement in the same manner as the Shares pledged hereunder.

6. Repayment. Pledgor hereby agrees that at any time if Borrower shall have received any cash payment or other distribution in respect of, or upon transfer, sale or other disposition of, the Shares, then and in each such case, Pledgor shall immediately deliver to Pledgee such amount as in partial or full payment of principal and interest on the Note.

7. Default. Pledgor shall be deemed to be in default of the Note and of this Pledge Agreement upon the occurrence of any of the following events (each such event, an "Event of Default"):

(a) Payment of principal or interest on the Note shall be delinquent for a period of 30 days or more beyond the due date thereof; or

(b) Pledgor fails to perform any of the covenants or other agreements set forth in this Agreement for a period of 10 days; or

(c) Any representation or warranty herein shall be untrue in any material respect; or

(d) Pledgee shall cease to have valid perfected first priority lien on all or any part of the Collateral.

8. Pledgee's Rights Upon or Event of Default.

(a) In the case of an Event of Default, Pledgee shall have the right to accelerate payment of the Note upon notice to Pledgor, and Pledgee shall thereafter be entitled to pursue all remedies available to a secured party under the Missouri Uniform Commercial Code in effect from time to time (whether or not applicable to the Collateral) or available at law or equity or otherwise.

(b) In the case of an Event of Default, in addition to any other rights or remedies otherwise available, Pledgee may, without notice and at its option, with respect to any Collateral which shall then be in, or shall thereafter come into, the possession or custody of Pledgee, Pledgee may sell or cause the same to be sold at any broker's board or at any public or private sale, in one or more sales or lots, at such price or prices as Pledgee may deem best, for cash or on credit or for future delivery, without assumption of any credit risk. The purchaser of any or all Collateral so sold shall thereafter hold the same absolutely, free from any lien, encumbrance or right of any kind whatsoever. Unless any of the Collateral threatens to decline speedily in value or is or becomes of a type sold on a recognized market, Pledgee will give Pledgor reasonable notice of the time and place of any public sale thereof, or of the time after which any private sale or other intended disposition is to be made. Any sale of the Collateral conducted in conformity with reasonable commercial practices of banks, insurance companies, commercial finance companies or other financial institutions disposing of property similar to the Collateral shall be deemed to be commercially reasonable. Any requirements of reasonable notice shall be met if such notice is mailed to the Pledgor at least ten (10) days before the time of the sale or disposition. Any other requirement of notice, demand or advertisement for sale is, to the extent permitted by law, waived. Pledgee may, in its own name or in the name of a designee or nominee, buy any of the Collateral at any public sale and, if permitted by applicable law, at any private sale. All expenses (including court costs and attorney's fees, expenses and disbursements) of, or incident to, the enforcement of any of the provisions hereof shall be recoverable from the proceeds of the sale of any of the Collateral for the period of time necessary to register such securities for public sale under the Securities Act of 1933, as amended (the "Securities Act"), or under any other applicable securities law. In view of the fact that the Securities Act and other applicable securities laws may impose certain restrictions on the method by which a sale of the Collateral may be effected, Pledgor agrees that upon the occurrence of an Event of Default, Pledgee may, from time to time, attempt to sell all or any part of the Collateral

by means of a private sale, restricting the prospective purchasers to those who will represent and agree that they are purchasing for investment only and not for distribution. Pledgor acknowledges that any such private sales may be at prices and on terms less favorable to Pledgor than those obtainable through a public sale without such restrictions (including, without limitation, a public offering made pursuant to a registration statement under the Securities Act) and, notwithstanding such circumstances, Pledgor agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner and that Pledgee shall have no obligation to engage in public sales and no obligation to delay the sale of any Collateral for the period of time necessary to permit the registration thereof for a form of public sale requiring registration under the Securities Act or under any other applicable securities laws. Pledgor waives any claims against Pledgee arising by reason of the fact that the price at any private sale was less than the price that might have been obtained at a public sale, even if Pledgee shall accept the first offer received and does not offer the Collateral to more than one prospective purchaser.

9. Withdrawal or Substitution of Collateral. Pledgor shall not sell, withdraw, pledge, substitute, grant any options in or otherwise dispose of all or any part of the Collateral without the prior written consent of Pledgee.

10. Term. The pledge of Shares set forth herein shall continue until the indefeasible payment in full in cash of all indebtedness secured hereby, at which time the Shares shall be promptly delivered to Pledgor, without any representation, warranty or covenant thereto or any recourse in respect thereof.

11. Recourse. In addition to the Collateral pledged hereunder, as additional security for the payment and performance of all obligations of Pledgor hereunder and under the Note, Pledgor hereby agrees that the Company shall have recourse to personal assets of Pledgor (other than the Collateral) in an amount not to exceed six hundred eighteen thousand three hundred thirty-three dollars and seventy-five cents ($618,333.75); provided, however, that Pledgee shall have recourse to Pledgor's personal assets pursuant to this Section 11 only in the event that the Fair Market Value of the Collateral in possession of Pledgee at the Maturity Date is less than fifty percent (50%) of the outstanding unpaid principal balance of the Note on such date. For purposes of this Section 11, "Fair Market Value" shall be determined pursuant to the Plan except in the event the Common Stock is not publicly traded on an exchange or quoted on NASDAQ or a successor quotation system, in which case the "Fair Market Value" for purposes hereof shall be the value of the Collateral (determined without additional premiums for control or discounts for minority interests or restrictions on transfer) determined by an independent valuation consultant or appraiser of recognized national standing selected by Pledgee and consented to by Pledgor, which consent shall not be unreasonably withheld.

12. Insolvency. Pledgor agrees that if a bankruptcy or insolvency proceeding is instituted by or against her or if a receiver is appointed for the property of Pledgor, or if Pledgor makes an assignment for the benefit of creditors, or the Pledgor shall take any action in furtherance of any of the foregoing, or the Pledgor shall generally not, or shall be unable to, or shall admit in writing her inability to, pay her debts as they become due, the entire amount unpaid on the Note shall

become immediately due and payable, and Pledgee may proceed as provided in the case of an Event of Default.

13. Invalidity of Particular Provisions. Pledgor and Pledgee agree that the enforceability of invalidity of any provision or provisions of this Agreement shall not render any other provision or provisions herein contained unenforceable or invalid.

14. Successors or Assigns. Pledgor and Pledgee agree that all of the terms of this Agreement shall be binding on their respective permitted successors and assigns, and that the term "Pledgor" and the term "Pledgee" as used herein shall be deemed to include, for all purposes, the respective designees, successors, assigns, heirs, executors and administrators. Pledgor shall not assign or otherwise transfer all or any of her rights and obligations hereunder without the prior written consent of Pledgee, in its sole discretion. This Agreement shall be freely assignable by Pledgee.

15. Defined Terms. Capitalized terms used herein without definition shall have the meanings ascribed to such terms under the Purchase Agreement or the Stock Plan.

16. Governing Law. This Pledge Agreement shall be interpreted and governed by the internal laws of the State of Missouri.

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

"PLEDGOR" Maxine A. Clark

/s/ Maxine Clark

Address
12 Greenbriar, St. Louis, MO 63124

"PLEDGEE" BUILD-A-BEAR WORKSHOP, INC.

/s/ Maxine Clark

By: Maxine Clark

Its: President

EXHIBIT 10.19

BUILD-A-BEAR WORKSHOP, INC.
RESTRICTED STOCK PURCHASE AGREEMENT
FOR BRIAN VENT

THIS AGREEMENT, is made as of the 19th day of September, 2001, by and between Build-A-Bear Workshop, Inc., a Delaware corporation (hereinafter called the "Company"), and Brian Vent (hereinafter called "Purchaser").

WITNESSETH THAT:

WHEREAS, the Board of Directors of the Company ("Board of Directors") desires to benefit the Company by increasing motivation on the part of Purchaser, Chief Operating Bear of the Company, who is materially important to the development of the Company's business, by creating an incentive for him to remain in the employ of the Company and to work to the very best of his abilities for the achievement of the Company's strategic objectives; and

WHEREAS, to further this purpose, the Company desires to make a restricted stock award to Purchaser for Twenty Thousand Four Hundred Ninety-One (20,491) shares under the terms hereinafter set forth:

NOW, THEREFORE, in consideration of the premises, and of the mutual agreements hereinafter set forth, it is covenanted and agreed as follows:

1. Terms of Award. Pursuant to action of the Committee (as defined in Section 4), which action was taken on September 19th 2001 ("Date of Award"), the Company awards to Purchaser Twenty Thousand Four Hundred Ninety-One (20,491) shares of the common stock of the Company, of the par value of $0.01 per share ("Common Stock").

2. Cost of Restricted Stock. The purchase price of the shares of Restricted Stock shall be equal to Six Dollars and Ten/One Hundredths ($6.10) per share. Purchaser may make payment for the Common Stock by executing the Secured Promissory Note and Repayment and Stock Pledge Agreement attached hereto as Exhibit A and Exhibit B respectively.

3. No Right to Continued Employment. Nothing in this Agreement shall be deemed to create any limitation or restriction on such rights as the Company otherwise would have to terminate the employment of Purchaser at any time for any reason.

4. Committee Administration. This award has been made pursuant to a determination made by the members of the compensation committee of the Board of Directors ("Committee"), and the Committee or any successor or substitute committee authorized by the Board of Directors or the Board of Directors itself, subject to the express terms of this Agreement, shall have plenary authority to interpret any provision of this Agreement and to make any determinations necessary or advisable for the administration of this Agreement and may waive or amend any provisions hereof in any manner not adversely affecting the rights granted to Purchaser by the express terms hereof.

5. Stockholders' Agreement. This award is granted under and is expressly subject to all the terms and provisions of the Build-A-Bear Workshop, Inc. Amended and Restated Stockholders' Agreement dated September 21, 2001 ("Stockholders' Agreement"). Purchaser hereby acknowledges receipt of a copy of the Stockholders' Agreement and agrees to be bound by all the terms and provisions thereof.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on its behalf and Purchaser has signed this Agreement to evidence his acceptance of the terms hereof, all as of the date first above written.

BUILD-A-BEAR WORKSHOP, INC.

By: /s/ Maxine Clark

PURCHASER

/s/ Brian Vent

Brian Vent

EXHIBIT A

SECURED PROMISSORY NOTE

See Attached.

EXHIBIT B

REPAYMENT AND STOCK PLEDGE AGREEMENT

See Attached.

EXHIBIT 10.20

SECURED PROMISSORY NOTE

FOR VALUE RECEIVED, the undersigned, Brian Vent ("Borrower"), promises to pay to Build-A-Bear Workshop, Inc. , a Delaware corporation ("Company"), or its order, the principal amount of One Hundred Twenty-Four Thousand Nine Hundred Ninety-Five and No/100 Dollars ($124,995) with interest from the date hereof on the unpaid principal balance under this Note at 4.82% per annum. The principal amount of this Note shall be due and payable on the earlier to occur of the following dates (the "Maturity Date"): (1) September 19, 2006; (2) the date on which the indebtedness under this Note is accelerated as provided for under this Note or the Pledge Agreement (as defined below); (3) the ninetieth day following the date of Borrower's termination of employment with Company (or one year following the date of Borrower's termination of employment if disabled); or (4) the first anniversary following the date of Borrower's death while he is employed by the Company. All accrued and unpaid interest under this Note shall be due and payable, concurrently with principal. On the Maturity Date the entire remaining unpaid principal balance of this Note, together with any and all accrued and unpaid interest and any and all costs and expenses provided for under this Note and the Pledge Agreement, shall be due and payable.

All payments under this Note shall be made to Company or its order, in lawful money of the United States of America and in immediately available funds and delivered to Company by wire transfer to Company's account as set forth in written instructions delivered by Company to Borrower prior to the Maturity Date or at the offices of Company at its then principal place of business or at such other place as Company or any holder hereof shall designate in writing for such purpose from time to time. If a payment under this Note otherwise would become due and payable on a Saturday, Sunday or legal holiday, the due date thereof shall be extended to the next day which is not a Saturday, Sunday or legal holiday, and interest shall be payable thereon during such extension. All amounts due under this Note and the Pledge Agreement shall be payable without defense, set off or counterclaim.

Each payment under this Note shall be applied in the following order: (i) to the payment of costs and expenses provided for under this Note or the Pledge Agreement; (ii) to the payment of accrued and unpaid interest; and (iii) to the payment of outstanding principal. Company and each holder hereof shall have the continuing and exclusive right to apply or reverse and reapply any and all payments under this Note.

This Note shall be not assignable by either of Company or Borrower without the written consent of the other.

Upon the occurrence of a default under this Note or the Pledge Agreement, including, without limitation, failure to make any principal or interest payment by the stated maturity (whether by acceleration, notice of prepayment or otherwise) for such payment, interest shall thereafter accrue on the entire unpaid principal balance under this Note, including, without limitation, any delinquent interest which has been added to the principal amount due under this Note pursuant to the terms hereof, at the rate set forth herein plus 5 percent per annum (on the basis of a 360-day year and the actual number of days elapsed). In addition, upon the occurrence

of a default under this Note or the Pledge Agreement, the holder of this Note may, at its option, without notice to or demand upon Borrower or any other party, declare immediately due and payable the entire principal balance hereof together with all accrued and unpaid interest thereon, plus any other amounts then owing pursuant to this Note or the Pledge Agreement, whereupon the same shall be immediately due and payable. On each anniversary of the date of any default under this Note and while such default is continuing, all interest which has become payable and is then delinquent shall, without curing the default under this Note by reason of such delinquency, be added to the principal amount due under this Note, and shall thereafter bear interest at the same rate as is applicable to principal, with interest on overdue interest to bear interest, in each case to the fullest extent permitted by applicable law, both before and after default, maturity, foreclosure, judgment and the filing of any petition in a bankruptcy proceeding. In no event shall interest be charged under this Note which would violate any applicable law.

This Note is secured under that certain Repayment and Stock Pledge Agreement, dated as of even date herewith, by and between Borrower and Company (as amended from time to time, the "Pledge Agreement"). Reference is hereby made to the Pledge Agreement for a description of the nature and extent of the security for this Note and the rights with respect to such security of the holder of this Note. This is a non-recourse note and, anything herein to the contrary notwithstanding, Company agrees for itself, its representatives, successors, endorsees and assigns that (a) neither Borrower nor his representatives, successors or assignees shall be personally liable on this Note and (b) in the event of default under this Note, Company (and any such representative, successor, endorsee or assign) shall seek payment of amounts due under this Note solely in accordance with the rights and remedies set forth in the Pledge Agreement.

No waiver or modification of any of the terms of this Note shall be valid or binding unless set forth in a writing specifically referring to this Note and signed by a duly authorized officer of Company or any holder of this Note, and then only to the extent specifically set forth therein.

If any default occurs in any payment due under this Note, Borrower and all guarantors and endorsers hereof, and their successors and assigns, promise to pay all costs and expenses, including attorney's fees, incurred by each holder hereof in collecting or attempting to collect the indebtedness under this Note, whether or not any action or proceeding is commenced. None of the provisions hereof and none of the holder's rights or remedies under this Note on account of any past or future defaults shall be deemed to have been waived by the holder's acceptance of any past due installments or by any indulgence granted by the holder to Borrower.

Borrower and all guarantors and endorsers hereof, and their successors and assigns, hereby waive presentment, demand, diligence, protest and notice of every kind (except such notices as may be required under the Pledge Agreement). Borrower and all guarantors and endorsers hereof, and their successors and assigns, hereby agree that failure of Company to exercise any of its rights hereunder in any instance shall not constitute a waiver thereof in that or any other instance. Borrower and all guarantors and endorsers hereof, and their successors and assigns, hereby waive the right to plead any and all statutes of limitations as a defense to a demand under this Note to the fullest extent permitted by law.

This Note shall inure to the benefit of Company, its successors and assigns and shall bind the heirs, executors, administrators, successors and assigns of Borrower. Each reference herein to powers or rights of Company shall also be deemed a reference to the same power or right of such assignee, to the extent of the interest assigned to them.

In the event any one or more provisions of this Note shall be held to be illegal, invalid or otherwise unenforceable, the same shall not affect any other provision of this Note and the remaining provisions of this Note shall remain in full force and effect.

This Note shall be governed by and construed in accordance with the laws of the State of Missouri, without giving affect to the principles thereof relating to conflicts of law; provided, that Company and each holder hereof reserves any and all rights it may have under federal law, including without limitation those relating to the charging of interest.

IN WITNESS WHEREOF, Borrower has caused this Note to be duly executed the day and year first above written.

/s/ Brian Vent

Brian Vent

EXHIBIT 10.21

REPAYMENT AND STOCK PLEDGE AGREEMENT

This Repayment and Stock Pledge Agreement (this "Agreement or "Pledge Agreement") is made as of September 19, 2001 between Build-A-Bear Workshop, Inc., a Delaware corporation ("Pledgee"), and Brian Vent ("Pledgor").

Recitals

A. Pursuant to Pledgor's purchase of shares of Pledgee's common stock, par value $.01 per share ("Common Stock"), under the Restricted Stock Purchase Agreement dated September 19, 2001 (the "Purchase Agreement"), between Pledgor and Pledgee, and Pledgor's payment for such shares with monies advanced pursuant to that certain Secured Promissory Note executed by Pledgor in favor of the Pledgee dated September 19, 2001 (the "Note"), Pledgor has purchased 20,491 shares of Common Stock (the "Shares") at a price of $6.10 per share, for a total purchase price of $124,995.

B. It is a condition precedent to the extension of credit pursuant to the Note that the Pledgor shall have executed and delivered this Pledge Agreement in favor of the Pledgee.

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

1. Creation and Description of Security Interest. Pledgor hereby grants a lien on and pledges all of the Shares (herein sometimes referred to as the "Collateral") represented by certificate number 9, duly endorsed in blank or with executable stock powers in form and substance satisfactory to Pledgee, and herewith delivers said certificate to the Secretary of Pledgee (the "Escrow Agent"), who shall hold said certificate subject to the terms and conditions of this Pledge Agreement.

The pledged stock shall be held by the Escrow Agent as security for the repayment of the Note, and any costs and expenses incurred in the enforcement or attempted enforcement of the Note, and any extensions or renewals thereof, and the Escrow Agent shall not encumber, sell or otherwise dispose of such Shares except in accordance with the provisions of this Pledge Agreement.

2. Pledgor's Representations and Covenants. Pledgor represents and covenants to Pledgee, its successors and assigns, as follows:

(a) Pledgor will pay the principal sum of the Note secured hereby, together with interest thereon, at the time and in the manner provided in the Note.

(b) The Shares are free of all other encumbrances, defenses and liens (other than the lien granted hereunder), and Pledgor will not encumber or allow to be

encumbered the Shares without the prior written consent of Pledgee or enter into any agreement that could restrict Pledgee's exercise of its rights hereunder or under the Note.

(c) Pledgor shall pay, prior to the delinquency date, all taxes, liens, assessments and other charges levied against the Collateral, and in the event Pledgor fails to do so, Pledgee shall have the right, but not the obligation, to pay all or any portion of such taxes and charges without contesting the validity or legality thereof. Any payment made by Pledgee pursuant to this Section 2(c) shall become part of the indebtedness of Pledgor secured hereunder, and until paid by Pledgor, shall bear interest at the default rate per annum set forth in the Note.

3. Voting Rights. During the term of this pledge, Pledgor shall vote the Shares pledged hereunder solely in accordance with the provisions of that certain Amended and Restated Stockholders' Agreement dated as of September 21, 2001 among the Company and certain of its stockholders a party thereto.

4. Stock Adjustments. In the event during the term of this Agreement of any stock dividend, reclassification, readjustment, or other changes declared or made in the capital structure of Pledgee, all new, substituted and additional shares or other securities issued by reason of any such change shall be delivered to and held by the Pledgee under the terms of this Pledge Agreement in the same manner as the Shares originally pledged hereunder. In the event of substitution of such securities, Pledgor, Pledgee and Escrow Agent shall cooperate and execute such documents as are reasonable so as to provide for the substitution of such Collateral and, upon such substitution, references to "Shares" in this Pledge Agreement shall include the substituted shares of capital stock of Pledgor as a result thereof.

5. Warrants and Rights. In the event that, during the term of this Agreement, subscription warrants or other rights or options shall be issued in connection with the Shares, such rights, warrants and options shall be the property of Pledgor and, if exercised by Pledgor, all new stock or other securities so acquired by Pledgor as it relates to the Share then held by Pledgee shall be immediately delivered to Pledgee, to be held under the terms of this Agreement in the same manner as the Shares pledged hereunder.

6. Repayment. Pledgor hereby agrees that at any time if Borrower shall have received any cash payment or other distribution in respect of, or upon transfer, sale or other disposition of, the Shares, then and in each such case, Pledgor shall immediately deliver to Pledgee such amount as in partial or full payment of principal and interest on the Note.

7. Default. Pledgor shall be deemed to be in default of the Note and of this Pledge Agreement upon the occurrence of any of the following events (each such event, an "Event of Default"):

(a) Payment of principal or interest on the Note shall be delinquent for a period of 30 days or more beyond the due date thereof; or

(b) Pledgor fails to perform any of the covenants or other agreements set forth in this Agreement for a period of 10 days; or

(c) Any representation or warranty herein shall be untrue in any material respect; or

(d) Pledgee shall cease to have valid perfected first priority lien on all or any part of the Collateral.

8. Pledgee's Rights Upon or Event of Default.

(a) In the case of an Event of Default, Pledgee shall have the right to accelerate payment of the Note upon notice to Pledgor, and Pledgee shall thereafter be entitled to pursue all remedies available to a secured party under the Missouri Uniform Commercial Code in effect from time to time (whether or not applicable to the Collateral) or available at law or equity or otherwise.

(b) In the case of an Event of Default, in addition to any other rights or remedies otherwise available, Pledgee may, without notice and at its option, with respect to any Collateral which shall then be in, or shall thereafter come into, the possession or custody of Pledgee, Pledgee may sell or cause the same to be sold at any broker's board or at any public or private sale, in one or more sales or lots, at such price or prices as Pledgee may deem best, for cash or on credit or for future delivery, without assumption of any credit risk. The purchaser of any or all Collateral so sold shall thereafter hold the same absolutely, free from any lien, encumbrance or right of any kind whatsoever. Unless any of the Collateral threatens to decline speedily in value or is or becomes of a type sold on a recognized market, Pledgee will give Pledgor reasonable notice of the time and place of any public sale thereof, or of the time after which any private sale or other intended disposition is to be made. Any sale of the Collateral conducted in conformity with reasonable commercial practices of banks, insurance companies, commercial finance companies or other financial institutions disposing of property similar to the Collateral shall be deemed to be commercially reasonable. Any requirements of reasonable notice shall be met if such notice is mailed to the Pledgor at least ten (10) days before the time of the sale or disposition. Any other requirement of notice, demand or advertisement for sale is, to the extent permitted by law, waived. Pledgee may, in its own name or in the name of a designee or nominee, buy any of the Collateral at any public sale and, if permitted by applicable law, at any private sale. All expenses (including court costs and attorney's fees, expenses and disbursements) of, or incident to, the enforcement of any of the provisions hereof shall be recoverable from the proceeds of the sale of any of the Collateral for the period of time necessary to register such securities for public sale under the Securities Act of 1933, as amended (the "Securities Act"), or under any other applicable securities law. In view of the fact that the Securities Act and other applicable securities laws may impose certain restrictions on the method by which a sale of the Collateral may be effected, Pledgor agrees that upon the occurrence of an Event of Default, Pledgee may, from time to time, attempt to sell all or any part of the Collateral

by means of a private sale, restricting the prospective purchasers to those who will represent and agree that they are purchasing for investment only and not for distribution. Pledgor acknowledges that any such private sales may be at prices and on terms less favorable to Pledgor than those obtainable through a public sale without such restrictions (including, without limitation, a public offering made pursuant to a registration statement under the Securities Act) and, notwithstanding such circumstances, Pledgor agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner and that Pledgee shall have no obligation to engage in public sales and no obligation to delay the sale of any Collateral for the period of time necessary to permit the registration thereof for a form of public sale requiring registration under the Securities Act or under any other applicable securities laws. Pledgor waives any claims against Pledgee arising by reason of the fact that the price at any private sale was less than the price that might have been obtained at a public sale, even if Pledgee shall accept the first offer received and does not offer the Collateral to more than one prospective purchaser.

9. Withdrawal or Substitution of Collateral. Pledgor shall not sell, withdraw, pledge, substitute, grant any options in or otherwise dispose of all or any part of the Collateral without the prior written consent of Pledgee.

10. Term. The pledge of Shares set forth herein shall continue until the indefeasible payment in full in cash of all indebtedness secured hereby, at which time the Shares shall be promptly delivered to Pledgor, without any representation, warranty or covenant thereto or any recourse in respect thereof.

11. Insolvency. Pledgor agrees that if a bankruptcy or insolvency proceeding is instituted by or against him or if a receiver is appointed for the property of Pledgor, or if Pledgor makes an assignment for the benefit of creditors, or the Pledgor shall take any action in furtherance of any of the foregoing, or the Pledgor shall generally not, or shall be unable to, or shall admit in writing his inability to, pay his debts as they become due, the entire amount unpaid on the Note shall become immediately due and payable, and Pledgee may proceed as provided in the case of an Event of Default.

12. Invalidity of Particular Provisions. Pledgor and Pledgee agree that the enforceability of invalidity of any provision or provisions of this Agreement shall not render any other provision or provisions herein contained unenforceable or invalid.

13. Successors or Assigns. Pledgor and Pledgee agree that all of the terms of this Agreement shall be binding on their respective permitted successors and assigns, and that the term "Pledgor" and the term "Pledgee" as used herein shall be deemed to include, for all purposes, the respective designees, successors, assigns, heirs, executors and administrators. Pledgor shall not assign or otherwise transfer all or any of her rights and obligations hereunder without the prior written consent of Pledgee, in its sole discretion. This Agreement shall be freely assignable by Pledgee.

14. Defined Terms. Capitalized terms used herein without definition shall have the meanings ascribed to such terms under the Purchase Agreement.

15. Governing Law. This Pledge Agreement shall be interpreted and governed by the internal laws of the State of Missouri.

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

"PLEDGOR" Brian Vent

/s/ Brian Vent

Address
35 Picardy Ln St. Louis, MO

"PLEDGEE" BUILD-A-BEAR WORKSHOP, INC.

/s/ Maxine Clark

By: Maxine Clark

Its: President

EXHIBIT 10.22

BUILD-A-BEAR WORKSHOP, INC.
RESTRICTED STOCK PURCHASE AGREEMENT
FOR TINA KLOCKE

THIS AGREEMENT, is made as of the 19th day of September, 2001, by and between Build-A-Bear Workshop, Inc., a Delaware corporation (hereinafter called the "Company"), and Tina Klocke (hereinafter called "Purchaser").

WITNESSETH THAT:

WHEREAS, the Board of Directors of the Company ("Board of Directors") desires to benefit the Company by increasing motivation on the part of Purchaser, Chief Financial Bear of the Company, who is materially important to the development of the Company's business, by creating an incentive for her to remain in the employ of the Company and to work to the very best of her abilities for the achievement of the Company's strategic objectives; and

WHEREAS, to further this purpose, the Company desires to make a restricted stock award to Purchaser for Twenty Thousand Four Hundred Ninety-One (20,491) shares under the terms hereinafter set forth:

NOW, THEREFORE, in consideration of the premises, and of the mutual agreements hereinafter set forth, it is covenanted and agreed as follows:

1. Terms of Award. Pursuant to action of the Committee (as defined in Section 4), which action was taken on September 19th 2001 ("Date of Award"), the Company awards to Purchaser Twenty Thousand Four Hundred Ninety-One (20,491) shares of the common stock of the Company, of the par value of $0.01 per share ("Common Stock").

2. Cost of Restricted Stock. The purchase price of the shares of Restricted Stock shall be equal to Six Dollars and Ten/One Hundredths ($6.10) per share. Purchaser may make payment for the Common Stock by executing the Secured Promissory Note and Repayment and Stock Pledge Agreement attached hereto as Exhibit A and Exhibit B respectively.

3. No Right to Continued Employment. Nothing in this Agreement shall be deemed to create any limitation or restriction on such rights as the Company otherwise would have to terminate the employment of Purchaser at any time for any reason.

4. Committee Administration. This award has been made pursuant to a determination made by the members of the compensation committee of the Board of Directors ("Committee"), and the Committee or any successor or substitute committee authorized by the Board of Directors or the Board of Directors itself, subject to the express terms of this Agreement, shall have plenary authority to interpret any provision of this Agreement and to make any determinations necessary or advisable for the administration of this Agreement and may waive or amend any provisions hereof in any manner not adversely affecting the rights granted to Purchaser by the express terms hereof.

5. Stockholders' Agreement. This award is granted under and is expressly subject to all the terms and provisions of the Build-A-Bear Workshop, Inc. Amended and Restated Stockholders' Agreement dated September 21, 2001 ("Stockholders' Agreement"). Purchaser hereby acknowledges receipt of a copy of the Stockholders' Agreement and agrees to be bound by all the terms and provisions thereof.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on its behalf and Purchaser has signed this Agreement to evidence her acceptance of the terms hereof, all as of the date first above written.

BUILD-A-BEAR WORKSHOP, INC.

By: /s/ Maxine Clark

PURCHASER

/s/ Tina Klocke

Tina Klocke

EXHIBIT A

SECURED PROMISSORY NOTE

See Attached.

EXHIBIT B

REPAYMENT AND STOCK PLEDGE AGREEMENT

See Attached.

EXHIBIT 10.23

SECURED PROMISSORY NOTE

FOR VALUE RECEIVED, the undersigned, Tina Klocke ("Borrower"), promises to pay to Build-A-Bear Workshop, Inc. , a Delaware corporation ("Company"), or its order, the principal amount of One Hundred Twenty-Four Thousand Nine Hundred Ninety-Five and No/100 Dollars ($124,995) with interest from the date hereof on the unpaid principal balance under this Note at 4.82% per annum. The principal amount of this Note shall be due and payable on the earlier to occur of the following dates (the "Maturity Date"): (1) September 19, 2006 ; (2) the date on which the indebtedness under this Note is accelerated as provided for under this Note or the Pledge Agreement (as defined below); (3) the ninetieth day following the date of Borrower's termination of employment with Company (or one year following the date of Borrower's termination of employment if disabled); or (4) the first anniversary following the date of Borrower's death while she is employed by the Company. All accrued and unpaid interest under this Note shall be due and payable, concurrently with principal. On the Maturity Date the entire remaining unpaid principal balance of this Note, together with any and all accrued and unpaid interest and any and all costs and expenses provided for under this Note and the Pledge Agreement, shall be due and payable.

All payments under this Note shall be made to Company or its order, in lawful money of the United States of America and in immediately available funds and delivered to Company by wire transfer to Company's account as set forth in written instructions delivered by Company to Borrower prior to the Maturity Date or at the offices of Company at its then principal place of business or at such other place as Company or any holder hereof shall designate in writing for such purpose from time to time. If a payment under this Note otherwise would become due and payable on a Saturday, Sunday or legal holiday, the due date thereof shall be extended to the next day which is not a Saturday, Sunday or legal holiday, and interest shall be payable thereon during such extension. All amounts due under this Note and the Pledge Agreement shall be payable without defense, set off or counterclaim.

Each payment under this Note shall be applied in the following order: (i) to the payment of costs and expenses provided for under this Note or the Pledge Agreement; (ii) to the payment of accrued and unpaid interest; and (iii) to the payment of outstanding principal. Company and each holder hereof shall have the continuing and exclusive right to apply or reverse and reapply any and all payments under this Note.

This Note shall be not assignable by either of Company or Borrower without the written consent of the other.

Upon the occurrence of a default under this Note or the Pledge Agreement, including, without limitation, failure to make any principal or interest payment by the stated maturity (whether by acceleration, notice of prepayment or otherwise) for such payment, interest shall thereafter accrue on the entire unpaid principal balance under this Note, including, without limitation, any delinquent interest which has been added to the principal amount due under this Note pursuant to the terms hereof, at the rate set forth herein plus 5 percent per annum (on the basis of a 360-day year and the actual number of days elapsed). In addition, upon the occurrence

of a default under this Note or the Pledge Agreement, the holder of this Note may, at its option, without notice to or demand upon Borrower or any other party, declare immediately due and payable the entire principal balance hereof together with all accrued and unpaid interest thereon, plus any other amounts then owing pursuant to this Note or the Pledge Agreement, whereupon the same shall be immediately due and payable. On each anniversary of the date of any default under this Note and while such default is continuing, all interest which has become payable and is then delinquent shall, without curing the default under this Note by reason of such delinquency, be added to the principal amount due under this Note, and shall thereafter bear interest at the same rate as is applicable to principal, with interest on overdue interest to bear interest, in each case to the fullest extent permitted by applicable law, both before and after default, maturity, foreclosure, judgment and the filing of any petition in a bankruptcy proceeding. In no event shall interest be charged under this Note which would violate any applicable law.

This Note is secured under that certain Repayment and Stock Pledge Agreement, dated as of even date herewith, by and between Borrower and Company (as amended from time to time, the "Pledge Agreement"). Reference is hereby made to the Pledge Agreement for a description of the nature and extent of the security for this Note and the rights with respect to such security of the holder of this Note. This is a non-recourse note and, anything herein to the contrary notwithstanding, Company agrees for itself, its representatives, successors, endorsees and assigns that (a) neither Borrower nor his representatives, successors or assignees shall be personally liable on this Note and (b) in the event of default under this Note, Company (and any such representative, successor, endorsee or assign) shall seek payment of amounts due under this Note solely in accordance with the rights and remedies set forth in the Pledge Agreement.

No waiver or modification of any of the terms of this Note shall be valid or binding unless set forth in a writing specifically referring to this Note and signed by a duly authorized officer of Company or any holder of this Note, and then only to the extent specifically set forth therein.

If any default occurs in any payment due under this Note, Borrower and all guarantors and endorsers hereof, and their successors and assigns, promise to pay all costs and expenses, including attorney's fees, incurred by each holder hereof in collecting or attempting to collect the indebtedness under this Note, whether or not any action or proceeding is commenced. None of the provisions hereof and none of the holder's rights or remedies under this Note on account of any past or future defaults shall be deemed to have been waived by the holder's acceptance of any past due installments or by any indulgence granted by the holder to Borrower.

Borrower and all guarantors and endorsers hereof, and their successors and assigns, hereby waive presentment, demand, diligence, protest and notice of every kind (except such notices as may be required under the Pledge Agreement). Borrower and all guarantors and endorsers hereof, and their successors and assigns, hereby agree that failure of Company to exercise any of its rights hereunder in any instance shall not constitute a waiver thereof in that or any other instance. Borrower and all guarantors and endorsers hereof, and their successors and assigns, hereby waive the right to plead any and all statutes of limitations as a defense to a demand under this Note to the fullest extent permitted by law.

This Note shall inure to the benefit of Company, its successors and assigns and shall bind the heirs, executors, administrators, successors and assigns of Borrower. Each reference herein to powers or rights of Company shall also be deemed a reference to the same power or right of such assignee, to the extent of the interest assigned to them.

In the event any one or more provisions of this Note shall be held to be illegal, invalid or otherwise unenforceable, the same shall not affect any other provision of this Note and the remaining provisions of this Note shall remain in full force and effect.

This Note shall be governed by and construed in accordance with the laws of the State of Missouri, without giving affect to the principles thereof relating to conflicts of law; provided, that Company and each holder hereof reserves any and all rights it may have under federal law, including without limitation those relating to the charging of interest.

IN WITNESS WHEREOF, Borrower has caused this Note to be duly executed the day and year first above written.

/s/ Tina Klocke

Tina Klocke

EXHIBIT 10.24

REPAYMENT AND STOCK PLEDGE AGREEMENT

This Repayment and Stock Pledge Agreement (this "Agreement or "Pledge Agreement") is made as of September 19, 2001 between Build-A-Bear Workshop, Inc., a Delaware corporation ("Pledgee"), and Tina Klocke ("Pledgor").

Recitals

A. Pursuant to Pledgor's purchase of shares of Pledgee's common stock, par value $.01 per share ("Common Stock"), under the Restricted Stock Purchase Agreement dated September 19, 2001 (the "Purchase Agreement"), between Pledgor and Pledgee, and Pledgor's payment for such shares with monies advanced pursuant to that certain Secured Promissory Note executed by Pledgor in favor of the Pledgee dated September 19, 2001 (the "Note"), Pledgor has purchased 20,491 shares of Common Stock (the "Shares") at a price of $6.10 per share, for a total purchase price of $124,995.

B. It is a condition precedent to the extension of credit pursuant to the Note that the Pledgor shall have executed and delivered this Pledge Agreement in favor of the Pledgee.

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

1. Creation and Description of Security Interest. Pledgor hereby grants a lien on and pledges all of the Shares (herein sometimes referred to as the "Collateral") represented by certificate number 10, duly endorsed in blank or with executable stock powers in form and substance satisfactory to Pledgee, and herewith delivers said certificate to the Secretary of Pledgee (the "Escrow Agent"), who shall hold said certificate subject to the terms and conditions of this Pledge Agreement.

The pledged stock shall be held by the Escrow Agent as security for the repayment of the Note, and any costs and expenses incurred in the enforcement or attempted enforcement of the Note, and any extensions or renewals thereof, and the Escrow Agent shall not encumber, sell or otherwise dispose of such Shares except in accordance with the provisions of this Pledge Agreement.

2. Pledgor's Representations and Covenants. Pledgor represents and covenants to Pledgee, its successors and assigns, as follows:

(a) Pledgor will pay the principal sum of the Note secured hereby, together with interest thereon, at the time and in the manner provided in the Note.

(b) The Shares are free of all other encumbrances, defenses and liens (other than the lien granted hereunder), and Pledgor will not encumber or allow to be

encumbered the Shares without the prior written consent of Pledgee or enter into any agreement that could restrict Pledgee's exercise of its rights hereunder or under the Note.

(c) Pledgor shall pay, prior to the delinquency date, all taxes, liens, assessments and other charges levied against the Collateral, and in the event Pledgor fails to do so, Pledgee shall have the right, but not the obligation, to pay all or any portion of such taxes and charges without contesting the validity or legality thereof. Any payment made by Pledgee pursuant to this Section 2(c) shall become part of the indebtedness of Pledgor secured hereunder, and until paid by Pledgor, shall bear interest at the default rate per annum set forth in the Note.

3. Voting Rights. During the term of this pledge, Pledgor shall vote the Shares pledged hereunder solely in accordance with the provisions of that certain Amended and Restated Stockholders' Agreement dated as of September 21, 2001 among the Company and certain of its stockholders a party thereto.

4. Stock Adjustments. In the event during the term of this Agreement of any stock dividend, reclassification, readjustment, or other changes declared or made in the capital structure of Pledgee, all new, substituted and additional shares or other securities issued by reason of any such change shall be delivered to and held by the Pledgee under the terms of this Pledge Agreement in the same manner as the Shares originally pledged hereunder. In the event of substitution of such securities, Pledgor, Pledgee and Escrow Agent shall cooperate and execute such documents as are reasonable so as to provide for the substitution of such Collateral and, upon such substitution, references to "Shares" in this Pledge Agreement shall include the substituted shares of capital stock of Pledgor as a result thereof.

5. Warrants and Rights. In the event that, during the term of this Agreement, subscription warrants or other rights or options shall be issued in connection with the Shares, such rights, warrants and options shall be the property of Pledgor and, if exercised by Pledgor, all new stock or other securities so acquired by Pledgor as it relates to the Share then held by Pledgee shall be immediately delivered to Pledgee, to be held under the terms of this Agreement in the same manner as the Shares pledged hereunder.

6. Repayment. Pledgor hereby agrees that at any time if Borrower shall have received any cash payment or other distribution in respect of, or upon transfer, sale or other disposition of, the Shares, then and in each such case, Pledgor shall immediately deliver to Pledgee such amount as in partial or full payment of principal and interest on the Note.

7. Default. Pledgor shall be deemed to be in default of the Note and of this Pledge Agreement upon the occurrence of any of the following events (each such event, an "Event of Default"):

(a) Payment of principal or interest on the Note shall be delinquent for a period of 30 days or more beyond the due date thereof; or

(b) Pledgor fails to perform any of the covenants or other agreements set forth in this Agreement for a period of 10 days; or

(c) Any representation or warranty herein shall be untrue in any material respect; or

(d) Pledgee shall cease to have valid perfected first priority lien on all or any part of the Collateral.

8. Pledgee's Rights Upon or Event of Default.

(a) In the case of an Event of Default, Pledgee shall have the right to accelerate payment of the Note upon notice to Pledgor, and Pledgee shall thereafter be entitled to pursue all remedies available to a secured party under the Missouri Uniform Commercial Code in effect from time to time (whether or not applicable to the Collateral) or available at law or equity or otherwise.

(b) In the case of an Event of Default, in addition to any other rights or remedies otherwise available, Pledgee may, without notice and at its option, with respect to any Collateral which shall then be in, or shall thereafter come into, the possession or custody of Pledgee, Pledgee may sell or cause the same to be sold at any broker's board or at any public or private sale, in one or more sales or lots, at such price or prices as Pledgee may deem best, for cash or on credit or for future delivery, without assumption of any credit risk. The purchaser of any or all Collateral so sold shall thereafter hold the same absolutely, free from any lien, encumbrance or right of any kind whatsoever. Unless any of the Collateral threatens to decline speedily in value or is or becomes of a type sold on a recognized market, Pledgee will give Pledgor reasonable notice of the time and place of any public sale thereof, or of the time after which any private sale or other intended disposition is to be made. Any sale of the Collateral conducted in conformity with reasonable commercial practices of banks, insurance companies, commercial finance companies or other financial institutions disposing of property similar to the Collateral shall be deemed to be commercially reasonable. Any requirements of reasonable notice shall be met if such notice is mailed to the Pledgor at least ten (10) days before the time of the sale or disposition. Any other requirement of notice, demand or advertisement for sale is, to the extent permitted by law, waived. Pledgee may, in its own name or in the name of a designee or nominee, buy any of the Collateral at any public sale and, if permitted by applicable law, at any private sale. All expenses (including court costs and attorney's fees, expenses and disbursements) of, or incident to, the enforcement of any of the provisions hereof shall be recoverable from the proceeds of the sale of any of the Collateral for the period of time necessary to register such securities for public sale under the Securities Act of 1933, as amended (the "Securities Act"), or under any other applicable securities law. In view of the fact that the Securities Act and other applicable securities laws may impose certain restrictions on the method by which a sale of the Collateral may be effected, Pledgor agrees that upon the occurrence of an Event of Default, Pledgee may, from time to time, attempt to sell all or any part of the Collateral

by means of a private sale, restricting the prospective purchasers to those who will represent and agree that they are purchasing for investment only and not for distribution. Pledgor acknowledges that any such private sales may be at prices and on terms less favorable to Pledgor than those obtainable through a public sale without such restrictions (including, without limitation, a public offering made pursuant to a registration statement under the Securities Act) and, notwithstanding such circumstances, Pledgor agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner and that Pledgee shall have no obligation to engage in public sales and no obligation to delay the sale of any Collateral for the period of time necessary to permit the registration thereof for a form of public sale requiring registration under the Securities Act or under any other applicable securities laws. Pledgor waives any claims against Pledgee arising by reason of the fact that the price at any private sale was less than the price that might have been obtained at a public sale, even if Pledgee shall accept the first offer received and does not offer the Collateral to more than one prospective purchaser.

9. Withdrawal or Substitution of Collateral. Pledgor shall not sell, withdraw, pledge, substitute, grant any options in or otherwise dispose of all or any part of the Collateral without the prior written consent of Pledgee.

10. Term. The pledge of Shares set forth herein shall continue until the indefeasible payment in full in cash of all indebtedness secured hereby, at which time the Shares shall be promptly delivered to Pledgor, without any representation, warranty or covenant thereto or any recourse in respect thereof.

11. Insolvency. Pledgor agrees that if a bankruptcy or insolvency proceeding is instituted by or against him or if a receiver is appointed for the property of Pledgor, or if Pledgor makes an assignment for the benefit of creditors, or the Pledgor shall take any action in furtherance of any of the foregoing, or the Pledgor shall generally not, or shall be unable to, or shall admit in writing his inability to, pay his debts as they become due, the entire amount unpaid on the Note shall become immediately due and payable, and Pledgee may proceed as provided in the case of an Event of Default.

12. Invalidity of Particular Provisions. Pledgor and Pledgee agree that the enforceability of invalidity of any provision or provisions of this Agreement shall not render any other provision or provisions herein contained unenforceable or invalid.

13. Successors or Assigns. Pledgor and Pledgee agree that all of the terms of this Agreement shall be binding on their respective permitted successors and assigns, and that the term "Pledgor" and the term "Pledgee" as used herein shall be deemed to include, for all purposes, the respective designees, successors, assigns, heirs, executors and administrators. Pledgor shall not assign or otherwise transfer all or any of her rights and obligations hereunder without the prior written consent of Pledgee, in its sole discretion. This Agreement shall be freely assignable by Pledgee.

14. Defined Terms. Capitalized terms used herein without definition shall have the meanings ascribed to such terms under the Purchase Agreement.

15. Governing Law. This Pledge Agreement shall be interpreted and governed by the internal laws of the State of Missouri.

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

"PLEDGOR"

/s/ Tina Klocke

Tina Klocke

5736 Beddeford

Address

St. Louis, MO 63128

"PLEDGEE"

BUILD-A-BEAR WORKSHOP, INC.

/s/ Maxine Clark

By: Maxine Clark

Its: President

EXHIBIT 10.25

JS LOGISTICS

PUBLIC WAREHOUSE AGREEMENT
CONTRACT RATE AND CHARGES

CORPORATE LOCATION		
COMPANY NAME	BUILD A BEAR	
CLIENT ADDRESS	1964 INNERBELT BUSINESS CTR DR	CONTRACT ISSUE DATE February 1, 2002
CITY STATE ZIP	ST LOUIS MO 63114	
CONTACT NAME	JOHN MATTHEWS	CONTRACT EFFECTIVE DATE March 31, 2002
CONTACT PHONE NUMBER	314-423-8000	
CONTACT FAX NUMBER		CONTRACT TERM PERIOD 2 YEAR
BILLING ADDRESS	SAME AS ABOVE	
ADDRESS	SAME AS ABOVE	QUOTED BY RICH REKOWSKI
CITY STATE ZIP	SAME AS ABOVE	
ATTENTION	JOHN MATTHEWS	TYPE OF BUSINESS RETAIL
TITLE		

SUBJECT TO THE TERMS AND CONDITIONS IN THE SIX PAGES OF THIS DOCUMENT, JS LOGISTICS, INC. WILL PROVIDE SERVICES AS STATED HEREIN ON PAGE 2 OF THIS CONTRACT.

- ---

SPECIAL INSTRUCTIONS, TERMS OR CONDITIONS:
PRIOR TO RECEIPT OF FREIGHT, AN EXECUTED CONTRACT MUST BE RETURNED TO JS LOGISTICS.

IN SUCH CASES WHEREAS THIS PERTAINS TO A RENEWAL OF AN EXISTING CONTRACT, THE RATES SHALL BE IMPOSED COMMENCING SIXTY (60) DAYS AFTER ISSUE DATE UNLESS AN EXTENSION IN WRITING IS EXECUTED BY JS LOGISTICS, INC.

- ---

MERCHANDISE SHOULD BE CONSIGNED TO YOU IN CARE OF JS WAREHOUSE, INC. AT THE FOLLOWING ADDRESS

4550 GUSTINE AVENUE, ST. LOUIS, MO 63116

- ---

INVOICES FOR HANDLING, STORAGE, LABOR, SUPPLIES, EQUIPMENT, FREIGHT AND MANAGEMENT FEES ARE DUE WITHIN 30 DAYS OF INVOICE DATE. MONTHLY STORAGE FEES ARE DUE THE FIRST DAY OF THE MONTH TO WHICH THEY APPLY. JS LOGISTICS, INC. SHALL ASSESS A 1-1/2 % SERVICE CHARGE PER MONTH ON THE OUTSTANDING AMOUNT.

THIS PUBLIC WAREHOUSE AGREEMENT ("Agreement"), which includes the terms and conditions contained in Exhibit A and Exhibit B attached hereto, has been duly executed by the parties as of the date indicated below:

FOR	BUILD-A-BEAR WORKSHOP, INC.	FOR	JS LOGISTICS, INC.
SIGNATURE	/s/ John F. Burtelow	SIGNATURE	/s/ Richard A Rekowski
PRINT NAME	JOHN F. BURTELOW	PRINT NAME	RICHARD A. REKOWSKI
PRINT TITLE	CHIEF BANKER BEAR	PRINT TITLE	DIRECTOR LOGISTICS
DATED	4-5-02	DATED	3/29/02

EXHIBIT A

STANDARD SERVICES RATE PER 2ND YEAR RATES - ---------- ----- ---- --- ------ --------

INBOUND HANDLING $0.46 CASE $0.475

INBOUND HANDLING $4.30 PALLET $4.44

OUTBOUND HANDLING $0.46 INTER PACK $0.475

OUTBOUND HANDLING $0.46 CASE $0.475

OUTBOUND HANDLING $4.30 PALLET $4.44

RECURRING STORAGE $65888.00 MONTH $65888.00 185600sf

SPECIAL SHIPMENTS $0.46 PER PIECE $0.475 $5.00 Minimum)

BILL OF LADING $5.75 BILL OF LADING $5.75

PHYSICAL INVENTORIES PER RATE ABOVE INVENTORY 1 FREE/YEAR PER RATE ABOVE

PALLETS SUPPLIED BY JS $4.25 PALLET $4.25

SUPPLIES-SHRINK WRAP 15% OVER COST 15% OVER COST TAPE, BANDING ETC

FREIGHT 15% OVER COST 15% OVER COST

CROSS DOCKING $4.30 PALLET $4.44

CROSS DOCKING $0.46 PIECE $0.475

SUPPLEMENTAL SERVICES

WAREHOUSEMAN WILL PROVIDE ADDITIONAL SERVICES AT CUSTOMER REQUEST AT THE CLERICAL AND WAREHOUSE LABOR RATES INDICATED BELOW. UNLESS THE SERVICE IS SPECIFICALLY IDENTIFIED ABOVE, IN WHICH CASE THE RATE SHOWN FOR THAT SPECIFIC SERVICE WILL APPLY.

SERVICES	REGULAR BUSINESS HOURS LABOR 8AM-4:30 PM (4:30 PM-7:59 AM)	AFTER REGULAR MON-FRI BUSINESS HOURS LABOR	OVERTIME SUN/HOLIDAY
- LABOR	$25/HR	$30.00/HR	$30.00/HR
$40/HR			

WAREHOUSE OVERTIME REQUIRES SUPERVISION. THIS TIME WILL BE CHARGED AT THE LABOR RATE LISTED ABOVE. WEEKEND AND HOLIDAY OVERTIME REQUIRES A FOUR-HOUR MINIMUM.

PASS THROUGH EXPENSES
GOODS AND SERVICES PURCHASED DIRECTLY BY WAREHOUSEMAN AT CUSTOMERS' REQUEST AND THEN INVOICED BY WAREHOUSEMAN TO CUSTOMER WILL BE ASSESSED AN UPCHARGE OF 15%.

Exhibit B
Terms and Conditions

ACCEPTANCE -- SEC. 1

(a) This contract and rate quotation including accessorial charges endorsed on or attached hereto must be accepted within 30 days from the proposal date by signature of depositor on the first page of the contract. In the absence of written acceptance, the act of tendering goods described herein for storage or other services by warehouseman within 30 days from the proposal date shall constitute such acceptance by depositor.

(b) In the event that goods tendered for storage or other services do not conform to the description contained herein, or conforming goods are tendered after 30 days from the proposal date without prior written acceptance by depositor as provided in paragraph (a) of this section, warehouseman may refuse to accept such goods. If warehouseman accepts such goods, depositor agrees to rates and charges as may be assigned and invoiced by warehouseman and to all terms of this contract.

(c) This contract may be canceled by either party upon 60 days written notice and is canceled if no storage or other services are performed under this contract for a period of 180 days. In addition, Depositor may terminate this Agreement immediately upon the insolvency of Warehouseman, any assignment of Warehouseman for the benefit of its creditors, or the failure of Warehouseman to vacate the appointment of a receiver or trustee for any part or interest of its business within 30 days from the date of such appointment.

SHIPPING -- SEC. 2

Depositor agrees not to ship goods to warehouseman as the named consignee. If, in violation of this agreement, goods are shipped to warehouseman as named consignee, depositor agrees to notify carrier, with copy of such notice to the warehouseman, that warehouseman named as consignee is a warehouseman and has no beneficial title or interest in such property. Depositor further agrees to indemnify and hold harmless warehouseman from any and all claims for unpaid transportation charges, including undercharges, demurrage, detention or charges of any nature, in connection with goods so shipped. Depositor further agrees that, if it fails to notify carrier as required by the preceding sentence, warehouseman shall have the right to refuse such goods and shall not be liable or responsible for any loss, injury, or damage of any nature to, or related to, such goods.

TENDER FOR STORAGE -- SEC. 3

All goods for storage shall be delivered at the warehouse properly marked and packaged for handling. The depositor shall furnish at or prior to such delivery, a manifest showing marks, brands, or sizes to be kept and accounted for separately, and the class of storage and other services desired.

STORAGE PERIOD AND CHARGES -- SEC. 4

Storage charges are billed in advance on the first day of each month. Should the Depositor elect to not use Warehouseman's 4550 Gustine location or any other warehouseman's facility as its sole location of central storage and handling, the storage charge in Exhibit A will be adjusted to a mutually agreeable amount.

TRANSFER, TERMINATION OF STORAGE, REMOVAL OF GOODS -- SEC. 5

(a) Instructions to transfer goods on the books of the warehouseman are not effective until delivered to and received by warehouseman, and all charges up to the time transfer is made are chargeable to the depositor of record. If a transfer involves rehandling the goods, such rehandling will be subject to a charge at warehouseman's standard rates set forth on Exhibit A attached hereto.

(b) The warehouseman reserves the right to move, at his expense, 14 days after notice is sent by certified or registered mail to the depositor of record or to the last known holder of the negotiable warehouse receipt, any goods in storage from the warehouse in which they may be stored to any other of his warehouses located outside the warehouse complex identified on the first page of this agreement. Warehouseman will store the goods at, and may without notice move the goods within and between, any one or more of the warehouse buildings which comprise the warehouse complex identified on the first page of this agreement.

(c) If as a result of a quality or condition of the goods of which the warehouseman had no notice at the time of deposit the goods are a hazard to other property or to the warehouse or to persons, the warehouseman may sell the goods at public or private sale without advertisement on reasonable notification to all persons known to claim an interest in the goods and such action cannot occur within fifteen (15) days from the date of notice to Depositor. If the warehouseman after a reasonable effort is unable to sell the goods, he may dispose of them in any lawful manner and shall incur no liability by reason of such disposition. Pending such disposition, sale, or return of the goods, the warehouseman may remove the goods from the warehouse and shall incur no liability by reason of such removal.

HANDLING -- SEC. 6

(a) The handling charge covers the ordinary labor involved in receiving goods at warehouse door, placing goods in storage, and returning goods to warehouse door. Handling charges shall be invoiced monthly to depositor and are due and payable within 15 days of invoice date.

(b) Unless otherwise agreed, labor for unloading and loading goods will be subject to a charge at the rates set forth in Exhibit A. Additional expenses incurred by the warehouseman in receiving and handling damaged goods, and additional expense in unloading from or loading into cars or other vehicles not at warehouse door will be charged to the depositor at the rates set forth in Exhibit A.

(c) Labor and materials used in loading rail cars or other vehicles are chargeable to the depositor at the rates set forth in Exhibit A.

(d) When goods are ordered out in quantities less than in which received, the warehouseman may make an additional charge at the rates set forth in Exhibit A for each order or each item of an order.

(e) The warehouseman shall not be liable for demurrage or detention, delays in unloading inbound cars, trailers or other containers, or delays in obtaining and loading cars; trailers or other containers for outbound shipment unless warehouseman has failed to exercise reasonable care.

DELIVERY REQUIREMENTS -- SEC. 7

(a) No goods shall be delivered or transferred except upon receipt by the warehouseman of complete written instructions. Written instructions shall include, but are not limited to, FAX, EDI, Email, or similar communication. However, when no negotiable receipt is outstanding, goods may be delivered upon instruction by telephone in accordance with a prior written authorization, but the warehouseman shall not be responsible for loss or error occasioned thereby.

(b) When depositor requests goods from the warehouse, a reasonable time shall be given the warehouseman to carry out the applicable instructions, and if he is unable because of acts of God, war, public enemies, seizure under legal process, riots and civil commotion, or any reason beyond the warehouseman's control, or because of loss or destruction of goods for which warehouseman is not liable, or because of any other excuse provided by law, the warehouseman shall not be liable for failure to carry out such instructions.

EXTRA SERVICES (SPECIAL SERVICES) -- SEC. 8

(a) Warehouse labor required for services other than ordinary handling and storage will be charged to the depositor at the rates set forth on Exhibit A attached hereto.

(b) Special services requested by depositor, including but not limited to, compiling of special stock statements, reporting marked weights, serial numbers or other data from packages, physical check of goods, and handling transit billing will be subject to a charge at the rates set forth on Exhibit A attached hereto.

(c) Dunnage, bracing, packing materials or other special supplies, may be provided for the depositor at warehouseman's cost plus 15%.

(d) By prior arrangement, goods may be received or delivered during other than usual business hours, subject to a charge at the rates set forth on Exhibit A attached hereto.

(e) Communication expense including postage, teletype, telegram, or telephone will be charged to the depositor at cost if such concern more than normal inventory reporting or if, at the request of the depositor, communications are made by other than regular United States Mail.

BONDED STORAGE -- SEC. 9

(a) A charge in addition to regular rates will be made for merchandise in bond at the rates set forth on Exhibit A attached hereto.

(b) Where a warehouse receipt covers goods in U.S. Customs bond, such receipt shall be void upon the termination of the storage period fixed by law.

LIABILITY AND LIMITATION OF DAMAGES -- SEC. 10

(a) The warehouseman shall not be liable for any damage to goods stored however caused unless such damaged resulted for the failure by the warehouseman to exercise such care in regard to them as a reasonably careful man would exercise under like circumstances and warehouseman is not liable for damages which could not have been avoided by the exercise of such care.

(b) Goods are not insured by the warehouseman against loss or damage however caused.

(c) The depositor declares that damages are limited to the cost of the merchandise.

(d) Where damage occurs to stored goods, for which the warehouseman is not

liable, the depositor shall be responsible for the cost of removing and disposing of such goods and the cost of any environmental cleanup and site remediation resulting from the loss or injury of goods.

NOTICE OF CLAIM AND FILING OF SUIT -- SEC. 11

(a) Claims by the depositor and all other persons must be presented in writing to the warehouseman within a reasonable time, and in no event longer than 90 days after delivery or notification by the depositor that loss or injury to part or all of the goods has occurred, whichever time is shorter.

(b) No action may be maintained by the depositor or others against the warehouseman for loss or injury to the goods stored unless such action is commenced nine months after delivery or notification by the depositor that loss or injury to part or all of the goods has occurred, whichever time is shorter.

(c) When goods have not been delivered, notice may be given of known loss or injury to the goods by mailing of a registered or certified letter to the depositor of record or to the last known holder of a negotiable warehouse receipt. Time limitations for presentation of claim in writing and maintaining of action after notice begin on the date of mailing of such notice by warehouseman.

LIABILITY FOR CONSEQUENTIAL DAMAGES -- SEC. 12

Neither party shall be liable for any loss of profit or special, indirect, or consequential damages of any kind.

LIABILITY FOR MISSHIPMENT -- SEC. 13

If warehouseman negligently misships goods, the warehouseman shall pay the reasonable transportation charges incurred to return the misshipped goods to the warehouse. If the consignee fails to return the goods, warehouseman's maximum liability shall be for the lost or damaged goods as specified in Section 10 above, and warehouseman shall have no liability for damages due to the consignee's acceptance or use of the goods whether such goods be those of the depositor or another.

MYSTERIOUS DISAPPEARANCE -- SEC. 14

Warehouseman shall not be liable for loss of goods due to inventory shortage or unexplained or mysterious disappearance of goods unless depositor establishes such loss occurred because of warehouseman's failure to exercise the care required of warehouseman under Section 10 above and merchandise shortages are less than 0.625% of the cost of merchandise received by the Warehouseman. Warehouseman shall be liable for any merchandise shortage in excess of 0.625% of the cost of merchandise received, such shortage determined by periodic physical inventory(s).

RIGHT TO STORE GOODS -- SEC. 15

Depositor represents and warrants that depositor is lawfully possessed of the goods and has the right and authority to store them with warehouseman. Depositor agrees to indemnify and hold harmless the warehouseman from all loss, cost and expense (including reasonable attorneys' fees) which warehouseman pays or incurs as a result of any dispute or litigation, whether instituted by warehouseman or others, respecting depositor's right, title or interest in the goods. Such amounts shall be charges in relation to the goods and subject to warehouseman's lien.

ACCURATE INFORMATION -- SEE. 16

Depositor will provide warehouseman with information concerning the stored goods, which is accurate, complete and sufficient to allow warehouseman to comply with all laws and regulations concerning the storage, handling and transporting of the stored goods. Depositor will indemnify and hold warehouseman harmless from all loss, cost, penalty and expense (including reasonable attorneys' fees) which warehouseman pays or incurs as a result of depositor failing to fully discharge this obligation.

SEVERABILITY and WAIVER -- SEC. 17

(a) If any provision of this receipt, or any application thereof, should be construed or held to be void, invalid or unenforceable, by order, decree or judgment of a court of competent jurisdiction, the remaining provisions of this receipt shall not be affected thereby but shall remain in full force and effect.

(b) Warehouseman's failure to require strict compliance with any provision of the Warehouse Receipt shall not constitute a waiver or estoppel to later demand strict compliance with that or any other provision(s) of this Warehouse Receipt.

(c) The provisions of this Warehouse Receipt shall be binding upon the depositor's heirs, executors, successors and assigns; contain the sole agreement governing goods stored with the warehouseman; and, cannot be modified except by a writing signed by warehouseman.

COMPLIANCE WITH UNIFORM COMMERCIAL CODE -- SEC. 18

Unless otherwise expressly set forth herein, all of warehouseman's acts carried out in its performance of services hereunder and any liability hereunder shall be governed by the provisions of the Uniform Commercial Code, Mo. Rev. Stat. Section 400.7-101 et seq.

FIRST AMENDMENT TO CONTRACT

The following represents the first amendment to the contract dated February 1, 2002 between JS Logistics, Inc. ("JS") and Build-A-Bear Workshop, Inc. ("BABW") whereby JS provides warehousing and distribution services to BABW. The contract is hereby amended as follows:

1. The Contract termination date is extended to March 31, 2005 from March 31, 2004.

2. Either party may terminate the contract at any time after March 31, 2004 by providing five months notice.

3. In the event of termination of the contract and the transfer of BABW items from JS's warehouse(s), such bulk transfers will be charged to BABW at $25 per hour. This charge is in lieu of the carton contract rates for normal distributions to BABW stores. JS will also charge BABW for the contract rate for pallets used to move such items.

4. Effective May 25, 2003 and for the remainder of the contract, the recurring monthly storage fee will be $55,888 per month and all other inbound/outbound fees currently being assessed at $.475 per carton will be assessed at $.46 per carton. Carton is defined as a master pack carton when there are no inner pack cartons within the master carton and as inner pack cartons when such master carton contains inner pack cartons (which is the current billing practice).

5. BABW will have use of the entire warehouse located at 4550 Gustine Ave, including the main warehouse facility (approx 186,000 square feet) and the detached warehouse space (approximately 14,000 square feet) but will not have use of the open dock space between these two facilities. Should BABW and JS mutually decide that additional storage space is required for BABW in addition to the existing 200,000 square feet, such determination will take in to account operational needs, regulatory requirements and local building codes and such additional space's rental will be negotiated at such future time.

Build-A-Bear Workshop, Inc.
By: /s/ John F. Burtelow
It's: Chief Banker Bear
Date: 5/20/03

JS Logistics, Inc.
By: /s/ John Cody
It's: President
Date: 5/20/03

AGREEMENT FOR LOGISTICS SERVICES

This Agreement for Logistics Services ("Agreement") is dated as of February 24, 2002, by and among Build-A-Bear Workshop, Inc., a Delaware corporation ("Build-A-Bear"), located at 1954 Innerbelt Business Center Drive, St Louis, Missouri 63114 and HA Logistics, Inc. located at 7172 Regional Street, PMB #362, Dublin, California 94568.

RECITALS

WHEREAS, Build-A-Bear is requiring logistics services of the kind offered by HA Logistics; and

WHEREAS, Build-A-Bear desires HA Logistics to provide logistics services to Build-A-Bear; and

WHEREAS, HA Logistics will provide services under this agreement (hereinafter the business units will not be referred to separately, but rather will be called by the operating corporate name, HA Logistics); and

WHEREAS, the parties believe the distinctive logistics service needs of Build-A-Bear can best be satisfied through contractual agreement.

NOW THEREFORE, Build-A-Bear and HA Logistics, in consideration of the premises and mutual agreements hereafter set forth, agree as follows:

1. Scope. HA Logistics shall provide logistics services (the "Services") as described in Exhibit A.

2. Performance. The Services shall be performed in a professional and workmanlike manner, in accordance with the highest industry standards. HA Logistics and Build-A-Bear agree that HA Logistics' performance as it relates to the Services shall be measured according to the corresponding performance metrics set forth on Exhibit C attached hereto and incorporated herein by reference ("Metrics"). If HA Logistics fails to meet the Metrics for two consecutive months, Build-A-Bear shall have the right to terminate this Agreement on thirty days notice.

3. Meetings. Build-A-Bear and HA Logistics agree to schedule meetings, no more than once annually, for the purposes of discussing ongoing operations and future direction, and reviewing the Metrics. These meetings will be scheduled by Build-A-Bear and HA Logistics on a mutually agreed upon date and time in a mutually agreed upon location.

4. Independent Contractor Relationship. HA Logistics shall, for all purposes, be deemed an independent contractor and shall be fully independent in performing any authorized services and shall not act or hold itself out as an agent, servant, or employee of Build-A-Bear. It is expressly understood and agreed that all services provided under the terms of this Agreement shall be performed by the employees or independent contractors of HA Logistics and that no employee or independent contractor of HA Logistics shall be considered an employee of Build-A-Bear for any purpose whatsoever. HA Logistics will be responsible for its own expenses, wages, employee benefits, and all taxes, contributions and withholdings under all applicable federal,

state, or local laws or regulations, and insurance coverage (including workers' compensations) related thereto. HA Logistics also shall have the responsibility to comply with all civil rights and labor laws as may be applicable. HA Logistics shall be fully responsible for its own employees and its subcontractors (including hiring, discipline, and termination) while in the process of fulfilling its obligations and services under the terms of this Agreement. In addition, HA Logistics employees are not eligible for any benefit programs available to Build-A-Bear's employees or any of its affiliates, subsidiaries, divisions, or other related corporate entities. Except for the enforcement of personnel and property safety rules and regulations at Build-A-Bear's sites, Build-A-Bear shall not have the authority to control and/or direct the details of the performance of this Agreement by the employees or subcontractors of HA Logistics. HA Logistics agrees that if any person, government agency, or court should ever allege, claim or determine that Build-A-Bear is an employer or joint employer (for any purpose) of any person assigned by HA Logistics to perform services pursuant to this Agreement, HA Logistics will indemnify, defend and hold Build-A-Bear harmless from and against any and all Claims (as defined in Section 8 hereof) related thereto.

5. Rates, Fees, and Charges

(a) In consideration of the services to be performed by HA Logistics, Build-A-Bear shall pay HA Logistics the fees set forth in Exhibit B attached hereto.

(b) Build-A-Bear acknowledges that HA Logistics will subcontract the performance of some or all of the Services, and that the rates charged correlate to the rates currently charged by such subcontractors. Therefore, the aforementioned rates, fees, charges, and rules are subject to change due to corresponding changes imposed by the subcontractors, but no more frequently than once every 6 months. Any such changes in the rates attached as Exhibit B of this Agreement must be made in writing and authorized by a representative of both parties. Additional rates and charges can be negotiated between HA Logistics and Build-A-Bear and must be confirmed in writing.

6. Payments. HA Logistics and Build-A-Bear agree that Build-A-Bear shall be responsible for payment of all of HA Logistics' rates, fees, and charges under this Agreement as defined in Exhibit B. HA Logistics shall invoice Build-A-Bear on a monthly basis, and Build-A-Bear (or its agent) shall pay such invoices directly to HA Logistics within 15 days of the invoice date.

7. Claims for Non-Payment. Provided Build-A-Bear has met the payment obligations contained herein, HA Logistics shall indemnify Build-A-Bear and hold Build-A-Bear harmless from and against any Claims (as defined in Section 8) for non-payment or underpayment by a vendor used by HA Logistics for logistics services hereunder.

8. Indemnification.

(a) HA Logistics shall indemnify and hold harmless Build-A-Bear from and against all loss, damage, fines, expenses, actions and claims for injury to persons (including injury resulting in death) and damage to property ("Claims") arising out of or in connection with HA Logistics', its agents' or employees' discharge of its duties and responsibilities as specified in this Agreement (including, without limitation, third party Claims and Claims by HA Logistics

subcontractors in respect of non-payment of such subcontractor's fees) except to the extent such injury or damage is caused or contributed to by the negligence of Build-A-Bear, its agents or employees.

(b) Build-A-Bear shall indemnify and hold harmless HA Logistics from and against all Claims arising out of or in connection with Build-A-Bear's, its agents' or employees' discharge of its duties and responsibilities as specified in this Agreement, except to the extent such injury or damage is caused by or contributed to by the negligence of HA Logistics, its agents or employees.

(c) The provisions of this Section 8 shall survive termination of the Agreement.

9. Insurance. During the term of this Agreement, HA Logistics, at its sale expense, shall maintain liability insurance with an insurer insuring HA Logistics against liability and claims for injuries or death of persons and damage to property in combined single limits of not less than $1,000,000. HA Logistics shall also maintain at its sole cost and expense with a reputable insurer any additional insurance required by applicable laws, rules and regulations for the term of this Agreement. Upon request, HA Logistics shall furnish to Build-A-Bear a copy of such insurance policy and written certificates of insurance. HA Logistics agrees to only utilize carriers in connection with shipments that maintain cargo insurance coverage limits of at least $100,000 per shipment.

10. Term and Termination.

(a) The terms and conditions of this Agreement commence on the date of the Agreement. This Agreement shall continue for a period of 3 years from the date hereof. During the 3 years mentioned, the rates in Exhibit B will be negotiated annually on February 1. HA Logistics will provide to Build-A-Bear written notice sixty (60) days in advance of any annual rate increases. New store rates will be given in writing thirty (30) days prior to shipment.

(b) Either party may terminate this Agreement:

(i) immediately following written notice of a material default of its obligations hereunder provided that (1) the defaulting party receives notice of termination containing a complete description of the default and (2) the defaulting party fails to cure such default within thirty (30) days of written notice or ten (10) days of such notice if the default is nonpayment;

(ii) upon not less than 90 days written notice;

(iii) immediately upon the insolvency of the other party, any assignment of the other party for the benefit of its creditors, or the failure of the other party to vacate the appointment of a receiver or trustee for any part or interest of its business within 30 days from the date of such appointment;

(iv) as provided in Section 2.

Upon termination of this Agreement, HA Logistics shall promptly return to Build-A-Bear all copies of any data, records, or materials of whatever nature or kind, belonging to Build-A-Bear, including all materials incorporating the proprietary information of Build-A-Bear.

11. Notices. Notices given by one party to the other under this Agreement shall be in writing and shall be delivered personally, sent by facsimile, express delivery service, certified mail or first class U.S. mail postage prepaid and addressed to the respective parties as follows:

If to HA Logistics:	If to Build-A-Bear:
President	President
7172 Regional St PMB 362	1954 Innerbelt Business Ctr. Dr
Dublin Ca 94568	St Louis Mo 63114
(925) 828-0471	(314) 423-8000
(925) 828-9658 Fax	(314) 423-8188 Fax

or to such other address as either party shall designate by proper notice. Notices will be deemed given as of the earlier of a) the date of actual receipt, b) the next business day when notice is sent via express mail, personal delivery or facsimile or c) three (3) days after mailing in the case of first class or certified U.S. mail.

12. Nonexclusive Agreement.

(a) It is agreed and understood between the parties hereto, that HA Logistics is free to provide similar services to customers other than Build-A-Bear pursuant to any separate agreements.

(b) It is agreed and understood between the parties hereto that Build-A-Bear is free to procure similar services from vendors other than HA Logistics pursuant to any separate agreements.

13. Force Majeure. If any party to this Agreement is unable to meet its obligations under this Agreement as a result of flood, earthquake, storm, other acts of God including; fire, derailment, accident, strike, lockout, explosion, war, insurrection, riot, embargo, terrorist activity, act of government or governmental agency or other similar cause beyond the reasonable control ("Force Majeure") of the parties, such party will be excused from performing its obligations (except Build-A-Bear's obligations to pay indebtedness hereunder) for the duration of the Force Majeure.

14. Complete Agreement. This Agreement sets forth the entire understanding of the parties and supersedes all prior and contemporaneous verbal and written agreements between the parties relating to the subject matter contained herein and merges all prior and contemporaneous discussions between them. To the extent any terms and conditions contained on applicable bills of lading conflict with or contradicts this Agreement, the terms of this Agreement shall control, and such bills of lading shall serve solely as delivery receipt.

15. Successors and Assigns: Waiver. This Agreement shall apply to and bind the successors and assigns of the parties hereto; provided, however, neither this Agreement nor any right or obligation hereunder is assignable in whole or in part, whether by operation of law or otherwise, by HA Logistics or Build-A-Bear, without the prior written consent of the other party. The terms and conditions of this Agreement may not be waived or modified unless in writing signed by both parties. The failure at any time to require the other party's performance of any obligation under this Agreement shall not affect the right subsequently to require performance of that obligation.

16. Confidential Information. Each party shall protect the confidentiality of information provided by the other party, or to which the receiving party obtains access by virtue of its performance under this Agreement, that either has been identified as confidential by the disclosing party or by its nature warrants confidential treatment. The receiving party shall use such information only for the purposes of this Agreement and shall not disclose it to anyone except its employees who have a need to know the information. These nondisclosure obligations shall not apply to information that is or becomes public through no breach of this Agreement, is received from a third party free to disclose it, is independently developed by the receiving party or is required by law to be disclosed, provided that in the event disclosure is required by law, the receiving party shall provide the disclosing party with prompt written notice of the disclosure required, and shall assist the disclosing party, at the disclosing party's request, in obtaining a protective order in respect of such disclosure. Confidential information shall be returned to the disclosing party upon its request, except that each party may retain one copy in its legal files solely for purposes of documenting its compliance with its obligations hereunder. The parties agree and acknowledge that money damages would not be an adequate remedy for any breach or threatened breach of this Section 16, and that the non-breaching party shall, in addition to any other available remedies, be entitled to specific performance or injunctive relief in order to prevent the other party from violating the terms of this Section 16.

17. Intellectual Property. Neither party shall, by virtue of this Agreement, acquire any ownership licensed or any other rights in any pre-existing software, documentation, or intellectual or technological property of the other party.

18. Severability. If any of the terms or conditions in this Agreement are held invalid for any reason by a court or other tribunal of competent jurisdiction, then such terms or conditions shall be deemed severed from this Agreement and the remaining terms and conditions shall continue in full force and effect.

19. Captions. The captions are inserted merely for the convenience of the parties and shall not be deemed as part of this Agreement.

20. Arbitration, Damages and Attorneys Fees.

(a) Except as set forth in this Section 20, the parties agree that any disputes between Build-A-Bear and HA Logistics concerning the meaning of this Agreement or concerning their rights, obligations or performance hereunder, shall, at the request of any of them, be submitted to binding arbitration pursuant to the Commercial Arbitration Rules of the American Arbitration Association ("AAA"). Disputes shall be decided by an arbitrator chosen in accordance with the

AAA rules then in effect, such arbitrator to have knowledge and experience in the logistics industry.

(b) The sole right of the arbitrator shall be to enforce and interpret the terms of this Agreement and not to expand the rights or obligations of the parties. The arbitrator shall have the right to award actual, out of pocket damages only, and they shall not have the right to award special, consequential or punitive damages to either side, except as provided herein. In any action decided by arbitration, the prevailing side shall be entitled to recover reasonable attorney's fees and arbitration costs, including the fees and expenses of the arbitrator, from the losing side. The decision of the arbitrator shall be final and binding on the parties, and each party shall be entitled to seek enforcement of any such decision in any court of competent jurisdiction.

(c) Any dispute under this Agreement shall be decided with reference to Missouri law or the laws of the United States of America, whichever is applicable, and the forum for such arbitration shall be a mutually agreeable location in Missouri, unless the parties agree to hold it elsewhere.

(d) Nothing contained in this Section 20 shall prevent either party from seeking relief in court (including, without limitation, injunctive or equitable relief) with respect to breach of Section 16 in any court of competent jurisdiction, as the parties recognize that the breach of such Sections would result in irreparable harm to the non-breaching party, for which monetary damages would be inadequate. In the event of a breach of either Section 16, the parties shall be entitled to receive special, consequential damages to the extent awarded by a court or the arbitrator.

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

BUILD-A-BEAR	HA LOGISTICS, INC.
By: /s/ Maxine Clark	By: /s/ Alan Huttman
Title: President	Title: President
Date: 2/24/02	Date: 2/24/02

EXHIBIT A

Services

1. The following duties and responsibilities are assumed by HA Logistics in service to Build-A-Bear:

Service Description of Service
- Line Haul Movement of product from distribution center (St Louis, MO) to 3rd party warehouses. Delivery to Store Movement of product from 3rd party warehouse to store location. Normal delivery hours are 7:00 am to 5:00 pm. Handling Will be based on the in/out rate and includes the labor services related to the process of unloading product from carrier, placing the product in the warehouse and moving the product from the warehouse to carrier and loading trucks. Normal hours of warehouse operations are Monday through Friday - 7:00 am to 5:00 pm. Storage Storage Charges will be based on the total and Materials number of each item(s) multiplied by the rate. Materials/supplies used for the process of storing, receiving, and/or shipping will be billed at the rates set forth on Exhibit B. (Any other supplies used but not listed above will be charged as Misc. Materials and will be based on HA Logistics, Inc.'s Cost (+) 20%.) Bills of Lading For compiling and processing Bills of Lading the rates set forth on Exhibit B apply. (When additional labor is requested for compiling/processing and/or copying reports such as Bill of Lading, Receivers, Faxes, etc., labor rates will apply base on a 15-minute minimum.)

Regional contract

EXHIBIT C

Performance Metrics

A. On time delivery to the stores -

- Target - 98%

B. Damages/Claims -

-

- Target - .5%

C. Total Savings -

- Target 1st year - 14%

-

- 2nd and 3rd year - Savings metric resets on February 1 of the following year based on sales and economic conditions.

EXHIBIT D

Accessorial Charges

Warehouse supervisor labor rate	Included in regional delivery charges
Forklift labor rate	Included in regional delivery charges
Driver per man	Included in regional delivery charges
Emergencies/rush/hot/emergency deliveries	$95.00 Per hour 4 hour min.
Inside delivery charge	Included in regional delivery charges
Banding bales to the carts	Included in regional delivery charges
Loading and unloading time 2.5 hours free	$65.00 per hour per man there after.
Storage Charge	$10.00 per pallet I to 15th, $7.00 per pallet 16th to the end of current month.

Rates applicable only for the account of Build-A-Bear.

The charge for each stop-in-transit for partial loading or unloading exclusive of those at initial origin and final destination will be $65.00 all stops.

Fuel Surcharge Index

The base fuel price will be established between $1.35 and $1.40 per gallon. The weekly price issued each Monday by the Department of Energy (DOE) will be used to determine the fuel surcharge applicable for the next seven (7) days. Any adjustments in the fuel surcharge will become effective 12:01 a.m., Tuesday and remain in effect through 11:59 p.m. on the following Monday. The table below provides the applicable fuel surcharge amount in six cent per gallon increments.

DOE NATIONAL FUEL SURCHARGE POSTED PRICE/GALLON (AS A PERCENT OF LINE HAUL)

$1.351
$1.40 1%
$1.401
$1.45 2%
$1.451
$1.50 3%
$1.501
$1.55 4%

- For fuel prices in excess of $1.55 per gallon, add one % for each five cent per gallon increase in fuel price.

The current DOE index price can be viewed at www.eia.doe.gov or by calling (202) 586-6966

EXHIBIT 10.28

AMENDMENT AND RESTATEMENT OF SUBLEASE

This Amendment and Restatement of Sublease is made and entered into as of the 14th day of June, 2000, by and between NewSpace, Inc., a Missouri corporation ("Landlord"), and Build-A-Bear Workshop, Inc., a Delaware corporation, the successor to Build-A-Bear Workshop, L.L.C., a Missouri limited liability company ("Tenant").

WITNESSETH THAT:

WHEREAS, Landlord and Tenant entered into a Sublease dated as of February 15, 2000, a copy of which is attached hereto as Exhibit A (the "Sublease"); and

WHEREAS, Landlord and Tenant entered into a Sublease as of April 10, 2000, a copy of which is attached hereto as Exhibit B (the "Space 1990 Sublease"); and

WHEREAS, Landlord has entered into an Amended and Restated Industrial Lease with State of California Public Employees Retirement System (the "Prime Lessor") dated as of June 14, 2000, a copy of which is attached hereto as Exhibit C (the "New Prime Lease") for Landlord's interest in the Building; and

WHEREAS, Landlord and Tenant desire to Amend and Restate their Sublease.

NOW, THEREFORE, in consideration of the premises, the mutual covenants, promises and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant agree as follows:

1. Section 1 of the Sublease and Section 1 of the Space 1990 Sublease be and hereby are amended to acknowledge by Tenant that Landlord's interest in the Building is as a tenant under the New Prime Lease. Except as provided in the Sublease or the Space 1990 Sublease, the Sublease and the Space 1990 Sublease are expressly made subject to all of the terms and conditions of the New Prime Lease insofar as they relate to the Premises of the Sublease or the Space 1990 Sublease or the use and occupancy thereof, Tenant agrees to comply with all covenants and obligations of Landlord under the New Prime Lease.

2. Except as herein amended, Landlord and Tenant reaffirm and restate all of the terms and conditions of the Sublease and the Space 1990 Sublease and all of the terms and conditions therein shall remain unaltered and in full force and effect and are hereby ratified and confirmed.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amended and Restated Sublease as of the day and year first above written.

LANDLORD: NEWSPACE, INC.,
a Missouri corporation

By: /s/ Robert Fox

Its: CEO

TENANT: BUILD-A-BEAR WORKSHOP, INC.
a Delaware corporation

BY: /s/ Maxine Clark

Its: President

EXHIBIT A

SUBLEASE

THIS SUBLEASE ("Sublease") is made and entered into as of the 15th day of February, 2000, by and between NewSpace, Inc., a Missouri corporation ("Landlord"), and Build-A-Bear Workshop, L.L.C., a Missouri limited liability company ("Tenant").

WITNESSETH, THAT;

WHEREAS, Landlord is the tenant of the property known as 1954 Innerbelt Business Center Drive, located in St. Louis County, Missouri, as more particularly shown on Exhibit A attached hereto and incorporated herein by reference (the "Building"); and

WHEREAS, Landlord hag agreed to sublease the portion of the Building outlined in pink on Exhibit A attached hereto and incorporated herein by reference (the "Premises") to Tenant.

NOW, THEREFORE, in consideration of the premises, the mutual covenants, promises and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. Sublease. Landlord hereby subleases the Premises to Tenant and Tenant hereby subleases the Premises from Landlord for the term, at the rental, and upon all the conditions set forth herein. This agreement constitutes a sublease, and Tenant acknowledges that Landlord interest in the Building is as a tenant under a written lease with State of California Public Employees Retirement System (the "Prime Lessor"), dated July 26, 1986 and amended seven (7) times (the "Prime Lease"), a copy of which along with all amendments is attached hereto, marked Exhibit B and incorporated herein by reference. Except as provided herein, this Sublease is expressly made subject to all the terms and conditions of the Prime Lease, and, insofar as they relate to the Premises or the use and occupancy thereof, Tenant agrees to observe and comply with all covenants and obligations of Landlord under the Prime Lease.

2. Term. The term of this Sublease (the "Term") shall commence February 15, 2000, and expire on June 30, 2008.

3. Option to Renew. Subject to the terms and conditions set forth herein, Tenant shall have the option to renew this Sublease for an additional term of five (5) years commencing on the first day following the expiration of the Term. So long as Tenant is not in default of a material covenant under this Sublease, Tenant may renew this Sublease as provided hereinabove upon giving Landlord written notice of such renewal not less than nine (9) months prior to the expiration of the Term. Any renewal of this Sublease shall be on the, same terms and conditions of this Sublease except that the base rent payable during such renewal shall be determined pursuant to Exhibit D to the Amended and Restated Lease attached as an exhibit to the 6th Amendment to the Prime Lease.

4. Rental. Tenant shall pay to Landlord as base rent, commencing on June 14, 2000 (the "Rental Commencement Date"), without deduction, setoff, notice or demand, at c/o Robert Fox, NewSpace, Inc., 1960 Innerbelt Business Center Drive, St. Louis, Missouri 63114 or at such other place as Landlord shall designate from time to time by notice to Tenant, Thirteen Thousand Four Hundred Fifty-Seven Dollars ($13,457.00) per month (based on $10,765 per square foot per year) for each month during the first twelve (12) months of this Sublease (prorated for the first partial month); Thirteen Thousand six Hundred Fourteen ($13,614.00) per month (based on $10.89) per square foot per year) for each month from the thirteenth (13th) through the thirty-sixth (36th) months of the term of this Sublease; Thirteen Thousand Nine Hundred Twenty Dollars ($13,920.00) per month (based on $11.136 per square foot per year) from the thirty-seventh (37th) through the sixtieth (60th) months of the term of this Sublease; and Fourteen Thousand Seventy-Five Dollars ($14,075.00) per month (based on $11,26 per square foot per year) for each month from the sixty-first (61st) month of the term of this Sublease through the Termination Date. For the period commencing on the Rental Commencement Date and ending on the last day of the month in which the Rental Commencement Date occurs, rental shall be apportioned on the basis of the number of days in said month.

5. Additional Rent. As and for additional rent (the "Additional Rent") for the Premises, Tenant shall pay Landlord, commencing on the Rental commencement Date, CAM Expenses, increases, if any, in Property Taxes of the Property Taxes paid by the Landlord under the Prime Lease in 2000, the Base Year, and Insurance Costs incurred by the Landlord under the Prime Lease over Insurance Costs incurred in 2000 (collectively, "Operating Costs"). Tenant shall pay to Landlord as additional rent a prorata portion of the amounts payable by Landlord as Operating Costs under the Prime Lease. The prorata amount shall be determined by multiplying the total amount of Operating Costs that Landlord is required to

pay under the Prime Lease by a fraction, the numerator of which is 15,000 and the denominator of which is 40,749. Such additional rent shall be payable as and when Operating Costs are payable by Landlord. If the Prime Lease provides for the payment by Landlord of Operating Costs on the basis of an estimate thereof, then as and when adjustments between estimated and actual operating Costs are made under the Prime Lease, the obligations of Landlord and Tenant hereunder shall be adjusted in a like manner; and if any such adjustment shall occur after the expiration or earlier termination of the Term, then the obligations of Landlord and Tenant under this Subsection 5 shall survive such expiration or termination. Landlord shall, upon request by Tenant, furnish Tenant with copies of all statements submitted to Landlord of actual or estimated Operating Costs during the Term.

In addition to the foregoing, Tenant shall pay Landlord as additional rent the sum of Three Hundred Dollars ($300.00) on the Rental Commencement Date and on each anniversary of the Rental Commencement Date during the term of this Sublease in lieu of a security deposit. Additional Rent shall be due thirty (30) days following Tenant's receipt thereof.

6. Quiet Enjoyment. So long as Tenant shall observe and perform the covenants and agreements binding on it hereunder, Tenant shall, at all times during the Term, peacefully and quietly have and enjoy possession of the Premises without any encumbrance and hindrance by, from or through Landlord, or anyone else lawfully claiming an interest in the Premises, subject, however, to the terms and conditions of this Sublease.

7. Use of the Premises. Tenant warrants and represents to Landlord that the Premises shall be used and occupied only for office, warehouse and distribution purposes. Tenant shall occupy the Premises, conduct its business and control its employees, agents and invitees in such a manner as is lawful and reputable and without creating any nuisance. Tenant shall neither permit any waste on the Premises, nor allow anything to be stored in the Premises which would, in the reasonable opinion of Landlord, be extra hazardous on account of fire, or which would in any way increase or render void the fire insurance on the Premises.

8. Mechanic's Liens. Tenant shall have no authority, expressed or implied, to create or place any lien or encumbrance of any kind or nature whatsoever on, or in any manner to bind the interest of Landlord or Prime Lessor in the Premises or to charge the rentals payable hereunder for any claim in favor of any person dealing with the Tenant, including those who may furnish materials or perform labor for any of Tenant's construction or repairs, and each such claim shall affect and each such lien shall attach to, if at all, only the leasehold interest granted to the Tenant herein. Tenant covenants and agrees that it will pay or cause to be paid all sums legally due and payable by it on account of any labor performed or materials furnished in connection with any work performed on the Premises, and that it will save and hold the Landlord and Prime Lessor harmless from any and all liability, loss, damage, cost and expense arising out of asserted claims or liens against the leasehold estate or against the right, title and interest of Landlord and the Prime Lessor in the Building.

9. Estoppel Certificates. Upon delivery of the Premises to Tenant, and thereafter within ten (10) days following the written request of Landlord or the Prime Lessor, from time to time Tenant shall execute, acknowledge, and deliver to Landlord or to Prime Lessor or Prime Lessor's mortgagee, proposed mortgagee or proposed purchaser of the Building, an estoppel certificate stating whether this Sublease is in full force and effect and whether any changes may have been made to the original Sublease; whether there are any defaults by Landlord and, if so, the nature of such defaults; whether rent has been paid more than thirty (30) days in advance; whether there are any security deposits; and such other matters pertaining to the status of this Sublease as Landlord or the Prime Lessor may reasonably request.

10. Indemnification By Tenant. Tenant hereby releases Landlord and Prime Lessor from any liability for any loss or damage of any kind or for any injury or death of persons or damage to property of Tenant or any other person from any cause whatsoever by reason of the use, occupancy or enjoyment of the Premises by Tenant or any person therein holding under Tenant. Tenant shall indemnify, defend and save harmless Landlord and Prime Lessor, and each of their officers, directors, agents and employees, from all claims, actions, demands, damages, costs, expenses and liabilities whatsoever, including reasonable attorneys' fees, on account of any real or claimed loss, damage or liability occurring in or at the Premises, or arising out of the use, occupancy or enjoyment of the Premises, or occasioned in whole or in part by the act or omission of Tenant or its agents, contractors, employees, guests or invitees; provided, however, notwithstanding the foregoing, Tenant shall not be responsible for any of the foregoing to the extent directly attributable to the gross negligence or intentional misconduct of Landlord or Prime Lessor.

11. Insurance/Release

(a) Insurance Coverages and Amounts. Tenant shall, at all times during the term of this Lease and at Tenant's sole cost and expense, obtain and keep in force the insurance coverages and amounts set forth in this section. Tenant shall maintain commercial general liability insurance, including contractual liability, broad form property damage liability, fire legal liability, premises and completed operations, and medical payments, with limits not less than one million dollars ($1,000,000) per occurrence and aggregate, insuring against claims for bodily injury, personal injury and property damage arising from the use, occupancy or maintenance of the Premises and the Building. The policy shall contain an exception to any pollution exclusion which insures damage or injury arising out of heat, smoke or fumes from a hostile fire. Any general aggregate shall apply on a per location basis. Tenant shall maintain business auto liability insurance with limits not less than one million dollars ($1,000,000) per accident covering owned, hired and non-owned vehicles used by Tenant. Tenant shall maintain umbrella excess liability insurance on a following form basis in excess of the required commercial general liability, business auto and employers liability insurance with limits not less than two million dollars ($2,000,000) per occurrence and aggregate. Tenant shall carry workers' compensation insurance for all of its employees in statutory limits in the state in which the Property is located and employers liability insurance which affords not less than five hundred thousand dollars ($500,000) for each coverage. Tenant shall maintain all risk property insurance for all personal property of Tenant and improvements, fixtures and equipment constructed or installed by Tenant in the Premises in an amount not less than the full replacement cost, which shall include business income and extra expense coverage with limits not less than fifty percent (50%) of gross revenues for a period of twelve (12) months. If required by Landlord, Tenant shall maintain plate glass insurance coverage against breakage of plate glass in the Premises. Any deductibles selected by Tenant shall be the sole responsibility of Tenant.

(b) Insurance Requirements. All insurance and renewals thereof shall be issued by companies with a rating of at least "A-" "VIII" or better in the current edition of Best's Insurance Report and be licensed to do and doing business in the state in which the Property is located. Each policy shall expressly provide that the policy shall not be canceled or materially altered without thirty (30) days prior written notice to Landlord and shall remain in effect notwithstanding any such cancellation or alteration until such notice shall have been given to Landlord and such thirty (30) days shall have expired. All liability insurance (except employers liability) shall name Landlord and any other parties designated by Landlord (including any investment manager, asset manager or property manager) as an additional insured, shall be primary and noncontributing with any insurance which may be carried by Landlord, shall afford coverage for all claims based on any act, omission, event or condition that occurred or arose) or the onset of which occurred or arose) during the policy period, and shall expressly provide that Landlord, although named as an insured, shall nevertheless be entitled to recover under the policy for any loss, injury or damage to Landlord. All property insurance shall name Landlord as loss payee as respects Landlord's interest in any improvements and betterments. Tenant shall deliver certificates of insurance, acceptable to Landlord, to Landlord at least ten (10) days before the Commencement Date and at least ten (10) days before expiration of each policy. If Tenant fails to insure or fails to furnish any such insurance certificate, Landlord shall have the right from time to time to effect such insurance for the benefit of Tenant or Landlord or both of them, and Tenant shall pay to Landlord on written demand, as additional rent, all premiums paid by Landlord.

(c) Subrogation. Tenant waives, on behalf of all insurers, under all policies of property insurance now or hereafter carried by Tenant insuring or covering the Premises, or any portion or any contents thereof, or any operations therein, all rights of subrogation which any such insurer might otherwise, if at all, have to any claims of Tenant against Landlord. Landlord waives, on behalf of all insurers under all policies of property insurance now or hereafter carried by Landlord insuring or covering the Property, or any portion or any contents thereof, or any operations therein, all rights of subrogation which any insurer might otherwise, if at all, have to any claims of Landlord against Tenant. Tenant shall procure from each of the insurers under all policies of property insurance now or hereafter carried by Tenant insuring or covering the Premises, or any portion or any contents thereof, or any operations therein, a waiver of all rights of subrogation which the insurer might otherwise, if at all, have to any claims of Tenant against Landlord as required by this section 11.

12. Holding Over. Unless otherwise agreed to in writing by Landlord and Tenant, if Tenant retains possession of the Premises, or any part thereof, after termination or expiration of the Term, Tenant shall be deemed to be in default hereunder, Landlord shall have any and all remedies provided for in this Sublease and at law or in equity, and Tenant shall pay Landlord rent for the time Tenant remains in possession at double the monthly rate in effect immediately prior to such termination or expiration. The provisions of this

Section 14 do not exclude Landlord's right of re-entry or any other right hereunder and such holding over shall be deemed to constitute a renewal or extension of the Term.

13. Notices. All notices required or permitted to be given hereunder shall be in writing and shall be deemed to be given on the date which is three (3) days after being deposited in the United States Mail, registered or certified mail, return receipt requested, postage prepaid, or if personally delivered, upon actual receipt, addressed as follows:

If to Landlord: NewSpace, Inc.
1360 Innerbelt Business Center Drive
St. Louis, MO 63114

If to Tenant: Build-A-Bear Workshop, L.L.C.
1954 Innerbelt Business Center Drive
St. Louis, MO 63114

subject to the right of either party to designate a different address or notice person by notice similarly given in accordance with the provision of this paragraph 15.

14. Repairs and Maintenance. Tenant shall, at all times during the term of this Sublease and at Tenant's sole cost and expense, maintain and repair the Premises and every part thereof (except only the parts for which expressly made the responsibility of the Landlord under the Prime Lease) and all equipment, fixtures and improvements therein (including walls, floors, heating and air conditioning systems, dock boards, truck doors, dock bumpers, plumbing fixtures and equipment, electrical components and mechanical systems) and keep all of the foregoing clean and in good order and operating condition, ordinary wear and tear excepted. Tenant shall not damage the Premises or disturb the integrity and support provided by any wall. Tenant shall, at Tenant's expense, promptly repair any damage to the Premises caused by Tenant or any agent, officer, employee, contractor, licensee or invitee of Tenant. Tenant shall take good care of the Premises and keep the Premises free from dirt, rubbish, waste and debris at all times. Tenant shall not overload the floors in the Premises or exceed the load-bearing capacity of the floors in the Premises. Tenant shall, at Tenant's expense, enter into a regularly scheduled preventive maintenance and service contract with a maintenance contractor approved in writing by Landlord for servicing all hot water, heating and air conditioning systems and equipment in the Premises. The maintenance and service contract shall include all services suggested by the equipment manufacturer and shall become effective (and Tenant shall deliver a copy to Landlord) within thirty (30) days after the Commencement Date. Sublessee shall, at the end of the term of this Sublease, surrender to Landlord the Premises and all alterations, additions, fixtures and improvements therein or thereto in the same condition as when received, ordinary wear and tear excepted. Notwithstanding anything to the contrary contained in this section, Tenant's obligation under this section shall not include making (i) any repair or improvement necessitated by the negligence or willful misconduct of Landlord, its agents, employees, servants or contractors; or (ii) any repair or improvement caused by Landlord's failure to perform its obligations under the Prime Lease or this Sublease, as the case may be.

15. Utility Services. Tenant shall pay, directly to the appropriate supplier before delinquency, for all water, gas, heat, light, power, telephone, sewer, refuse disposal and other utilities and services supplied to the Premises, together with all taxes, assessments, surcharges and similar expenses relating to such utilities and service. Tenant shall, at its expense, install separate meters for such services. If any such utilities or services are jointly metered with the Premises and the adjoining premises occupied by Landlord, Landlord shall determine Tenant's share of the cost as such jointly metered utilities and services based on Landlord's estimate of usage, and Tenant shall pay as additional rent Tenant's share of the cost of such jointly metered utilities and services to Landlord within twenty (20) days after receipt of Landlord's written statement for such cost. Tenant shall furnish the Premises with all telephone service, window washing, security service, janitor, scavenger and disposal services, and other services required by Tenant for the use of the Premises permitted by this Sublease. Tenant shall furnish all electric light bulbs and tubes and restroom supplies used in the Premises. Landlord shall not be in default under this Sublease or be liable for any damage or loss directly or indirectly resulting from, nor shall the rent be abated or a constructive or other eviction be deemed to have occurred by reason of, any interruption of or failure to supply or delay in supplying any such utilities and services or any limitation, curtailment, rationing or restriction on use of water, electricity, gas or any resource or form of energy or other service serving the Premises, whether such results from mandatory restrictions or voluntary compliance with guidelines.

16. Eminent Domain. In the event title to the whole or a material part of the Premises shall be lawfully condemned or taken in any manner for any public or quasi-public use, this Sublease and estate hereby granted shall forthwith cease and terminate as of the

date of vesting of title. Tenant hereby assigns to Prime Lessor Tenant's interest in any award granted pursuant to this Section 17; provided, however, nothing herein shall be deemed to give Prime Lessor any interest in or to require Tenant to assign to Prime Lessor any award made to Tenant for the taking of personal property or fixtures belonging to Tenant or for the interruption of or damage to Tenant's business or for any funds awarded for Tenant's relocation.

17. Landlord's Remedies. All rights and remedies of Landlord herein enumerated shall be cumulative, and none shall exclude any other right or remedy allowed by law. In addition to the other remedies in this Sublease provided, Landlord shall be entitled to the restraint by injunction of the violation or attempted violation of any of the covenants, agreements or conditions of this Sublease or the Prime Lease, and Landlord shall be entitled to recover all direct and consequential damages arising out of or caused by Tenant's violation of any of the covenants, agreements or conditions of this Sublease or the Prime Lease.

(a) If Tenant shall (i) apply for or consent to the appointment of a receiver, trustee or liquidator of Tenant or of all or a substantial part of its assets, (ii) file a voluntary petition in bankruptcy, (iii) make a general assignment for the benefit of creditors, (iv) file a petition or an answer seeking reorganization or arrangement with creditors or to take advantage of any insolvency law, or (v) file an answer admitting the material allegations of a petition filed against Tenant in any bankruptcy, reorganization or insolvency proceeding, or if an order, judgment or decree shall be entered by any court of competent jurisdiction adjudicating Tenant a bankrupt or insolvent or approving a petition seeking reorganization of Tenant or appointing a receiver, trustee or liquidator of Tenant or of all or a substantial part of its assets, then, in any of such events, Landlord may terminate this Sublease by giving written notice to Tenant, and upon the giving of such notice the term of this Sublease and all right, title and interest of Tenant hereunder shall expire as fully and completely as if that day were the date herein specifically fixed for the expiration of the term.

(b) If Tenant defaults in the payment of rent or Additional Rent and such default continues for ten (10) days after written notice to Tenant, or if Tenant defaults in the prompt and full performance of any other provision of this Sublease, and if such other default continues for thirty (30) days after written notice, or if the leasehold interest of Tenant be levied upon under execution or be attached by process of law, then, and in any such event, Landlord may, at its election, either terminate this Sublease and Tenant's right to possession of the Premises, or, without terminating this Sublease, re-enter and endeavor to relet the Premises. Nothing herein shall relieve Tenant of any obligation, including the payment of rent and Additional Rent, as provided in this Sublease.

(c) Upon any termination of this Sublease, Tenant shall surrender possession and vacate the Premises immediately, and deliver possession thereof to Landlord, and Tenant hereby grants to Landlord full and free license to enter into and upon the Premises in such event and to repossess the Premises, and to expel or remove Tenant and any others who may be occupying or within the Premises, and to remove any and all property therefrom, using such force as may be allowed by law, without being deemed in any manner guilty of trespass, eviction or forcible entry or detainer, and without relinquishing Landlord's right to rent and Additional Rent, or any other right given to Landlord hereunder or by operation of law.

(d) If Landlord elects, without terminating the Sublease, to endeavor to relet the Premises, Landlord may, at Landlord's option, enter into the Premises and take and hold possession thereof, without such entry and possession terminating the Sublease or releasing Tenant, in whole or in part, from Tenant's obligation to pay rent and Additional Rent hereunder for the full Term as hereinafter provided. Upon and after entry into possession without termination of the Sublease, Landlord shall endeavor in good faith (but without being obligated to incur out of pocket costs as part of such endeavor) to relet the Premises for the account of Tenant to any person, firm or corporation other than Tenant for such rent, for such time and upon such terms as Landlord shall determine to be reasonable. In any such case, Landlord may make repairs in or to the Premises as are necessary to restore the Premises to as good a condition as existed at the commencement date of this Sublease, and Tenant shall, upon demand, pay the cost thereof, together with Landlord's expenses of the reletting. If the consideration collected by Landlord upon any such reletting for Tenant's account is not sufficient to pay monthly the full amount of the rent and Additional Rent reserved in this Sublease, together with the cost of repairs and Landlord's expenses, Tenant shall pay to Landlord the amount of each monthly deficiency upon demand.

(e) If Landlord elects to terminate this Sublease pursuant to this Section 19, it being understood that Landlord may elect to terminate the Sublease after and notwithstanding its election to terminate Tenant's right to possession provided in Section 19(b) above. Landlord shall forthwith upon such termination be entitled to recover an amount equal to the

damages sustained by Landlord as a result of Tenant's default hereunder, and in addition thereto, an amount equal to the rent provided in this Sublease for the residue of the Term, less the current rental value of the Premises for the residue of the Term.

(f) Any and all property which may be removed from the Premises by Landlord pursuant to the authority of this Sublease or of law, to which Tenant is or may be entitled, may be handled, removed or stored by Landlord at the risk, cost and expense of Tenant, and Landlord shall in no event be responsible for the value, preservation or safekeeping thereof, Tenant shall pay to Landlord, upon demand, any and all expenses incurred in such removal and all storage charges against such property so long as the same shall be in Landlord's possession or under Landlord's control. Any such property of Tenant not removed from the Premises or retaken from storage by Tenant within thirty (30) days after the end of the Term or of Tenant's right to possession of the Premises, however terminated, shall be conclusively deemed to have been forever abandoned by Tenant and either may be retained by Landlord as its property, or may be disposed of in such manner as Landlord may see fit.

18. Subordination of Sublease. This Sublease is and shall be subject and subordinate to any and all mortgages, deeds of trust or land leases now existing upon or that may be hereafter placed upon the Premises, and to all advances made or to be made thereon, and all renewals, modifications, consolidations, replacements or extensions thereof, and the lien of any such mortgages, deeds of trust and land leases shall be superior to all rights hereby or hereunder vested in Tenant, to the full extent of all sums secured thereby. This provision shall be self-operative, and no further instrument of subordination shall be necessary to effectuate such subordination; and the recording of any such mortgage, deed of trust or land lease shall have preference and precedence and be superior and prior in lien to this Sublease, irrespective of the date of recording. In confirmation of such subordination, Tenant shall within ten (10) days after request of Landlord, Prime Lessor, or the holder of any such mortgage, deed of trust, or land lease, execute and deliver to Landlord, Prime Lessor or such holder, as the case may be, any instrument acknowledging such subordination that Landlord, Prime Lessor or such holder may reasonably request. Tenant agrees to attorn to any person or entity who may acquire title to the Building by way of transfer or foreclosure provided that such transferee or purchaser agrees to recognize Tenant's rights under this Sublease so long as Tenant is not in default in any of its obligations hereunder. Tenant shall also, within twenty (20) days after Landlord's or Prime Lessor's request, execute an attornment agreement evidencing the obligations of Tenant herein to attorn to such mortgagee in the event of a future succession of the rights of Landlord herein to any mortgagee, deed of trust holder or land lessor of the Premises. In the event of any act or omission of Landlord constituting a default by Landlord, Tenant shall not exercise any remedy until Tenant has given Landlord, Prime Lessor and any mortgagee, deed of trust holder or land lessor of the Building a prior thirty (30) day written notice of such act or omission; provided, however, if such act or omission cannot, with due diligence and in good faith, be remedied within such thirty (30) day period, Landlord, Prime Lessor and any mortgagee, deed of trust holder or land lessor shall be allowed such further period of time as may be reasonably necessary provided that it commences remedying the same with due diligence and in good faith within said thirty (30) day period.

19. Prevailing Party. In the event of litigation between Landlord and Tenant in connection with this Sublease, in addition to any other relief therein granted, the prevailing party shall be entitled to judgment for reasonable attorneys' fees, costs of litigation, and court costs incurred therein.

20. Governing Law. This sublease has been made and executed in the County of St. Louis, State of Missouri, and shall be governed and construed in accordance with the laws of the State of Missouri without regard to its conflict of laws provisions.

21. Act of God or Force Majeure. Landlord or Tenant shall not be required to perform any covenant or obligation in this Sublease or be liable in damages for its nonperformance, so long as the performance or non-performance of the covenant or obligation is delayed, caused or prevented by an act of God or force majeure or by the other party. An "act of God" or "force majeure" is defined for purposes of this Sublease as strikes, lockouts, sitdowns, material or labor restrictions by any governmental authority, unusual transportation delays, riots, floods, washouts, explosions, earthquakes, fire, storms, weather (including wet grounds or inclement weather which prevents construction), acts of the public enemy, wars, insurrections and any other cause not reasonably within the control of the party required to perform and which by the exercise of due diligence the party required to perform is unable to prevent or overcome. The foregoing provisions of this Section 23 shall not apply, however, to Tenant's obligation to timely pay rent, Additional Rent or any other monies payable by Tenant under this Sublease.

22. Severability. The invalidity of any provision of this Sublease as determined by a court of competent jurisdiction shall in no way affect the validity of any other provision hereof.

23. Assignment and Sublease. Tenant shall not voluntarily or by operation of law assign or encumber any interest in this Sublease, or sublet any part of the Premises, without obtaining the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed.

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

LANDLORD: NEWSPACE, INC.,
a Missouri corporation

By: /s/ [ILLEGIBLE]

Its: CEO

TENANT: BUILD-A-BEAR WORKSHOP, L.L.C.,
a Missouri limited liability company

By: Maxine Clark

Its: Manager

EXHIBIT B

SUBLEASE

(SPACE 1990)

THIS SUBLEASE ("Sublease") is made and entered into as of the 4/10 day of April, 2000, by and between NewSpace, Inc., a Missouri corporation ("Landlord"), and Build-A-Bear Workshop, Inc., a Delaware corporation ("Tenant").

WITNESSETH, THAT;

WHEREAS, Landlord is the tenant of the property known as 1990 Innerbelt Business Center Drive, located in St. Louis County, Missouri (the "Premises"); and

WHEREAS, Landlord has agreed to sublease the Premises to Tenant.

NOW, THEREFORE, in consideration of the premises, the mutual covenants, promises and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. Sublease. Landlord hereby subleases the Premises to Tenant and Tenant hereby subleases the Premises from Landlord for the term, at the rental, and upon all the conditions set forth herein. This agreement constitutes a sublease, and Tenant acknowledges that Landlord's interest in the Building is as a tenant under a written lease with state of California Public Employees Retirement System (the "Prime Lessor"), dated July 26, 1986 and amended eight (8) times (the "Prime Lease"), a copy of which along with all amendments is attached hereto, marked Exhibit B and incorporated herein by reference. Except as provided herein, this Sublease is expressly made subject to all the terms and conditions of the Prime Lease, and, insofar as they relate to the Premises or the use and occupancy thereof, Tenant agrees to observe and comply with all covenants and obligations of Landlord under the Prime Lease.

2. Term. The term of this Sublease (the "Term") shall commence April 10, 2000, and expire on June 30, 2003 unless extended as hereinafter provided.

3. Option to Renew. Subject to the terms and conditions set forth herein, Tenant shall have the option to renew this Sublease for two additional terms of five (5) years each commencing on the first day following the expiration of the immediately preceding Term. So long as Tenant is not in default of a material covenant under this Sublease, Tenant may renew this Sublease as provided hereinabove upon giving Landlord written notice of such renewal not less than nine (9) months prior to the expiration of the initial Term or the renewal term, as appropriate. Any renewal of this Sublease shall be on the same terms and conditions of this Sublease except that the base rent payable during such renewal shall be the Fair Market Rental Rate determined in accordance with Paragraph 16(d) of the Amended and Restated Lease attached as Exhibit 4 to the 6th Amendment to the Prime Lease with respect to the Premises.

4. Rental. Tenant shall pay to Landlord as base rent, commencing on June 14, 2000 (the "Rental Commencement Date"), without deduction, setoff, notice or demand, at c/o Robert Fox, NewSpace, Inc., 1960 Innerbelt Business Center Drive, St. Louis, Missouri 63114 or at such other place as Landlord shall designate from time to time by notice to Tenant, Two Thousand Six Hundred Seventy-Nine and 63/100 Dollars ($2,679.63) per month for each month during Term of this Sublease. For the period commencing on the Rental Commencement Date and ending on the last day of the month in which the Rental Commencement Date occurs, rental shall be apportioned on the basis of the number of days in said month.

5. Additional Rent. As and for additional rent (the "Additional Rent") for the Premises, Tenant shall pay Landlord, commencing on the Rental Commencement Date, CAM Expenses, increases, if any, in Property Taxes of the Property Taxes paid by the Landlord under the Prime Lease in 2000, the Base Year, and Insurance Costs incurred by the Landlord under the Prime Lease over Insurance Costs incurred in 2000 (collectively, "Operating Costs"). The Tenant's prorata amount of Operating Costs shall be determined by multiplying the total amount of Operating Coats that Landlord is required to pay under the Prime Lease by a fraction, the numerator of which is 4,946 and the denominator of which is 45,696. Such additional rent shall be payable as and when Operating Costs are payable by Landlord under the Prime Lease. If the Prime Lease provides for the payment by Landlord of operating Costs on the basis of an estimate thereof, then as and when adjustments between estimated and actual Operating Costs are made under the Prime Lease, the obligations of Landlord and Tenant hereunder shall be adjusted in a like manner; and if any such adjustment shall occur after the expiration or earlier termination of the Term, then the obligations of Landlord and Tenant under this Subsection 5 shall survive such expiration or termination. Landlord shall,

upon request by Tenant, furnish Tenant with copies of all statements submitted to Landlord of actual or estimated Operating Costs during the Term.

6. Quiet Enjoyment. So long as Tenant shall observe and perform the covenants and agreements binding on it hereunder, Tenant shall, at all times during the Term, peacefully and quietly have and enjoy possession of the Premises without any encumbrance and hindrance by, from or through Landlord, or anyone else lawfully claiming an interest in the Premises, subject, however, to the terms and conditions of this Sublease.

7. Use of the Premises. Tenant warrants and represents to Landlord that the Premises shall be used and occupied for the repository of goods to be sold on the Internet (but not for retail sales to the public from the Premises). Tenant shall occupy the Premises, conduct its business and control its employees, agents and invitees in such a manner as is lawful and reputable and without creating any nuisance. Tenant shall neither permit any waste on the Premises, nor allow anything to be stored in the Premises which would, in the reasonable opinion of Landlord, be extra hazardous on account of fire, or which would in any way increase or render void the fire insurance on the Premises.

8. As-Is Condition. Tenant acknowledges that it has inspected the Premises or has had the Premises inspected by professional consultants retained by Tenant. Tenant is familiar with the condition of the Premises, and the Premises is acceptable to Tenant and Tenant accepts the Premises "AS IS". Tenant agrees to remove all alterations, additions, fixtures and improvements made by it to the Premises upon the expiration or earlier termination of this Sublease and restore the Premises to the condition in which the Premises existed before such alterations, additions, fixtures and improvements were made by Tenant to the Premises.

9. Mechanic's Liens. Tenant shall have no authority, expressed or implied, to create or place any lien or encumbrance of any kind or nature whatsoever on, or in any manner to bind the interest of Landlord or Prime Lessor in the Premises or to charge the rentals payable hereunder for any claim in favor of any person dealing with the Tenant, including those who may furnish materials or perform labor for any of Tenant's construction or repairs, and each such claim shall affect and each such lien shall attach to, if at all, only the leasehold interest granted to the Tenant herein. Tenant covenants and agrees that it will pay or cause to be paid all sums legally due and payable by it on account of any labor performed or materials furnished in connection with any work performed on the Premises, and that it will save and hold the Landlord and Prime Lessor harmless from any and all liability, loss, damage, cost and expense arising out of asserted claims or liens against the leasehold estate or against the right, title and interest of Landlord and the Prime Lessor in the Building.

10. Estoppel Certificates. Upon delivery of the Premises to Tenant, and thereafter within ten (10) days following the written request of Landlord or the Prime Lessor, from time to time Tenant shall execute, acknowledge, and deliver to Landlord or to Prime Lessor or Prime Lessor's mortgagee, proposed mortgagee or proposed purchaser of the Building, an estoppel certificate stating whether this Sublease is in full force and effect and whether any changes may have been made to the original Sublease; whether there are any defaults by Landlord and, if so, the nature of such defaults; whether rent has been paid more than thirty (30) days in advance; whether there are any security deposits; and such other matters pertaining to the status of this Sublease as Landlord or the Prime Lessor may reasonably request.

11. Indemnification By Tenant. Tenant hereby releases Landlord and Prime Lessor from any liability for any loss or damage of any kind or for any injury or death of persons or damage to property of Tenant or any other person from any cause whatsoever by reason of the use, occupancy or enjoyment of the Premises by Tenant or any person therein holding under Tenant. Tenant shall indemnify, defend and save harmless Landlord and Prime Lessor, and each of their officers, directors, agents and employees, from all claims, actions, demands, damages, costs, expenses and liabilities whatsoever, including reasonable attorneys' fees, on account of any real or claimed loss, damage or liability occurring in or at the Premises, or arising out of the use, occupancy or enjoyment of the Premises, or occasioned in whole or in part by the act or omission of Tenant or its agents, contractors, employees, guests or invitees; provided, however, notwithstanding the foregoing, Tenant shall not be responsible for any of the foregoing to the extent directly attributable to the gross negligence or intentional misconduct of Landlord or Prime Lessor.

12. Insurance/Release

(a) Insurance Coverages and Amounts. Tenant shall, at all times during the term of this Lease and at Tenant's sole cost and expense, obtain and keep in force the insurance

coverages and amounts set forth in this section. Tenant shall maintain commercial general liability insurance, including contractual liability, broad form property damage liability, fire legal liability, premises and completed operations, and medical payments, with limits not less than one million dollars ($1,000,000) per occurrence and aggregate, insuring against claims for bodily injury, personal injury and property damage arising from the use, occupancy or maintenance of the Premises and the Building. The policy shall contain an exception to any pollution exclusion which insures damage or injury arising out of heat, smoke or fumes from a hostile fire. Any general aggregate shall apply on a per location basis. Tenant shall maintain business auto liability insurance with limits not less than one million dollars ($1,000,000) per accident covering owned, hired and non-owned vehicles used by Tenant. Tenant shall maintain umbrella excess liability insurance on a following form basis in excess of the required commercial general liability, business auto and employers liability insurance with limits not less than two million dollars ($2,000,000) per occurrence and aggregate. Tenant shall carry workers' compensation insurance for all of its employees in statutory limits in the state in which the Property is located and employers liability insurance which affords not less than five hundred thousand dollars ($500,000) for each coverage. Tenant shall maintain all risk property insurance for all personal property of Tenant and improvements, fixtures and equipment constructed or installed by Tenant in the Premises in an amount not less than the full replacement cost, which shall include business income and extra expense coverage with limits not less than fifty percent (50%) of gross revenues for a period of twelve (12) months. If required by Landlord, Tenant shall maintain plate glass insurance coverage against breakage of plate glass in the Premises. Any deductibles selected by Tenant shall be the sole responsibility of Tenant.

(b) Insurance Requirements. All insurance and renewals thereof shall be issued by companies with a rating of at least "A-" "VIII" or better in the current edition of Best's Insurance Report and be licensed to do and doing business in the state in which the Property is located. Each policy shall expressly provide that the policy shall not be canceled or materially altered without thirty (30) days prior written notice to Landlord and shall remain in effect notwithstanding any such cancellation or alteration until such notice shall have been given to Landlord and such thirty (30) days shall have expired. All liability insurance (except employers liability) shall name Landlord and any other parties designated by Landlord (including any investment manager, asset manager or property manager) as an additional insured, shall be primary and noncontributing with any insurance which may be carried by Landlord, shall afford coverage for all claims based on any act, omission, event or condition that occurred or arose)or the onset of which occurred or arose) during the policy period, and shall expressly provide that Landlord, although named as an insured, shall nevertheless be entitled to recover under the policy for any loss, injury or damage to Landlord. All property insurance shall name Landlord as loss payee as respects Landlord's interest in any improvements and betterments. Tenant shall deliver certificates of insurance, acceptable to Landlord, to Landlord at least ten (10) days before the Commencement Date and at least ten (10) days before expiration of each policy. If Tenant fails to insure or fails to furnish any such insurance certificate, Landlord shall have the right from time to time to effect such insurance for the benefit of Tenant or Landlord or both of them, and Tenant shall pay to Landlord on written demand, as additional rent, all premiums paid by Landlord.

(c) Subrogation. Tenant waives, on behalf of all insurers, under all policies of property insurance now or hereafter carried by Tenant insuring or covering the Premises, or any portion or any contents thereof, or any operations therein, all rights of subrogation which any such insurer might otherwise, if at all, have to any claims of Tenant against Landlord. Landlord waives, on behalf of all insurers under all policies of property insurance now or hereafter carried by Landlord insuring or covering the Property, or any portion or any contents thereof, or any operations therein, all rights of subrogation which any insurer might otherwise, if at all, have to any claims of Landlord against Tenant. Tenant shall procure from each of the insurers under all policies of property insurance now or hereafter carried by Tenant insuring or covering the Premises, or any portion or any contents thereof, or any operations therein, a waiver of all rights of subrogation which the insurer might otherwise, if at all, have to any claims of Tenant against Landlord as required by this section 11.

13. Holding Over. Unless otherwise agreed to in writing by Landlord and Tenant, if Tenant retains possession of the Premises, or any part thereof, after termination or expiration of the Term, Tenant shall be deemed to be in default hereunder, Landlord shall have any and all remedies provided for in this Sublease and at law or in equity, and Tenant shall pay Landlord rent for the time Tenant remains in possession at double the monthly rate in effect immediately prior to such termination or expiration. The provisions of this Section 14 do not exclude Landlord's right of re-entry or any other right hereunder and such holding over shall be deemed to constitute a renewal or extension of the Term.

14. Notices. All notices required or permitted to be given hereunder shall be in writing and shall be deemed to be given on the date which is three (3) days after being deposited in the United States Mail, registered or certified mail, return receipt requested, postage prepaid, or if personally delivered, upon actual receipt, addressed as follows:

If to Landlord: NewSpace, Inc.
1960 Innerbelt Business Center Drive
St. Louis, MO 63114

If to Tenant: Build-A-Bear Workshop, L.L.C.
1954 Innerbelt Business Center Drive
St. Louis, MO 63114

subject to the right of either party to designate a different address or notice person by notice similarly given in accordance with the provision of this paragraph 15.

15. Repairs and Maintenance. Tenant shall, at all times during the term of this Sublease and at Tenant's sole cost and expense, maintain and repair the Premises and every part thereof (except only the parts for which expressly made the responsibility of the Landlord under the Prime Lease) and all equipment, fixtures and improvements therein (including walls, floors, heating and air conditioning systems, dock boards, truck doors, dock bumpers, plumbing fixtures and equipment, electrical components and mechanical systems) and keep all of the foregoing clean and in good order and operating condition, ordinary wear and tear excepted. Tenant shall not damage the Premises or disturb the integrity and support provided by any wall. Tenant shall, at Tenant's expense, promptly repair any damage to the Premises caused by Tenant or any agent, officer, employee, contractor, licensee or invitee of Tenant. Tenant shall take good care of the Premises and keep the Premises free from dirt, rubbish, waste and debris at all times. Tenant shall not overload the floors in the Premises or exceed the load-bearing capacity of the floors in the Premises. Tenant shall, at Tenant's expense, enter into a regularly scheduled preventive maintenance and service contract with a maintenance contractor approved in writing by Landlord for servicing all hot water, heating and air conditioning systems and equipment in the Premises. The maintenance and service contract shall include all services suggested by the equipment manufacturer and shall become effective (and Tenant shall deliver a copy to Landlord) within thirty (30) days after the Commencement Date. Sublessee shall, at the end of the term of this Sublease, surrender to Landlord the Premises and all alterations, additions, fixtures and improvements therein or thereto in the same condition as when received, ordinary wear and tear excepted. Notwithstanding anything to the contrary contained in this section, Tenant's obligation under this section shall not include making (i) any repair or improvement necessitated by the negligence or willful misconduct of Landlord, its agents, employees, servants or contractors; or (ii) any repair or improvement caused by Landlord's failure to perform its obligations under the Prime Lease or this Sublease, as the case may be.

16. Utility Services. Tenant shall pay, directly to the appropriate supplier before delinquency, for all water, gas, heat, light, power, telephone, sewer, refuse disposal and other utilities and services supplied to the Premises, together with all taxes, assessments, surcharges and similar expenses relating to such utilities and service. Tenant shall, at its expense, install separate meters for such services. If any such utilities or services are jointly metered with the Premises and the adjoining premises occupied by Landlord, Landlord shall determine Tenant's share of the cost as such jointly metered utilities and services based on Landlord's estimate of usage, and Tenant shall pay as additional rent Tenant's share of the cost of such jointly metered utilities and services to Landlord within twenty (20) days after receipt of Landlord's written statement for such cost. Tenant shall furnish the Premises with all telephone service, window washing, security service, janitor, scavenger and disposal services, and other services required by Tenant for the use of the Premises permitted by this Sublease. Tenant shall furnish all electric light bulbs and tubes and restroom supplies used in the Premises. Landlord shall not be in default under this Sublease or be liable for any damage or loss directly or indirectly resulting from, nor shall the rent be abated or a constructive or other eviction be deemed to have occurred by reason of, any interruption of or failure to supply or delay in supplying any such utilities and services or any limitation, curtailment, rationing or restriction on use of water, electricity, gas or any resource or form of energy or other service serving the Premises, whether such results from mandatory restrictions or voluntary compliance with guidelines.

17. Eminent Domain. In the event title to the whole or a material part of the Premises shall be lawfully condemned or taken in any manner for any public or quasi-public use, this Sublease and estate hereby granted shall forthwith cease and terminate as of the date of vesting of title. Tenant hereby assigns to Prime Lessor Tenant's interest in any award granted pursuant to this Section 17; provided, however, nothing herein shall be deemed to give Prime Lessor any interest in or to require Tenant to assign to Prime Lessor any award

made to Tenant for the taking of personal property or fixtures belonging to Tenant or for the interruption of or damage to Tenant's business or for any funds awarded for Tenant's relocation.

18. Landlord's Remedies. All rights and remedies of Landlord herein enumerated shall be cumulative, and none shall exclude any other right or remedy allowed by law. In addition to the other remedies in this Sublease provided, Landlord shall be entitled to the restraint by injunction of the violation or attempted violation of any of the covenants, agreements or conditions of this Sublease or the Prime Lease, and Landlord shall be entitled to recover all direct and consequential damages arising out of or caused by Tenant's violation of any of the covenants, agreements or conditions of this Sublease or the Prime Lease.

(a) If Tenant shall (i) apply for or consent to the appointment of a receiver, trustee or liquidator of Tenant or of all or a substantial part of its assets, (ii) file a voluntary petition in bankruptcy, (iii) make a general assignment for the benefit of creditors, (iv) file a petition or an answer seeking reorganization or arrangement with creditors or to take advantage of any insolvency law, or (v) file an answer admitting the material allegations of a petition filed against Tenant in any bankruptcy, reorganization or insolvency proceeding, or if an order, judgment or decree shall be entered by any court of competent jurisdiction adjudicating Tenant a bankrupt or insolvent or approving a petition seeking reorganization of Tenant or appointing a receiver, trustee or liquidator of Tenant or of all or a substantial part of its assets, then, in any of such events, Landlord may terminate this Sublease by giving written notice to Tenant, and upon the giving of such notice the term of this Sublease and all right, title and interest of Tenant hereunder shall expire as fully and completely as if that day were the date herein specifically fixed for the expiration of the term.

(b) If Tenant defaults in the payment of rent or Additional Rent and such default continues for ten (10) days after written notice to Tenant, or if Tenant defaults in the prompt and full performance of any other provision of this Sublease, and if such other default continues for thirty (30) days after written notice, or if the leasehold interest of Tenant be levied upon under execution or be attached by process of law, then, and in any such event, Landlord may, at its election, either terminate this Sublease and Tenant's right to possession of the Premises, or, without terminating this Sublease, re-enter and endeavor to relet the Premises. Nothing herein shall relieve Tenant of any obligation, including the payment of rent and Additional Rent, as provided in this Sublease.

(c) Upon any termination of this Sublease, Tenant shall surrender possession and vacate the Premises immediately, and deliver possession thereof to Landlord, and Tenant hereby grants to Landlord full and free license to enter into and upon the Premises in such event and to repossess the Premises, and to expel or remove Tenant and any others who may be occupying or within the Premises, and to remove any and all property therefrom, using such force as may be allowed by law, without being deemed in any manner guilty of trespass, eviction or forcible entry or detainer, and without relinquishing Landlord's right to rent and Additional Rent, or any other right given to Landlord hereunder or by operation of law.

(d) If Landlord elects, without terminating the Sublease, to endeavor to relet the Premises, Landlord may, at Landlord's option, enter into the Premises and take and hold possession thereof, without such entry and possession terminating the Sublease or releasing Tenant, in whole or in part, from Tenant's obligation to pay rent and Additional Rent hereunder for the full Term as hereinafter provided. Upon and after entry into possession without termination of the Sublease, Landlord shall endeavor in good faith (but without being obligated to incur out of pocket costs as part of such endeavor) to relet the Premises for the account of Tenant to any person, firm or corporation other than Tenant for such rent, for such time and upon such terms as Landlord shall determine to be reasonable. In any such case, Landlord may make repairs in or to the Premises as are necessary to restore the Premises to as good a condition as existed at the commencement date of this Sublease, and Tenant shall, upon demand, pay the cost thereof, together with Landlord's expenses of the reletting. If the consideration collected by Landlord upon any such reletting for Tenant's account is not sufficient to pay monthly the full amount of the rent and Additional Rent reserved in this Sublease, together with the cost of repairs and Landlord's expenses, Tenant shall pay to Landlord the amount of each monthly deficiency upon demand.

(e) If Landlord elects to terminate this Sublease pursuant to this Section 19, it being understood that Landlord may elect to terminate the Sublease after and notwithstanding its election to terminate Tenant's right to possession provided in Section 19 (b) above, Landlord shall forthwith upon such termination be entitled to recover an amount equal to the damages sustained by Landlord as a result of Tenant's default hereunder, and in addition thereto, an amount equal to the rent provided in this Sublease for the residue of the Term, less the current rental value of the Premises for the residue of the Term.

(f) Any and all property which may be removed from the Premises by Landlord pursuant to the authority of this Sublease or of law, to which Tenant is or may be entitled, may be handled, removed or stored by Landlord at the risk, cost and expense of Tenant, and Landlord shall in no event be responsible for the value, preservation or safekeeping thereof. Tenant shall pay to Landlord, upon demand, any and all expenses incurred in such removal and all storage charges against such property so long as the same shall be in Landlord's possession or under Landlord's control. Any such property of Tenant not removed from the Premises or retaken from storage by Tenant within thirty (30) days after the end of the Term or of Tenant's right to possession of the Premises, however terminated, shall be conclusively deemed to have been forever abandoned by Tenant and either may be retained by Landlord as its property, or may be disposed of in such manner as Landlord may see fit.

19. Subordination of Sublease. This Sublease is and shall be subject and subordinate to any and all mortgages, deeds of trust or land leases now existing upon or that may be hereafter placed upon the Premises, and to all advances made or to be made thereon, and all renewals, modifications, consolidations, replacements or extensions thereof, and the lien of any such mortgages, deeds of trust and land leases shall be superior to all rights hereby or hereunder vested in Tenant, to the full extent of all sums secured thereby. This provision shall be self-operative, and no further instrument of subordination shall be necessary to effectuate such subordination; and the recording of any such mortgage, deed of trust or land lease shall have preference and precedence and be superior and prior in lien to this Sublease, irrespective of the date of recording. In confirmation of such subordination, Tenant shall within ten (10) days after request of Landlord, Prime Lessor, or the holder of any such mortgage, deed of trust, or land lease, execute and deliver to Landlord, Prime Lessor or such holder, as the case may be, any instrument acknowledging such subordination that Landlord, Prime Lessor or such holder may reasonably request. Tenant agrees to attorn to any person or entity who may acquire title to the Building by way of transfer or foreclosure provided that such transferee or purchaser agrees to recognize Tenant's rights under this Sublease so long as Tenant is not in default in any of its obligations hereunder. Tenant shall also, within twenty (20) days after Landlord's or Prime Lessor's request, execute an attornment agreement evidencing the obligations of Tenant herein to attorn to such mortgagee in the event of a future succession of the rights of Landlord herein to any mortgagee, deed of trust holder or land lessor of the Premises. In the event of any act or omission of Landlord constituting a default by Landlord, Tenant shall not exercise any remedy until Tenant has given Landlord, Prime Lessor and any mortgagee, deed of trust holder or land lessor of the Building a prior thirty (30) day written notice of such act or omission; provided, however, if such act or omission cannot, with due diligence and in good faith, be remedied within such thirty (30) day period, Landlord, Prime Lessor and any mortgagee, deed of trust holder or land lessor shall be allowed such further period of time as may be reasonably necessary provided that it commences remedying the same with due diligence and in good faith within said thirty (30) day period.

20. Prevailing Party. In the event of litigation between Landlord and Tenant in connection with this Sublease, in addition to any other relief therein granted, the prevailing party shall be entitled to judgment for reasonable attorneys' fees, costs of litigation, and court costs incurred therein.

21. Governing Law. This Sublease has been made and executed in the County of St. Louis, State of Missouri, and shall be governed and construed in accordance with the laws of the State of Missouri without regard to its conflict of laws provisions.

22. Act of God or Force Majeure. Landlord or Tenant shall not be required to perform any covenant or obligation in this Sublease or be liable in damages for its nonperformance, so long as the performance or non-performance of the covenant or obligation is delayed, caused or prevented by an act of God or force majeure or by the other party. An "act of God" or "force majeure" is defined for purposes of this Sublease as strikes, lockouts, sitdowns, material or labor restrictions by any governmental authority, unusual transportation delays, riots, floods, washouts, explosions, earthquakes, fire, storms, weather (including wet grounds or inclement weather which prevents construction), acts of the public enemy, wars, insurrections and any other cause not reasonably within the control of the party required to perform and which by the exercise of due diligence the party required to perform is unable Co prevent or overcome. The foregoing provisions of this Section 23 shall not apply, however, to Tenant's obligation to timely pay rent, Additional Rent or any other monies payable by Tenant under this Sublease.

23. Severability. The invalidity of any provision of this Sublease as determined by a court of competent jurisdiction shall in no way affect the validity of any other provision hereof.

24. Assignment and Sublease. Tenant shall not voluntarily or by operation of law assign or encumber any interest in this Sublease, or sublet any part of the Premises, without obtaining the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed.

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

LANDLORD: NEWSPACE, INC.,
a Missouri corporation

By: /s/ Robert Fox

Its: CEO

TENANT: BUILD-A-BEAR WORKSHOP, INC.,
a Delaware corporation

By: /s/ Brian Vent

Its: Manager

EXHIBIT C

AMENDED AND RESTATED
INDUSTRIAL LEASE

BASIC LEASE INFORMATION

Date: June 14, 2000

Landlord: State of California Public Employees' Retirement System, a unit of the State and Consumer Services Agency of the State of California

Tenant: NewSpace, Inc., a Missouri corporation

Guarantor: None

Premises (section 1.1): The spaces in the buildings outlined in Exhibit A, containing approximately 45,696 square feet (more or less) of building area, the street addresses of which are known as Suite 1950-54 (13,362 square feet, more or less), Suite 1956 (6,186 square feet, more or less), Suite 1958 (5,309 square feet, more or less), Suite 1960-62 (7,943 square feet, more or less), Suite 1964 (7,949 square feet, more or less) and Suite 1990 (4,947 square feet, more or less)

Property (section 1.1): The land and the building(s) outlined in Exhibit A, containing approximately 192,963 square feet (more or less) of total building area, located in Overland, Missouri and known as Innerbelt Business Center

Term (section 2.1): 96 months

Commencement Date (section 2.1): June 14, 2000

Expiration Date (section 2.1): June 30, 2008

Monthly Base Rent (dollars per month) (section 3.1(a)): Months 1-12: $30,179.63 per month
Months 13-36: $30,596.30 per month
Months 37-60: $28,750.00 per month (subject to adjustment if Tenant elects to renew the Lease with respect to Suite 1990)
Months 61-96: $29,166.67 per month (subject to adjustment if Tenant elects to renew the Lease with respect to Suite 1990)

Tenant's Percentage Share (section 3.1(b)): Months 1-36: 23.68%
Months 37-96: 21.12% (unless Tenant elects to renew the Lease with respect to Suite 1990, in which event the Percentage Share shall remain at 23.68%)

Property Taxes Base Year (section 3.1(b)): 2000

Insurance Costs Base Year (section 3.1(b)): 2000

Initial Additional Monthly Rent Estimate (dollars per month) (section 3.2(a)): $3,389.12

Security Deposit (section 3.3): $28,251.67 Letter of Credit

Rent Payment Address (section 3.7): LaSalle Investment Management, Inc.
St. Louis- MidCounty
P.O. Box 73564
Chicago, Illinois 60673-7584

Permitted Use of the Premises (section 4.1): General Office and Warehousing and Light Manufacturing

Landlord's Address (section 14.1): State of California Public Employees' Retirement System, c/o LaSalle Investment Management, Inc., 3424 Peachtree Road NE, Suite 300, Atlanta, GA 30326 Attn: Rebecca S. Smith and a copy simultaneously c/o Trammell Crow Company, 8000 Maryland Avenue, Suite 850, St. Louis, Missouri 63105

Tenant's Address (section 14.1): NewSpace, Inc., 1960 Innerbelt Business Center Drive, Overland, Missouri 63114

Guarantor's Address (section 14.1): None

Real Estate Broker(s) (section 15.5): Crow Brokerage Co., Inc. (d/b/a Trammell Crow Company)

Exhibit A - Plan(s) Outlining the Premises and the Property

Exhibit B - Description of Landlord's work

Exhibit C - Form of Memorandum Confirming Term

Exhibit D - Addendum

The foregoing Basic Lease Information is incorporated in and made a part of the Lease to which it is attached. If there is any conflict between the Basic Lease Information and the Lease, the Basic Lease Information shall control.

NEWSPACE, INC.,
a Missouri corporation

By:_____
Name _____
Title _____

STATE OF CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM, a unit of the State and Consumer Services Agency of the State of California

By: CalEast Industrial Investors, LLC.
Its: Duly authorized agent

By: LaSalle Investment Management, Inc.
Its: Manager

By:_____
Rebecca S. Smith
Its: Vice President

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AMENDED AND RESTATED INDUSTRIAL LEASE

THIS AMENDED AND RESTATED LEASE, made as of the date specified in the BASIC LEASE INFORMATION, by and between STATE Of CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM, a unit of the State and Consumer Services Agency of the State of California ("Landlord"), and the tenant specified in the BASIC LEASE INFORMATION ("Tenant"),

WITNESSETH:

ARTICLE I
Premises

1.1 Lease of Premises. Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, for the term and subject to the covenants hereinafter set forth, to all of which Landlord and Tenant hereby agree, the space(s) in the building(s) specified in the BASIC LEASE INFORMATION (the "Premises") located on the real property specified in the BASIC LEASE INFORMATION (the "Property"), all as outlined on the plan(s) attached hereto as Exhibit A. The Property includes the land and the building(s) in which the Premises is located. Landlord and Tenant agree that, for purposes of this Lease, the Premises and the Property, respectively, each contains the number of square feet of building area specified in the BASIC LEASE INFORMATION and Tenant's Percentage Share specified in the BASIC LEASE INFORMATION is the ratio of such building area of the Premises to such building area of the Property. During the term of this Lease, Tenant shall have the nonexclusive right, in common with other tenants of the Property, to use only for their intended purposes the common areas (such as driveways, sidewalks, parking areas, loading areas and access roads) in the Property that are designated by Landlord as common areas and not leased to or allocated for the exclusive use of another tenant of the Property. Landlord shall have the right from time to time to change the size, location, configuration, character or use of any such common areas, construct additional improvements or facilities in any such common areas, or close any such common areas. Tenant shall not interfere with the rights of Landlord and other tenants of the Property to use such common areas.

ARTICLE 2
Term

2.1 Term of Lease. The term of this Lease shall be the term specified in the BASIC LEASE INFORMATION, which shall commence on the commencement date specified in the BASIC LEASE INFORMATION (the "Commencement Date") and, unless sooner terminated as hereinafter provided, shall end on the expiration date specified in the BASIC LEASE INFORMATION (the "Expiration Date"). If Landlord, for any reason whatsoever, does not deliver possession of the Premises to Tenant on the Commencement Date, this Lease shall not be void or voidable and Landlord shall not be liable to Tenant for any loss or damage resulting therefrom, but, in such event, the Commencement Date shall be postponed until the date on which Landlord delivers possession of the Premises to Tenant and the Expiration Date shall be extended for an equal period (subject to adjustment in accordance with section 2.3 hereof). Tenant acknowledges that Tenant has inspected the Premises and the Property or has had the Premises and the Property inspected by professional consultants retained by Tenant. Tenant is familiar with the condition of the Premises and the Property, the Premises and the Property are suitable for Tenant's purposes, and, except for the improvements to be constructed or installed by Landlord pursuant to Exhibit B (if any), the condition of the Premises and the Property is acceptable to Tenant. Except for the improvements to be constructed or installed by Landlord pursuant to Exhibit B (if any), Landlord shall have no obligation to construct or install any improvements in the Premises or the Property or to remodel, renovate, recondition, alter or improve the Premises or the Property in any manner, and Tenant shall accept the Premises "as is" on the Commencement Date.

2.2 Improvements. This section 2.2 shall apply only if Landlord is required to construct or install improvements in the Premises or the Property pursuant to Exhibit B. Landlord shall construct or install the improvements to be constructed or installed by Landlord pursuant to Exhibit B. Landlord shall deliver possession of the Premises to Tenant on the Commencement Date or the date of substantial completion of the improvements, whichever is later, and Tenant shall accept such delivery of the Premises. Notwithstanding section 2.1 hereof, the term of this Lease shall not commence until Landlord has substantially completed the improvements pursuant to Exhibit B attached hereto and delivered possession of the Premises to Tenant. The date of substantial completion of the improvements shall be the date on which construction is sufficiently complete, substantially in accordance with the plans and specifications, so the improvements may be used or occupied for their intended purpose as permitted under this Lease. If Landlord is delayed in substantially completing the improvements by any cause of delay for which Tenant is responsible, then Tenant shall pay to Landlord, as additional rent, the monthly Base Rent (based on the first month for which the Base Rent is to be paid) and the additional monthly rent payable under section 3.1 hereof, calculated on a per diem basis, multiplied by the number of days of such delay, which shall be due and payable on the Commencement Date specified in the BASIC LEASE INFORMATION for such delay before such date and monthly in arrears on the first day of each month thereafter for such delay after such date. If the improvements are substantially complete and the Premises is ready for occupancy by Tenant prior to the Commencement Date, Tenant shall have the right to take early occupancy of the Premises prior to the Commencement Date and the term of this Lease shall commence on such date of early occupancy by Tenant, in which event

the Commencement Date shall be advanced to such date of early occupancy and the Expiration Date shall be advanced by an equal period (subject to adjustment in accordance with section 2.3 hereof). Tenant shall give Landlord written notice of Tenant's determination to take early occupancy of the Premises at least ten (10) days in advance, which notice shall specify the date of such early occupancy.

2.3 Adjustment of Commencement Date. If the Commencement Date as determined in accordance with section 2.1 or section 2.2 hereof would not be the first day of the month and the Expiration Date would not be the last day of the month, then the actual Commencement Date shall be the first day of the next calendar month following the date so determined and the actual Expiration Date shall be the last day of the appropriate calendar month so the term of this Lease shall be the full term specified in the Basic Lease Information. The period of the fractional month between the date so determined and the actual Commencement Date shall be on and subject to all of the covenants in this Lease and, on the actual Commencement Date, Tenant shall pay to Landlord, as additional rent, the monthly Base Rent (based on the first month for which the Base Rent is to be paid) and the additional monthly rent payable under section 3.1 hereof, calculated on a per diem basis, for such period. Landlord and Tenant each shall, promptly after the actual Commencement Date and the actual Expiration Date have been determined, execute and deliver to the other a Memorandum Confirming Term in the form of Exhibit C attached hereto, which shall set forth the actual Commencement Date and the actual Expiration Date for this Lease, but the term of this Lease shall commence and end in accordance with this Lease whether or not the Memorandum Confirming Term is executed.

2.4 Holding Over. In the event that Tenant shall continue in occupancy of the Premises after the expiration of the Term, such occupancy shall not be deemed to extend or renew the term of this Lease, but such occupancy shall continue as a month-to-month tenancy at will upon the covenants, provisions and conditions herein contained at a monthly Base Rental equal to one hundred fifty percent (150%) of the monthly Base Rental in effect at the expiration of the term of this Lease.

ARTICLE 3
Rent

3.1 Base Rent and Additional Rent. Tenant shall pay to Landlord the following amounts as rent for the Premises:

(a) During the term of this Lease, Tenant shall pay to Landlord, as base monthly rent, the amount of monthly Base Rent specified in the Basic Lease Information.

(b) During each calendar year (or part thereof) during the term of this Lease, Tenant shall pay to Landlord, as additional monthly rent:

(i) Tenant's Percentage Share specified in the Basic Lease Information of all CAM Expenses paid or incurred by Landlord in such year;

(ii) Tenant's Percentage Share specified in the Basic Lease Information of the total dollar increase, if any, in all Property Taxes paid or incurred by Landlord in such year over all Property Taxes paid or incurred by Landlord in the Base Year for Property Taxes specified in the Basic Lease Information; and

(iii) Tenant's Percentage Share specified in the Basic Lease Information of the total dollar increase, if any, in all Insurance Costs paid or incurred by Landlord in such year over all Insurance Costs paid or incurred by Landlord in the Base Year for Insurance Costs specified in the Basic Lease Information.

(c) Throughout the term of this Lease, Tenant shall pay, as additional rent, all other amounts of money and charges required to be paid by Tenant under this Lease, whether or not such amounts of money or charges are designated "additional rent". As used in this Lease, "rent" shall mean and include all Base Rent, additional monthly rent and additional rent payable by Tenant in accordance with this Lease.

3.2 Procedures. The additional monthly rent payable by Tenant pursuant to section 3.1(b) hereof (CAM Expenses, Property Taxes and Insurance Costs) shall be calculated and paid in accordance with the following procedures:

(a) On or before the Commencement Date, or as soon thereafter as practicable, and on or before the first day of each subsequent calendar year during the term of this Lease, or as soon thereafter as practicable, Landlord shall give Tenant written notice of Landlord's estimate of the amounts payable under section 3.1(b) hereof for the balance of the first calendar year after the Commencement Date or for the ensuing calendar year, as the case may be. Landlord's estimate of the initial monthly rent payable by Tenant under section 3.1(b) hereof each month for the balance of the first calendar year after the Commencement Date is specified in the Basic Lease Information. Tenant shall pay such estimated amounts to Landlord in equal monthly installments, in advance, on or before the Commencement Date and on or before the first day of each month during such balance of the first calendar year after the Commencement Date or during such ensuing calendar year, as the case may be. If such notice is not given for any calendar year, Tenant shall continue to pay on the basis of the prior year's estimate until the month after such notice is given, and subsequent payments by Tenant shall be based on Landlord's current estimate. If, at any time, Landlord determines that the amounts payable under section 3.1(b) hereof for the current calendar year will vary from Landlord's estimate. Landlord may, by giving written notice to Tenant, revise Landlord's estimate for such year, and subsequent payments by Tenant for such year shall be based on such revised estimate.

(b) Within a reasonable time after the end of each calendar year, Landlord shall give Tenant a written statement of the amounts payable by Tenant under section 3.1(b) hereof for such calendar year certified by Landlord. If such statement shows a total amount owing by Tenant that is less than the estimated payments for such

calendar year previously made by Tenant, Landlord shall credit the excess to the next monthly installments of the amounts payable by Tenant under section 3.1(b) hereof (or, if the term of this Lease has ended, Landlord shall refund the excess to Tenant with such statement). If such statement shows a total amount owing by Tenant that is more than the estimated payments for such calendar year previously made by Tenant, Tenant shall pay the deficiency to Landlord within fifteen (15) days after delivery of such statement (notwithstanding any assertion by Tenant that the written statement contains errors). Tenant or Tenant's authorized agent or representative shall have the right once each calendar year to inspect the books of Landlord relating to CAM Expenses, Property Taxes and Insurance Costs for the prior calendar year, after giving reasonable prior written notice to Landlord and during the business hours of Landlord at the office of Landlord's property manager for the Property, for the purpose of verifying the information in such statement. Unless Tenant asserts specific errors in writing to Landlord within forty-five (45) days after the date of the written statement received from Landlord, the statement shall be deemed conclusively correct. Landlord and Tenant shall attempt in good faith to resolve any timely objection made by Tenant to the written statement with respect to Landlord's calculation of the additional monthly rent payable by Tenant pursuant to Section 3.1(b) hereof for any fiscal year within sixty (60) days after Landlord's receipt of Tenant's written objection. If the dispute cannot be resolved by Landlord and Tenant within such period, the decision of Landlord's accountant, whose decision shall be based upon generally accepted accounting principals, shall be final and binding upon the parties. If the written statement is determined to overstate Tenant's additional monthly rent payable pursuant to Section 3.1(b) by more than five percent (5%), Landlord shall pay Tenant its reasonable costs and expenses incurred in connection with such audit within thirty (30) days after written notice of said determination is delivered to Landlord with an invoice therefor. Failure by Landlord to give any notice or statement to Tenant under this section 3.2 shall not waive Landlord's right to receive, or Tenant's obligation to pay, the amounts payable by Tenant under section 3.1(b) hereof.

(c) If the term of this Lease commences or ends on a day other than the first or last day of a calendar year, respectively, the amounts payable by Tenant under section 3.1(b) hereof applicable to the calendar year in which such term commences or ends shall be prorated according to the ratio which the number of days during the term of this Lease in such calendar year bears to three hundred sixty-five (365). Termination of this Lease shall not affect the obligations of Landlord and Tenant pursuant to section 3.2(b) hereof to be performed after such termination.

3.3 Security Deposit. Upon signing this Lease, Tenant shall pay to Landlord the amount of the security deposit specified in the Basic Lease Information (the "Security Deposit"). The Security Deposit shall be held by Landlord as security for the performance by Tenant of all of the covenants of this Lease to be performed by Tenant, and Tenant shall not be entitled to interest thereon. If Tenant fails to perform any of the covenants of this Lease to be performed by Tenant, then Landlord shall have the right, but no obligation, to apply the Security Deposit, or so much thereof as may be necessary, to cure any such failure by Tenant. If Landlord applies the Security Deposit or any part thereof to cure any such failure by Tenant, then Tenant shall immediately pay to Landlord the sum necessary to restore the Security Deposit to the full amount required by this section 3.3. Landlord shall return any remaining portion of the Security Deposit to Tenant within 30 days after termination of this Lease. Upon termination of the original Landlord's or any successor owner's interest in the Premises, the original Landlord or such successor owner shall be released from further liability with respect to the Security Deposit upon the original Landlord's or such successor owner's transferring the Security Deposit to the new owner and shall provide Tenant with an acknowledgment of receipt thereof by the successor owner.

3.4 Late Payment. Tenant acknowledges that the late payment by Tenant of any monthly installment of Base Rent or additional monthly rent will cause Landlord to incur costs and expenses, the exact amount of which is extremely difficult and impractical to fix. Such costs and expenses will include administration and collection costs and processing and accounting expanses. Therefore, if any monthly installment of Base Rent or additional monthly rent is not received by Landlord within five (5) days after such installment is due, Tenant shall immediately pay to Landlord a late charge equal to five percent (5%) of such delinquent installment. Landlord and Tenant agreed that such late charge represents a reasonable estimate of such costs and expenses and is fair reimbursement to Landlord. In no event shall such late charge be deemed to grant to Tenant a grace period or extension of time within which to pay any monthly rent or prevent Landlord from exercising any right or enforcing any remedy available to Landlord upon Tenant's failure to pay each installment of monthly rent due under this Lease when due, including the right to terminate this Lease and recover all damages from Tenant. All amounts of money payable by Tenant to Landlord hereunder, if not paid when due, shall bear interest from the due date until paid at the rate of ten percent (10%) per annum, and Tenant shall pay such interest to Landlord on written demand.

3.5 Other Taxes Payable by Tenant. Tenant shall reimburse Landlord upon written demand for all taxes, assessments, excises, levies, fees and charges, including all payments related to the cost of providing facilities or services, whether or not now customary or within the contemplation of Landlord and Tenant, that are payable by Landlord and levied, assessed, charged, confirmed or imposed by any public or government authority upon, or measured by, or reasonably attributable to (a) the cost or value of Tenant's furniture,

fixtures, equipment and other personal property located in the Premises or the cost or value of any improvements made in or to the Premises by or for Tenant, regardless of whether title to such improvements is vested in Tenant or Landlord, (b) any rent payable under this Lease, including any gross income tax or excise tax levied by any public or government authority with respect to the receipt of any such rent so long as such tax is a tax on rent, (c) the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises, exclusive of any gross income tax or excise tax levied by any public or government authority with respect to the same, or (d) this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises. Such taxes, assessments, excises, levies, fees and charges shall not include net income (measured by the income of Landlord from all sources or from sources other than solely rent) or franchise taxes of Landlord, unless

levied or assessed against Landlord in whole or in part in lieu of, as a substitute for, or as an addition to any such taxes, assessments, excises, levies, fees and charges. All taxes, assessments, excises, levies, fees and charges payable by Tenant under this section 3.5 shall be deemed to be, and shall be paid as, additional rent.

3.6 Certain Definitions. As used in this Lease, certain words are defined as follows:

(a) "CAM Expenses" shall mean all direct and indirect costs and expenses paid or incurred by Landlord in connection with the ownership, management, operation, maintenance or repair of the Property or providing services in accordance with this Lease, including license, permit and inspection fees; electricity, gas, fuel, steam, heat, light, power, water, sewer and other utilities; management fees and expenses; security, guard, extermination, water treatment, garbage and waste disposal, rubbish removal, plumbing and other services; snow and ice removal; maintenance of the fire suppression systems; landscape maintenance; supplies, tools, materials and equipment; accounting and other professional fees and expenses; painting the exterior of the Property; maintaining and repairing the foundations, the exterior walls and roof, the parking and loading areas, the sidewalks, landscaping and common areas, and the other parts of the Property; costs and expenses required by or resulting from compliance with any laws, ordinances, rules, regulations or orders applicable to the Property; and costs and expenses of contesting by appropriate proceedings any matter concerning managing, operating, maintaining or repairing the Property, or the validity or applicability of any law, ordinance, rule, regulation or order relating to the Property, or the amount or validity of any Property Taxes. CAM Expenses shall not include Property Taxes, Insurance Costs, charges payable by Tenant pursuant to section 3.5 hereof, depreciation on the Property, costs of tenants' improvements, real estate brokers' commissions, interest, or capital costs for major roof or major parking lot replacement or restoration work necessitated by fire or other casualty damage to the extent of net insurance proceeds received by Landlord with respect thereto; attorney's fees, accounting fees and expenditures incurred in connection with negotiations, disputes and claims of other tenants or occupants of the Property, or with other third parties except as specifically provided in this Lease; advertising expenses and other costs incurred in leasing or procuring new tenants; expenses for which the Landlord is or will be reimbursed by another source, excluding Tenant reimbursement for amounts payable under Section 3.1(b) hereof, including, but not limited to, repair or replacement of any item covered by warranty; expenses for the defense of the Landlord's title to the Property; structural repairs and replacement, depreciation and amortization of the Property or financing costs, including interest and principal amortization of debts; charitable and political contributions; costs to correct original or latent defects in the design, construction or equipment of the Property; the costs of alteration of any tenant's premises, except for any alterations required by law; or expenses in connection with services or other benefits of a type which are not provided or available to Tenant but which are provided to another tenant of the Property or which are paid to Landlord by such other tenant.

(b) "Property Taxes" shall mean all taxes, assessments, excises, levies, fees and charges (and any tax, assessment, excise, levy, fee or charge levied wholly or partly in lieu thereof or as a substitute therefor or as an addition thereto) of every kind and description, general or special, ordinary or extraordinary, foreseen or unforeseen, secured or unsecured, whether or not now customary or within the contemplation of Landlord and Tenant, that are levied, assessed, charged, confirmed or imposed by any public or government authority on or against, or otherwise with respect to, the Property or any part thereof or any personal property used in connection with the Property. Property Taxes shall not include net income (measured by the income of Landlord from all sources or from sources other than solely rent) or franchise taxes of Landlord, unless levied or assessed against Landlord in whole or in part in lieu of, as a substitute for, or as an addition to any Property Taxes. Property Taxes shall not include charges payable by Tenant pursuant to section 3.5 hereof.

(c) "Insurance Costs" shall mean all premiums and other charges for all property, earthquake, flood, loss of rental income, business interruption, liability and other insurance relating to the Property carried by Landlord.

3.7 Rent Payment Address. Tenant shall pay all Base Rent and additional monthly rent under section 3.1 hereof to Landlord, in advance, on or before the first day of each and every calendar month during the term of this Lease. Tenant shall pay all rent to Landlord without notice, demand, deduction or offset, in lawful money of the United States of America, at the address for the payment of rent specified in the Basic Lease Information, or to such other person or at such other place as Landlord may from time to time designate in writing.

ARTICLE 4
Use of the Premises

4.1 Permitted Use. Tenant shall use the Premises only for the Permitted Use of the Premises specified in the Basic Lease Information and for lawful purposes incidental thereto, and no other purpose whatsoever. Tenant shall not do or permit to be done in, on or about the Premises, nor bring or keep or permit to be brought or kept therein, anything which is prohibited by or will in any way conflict with any law, ordinance, rule, regulation or order now in force or which may hereafter be enacted, or which is prohibited by any insurance policy carried by Landlord for the Property, or will in any way

increase the existing rate of. or disallow any fire rating or sprinkler credit, or cause a cancellation of, or affect any insurance for the Property. If Tenant causes any increase the premium for any insurance covering the Property carried by Landlord, Tenant shall pay to Landlord, on written demand as additional rent, the entire amount of such increase. Tenant shall not do or permit anything to be done in or about the Premises which will in any way obstruct or interfere with the rights of Landlord or other tenants of the Property, or injure or annoy them. Tenant shall not use or allow the Premises to be used for any improper, immoral, unlawful or objectionable activity, nor shall Tenant cause, maintain or permit any nuisance in, on or about the Premises or commit or suffer to be committed any waste in, on or about the Premises. Tenant shall not store any

materials, equipment or vehicles outside the Premises, provided, however, that Tenant shall be permitted to park its trucks on the parking lot overnight, and agrees that no washing of any type (including washing vehicles) shall take place in or outside the Premises, provided, however, that Tenant shall have the right to wash its vehicles, but only in the truck court area located behind the Premises. Tenant shall not receive, store or otherwise handle any product or material that is explosive or highly inflammable. Notwithstanding the foregoing, Tenant shall be entitled to use paints and adhesives which from time to time are customary in the operation of Tenant's business provided that such paints and adhesives shall only be used for Tenant's business (and Tenant shall not produce said paints or adhesives and the Premises) and no such paints or adhesives shall be stored in bulk at the Premises. Tenant's use, storage and disposal of all such paints and adhesives shall be in accordance with all laws, ordinances, rules, regulations, orders and other requirements of any government or public authority now in force or which may hereafter be in force, provided that Tenant shall pay to Landlord, on written demand, all cost and expense incurred by Landlord and attributable to Tenant's use, storage or disposal of such paints and/or adhesives including by way of example and not limitation, any additional sprinkler installations in the Premises. Landlord's consent to the use of such paints and adhesives does not relieve Tenant of any obligations or indemnities under this Lease, including, but not limited to, any obligations and indemnities under Article 4 of this Lease, with respect to the use, storage or disposal of such paints and/or adhesives or release Tenant from the obligation to pay any increased insurance premiums that may be attributable to the use, storage or disposal of such paints and/or adhesives by Tenant at the Premises. Tenant shall not install any signs on the Premises without the prior written consent of Landlord. Tenant shall, at Tenant's expense, remove all such signs prior to or upon termination of this Lease, repair any damage caused by the installation or removal of such signs, and restore the Premises to the condition that existed before installation of such signs.

4.2 Environmental Definitions. As used in this Lease, "Hazardous Material" shall mean any substance that is (a) defined under any Environmental Law as a hazardous substance, hazardous waste, hazardous material, pollutant or contaminant, (b) a petroleum hydrocarbon, including crude oil or any fraction or mixture thereof, (c) hazardous, toxic, corrosive, flammable, explosive, infectious, radioactive, carcinogenic or a reproductive toxicant, or (d) otherwise regulated pursuant to any Environmental Law. As used in this Lease, "Environmental Law" shall mean all federal, state and local laws, statutes, ordinances, regulations, rules, judicial and administrative orders and decrees, permits, licenses, approvals, authorizations and similar requirements of all federal, state, and local governmental agencies or other governmental authorities pertaining to the protection of human health and safety or the environment, now existing or later adopted during the term of this Lease. As used in this Lease, "Permitted Activities" shall mean the lawful activities of Tenant that are part of the ordinary course of Tenant's business in accordance with the Permitted Use specified in the Basic Lease Information. As used in this Lease, "Permitted Materials" shall mean the materials handled by Tenant in the ordinary course of conducting Permitted Activities.

4.3 Environmental Requirements. Tenant hereby agrees that: (a) Tenant shall not conduct, or permit to be conducted, on the Premises any activity which is not a Permitted Activity; (b) Tenant shall not use, store or otherwise handle, or permit any use, storage or other handling of, any Hazardous Material which is not a Permitted Material on or about the Premises; (c) Tenant shall obtain and maintain in effect all permits and licenses required pursuant to any Environmental Law for Tenant's activities on the Premises, and Tenant shall at all times comply with all applicable Environmental Laws; (d) Tenant shall not engage in the storage, treatment or disposal on or about the Premises of any Hazardous Material except for any temporary accumulation of waste generated in the course of Permitted Activities; (e) Tenant shall not install any aboveground or underground storage tank or any subsurface lines for the storage or transfer of any Hazardous Material, except for the lawful discharge of waste to the sanitary sewer, and Tenant shall store all Hazardous Materials in a manner that protects the Premises, the Property and the environment from accidental spills and releases; (f) Tenant shall not cause or permit to occur any release of any Hazardous Material or any condition of pollution or nuisance on or about the Premises, whether affecting surface water or groundwater, air, the land or the subsurface environment; (g) Tenant shall promptly remove from the Premises any Hazardous Material introduced, or permitted to be introduced, onto the Premises by Tenant which is not a Permitted Material and, on or before the date Tenant ceases to occupy the Premises, Tenant shall remove from the Premises all Hazardous Materials and all Permitted Materials handled by or permitted on the Premises by Tenant; and (h) if any release of a Hazardous Material to the environment, or any condition of pollution or nuisance, occurs on or about or beneath the Premises as a result of any act or omission of Tenant or its agents, officers, employees, contractors, invitees or licensees. Tenant shall, at Tenant's sole cost and expense, promptly undertake all remedial measures required to clean up and abate or otherwise respond to the release, pollution or nuisance in accordance with all applicable Environmental Laws. Landlord and Landlord's representatives shall have the right, but not the obligation, to enter the Premises at any reasonable time for the purpose of inspecting the storage, use and handling of any Hazardous Material on the Premises in order to determine Tenant's compliance with the requirements of this Lease and applicable Environmental Law. If Landlord gives written notice to Tenant that Tenant's use, storage or handling of any Hazardous Material on the Premises may not comply with this Lease or applicable Environmental Law, Tenant shall correct any such violation within five (5) days after Tenant's receipt of such notice from Landlord. Tenant shall indemnify and defend Landlord against

and hold Landlord harmless from all claims, demands, actions, judgments, liabilities, costs, expenses, losses, damages, penalties, fines and obligations of any nature (including reasonable attorneys' fees and disbursements incurred in the investigation, defense or settlement of claims) that Landlord may incur as a result of, or in connection with, claims arising from the presence, use, storage, transportation, treatment, disposal, release or other handling, on or about or beneath the Premises, of any Hazardous Material introduced or permitted on or about or beneath the Premises by any act or omission of Tenant or its agents, officers, employees, contractors, invitees or licensees. The liability of Tenant under this section 4.3 shall survive the termination of this Lease with respect to acts or omissions that occur before such termination. Notwithstanding anything to the contrary herein, in the event any governmental authorities require the removal of any Hazardous Materials located and existing on the Premises prior to July 29, 1986 and, with respect to Suites

1950-1954 and Suite 1956 prior to the date of Tenant's possession of such portion of the Premises. Landlord shall be solely responsible for the payment of all costs in connection therewith, including the costs of removal or encapsulation and the costs of repair and restoration of the Premises to the condition existing immediately prior to such required removal or encapsulation and Tenant's rent shall abate proportionately to Tenant's ability to continue the operation of its business from the Premises during the period of such work. In the event a governmental authority requires the removal of any Hazardous Materials brought, stored or discharged upon the Premises by Tenant, its contractors, subcontractors, agents, employees or servants, Tenant shall be solely responsible for all such costs including, but not limited to, removal, encapsulation and fines levied by such governmental authorities.

4.4 Compliance with Law. Tenant shall, at Tenant's sole cost and expense, promptly comply with all laws, ordinances, rules, regulations, orders and other requirements of any government or public authority now in force or which may hereafter be in force, with all requirements of any board of fire underwriters or other similar body now or hereafter constituted, and with all directions and certificates of occupancy issued pursuant to any law by any governmental agency or officer, insofar as any thereof relate to or are required by the condition, use or occupancy of the Premises or the operation, use or maintenance of any personal property, fixtures, machinery, equipment or improvements in the Premises, but Tenant shall not be required to make structural changes unless structural changes are related to or required by Tenant's acts or use of the Premises or by improvements made by or for Tenant.

4.5 Rules and Regulations. Tenant shall faithfully observe and fully comply with all rules and regulations (the "Rules and Regulations") from time to time made in writing by Landlord for the safety, care, use and cleanliness of the Property or the common areas of the Property and the preservation of good order therein. If there is any conflict, this Lease shall prevail over the Rules and Regulations.

4.6 Entry by Landlord. Landlord shall have the right to enter the Premises at any time to (a) inspect the Premises upon three (3) days' prior written notice, during normal business hours, expect in case of emergency, (b) exhibit the Premises to prospective purchasers, lenders or tenants, (c) determine whether Tenant is performing all of Tenant's obligations, (d) supply any service to be provided by Landlord (e) post notices of nonresponsibility, and (f) make any repairs to the Premises, or make any repairs to any adjoining space or utility services, or make any repairs, alterations or improvements to any other portion of the Property, provided all such work shall be done as promptly as reasonably practicable and so as to cause as little interference to Tenant as reasonably practicable. Tenant waives all claims for damages for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises or any other loss occasioned by such entry. Landlord shall have the right to use any and all means which Landlord may deem proper to open such doors in an emergency to obtain entry to the Premises. Any entry to the Premises obtained by Landlord by any of such means shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into or a detainer of the Premises or an eviction, actual or constructive, of Tenant from the Premises or any portion thereof.

ARTICLE 5
Utilities and Services

5.1 Tenant's Responsibilities. Tenant shall pay, directly to the appropriate supplier before delinquency, for all water, gas, heat, light, power, telephone, sewer, refuse disposal and other utilities and services supplied to the Premises, together with all taxes, assessments, surcharges and similar expenses relating to such utilities and services. If any such utilities or services are jointly metered with the Premises and another part of the Property, Landlord shall determine Tenant's share of the cost of such jointly metered utilities and services based on Landlord's estimate of usage, and Tenant shall pay as additional rent, Tenant's share of the cost of such jointly metered utilities and services to Landlord within twenty (20) days after receipt of Landlord's written statement for such cost. Tenant shall furnish the Premises with all telephone service, window washing, security service, janitor, scavenger and disposal services, and other services required by Tenant for the use of the Premises permitted by this Lease. Tenant shall furnish all electric light bulbs and tubes and restroom supplies used in the Premises. Landlord shall not be in default under this Lease or be liable for any damage or loss directly or indirectly resulting from, nor shall the rent be abated or a constructive or other eviction be deemed to have occurred by reason of, any interruption of or failure to supply or delay in supplying any such utilities and services or any limitation, curtailment, rationing or restriction on use of water, electricity, gas or any resource or form of energy or other service serving the Premises or the Property, whether such results from mandatory restrictions or voluntary compliance with guidelines.

ARTICLE 6
Maintenance and Repairs

6.1 Obligations of Landlord. Landlord shall maintain and repair only the foundations, the exterior walls (which shall not include windows, glass or plate glass, doors, special fronts, entries, or the interior surfaces of exterior walls, all of which shall be the responsibility of Tenant), the roof and other structural components of the Premises and the common areas of the Property and keep them in good condition, reasonable wear and tear excepted.

Tenant shall give Landlord written notice of the need for any maintenance or repair for which Landlord is responsible, after which Landlord shall have a reasonable opportunity to perform the maintenance or make the repair, and Landlord shall not be liable for any failure to do so unless such failure continues for an unreasonable time after Tenant gives such written notice to Landlord. Tenant waives any right to perform maintenance or make repairs for which Landlord is responsible at Landlord's expense. Landlord's liability with respect to any maintenance or repair for which Landlord is responsible shall be limited to the cost of the maintenance or repair. Any damage to any part of the Property for which Landlord is responsible that is caused by Tenant or any agent, officer, employee, contractor, licensee or invitee of Tenant shall be repaired by Landlord at

Tenant's expense and Tenant shall pay to Landlord, upon billing by Landlord, as additional rent, the cost of such repairs incurred by Landlord.

6.2 Obligations of Tenant. Tenant shall, at all times during the term of this Lease and at Tenant's sole cost end expense, maintain and repair the Premises and every part thereof (except only the parts for which Landlord is expressly made responsible under this Lease) and all equipment, fixtures and improvements therein (including windows, glass, plate glass, doors, special fronts, entries, the interior surfaces of exterior walls, interior walls, floors, heating and air conditioning systems, dock boards, truck doors, dock bumpers, plumbing fixtures and equipment, electrical components and mechanical systems) and keep all of the foregoing clean and in good order and operating condition, ordinary wear and tear excepted. Tenant shall not damage the Premises or disturb the integrity and support provided by any wall. Tenant shall, at Tenant's expense, promptly repair any damage to the Premises caused by Tenant or any agent, officer, employee, contractor, licensee or invitee of Tenant. Tenant shall take good care of the Premises and keep the Premises free from dirt, rubbish, waste and debris at all times. Tenant shall not overload the floors in the Premises or exceed the load-bearing capacity of the floors in the Premises. Tenant shall, at Tenant's expense, enter into a regularly scheduled preventative maintenance and service contract with a maintenance contractor approved in writing by Landlord for servicing all hot water, heating and air conditioning systems and equipment in the Premises. The maintenance and service contract shall include all services suggested by the equipment manufacturer and shall become effective (and Tenant shall deliver a copy to Landlord) within thirty (30) days after the Commencement Date. Tenant shall, at the end of the term of this Lease, surrender to Landlord the Premises and all alterations, additions, fixtures and improvements therein or thereto in the same condition as when received, ordinary wear and tear excepted. Notwithstanding anything to the contrary contained in this Article 6, Tenant's obligation under this Section 6 shall not include making (i) any repair or improvement necessitated by the negligence or willful misconduct of Landlord, its agents, employees, servants or contractors; or (ii) any repair or improvement caused by Landlord's failure to perform its obligations under this Lease.

ARTICLE 7
Alteration of the Premises

7.1 No Alterations by Tenant. Tenant shall not make any alterations, additions or improvements in or to the Premises or any part thereof, or attach any fixtures or equipment thereto, without Landlord's prior written consent. Notwithstanding the preceding sentence, Tenant may make such alterations, additions or improvements without Landlord's consent only if the total cost of such alterations, additions or improvements is ten thousand dollars ($10,000) or less and such alterations, additions or improvements will not affect in any way the structural, exterior or roof elements of the Property or the mechanical, electrical, plumbing or life safety systems of the Property, but Tenant shall give prior written notice of any such alterations, additions or improvements to Landlord. All alterations, additions and improvements (except improvements made by Landlord pursuant to Exhibit B. if any, in or to the Premises to which Landlord consents shall be made by Tenant at Tenant's sole cost and expense as follows:

(a) Tenant shall submit to Landlord, for Landlord's written approval, which shall not be unreasonably withheld or delayed, complete plans and specifications for all work to be done by Tenant. Such plans and specifications shall be prepared by responsible licensed architect(s) and engineer(s), shall comply with all applicable codes, laws, ordinances, rules and regulations, shall not adversely affect any systems, components or elements of the Property, shall be in a form sufficient to secure the approval of all government authorities with jurisdiction over the Property, and shall be otherwise satisfactory to Landlord in Landlord's reasonable discretion.

(b) Tenant shall obtain all required permits for the work. Tenant shall engage responsible licensed contractor(s) to perform all work. Tenant shall perform all work in accordance with the plans and specifications approved by Landlord, which shall not be unreasonably withheld or delayed, in a good and workmanlike manner, in full compliance with all applicable laws, codes, ordinances, rules and regulations, and free and clear of any mechanics' liens. Tenant shall pay for all work (including the cost of all utilities, permits, fees, taxes, and property and liability insurance premiums in connection therewith) required to make the alterations, additions and improvements. Tenant shall pay to Landlord all direct costs and shall reimburse Landlord for all expenses incurred by Landlord in connection with the review, approval and supervision of any alterations, additions or improvements made by Tenant. Under no circumstances shall Landlord be liable to Tenant for any damage, loss, cost or expense incurred by Tenant on account of design of any work, construction of any work, or delay in completion of any work.

(c) Tenant shall give written notice to Landlord of the date on which construction of any work will be commenced at least five (5) days prior to such date. Tenant shall keep the Premises and the Property free from mechanics', material men's and all other liens arising out of any work performed, labor supplied, materials furnished or other obligations incurred by Tenant. Tenant shall promptly and fully pay and discharge all claims on which any such lien could be based. Tenant shall have the right to contest the amount or validity of any such lien, provided Tenant gives prior written notice of such contest to Landlord, prosecutes such contest by appropriate proceedings in good faith and with diligence, and, upon request by Landlord, furnishes such bond as may be

required by law or such security as Landlord may require to protect the Premises and the Property from such lien. Landlord shall have the right to post and keep posted on the Premises any notices that may be provided by law or which Landlord may deem to be proper for the protection of Landlord, the Premises and the Property from such liens, and to take any other action Landlord deems necessary to remove or discharge liens or encumbrances at the expense of Tenant.

7.2 Landlord's Property. All alterations, additions, fixtures and improvements, including improvements made pursuant to Exhibit B (if any), whether temporary or permanent in character, made in or to the Premises by Landlord or Tenant, shall become pan of the Property and Landlord's property. Upon termination of this Lease, Landlord shall have the right, at Landlord's option, by giving written notice to Tenant at any time before or within sixty (60) days after such termination, to retain all such alterations, additions, fixtures, built-ins, and improvements in the Premises (provided said alterations, additions, fixtures, built-ins, and improvements, including any built-in items, have been paid for by Landlord pursuant to any tenant improvement or construction allowance), without compensation to Tenant, or to remove all such alterations, additions, fixtures, built-ins and improvements from the Premises, repair all damage caused by any such removal, and restore the Premises to the condition in which the Premises existed before such alterations, additions, fixtures, built-ins and improvements were made, and in the latter case Tenant shall pay to Landlord, upon billing by Landlord, the cost of such removal, repair and restoration (including a reasonable charge for Landlord's overhead and profit), Notwithstanding the foregoing, all built-in movable furniture (paid for exclusively by Tenant), equipment, trade fixtures, computers, office machines and other personal property shall remain the properly of Tenant. Upon termination of this Lease, Tenant shall, at Tenant's expense, remove all such built-in movable furniture, equipment, trade fixtures, computers, office machines and other personal property from the Property and repair all damage caused by any such removal. Termination of this Lease shall not affect the obligations of Tenant pursuant to this section 7.2 to be performed after such termination.

ARTICLE 8
Indemnification and Insurance

8.1 Damage or Injury. Landlord shall not be liable to Tenant, and Tenant hereby waives all claims against Landlord, for any damage to or loss or theft of any property or for any bodily or personal injury, illness or death of any person in, on or about the Premises or the Property arising at any time and from any cause whatsoever, except to the extent caused by the gross negligence or willful misconduct of Landlord. Tenant shall indemnify and defend Landlord against and hold Landlord harmless from all claims, demands, liabilities, damages, losses, costs and expenses, including reasonable attorneys' fees and disbursements, arising from or related to any use or occupancy of the Premises, or any condition of the Premises, or any default in the performance of Tenant's obligations under this Lease, or any damage 10 any property (including property of employees and invitees of Tenant) or any bodily or personal injury, illness or death of any person (including employees and invitees of Tenant) occurring in, on or about the Premises or any part thereof arising at any time and from any cause whatsoever (except to the extent caused by the gross negligence or willful misconduct of Landlord) or occurring in, on or about any part of the Property other than the Premises when such damages, bodily or personal injury, illness or death is caused by any act or omission of Tenant or its agents, officers, employees, contractors, invitees or licensees. Landlord shall indemnify and defend Tenant against and hold Tenant harmless from all claims, demands, liabilities, damages, losses, costs and expenses, including reasonable attorneys' fees and disbursements, arising from or related to the willful misconduct or gross negligence of Landlord with respect to the common areas of the Property resulting in any damage to property (subject to Section 8.4 hereof), or any bodily or personal injury, illness or death of any person (including employees and invitees of Tenant) (except to the extent such damage to property, bodily or personal injury, illness or death is caused by any act or omission of Tenant or its agents, officers, employees, contractors, invitees or licensees). This section 8.1 shall survive the termination of this Lease with respect to any damage, bodily or personal injury, illness or death occurring prior 10 such termination.

8.2 Insurance Coverage and Amounts. Tenant shall, at all times during the term of this Lease and at Tenant's sole cost and expense, obtain and keep in force the insurance coverages and amounts set forth in this section 8.2. Tenant shall maintain commercial general liability insurance, including contractual liability, broad form property damage liability, fire legal liability, premises and completed operations, and medical payments, with limits not less than one million dollars ($1,000,000) per occurrence and aggregate, insuring against claims for bodily injury, personal injury and property damage arising from the use, occupancy or maintenance of the Premises and the Property. The policy shall contain an exception to any pollution exclusion which insures damage or injury arising out of heat, smoke or fumes from a hostile fire. Any general aggregate shall apply on a per location basis. Tenant shall maintain business auto liability insurance with limits not less than one million dollars ($1,000,000) per accident covering owned, hired and non-owned vehicles used by Tenant. Tenant shall maintain umbrella excess liability insurance on a following form basis in excess of the required commercial general liability, business auto and employers liability insurance with limits not less than two million dollars ($2,000,000) per occurrence and aggregate. Tenant shall carry workers' compensation insurance for all of its employees in statutory limits in the state in which the Property is located and employers liability insurance which affords not less than five hundred thousand dollars ($500,000) for each coverage. Tenant shall maintain all risk property insurance for all personal property of Tenant and improvements, fixtures and equipment constructed or installed by Tenant in the Premises in an amount not less than the full replacement cost, which shall include business income and extra expense coverage with limits not less than fifty percent (50%) of gross revenues for a period of twelve (12) months. If required by Landlord, Tenant shall maintain plate glass insurance coverage

against breakage of plate glass in the Premises. Any deductibles selected by Tenant shall be the sole responsibility of Tenant.

8.3 Insurance Requirements. All insurance and all renewals thereof shall be issued by companies with a rating of at least "A-" "VIII" or better in the current edition of Best's Insurance Reports and be licensed to do and doing business in the state in which the Property is located. Each policy shall expressly provide that the policy shall not be canceled or materially altered without thirty (30) days prior written notice to Landlord and shall remain in effect notwithstanding any such cancellation or alteration until such notice shall have been given to Landlord and such period of thirty (30) days shall have expired. All liability insurance (except employers liability) shall name Landlord and any oilier parties designated by Landlord (including any investment manager,

asset manager or property manager) as an additional insured, shall be primary and noncontributing with any insurance which may be carried by Landlord, shall afford coverage for all claims based on any act, omission, event or condition that occurred or arose (or the onset of which occurred or arose) during the policy period, and shall expressly provide that Landlord, although named as an insured, shall nevertheless be entitled to recover under the policy for any loss, injury or damage to Landlord. All property insurance shall name Landlord as loss payee as respects Landlord's interest in any improvements and betterments. Tenant shall deliver certificates of insurance, acceptable to Landlord, to Landlord at least ten (10) days before the Commencement Date and at least ten (10) days before expiration of each policy. If Tenant fails to insure or fails to furnish any such insurance certificate, Landlord shall have the right from time to time to effect such insurance for the benefit of Tenant or Landlord or both of them, and Tenant shall pay to Landlord on written demand, as additional rent, all premiums paid by Landlord.

8.4 Subrogation. Tenant waives, on behalf of all insurers, under all policies of property insurance now or hereafter carried by Tenant insuring or covering the Premises, or any portion or any contents thereof, or any operations therein, all rights of subrogation which any such insurer might otherwise, if at all, have to any claims of Tenant against Landlord. Landlord waives, on behalf of all insurers under all policies of property insurance now or hereafter carried by Landlord insuring or covering the Property, or any portion or any contents thereof, or any operations therein, all rights of subrogation which any such insurer might otherwise, if at all, have to any claims of Landlord against Tenant. Tenant shall procure from each of the insurers under all policies of property insurance now or hereafter carried by Tenant insuring or covering the Premises, or any portion or any contents thereof, or any operations therein, a waiver of all rights of subrogation which the insurer might otherwise, if at all, have to any claims of Tenant against Landlord as required by this section 8.4.

8.5 Landlord Insurance Requirements. Landlord shall, at all times during the term of this Lease, secure and maintain:

(a) All risk property insurance coverage on the Property. Landlord shall not be obligated to insure any furniture, equipment, trade fixtures, machinery, goods, or supplies which Tenant may keep or maintain in the Premises or any alteration, addition or improvement which Tenant may make upon the Premises. In addition, Landlord shall secure and maintain rental income insurance. Landlord may elect to self-insure for the coverage's required under this Section 8.5. If the annual cost to Landlord for such property or rental income insurance exceeds the standard rates because of the nature of Tenant's operations, Tenant shall, upon the receipt of appropriate invoices, reimburse Landlord for such increased cost.

(b) Commercial general liability insurance with limits not less than 55,000,000 per occurrence and aggregate. Such insurance shall be in addition to, and not in lieu of, insurance required to be maintained by Tenant. Landlord may elect to self-insure for this coverage. Tenant shall not be named as an additional insured on any policy of liability insurance maintained by Landlord.

ARTICLE 9
Assignment or Sublease

9.1 Prohibition. Tenant shall not, directly or indirectly, without the prior written consent of Landlord (which consent shall not be unreasonably withheld or delayed), assign this Lease or any interest herein, or sublease the Premises or any part thereof, or permit the use or occupancy of the Premises by any person or entity other than Tenant. Tenant shall not, directly or indirectly, without the prior written consent of Landlord, which shall not be unreasonably withheld or delayed, pledge, mortgage or hypothecate this Lease or any interest herein. Notwithstanding the foregoing grammatical sentence, Landlord hereby consents to the sublease from time to time of all or any portion of the Premises to Build-A-Bear Workshop, L.L.C., a Missouri limited liability company ("Build-A-Bear"). This Lease shall not, nor shall any interest herein, be assignable as to the interest of Tenant involuntarily or by operation of law without the prior written consent of Landlord. For purposes of this Lease, any of the following transfers on a cumulative basis shall constitute an assignment of this Lease that requires the prior written consent of Landlord: if Tenant is a corporation, the transfer of more than forty-nine percent (49%) of the stock of the corporation if Tenant is a partnership, the transfer of more than forty-nine percent (49%) of the capital or profits interest in the partnership; and if Tenant is a trust, the transfer of more than forty-nine (49%) of the beneficial interest under the trust. Any of the foregoing acts, without such prior written consent of Landlord, shall be void and shall, at the option of Landlord, constitute a default that entitles Landlord to terminate this Lease. Tenant agrees that the instrument by which any assignment or sublease to which Landlord consents is accomplished shall expressly provide that the assignee or subtenant will perform all of the covenants to be performed by Tenant under this Lease (in the case of a sublease, only insofar as such covenants relate to the portion of the Premises subject to such sublease and provided further, that only in the event of a sublease of all or a portion of the Premises to Build-A-Bear, Build-A-Bear shall not be required to carry business income and extra expense insurance) as and when performance is due after the effective date of the assignment or sublease and that Landlord will have the right to enforce such covenants directly against such assignee or subtenant. Any purported assignment or sublease without an instrument containing the foregoing provisions shall be

void. Tenant shall in all cases remain liable for the performance by any assignee or subtenant of all such covenants.

Without first obtaining Landlord's written consent, the Tenant named herein may, at any time and from time to time, assign its interest under this Lease or sublet all or any part of the Premises to a Related Corporation (as hereinafter defined) to the Tenant named herein or a Successor Corporation (as hereinafter defined) to the Tenant named herein (provided said Related Corporation or Successor Corporation, as the case may be, has a net worth as of the date of said assignment or transfer equal to or greater than that of Tenant, expressly assumes this Lease and Tenant's obligations hereunder, without release of the Tenant named herein, and delivers to Landlord

such assumption in writing prior to the effective date of such assignment or sublease). The term "Related Corporation" means a corporation, partnership, or other business entity, which, directly or indirectly controls, is controlled by, or is under common control with, another corporation, partnership, or other business entity. If more than fifty percent (50%) of the voting stock of a corporation shall be owned by another corporation or by any partnership or other business entity, the corporation whose stock is 50 owned shall be deemed to be controlled by the corporation, partnership, or business entity owning such stock. The term "Successor Corporation" means a corporation or other business entity into or with which another corporation or other business entity shall be merged or consolidated or to which all or substantially all of the assets of such other corporation or other business entity shall be transferred.

9.2 Landlord's Consent or Termination. If Tenant wishes to assign this Lease or sublease all or any part of the Premises. Tenant shall give written notice to Landlord identifying the intended assignee or subtenant by name and address and specifying all of the terms of the intended assignment or sublease. Tenant shall give Landlord such additional information concerning the intended assignee or subtenant (including complete financial statements and a business history) or the intended assignment or sublease (including true copies thereof) as Landlord requests. Except for a sublease to Build-A-Bear and the assignments permitted without consent pursuant to Section 9.1 above, for a period of thirty (30) days after such written notice is given by Tenant, Landlord shall have the right, by giving written notice to Tenant, (a) to consent in writing to the intended assignment or sublease, unless Landlord determines not to consent, or (b) in the case of an assignment of this Lease or sublease of substantially the entire Premises for substantially the balance of the term of this Lease, to terminate this Lease, which termination shall be effective as of the date on which the intended assignment or sublease would have been effective if Landlord had not exercised such termination right.

9.3 Completion. If Landlord consents in writing, Tenant may complete the intended assignment or sublease subject to the following covenants: (a) the assignment or sublease shall be on the same terms as set forth in the written notice given by Tenant to Landlord, (b) no assignment or sublease shall be valid and no assignee or subtenant shall take possession of the Premises or any part thereof until an executed duplicate original of such assignment or sublease, in compliance with section 9.1 hereof, has been delivered to Landlord, (c) no assignee or subtenant shall have a right further to assign or sublease, and (d) all "excess rent" (as hereinafter defined) derived from such assignment or sublease shall be paid to Landlord. Such excess rent shall be deemed to be, and shall be paid by Tenant to Landlord as additional rent. Tenant shall pay such excess rent to Landlord immediately as and when such excess rent becomes due and payable to Tenant. As used in this section 9.3, "excess rent" shall mean the amount by which the total money and other economic consideration to be paid by the assignee or subtenant as a result of an assignment or sublease, whether denominated rent or otherwise, exceeds, in the aggregate, the total amount of rent which Tenant is obligated to pay to Landlord under this Lease (prorated to reflect the rent allocable to the portion of the Premises subject to such assignment or sublease), less only the reasonable costs paid by Tenant for additional improvements installed in the portion of the Premises subject to such assignment or sublease by Tenant at Tenant's sole cost and expense for the specific assignee or subtenant in question and reasonable leasing commissions paid by Tenant in connection with such assignment or sublease, without deduction for carrying costs due to vacancy or otherwise. Such costs of additional improvements and leasing commissions shall be amortized without interest over the term of such assignment or sublease.

9.4 Tenant Not Released. No assignment or sublease whatsoever shall release Tenant from Tenant's obligations and liabilities under this Lease or alter the primary liability of Tenant to pay all rent and to perform all obligations to be paid and performed by Tenant. No assignment or sublease shall amend or modify this Lease in any respect, and every assignment and sublease shall be subject and subordinate to this Lease. The acceptance of rent by Landlord from any other person or entity shall not be deemed to be a waiver by Landlord of any provision of this Lease. Consent to one assignment or sublease shall not be deemed consent to any subsequent assignment or sublease. Tenant shall pay to Landlord all direct costs and shall reimburse Landlord for all expenses incurred by Landlord in connection with any assignment or sublease requested by Tenant. If any assignee, subtenant or successor of Tenant defaults in the performance of any obligation to be performed by Tenant under this Lease, Landlord may proceed directly against Tenant without the necessity of exhausting remedies against such assignee, subtenant or successor. Landlord may consent to subsequent assignments or subleases or amendments or modifications to this Lease with assignees, subtenants or successors of Tenant, without notifying Tenant or any successor of Tenant and without obtaining any consent thereto from Tenant or any successor of Tenant, and such action shall not release Tenant from liability under this Lease.

ARTICLE 10
Events of Default and Remedies

10.1 Default by Tenant. The occurrence of any one or more of the following events ("Event of Default") shall constitute a breach of this Lease by Tenant:

(a) Tenant fails to pay any Base Rent, or any additional monthly rent under section 3.1 hereof, or any additional rent or other amount of money or charge payable by Tenant hereunder as and when such rent becomes due and

payable and such failure continues for more than five (5) days after Landlord gives written notice thereof to Tenant, provided, however, that after the second such failure in a calendar year, only the passage of time, but no further written notice, shall be required to establish an Event of Default in the same calendar year; or

(b) Tenant fails to perform or breaches any other agreement or covenant of this Lease to be performed or observed by Tenant as and when performance or observance is due and such failure or breach continues for more than twenty (20) days after Landlord gives written notice thereof to Tenant; provided, however,

that if, by the nature of such agreement or covenant, such failure or breach cannot reasonably be cured within such period of twenty (20) days, an Event of Default shall not exist as long as Tenant commences with due diligence and dispatch the curing of such failure or breach within such period of twenty (20) days and, having so commenced, thereafter prosecutes with diligence and dispatch and completes the curing of such failure or breach; or

(c) Tenant (i) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy, insolvency or other debtors' relief law of any jurisdiction, (ii) makes an assignment for the benefit of its creditors, or (iii) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers of Tenant or of any substantial part of Tenant's property; or

(d) Without consent by Tenant, a court or government authority enters an order, and such order is not vacated within thirty (30) days, (i) appointing a custodian, receiver, trustee or other officer with similar powers with respect to Tenant or with respect to any substantial part of Tenant's property, or (ii) constituting an order for relief or approving a petition for relief or reorganization or arrangement or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy, insolvency or other debtors' relief law of any jurisdiction, or (iii) ordering the dissolution, winding-up or liquidation of Tenant; or

(e) This Lease or any estate of Tenant hereunder is levied upon under any attachment or execution and such attachment or execution is not vacated within thirty (30) days; or

(f) Tenant abandons the Premises.

10.2 Termination. If an Event of Default occurs, Landlord shall have the right at any time to give a written termination notice to Tenant and, on the date specified in such notice, Tenant's right to possession shall terminate and this Lease shall terminate. Upon such termination, Landlord shall have the full and immediate right to possession of the Premises and Landlord shall have the right to recover from Tenant all unpaid rent which had been earned at the time of termination, all unpaid rent for the balance of the term of this Lease after termination, and all other amounts necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform all of Tenant's obligations under this Lease or which in the ordinary course of things would be likely to result therefrom.

10.3 Continuation. If an Event of default occurs, this Lease shall continue in effect for so long as Landlord does not terminate Tenant's right to possession, and Landlord shall have the right to enforce all its rights and remedies under this Lease, including the right to recover all rent as it becomes due under this Lease. Acts of maintenance or preservation or efforts to relet the Premises or the appointment of a receiver upon initiative of Landlord to protect Landlord's interest under this Lease shall not constitute a termination of Tenant's right to possession unless written notice of termination is given by Landlord to Tenant.

10.4 Remedies Cumulative. Upon the occurrence of an Event of Default, Landlord shall have the right to exercise and enforce all rights and remedies granted or permitted by law. The remedies provided for in this Lease are cumulative and in addition to all other remedies available to Landlord at law or in equity by statute or otherwise. Exercise by Landlord of any remedy shall not be deemed to be an acceptance of surrender of the Premises by Tenant, either by agreement or by operation of law. Surrender of the Premises can be effected only by the written agreement of Landlord and Tenant.

10.5 Tenant's Primary Duty. All agreements and covenants to be performed or observed by Tenant under this Lease shall be at Tenant's sole cost and expense and without any abatement of rent. If Tenant fails to pay any sum of money to be paid by Tenant or to perform any other act to be performed by Tenant under this Lease. Landlord shall have the right, but shall not be obligated, and without waiving or releasing Tenant from any obligations of Tenant, to make any such payment or to perform any such other act on behalf of Tenant in accordance with this Lease. All sums so paid by Landlord and all costs incurred or paid by Landlord shall be deemed additional rent hereunder and Tenant shall pay the same to Landlord on written demand, together with interest on all such sums and costs from the date of expenditure by Landlord to the date of repayment by Tenant at the rate of ten percent (10%) per annum.

10.6 Abandoned Property. If Tenant abandons the Premises, or is dispossessed by process of law or otherwise, any movable furniture, equipment, trade fixtures or personal property belonging to Tenant and left in the Premises shall be deemed to be abandoned, at the option of Landlord, and Landlord shall have the right to sell or otherwise dispose of such personal property in any commercially reasonable manner.

10.7 Landlord Default. If Landlord defaults under this Lease, Tenant shall give written notice to Landlord specifying such default with particularity, and Landlord shall have thirty (30) days after receipt of such notice within which to cure such default. In the event of any default by Landlord, Tenant's exclusive remedy shall be an action for damages. Notwithstanding any other provision of this Lease, Landlord shall not have any personal liability under this Lease. In the event of any default by Landlord

under this Lease, Tenant agrees to look solely to the equity or interest then owned by Landlord in the Property, and in no event shall any deficiency judgment or personal money judgment of any kind be sought or obtained against Landlord.

ARTICLE 11
Damage or Destruction

11.1 Restoration. If the Property or the Premises, or any part thereof, is damaged by fire or other casually before the Commencement Date or during the term of this Lease, and this Lease is not terminated pursuant to section 11.2 hereof, Landlord shall repair such damage and restore the Property and the Premises to substantially the same condition in which the Property and the Premises existed before occurrence of such fire or other casualty and this Lease shall, subject to this section 11.1, remain in full force and effect. If such fire or other casualty damages the Premises or common areas of the Property necessary for Tenant's use and occupancy of the Premises and if such damage is not the result of the negligence or willful misconduct of Tenant or Tenant's agents, officers, employees, contractors, licensees or invitees, then, during the period the Premises is rendered unusable by such damage, Tenant shall be entitled to a reduction in Base Rent in the proportion that the area of the Premises rendered unusable by such damage bears to the total area of the Premises. Landlord shall not be obligated to repair any damage to, or to make any replacement of, any movable furniture, equipment, trade fixtures or personal property in the Premises. Tenant shall, at Tenant's sole cost and expense, repair and replace all such movable furniture, equipment, trade fixtures and personal property.

11.2 Termination of Lease. If the Property or the Premises, or any part thereof, is damaged by fire or other casualty before the Commencement Date or during the term of this Lease and (a) such fire or other casualty occurs during the last twelve (12) months of the term of this Lease and the repair and restoration work to be performed by Landlord in accordance with section 11.1 hereof cannot, as reasonably estimated by Landlord, be completed within sixty (60) days after the occurrence of such fire or other casualty, or (b) the insurance proceeds received by Landlord in respect of such damage are not adequate to pay the entire cost, as reasonably estimated by Landlord, of the repair and restoration work to be performed by Landlord in accordance with section 11.1 hereof (including inadequacy resulting from the requirement of the holder of any indebtedness secured by a mortgage or deed of trust covering the Premises that the insurance proceeds be applied to such indebtedness), or (c) the repair and restoration work to be performed by Landlord in accordance with section 11.1 hereof cannot, as reasonably estimated by Landlord, be completed within one hundred twenty (120) days after the occurrence of such fire or other casualty, then, in any such event, Landlord or Tenant shall have the right, by giving written notice to the other party hereto within sixty (60) days after the occurrence of such fire or other casualty, to terminate this Lease as of the date of such notice. If Landlord or Tenant does not exercise the right to terminate this Lease in accordance with this section 11.2, Landlord shall repair such damage and restore the Property and the Premises in accordance with section 11.1 hereof and this Lease shall, subject to section 11.1 hereof, remain in full force and effect.

ARTICLE 12
Eminent Domain

12.1 Condemnation. Landlord shall have the right to terminate this Lease if any part of the Premises or any substantial part of the Property (whether or not it includes the Premises) is taken by exercise of the power of eminent domain before the Commencement Date or during the term of this Lease. Tenant shall have the right to terminate this Lease if a substantial portion of the Premises is taken by exercise of the power of eminent domain before the Commencement Date or during the term of this Lease and the remaining portion of the Premises is not reasonably suitable for Tenant's purposes. In each such case, Landlord or Tenant shall exercise such termination right by giving written notice to the other within thirty (30) days after the date of such taking. If either Landlord or Tenant exercises such right to terminate this Lease in accordance with this section 12.1, this Lease shall terminate as of the date of such taking. If neither Landlord nor Tenant exercises such right to terminate this Lease in accordance with this section 12.1, this Lease shall terminate as to the portion of the Premises so taken as of the date of such taking and shall remain in full force and effect as to the portion of the Premises not so taken, and the Base Rent and Tenant's Percentage Share shall be reduced as of the date of such taking in the proportion that the area of the Premises so taken bears to the total area of the Premises. If all of the Premises is taken by exercise of the power of eminent domain before the Commencement Date or during the term of this Lease, this Lease shall terminate as of the date of such taking.

12.2 Award. If all or any part of the Premises is taken by exercise of the power of eminent domain, all awards, compensation, damages, income, rent and interest payable in connection with such taking shall, except as expressly set forth in this section 12.2, be paid to and become the property of Landlord, and Tenant hereby assigns to Landlord all of the foregoing. Without limiting the generality of the foregoing, Tenant shall have no claim against Landlord or the entity exercising the power of eminent domain for the value of the leasehold estate created by this Lease or any unexpired term of this Lease. Tenant shall have the right to claim and receive directly from the entity exercising the power of eminent domain only the share of any award determined to be owing to Tenant for the taking of improvements installed in the portion of the Premises so taken by Tenant at Tenant's sole cost and expense based on the unamortized cost actually paid by Tenant for such improvements, for the taking of Tenant's movable furniture, equipment, trade fixtures and personal property, for loss of goodwill, for interference with or interruption of Tenant's business, or for

removal and relocation expenses.

12.3 Temporary Use. Notwithstanding sections 12.1 and 12.2 hereof to the contrary, if the use of all or any part of the Premises is taken by exercise of the power of eminent domain during the term of this Lease on a temporary basis for a period less than the term of this Lease remaining after such taking, this Lease shall continue in full force and effect. Tenant shall continue to pay all of the rent and to perform all of the covenants of Tenant in accordance with this Lease, to the extent reasonably practicable under the circumstances, and the condemnation proceeds in respect of such temporary taking shall be paid to Tenant.

12.4 Definition of Taking. As used herein, a "taking" means the acquisition of all or part of the Property for a public use by exercise of the power of eminent domain or voluntary conveyance in lieu thereof and the taking shall be considered to occur as of the earlier of the date on which possession of the Property (or part so taken) by the entity exercising the power of eminent domain is authorized as stated in an order for possession or the date on which title to the Properly (or part so taken) vests in the entity exercising the power of eminent domain.

ARTICLE 13
Subordination and Sale

13.1 Subordination. This Lease shall be subject and subordinate at all times to the lien of all mortgages and deeds of trust securing any amount or amounts whatsoever which may now exist or hereafter be placed on or against the Property or on or against Landlord's interest or estate therein, all without the necessity of having further instruments executed by Tenant to effect such subordination. Notwithstanding the foregoing, in the event of a foreclosure of any such mortgage or deed of trust or of any other action or proceeding for the enforcement thereof, or of any sale thereunder, this Lease shall not be terminated or extinguished, nor shall the rights and possession of Tenant hereunder be disturbed, if no Event of Default (beyond any applicable cure period) then exists under this Lease, and Tenant shall attorn to the person who acquires Landlord's interest hereunder through any such mortgage or deed of trust. Tenant agrees to execute, acknowledge and deliver upon demand such further instruments evidencing such subordination of this Lease to the lien of all such mortgages and deeds of trust as may reasonably be required by Landlord. Notwithstanding the foregoing, if the holder of any such mortgage or deed of trust requests that this Lease be made superior, rather than subordinate to such deed of trust or mortgage, then Tenant agrees to execute, acknowledge and deliver upon demand such instruments effectuating such priority.

13.2 Sale of the Property. If the original Landlord hereunder, or any successor owner of the Property, sells or conveys the Property, all liabilities and obligations on the part of the original Landlord, or such successor owner, under this Lease accruing after such sale or conveyance shall terminate and the original Landlord, or such successor owner, shall automatically be released therefrom, and thereupon all such liabilities and obligations shall be binding upon the new owner, Tenant agrees to attorn to such new owner.

13.3 Estoppel Certificate. At any time and from time to time, Landlord or Tenant shall, within thirty (30) days after written request by Landlord, execute, acknowledge and deliver to the other party hereto a certificate certifying; (a) that this Lease is unmodified and in full force and effect (or, if there have been modifications, that this Lease is in full force and effect as modified, and stating the date and nature of each modification); (b) the Commencement Date and the Expiration Date determined in accordance with Article 2 hereof and the date, if any, to which all rent and other sums payable hereunder have been paid; (c) that no notice has been received of any default hereunder which has not been cured, except as to defaults specified in such certificate; (d) that there is no default under this Lease, except as to defaults specified in such certificate; and (e) such other matters as may be reasonably requested by the requesting party or any actual or prospective purchaser or mortgage lender. Landlord shall not be required to give any such estoppel certificate more than once per calendar year. Any such certificate may be relied upon by the requesting party and any actual or prospective purchaser or mortgage lender of the Property or any part thereof. At any time and from time to time, Tenant shall, within ten (10) days after written request by Landlord, deliver to Landlord copies of all current financial statements (including a balance sheet, an income statement, and an accumulated retained earnings statement), annual reports, and other financial and operating information and data of Tenant prepared by Tenant in the course of Tenant's business, which Tenant has already prepared at the time of such, request. Unless available to the public, Landlord shall disclose such financial statements, annual reports and other information or data only to actual or prospective purchasers or mortgage lenders of the Property or any part thereof, and otherwise keep them confidential unless other disclosure is required by law.

ARTICLE 14
Notices

14.1 Method. All requests, approvals, consents, notices and other communications given by Landlord or Tenant under this Lease shall be properly given only if made in writing and either deposited in the United States mail, postage prepaid, certified with return receipt requested, or delivered by hand (which may be through a messenger or recognized delivery, courier or air express service, which obtains a receipt for delivery) and addressed as follows: To Landlord at the address of Landlord specified in the Basic Lease Information, or at such other place as Landlord may from time to time designate in a written notice to Tenant; to Tenant at the address of Tenant specified in the Basic Lease Information, or at such other place as Tenant may from time to time designate in a written notice to Landlord; and to Guarantor at the address of Guarantor specified in the Basic Lease information, or at such other place as Guarantor may from time to time designate in a written notice to Landlord. Such requests, approvals, consents, notices and other communications shall be effective on the date of receipt (evidenced by the certified mail receipt) if mailed or on the date of hand delivery if hand delivered. If any such request, approval, consent, notice or other communication is not received or cannot be

delivered due to a change in the address of the receiving party of which notice was not previously given to the sending party or due to a refusal to accept by the receiving party, such request, approval, consent, notice or other communication shall be effective on the date delivery is attempted. Any request, approval, consent, notice or other communication under this Lease may be given on behalf of a party by the attorney for such party.

ARTICLE 15
Miscellaneous

15.1 General. The words "Landlord" and "Tenant" as used herein shall include the plural as well as the singular. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation". If there is more than one Tenant, the obligations hereunder imposed upon Tenant shall be joint and several. Time is of the essence of this Lease and each and all of its provisions. This Lease shall benefit and bind Landlord and Tenant and the permitted personal representatives, heirs, successors and assigns of Landlord and Tenant. If any provision of this Lease is determined to be illegal or unenforceable, such determination shall not affect any other provision of this Lease and all such other provisions shall remain in full force and effect. Tenant shall not record this Lease or any memorandum or short form of it. This Lease shall be governed by and construed in accordance with the laws of the state in which the Property is located.

15.2 No Waiver. The waiver by Landlord or Tenant of any breach of any covenant in this Lease shall not be deemed to be a waiver of any subsequent breach of the same or any other covenant in this Lease, nor shall any custom or practice which may grow up between Landlord and Tenant in the administration of this Lease be construed to waive or to lessen the right of Landlord or Tenant to insist upon the performance by Landlord or Tenant in strict accordance with this Lease. The subsequent acceptance of rent hereunder by Landlord or the payment of rent by Tenant shall not waive any preceding breach by Tenant of any covenant in this Lease, nor cure any Event of Default, nor waive any forfeiture of this Lease or unlawful detainer action, other than the failure of Tenant to pay the particular rent so accepted, regardless of Landlord's or Tenant's knowledge of such preceding breach at the time of acceptance or payment of such rent.

15.3 Attorneys' Fees. If there is any legal action or proceeding between Landlord and Tenant to enforce this Lease or to protect or establish any right or remedy under this Lease, the unsuccessful party to such action or proceeding shall pay to the prevailing party all costs and expenses, including reasonable attorneys' fees and disbursements incurred by such prevailing party in such action or proceeding and in any appeal in connection therewith. If such prevailing party recovers a judgment in any such action, proceeding or appeal, such costs, expenses and attorneys' fees and disbursements shall be included in and as a part of such judgment.

15.4 Exhibits. Exhibit A (Plan(s) Outlining the Premises and the Property), Exhibit B (Description of Landlord's Work), Exhibit C (Form of Memorandum Confirming Term), Exhibit D (Renewal Option) and any other attachments specified in the BASIC LEASE INFORMATION, are attached to and made a part of this Lease.

15.5 Broker(s). Tenant warrants and represents to Landlord that Tenant has negotiated this Lease directly with the real estate broker(s) specified in the BASIC LEASE INFORMATION and has not authorized or employed, or acted by implication to authorize or to employ, any other real estate broker to act for Tenant in connection with this Lease. Landlord agrees to pay any all brokerage fees and commissions to the real estate broker(s) specified in the BASIC LEASE INFORMATION.

15.6 Waivers of Jury Trial and Certain Damages. Landlord and Tenant each hereby expressly, irrevocably, fully and forever releases, waives and relinquishes any and all right to trial by jury and any and all right to receive punitive, exemplary and consequential damages from the other (or any past, present or future board member, trustee, director, officer, employee, agent, representative, or advisor of the other) in any claim, demand, action, suit, proceeding or cause of action in which Landlord and Tenant are parties, which in any way (directly or indirectly) arises out of, results from or relates to any of the following, in each case whether now existing or hereafter arising and whether based on contract or tort or any other legal basis: This Lease; any past, present, or future act, omission, conduct or activity with respect to this Lease; any transaction, event or occurrence contemplated by this Lease; the performance of any obligation or the exercise of any right under this Lease; or the enforcement of this Lease. Landlord and Tenant reserve the right to recover actual or compensatory damages, with interest, attorneys' fees, costs and expenses as provided in this Lease, for any breach of this Lease.

15.7 Entire Agreement. There are no oral agreements between Landlord and Tenant affecting this Lease, and this Lease supersedes and cancels any and all previous negotiations, arrangements, brochures, offers, agreements, and understandings, oral or written, if any, between Landlord and Tenant or displayed by Landlord to Tenant with respect to the subject matter of this Lease, the Premises or the Property. There are no commitments, representations or assurances between Landlord and Tenant or between any real estate broker and Tenant other than those expressly set forth in this Lease and all reliance with respect to any commitments, representations or assurances is solely upon commitments, representations and assurances expressly set forth in this Lease. This Lease may not be amended or modified in any respect whatsoever except by an agreement in writing signed by Landlord and Tenant.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the date specified in the Basic Lease Information.

NEWSPACE, INC.,
a Missouri corporation

By: _____
Name_____
Title_____

STATE OF CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM, a unit of the State and Consumer Services Agency of the State of California

By: CalEast Industrial Investors, LLC.
Its: Duly authorized agent

By: LaSalle Investment Management, Inc.
Its: Manager

By: _____
Rebecca S. Smith
Its: Vice President

EXHIBIT A

Plan(s) Outlining the Premises and the Property

Premises: Suites 1950-54, 1956, 1958, 1960-62, 1964, and 1990, comprising. 45,696 total square feet.

[FLOOR PLAN]

Building Name	[ILLEGIBLE] Center	Business	Description	Marketing Plan	State of California Public Employee's	TRAMMELL CROW
Building Code	BIBC		Date	[ILLEGIBLE]	Retirement System	COMPANY
Building [ILLEGIBLE]	[ILLEGIBLE]		Project No.	[ILLEGIBLE]	Advisor: LaSelle Advisors LTD.	GRAY

This site plan or floor plan is used solely for the purpose of identifying the approximate location and size of the Premises. Building sizes, site dimensions, access, common and parking areas, and existing tenants and locations are subject to change at Landlord's discretion.

EXHIBIT B

Description of Landlord's Work

NONE

EXHIBIT C

MEMORANDUM CONFIRMING TERM

THIS MEMORANDUM, made as of June 14, 2000, by and between STATE OF CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM, a unit of the State and Consumer Services Agency of the State of California ("Landlord"), and NEWSPACE, INC., a Missouri corporation, ("Tenant").

WITNESSETH:

Recital of Facts:

Landlord and Tenant entered into the Industrial Lease (the "Lease") dated June 14, 2000. Words defined in the Lease have the same meanings in this Memorandum.

NOW, THEREFORE, in consideration of the covenants in the Lease, Landlord and Tenant agree as follows:

1. Landlord and Tenant hereby confirm that:

(a) The Commencement Date under the Lease is June 14, 2000

(b) The Expiration Date under the Lease is June 30, 2008

(c) Landlord has delivered possession of the Premises to Tenant as required by the Lease, and Tenant's obligation to pay rent begins under the Lease is June 14, 2000.

2. Tenant hereby confirms that:

(a) All commitments, representations and assurances made to induce Tenant to enter into the Lease have been fully satisfied;

(b) All improvements to the Property and in the Premises to be constructed or installed by Landlord have been completed and furnished in accordance with the Lease to the satisfaction of Tenant; and

(c) Tenant has accepted and is in full and complete possession of the Premises.

3. This Memorandum shall be binding upon and inure to the benefit of Landlord and Tenant and their permitted successors and assigns under the Lease. The Lease is in full force and effect.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Memorandum as of the date first hereinabove written.

NEWSPACE, INC.
a Missouri corporation

By: _____
Name_____
Title_____

STATE OF CALIFORNIA PUBLIC EMPLOYEES'
RETIREMENT SYSTEM, a unit of the State and
Consumer Services Agency of the State of California

By: CalEast Industrial Investors, LLC.
Its: Duly authorized agent

By: LaSalle Investment Management, Inc.
Its: Manager

By:_____
Rebecca S. Smith
Its: Vice President

EXHIBIT D

ADDENDUM ATTACHED TO AND MADE A PART OF INDUSTRIAL LEASE BETWEEN STATE OF CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM, LANDLORD, AND NEWSPACE, INC.

16. Suite 1990. The term of the Lease with respect to Suite 1990 (approximately 4,947 square feet, more or less) shall terminate and be of no further force or effect on June 30, 2003. Tenant shall vacate and surrender possession of Suite 1990 in accordance with the terms of the Lease on or before June 30, 2003. Provided there is no outstanding Event of Default beyond any applicable cure period by Tenant under this Lease and subject to the terms and conditions of this Section. Tenant shall have two (2) options to renew ("Option to Renew") the term of the Lease with respect to Suite 1990 for two (2) periods of five (5) years each ("Option Terms"). If the Options to Renew are exercised during any applicable cure period following an event, which with the passage of time or the giving of notice, or both, would constitute an Event of Default, then such exercise shall be void and of no further force or effect unless the cure is fully completed within the applicable cure period, but in no event later than the expiration or earlier termination of the Lease. Except as set forth in this Section, all terms and conditions shall remain the same during the Option Terms except the Base Rent for Suite 1990 shall be adjusted to the then Fair Market Rental Rate. Unless otherwise agreed, there shall be no rent concessions or tenant improvements. "Fair Market Rental Rate" shall mean the market rental then being offered for comparable space in comparable location and condition to Suite 1990, computed as described in the remainder of this Section. If Tenant fails to notify Landlord in writing of its intent to exercise its Options to Renew as set forth in the preceding paragraph, the Options to Renew shall terminate, and Landlord shall be free to enter into a Lease with a third party. If Tenant fails to exercise the first five year Option to Renew for Suite 1990, then the second five year Option to Renew shall terminate.

Tenant shall give Landlord written notice of Its intent to exercise the Options to Renew at least six (6) months but not more than fifteen (15) months prior to June 30, 2003 with respect to the first five (5) year Option to Renew and at least six (6) months but not more than fifteen (15) months prior to June 30, 2008 with respect to the second five (5) year Option to Renew. Within twenty (20) days after Landlord receives the notice described in the previous sentence. Landlord will provide Tenant with Landlord's determination of the Fair Market Rental Rate for comparable space as of the end of the expiring Lease Term with respect to Suite 1990. Tenant shall have thirty (30) days from Landlord's notification of the proposed Base Rent to accept Landlord's determination of Base Rent for the Option Term(s) or provide its own determination of Base Rent based upon comparable space for Landlord's consideration. Such Fair Market Rental Rate shall be determined by agreement between Landlord and Tenant.

If Landlord and Tenant do not agree on the Fair Market Rental Rate for Suite 1990 by the date seven (7) months prior to the first day of the Option Term(s), such Fair Market Rental Rate shall be determined as follows: Landlord and Tenant each shall appoint one (1) appraiser within fifteen (15) days after such date. If either Landlord or Tenant fails to appoint its appraiser within such period of fifteen (15) days, such appraiser shall be appointed by the following process; Landlord shall make application to the president of the Real Estate Board of Metropolitan St. Louis to name three qualified appraisers for consideration; then Landlord and Tenant will each strike one of those appraisers, with the appraiser that was not struck becoming the previously unnamed appraiser. Each such appraiser shall appraise such Fair Market Rental Rate for Suite 1990 and complete and submit his written appraisal setting forth the appraised value to Landlord and Tenant within thirty (30) days after the appointment of both such appraisers. If the higher appraised value in such two (2) appraisals is not more than one hundred ten percent (110%) of the lower appraised value, such Fair Market Rental Rate for Suite 1990 shall be the average of the two (2) appraised values. If the higher appraised value is more than one hundred ten percent (110%) of the lower appraised value, Landlord and Tenant shall agree upon and appoint a neutral third appraiser within fifteen (15) days after both of the first two (2) appraisals have been submitted to Landlord and Tenant. If Landlord and Tenant do not agree upon and fail to appoint such neutral third appraiser within such period of fifteen (15) days, such neutral third appraiser shall be appointed by the following process: Landlord shall make application to the president of the Real Estate Board of Metropolitan St. Louis to name three qualified appraisers for consideration; then Landlord and Tenant will each strike one of those appraisers, with the appraiser that was not struck becoming the neutral third appraiser. The neutral third appraiser shall appraise such Fair Market Rental Rate for Suite 1990 and complete and submit his written appraisal setting forth the appraised value to Landlord and Tenant within thirty (30) days after his appointment. Such Fair Market Rental Rate for Suite 1990 shall be the average of the two (2) appraised values in such three (3) appraisals that are closest to each other. If the middle appraised rental is the average of the other two, the then middle rental shall be such Fair Market Rental Rate. The Fair Market Rental Rate for Suite 1990, determined in accordance with this Section, shall be conclusive and binding upon Landlord and Tenant. All appraisers so appointed, shall be members of the American Institute of Real Estate Appraisers of the National Association of Realtors or real estate professionals qualified by appropriate training or experience and having at least ten (10) years of experience dealing with commercial real estate. The appraisers shall have no power or authority to amend or modify this Lease in any respect and their jurisdiction is limited

accordingly. Landlord and Tenant each shall pay the fee and expenses charged by its appraiser plus one-half of the fee and expenses charged by the neutral third appraiser. If the Fair Market Rental Rate for Suite 1990 has not been determined in accordance with this Section by the first day of the Option Term, Tenant shall pay as Base Rent the average of the amount of Base Rent proposed by Landlord and the amount of Base Rent proposed by Tenant, but not less than the monthly Base Rent for the month immediately preceding the Option Term, effective on the first day of the Option Term and Tenant shall continue to pay such average until the Fair Market Rental Rate for Suite 1990 has been determined, at which time any adjustment in the Base Rent resulting therefrom shall be made retroactively within ten (10) days after such determination.

17. Option to Extend Term of Lease.

(a) Option. Provided there is no outstanding Event of Default beyond any applicable cure period by Tenant under this Lease and subject to the terms and conditions of this Section, Tenant shall have one (1) option to renew

("Option to Renew") the term of the Lease for one (1) period of five (5) years ("Option Term"). If the Option to Renew is exercised during any applicable cure period following an event, which with the passage of time or the giving of notice, or both, would constitute an Event of Default, then such exercise shall be void and of no further force or effect unless the cure is fully completed within the applicable cure period, but in no event later than the expiration or earlier termination of the Lease. Except as set forth in this Section, all terms and conditions shall remain the same during the Option Term except the Base Rent at the end of the initial term, as defined in Base Lease Information of the Lease, shall be adjusted to the then Fair Market Rental Rate. Unless otherwise agreed, there shall be no rent concessions or tenant improvements. "Fair Market Rental Rate" shall mean the market rental then being offered for comparable space in comparable location and condition to the Premises, computed as described in the remainder of this Section. If Tenant fails to notify Landlord in writing of its intent to exercise its Option to Renew as set forth in the preceding paragraph, the Option to Renew shall terminate, and Landlord shall be free to enter into a Lease with a third party. The Option to Renew shall be effective regardless of whether Tenant elects to exercise its Options to Renew with respect to Suite 1990.

(b) Notice of Exercise. Tenant shall give Landlord written notice of its intent to exercise the Option to Renew at least six (6) months but not more than fifteen (15) months prior to the expiration of the expiring Lease Term. Within twenty (20) days after Landlord receives the notice described in the previous sentence, Landlord will provide Tenant with Landlord's determination of the Fair Market Rental Rate for comparable space as of the end of the expiring Lease Term. Tenant shall have thirty (30) days from Landlord's notification of the proposed Base Rent to accept Landlord's determination of Base Rent for the Option Term(s) or provide its own determination of Base Rent based upon comparable space for Landlord's consideration. Such Fair Market Rental Rate shall be determined by agreement between Landlord and Tenant.

(c) Determination of Fair Market Value. If Landlord and Tenant do not agree on the Fair Market Rental Rate of the Premises by the date seven (7) months prior to the first day of the Option Term, such Fair Market Rental Rate shall be determined as follows: Landlord and Tenant each shall appoint one (1) appraiser within fifteen (15) days after such date. If either Landlord or Tenant fails to appoint its appraiser within such period of fifteen (15) days, such appraiser shall be appointed by the following process: Landlord shall make application to the president of the Real Estate Board of Metropolitan St. Louis to name three qualified appraisers for consideration; then Landlord and Tenant will each strike one of those appraisers, with the appraiser that was not struck becoming the previously unnamed appraiser. Each such appraiser shall appraise such Fair Market Rental Rate of the Premises and complete and submit his written appraisal setting forth the appraised value to Landlord and Tenant within thirty (30) days after the appointment of both such appraisers. If the higher appraised value in such two (2) appraisals is not more than one hundred ten percent (110%) of the lower appraised value, such Fair Market Rental Rate of the Premises shall be the average of the two (2) appraised values. If the higher appraised value is more than one hundred ten percent(110%) of the lower appraised value, Landlord and Tenant shall agree upon and appoint a neutral third appraiser within fifteen (15) days after both of the first two (2) appraisals have been submitted to Landlord and Tenant. If Landlord and Tenant do not agree upon and fail to appoint such neutral third appraiser within such period of fifteen (15) days, such neutral third appraiser shall be appointed by the following process: Landlord shall make application to the president of the Real Estate Board of Metropolitan St. Louis to name three qualified appraisers for consideration; then Landlord and Tenant will each strike one of those appraisers, with the appraiser that was not struck becoming the neutral third appraiser. The neutral third appraiser shall appraise such Fair Market Rental Rate of the Premises and complete and submit his written appraisal setting forth the appraised value to Landlord and Tenant within thirty (30) days after his appointment. Such Fair Market Rental Rate of the Premises shall be the average of the two (2) appraised values in such three (3) appraisals that are closest to each other. If the middle appraised rental is the average of the other two, the then middle rental shall be such Fair Market Rental Rate. The Fair Market Rental Rate of the Premises, determined in accordance with this Section, shall be conclusive and binding upon Landlord and Tenant. All appraisers so appointed, shall be members of the American Institute of Real Estate Appraisers of the National Association of Realtors or real estate professionals qualified by appropriate training or experience and having at least ten (10) years of experience dealing with commercial real estate. The appraisers shall have no power or authority to amend or modify this Lease in any respect and their jurisdiction is limited accordingly. Landlord and Tenant each shall pay the fee and expenses charged by its appraiser plus one-half of the fee and expenses charged by the neutral third appraiser. If the Fair Market Rental Rate of the Premises has not been determined in accordance with this Section by the first day of the Option Term, Tenant shall pay as Base Rent the average of the amount of Base Rent proposed by Landlord and the amount of Base Rent proposed by Tenant, but not less than the monthly Base Rent for the month immediately preceding the Option Term, effective on the first day of the Option Term and Tenant shall continue to pay such average until the Fair Market Rental Rate of the Premises has been determined, at which time any adjustment in the Base Rent resulting therefrom shall be made retroactively within ten (10) days after such determination.

18. Letter of Credit. Prior to the date of this Lease, Tenant shall deliver to Landlord an unconditional and irrevocable stand-by letter of credit ("Letter of Credit") in favor of Landlord in the face amount of $28,251.67, effective for a

period commencing on or prior to the date of the Lease and ending on the date one month after the estimated Expiration Date of the Lease (as reasonably estimated by Landlord). The Letter of Credit shall be issued by a bank in St. Louis City or St. Louis County, Missouri, acceptable to Landlord, shall provide for payment without condition upon presentation of a sight draft, and shall otherwise be in form and substance satisfactory to Landlord in Landlord's sole and absolute discretion. The Letter of Credit shall secure all obligations of Tenant under the Lease. If, at any time during the Term, any of the Base Rent or additional rent shall be overdue and Tenant shall be in default under the Lease by virtue of such Base Rent or additional rent being overdue beyond any applicable cure period, or if Tenant fails to perform any of the other terms, covenants or conditions to be performed by Tenant under the Lease and Tenant shall be in default under the Lease by virtue of such failure beyond any applicable cure period, then Landlord, at its option, may draw and apply all or any portion of the Letter of Credit to the payment of any such overdue Base Rent or additional rent and to the compensation of Landlord for loss or damage sustained by Landlord due to such default by Tenant, including, without limitation, fees, expenses or other costs incurred by the Landlord in connection with any collection efforts relating to the Lease. Any draw on the Letter of Credit is without prejudice to Landlord's older rights or remedies under the Lease, at law or in equity. In the event of any drawing under the Letter of Credit as a result of a default by Tenant under the Lease, Landlord shall be entitled to draw' the entire face amount of the Letter of Credit and hold the same as a cash security deposit in accordance with Section 3.3 of the Lease. Should all or any part of the Letter of Credit or additional letters of

credit remitted to Landlord as hereinafter provided, be drawn and applied by Landlord as provided above, then Tenant shall, upon demand of Landlord, forthwith remit to Landlord an additional one or more letters of credit in an amount in the aggregate equal to the amount applied by Landlord to such default to restore the credit line (less any cash converted to a security deposit pursuant to a draw on the entire face amount of the Letter of Credit as permitted above) available to Landlord to the full amount specified in the Letter of Credit. The Letter of Credit shall be transferable by Landlord as beneficiary (at Tenant's cost, if any), and Landlord may deliver the Letter of Credit delivered hereunder to a purchaser of Landlord's interest in the Property in the event that such interest is sold, and thereupon Landlord shall be discharged from any further liability with respect to the Letter of Credit.

If the termination date for the Letter of Credit is prior to one month after the Expiration Date, Tenant covenants and agrees to take any and all such action as is necessary to maintain such Letter of Credit continuously in full force and effect at all times through and including such date, and specifically covenants with Landlord to provide Landlord with a renewal or replacement letter of credit (which, upon delivery to and acceptance by Landlord, shall then constitute the Letter of Credit) at a time not less than sixty (60) days prior to the termination date of such existing Letter of Credit such that the protections afforded Landlord are maintained continuously in full force and effect without loss or diminution in value, and Tenant's failure to do so in a timely manner shall entitle Landlord to effect a full drawing upon, prior to its termination date, the then effective Letter of Credit, and shall constitute a specific and immediate occurrence of default under the Lease. Any amounts so drawn by Landlord shall be applied to the obligations of Tenant under the Lease as such obligations become due and payable, including, without limitation, fees, expenses, or other costs incurred by Landlord in connection with any collection efforts relating to the Lease by Landlord in the manner described in the preceding paragraph.

19. Termination of July 29, 1986 Lease Agreement. The Lease Agreement for the Premises, dated July 29, 1986, as amended by eight addenda thereto (the "1986 Lease Agreement"), between Landlord, as successor to St. Louis Industrial Properties Ltd. #7. d/b/a Trammell Crow Company, and Tenant (formerly known as New Space Closet Interiors, Inc.) is hereby terminated effective June 14, 2000; provided, however, that (i) the terms and conditions of the 1986 Lease Agreement which have not been performed as of June 14, 2000 shall survive the termination of the 1986 Lease Agreement; (ii) Tenant shall continue to indemnify Landlord under the 1986 Lease Agreement with respect to acts and occurrences arising on or before June 14, 2000 in accordance with the indemnifications set forth in the 1986 Lease Agreement and (iii) Tenant shall remove all alterations, additions, fixtures and improvements (whether such alterations, additions, fixtures and improvements were made pursuant to the 1986 Lease Agreement or pursuant to the terms of the Lease) upon the Expiration Date of the Lease in accordance with Section 7.2 of the Lease and restore the Premises to the condition such Premises existed before such alterations, additions, fixtures and improvements were made to the Premises (unless Landlord paid for any such alterations, additions, fixtures and improvements, in which event Landlord may elect, in its sole discretion, to retain such alterations, additions, fixtures or improvements).

SUBLEASE

THIS SUBLEASE ("Sublease") is made and entered into as of the 15th day of February, 2000, by and between NewSpace, Inc., a Missouri corporation ("Landlord"), and Build-A-Bear Workshop, L.L.C., a Missouri limited liability company ("Tenant").

WITNESSETH, THAT:

WHEREAS, Landlord is the tenant of the property known as 1954 Innerbelt Business Center Drive, located in St. Louis County, Missouri, as more particularly shown on Exhibit A attached hereto and incorporated herein by reference (the "Building") and

WHEREAS, Landlord has agreed to sublease the portion of the Building outlined in pink on Exhibit A attached hereto and incorporated herein by reference (the "Premises") to Tenant.

NOW, THEREFORE, in consideration of the premises, the mutual covenants, promises and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. Sublease. Landlord hereby subleases the Premises to Tenant and Tenant hereby subleases the Premises from Landlord for the term, at the rental, and upon all the conditions set forth herein. This agreement constitutes a sublease, and Tenant acknowledges that Landlord's interest in the Building is as a tenant under a written lease with State of California Public Employees Retirement System (the "Prime Lessor"), dated July 26, 1986 and amended seven (7) times (the "Prime Lease"), a copy of which along with all amendments is attached hereto, marked Exhibit B and incorporated herein by reference. Except as provided herein, this Sublease is expressly made subject to all the terms and conditions of the Prime Lease, and, insofar as they relate to the Premises or the use and occupancy thereof, Tenant agrees to observe and comply with all covenants and obligations of Landlord under the Prime Lease.

2. Term. The term of this Sublease (the "Term") shall commence February 15, 2000, and expire on June 30, 2008.

3. Option to Renew. Subject to the terms and conditions set forth herein, Tenant shall have the option to renew this Sublease for an additional term of five (5) years commencing on the first day following the expiration of the Term. So long as Tenant is not in default of a material covenant under this Sublease, Tenant may renew this Sublease as provided hereinabove upon giving Landlord written notice of such renewal not less than nine (9) months prior to the expiration of the Term. Any renewal of this Sublease shall be on the same terms and conditions of this Sublease except that the base rent payable during such renewal shall be determined pursuant to Exhibit D to the Amended and Restated Lease attached as an exhibit to the 6th Amendment to the Prime Lease.

4. Rental. Tenant shall pay to Landlord as base rent, commencing on June 14, 2000 (the "Rental Commencement Date"), without deduction, setoff, notice or demand, at c/o Robert Fox, NewSpace, Inc., 1960 Innerbelt Business Center Drive, St. Louis, Missouri 63114 or at such other place as Landlord shall designate from time to time by notice to Tenant, Thirteen Thousand Four Hundred Fifty-Seven Dollars ($13,457.00Q) per month (based on $10.765 per square foot per year) for each month during the first twelve (12) months of this Sublease (prorated for the first partial month); Thirteen Thousand Six Hundred Fourteen ($13,614.00) per month (based on $10.89) per square foot per year) for each month from the thirteenth (13th) through the thirty-sixth (36th) months of the term of this Sublease; Thirteen Thousand Nine Hundred Twenty Dollars ($13,920.00) per month (based on $11.135 per square foot per year) from the thirty-seventh (37th) through the sixtieth (60th) months of the term of this Sublease; and Fourteen Thousand Seventy-Five Dollars ($14,075.00) per month (based on $11.26 per square foot per year) for each month from the sixty-first (61st) month of the term of this Sublease through the Termination Date. For the period commencing on the Rental Commencement Date and ending on the last day of the month in which the Rental Commencement Date occurs, rental shall be apportioned on the basis of the number of days in said month.

5. Additional Rent. As and for additional rent (the "Additional Rent") for the Premises, Tenant shall pay Landlord, commencing on the Rental Commencement Date, CAM Expenses, increases, if any, in Property Taxes of the Property Taxes paid by the Landlord under the Prime Lease in 2000, the Base Year, and Insurance Costa incurred by the Landlord under the Prime Lease over Insurance Costs incurred in 2000 (collectively, "Operating Costs"). Tenant shall pay to Landlord as additional rent a prorata portion of the amounts payable by Landlord as Operating Costs under the Prime Lease. The prorata amount shall be determined by multiplying the total amount of Operating Costs that Landlord is required to

pay under the Prime Lease by a fraction, the numerator of which is 15,000 and the denominator of which is 40,749, Such additional rent shall be payable as and when Operating Costs are payable by Landlord. If the Prime Lease provides for the payment by Landlord of Operating Costs on the basis of an estimate thereof, then as and when adjustments between estimated and actual Operating Costs are made under the Prime Lease, the obligations of Landlord and Tenant hereunder shall be adjusted in a like manner; and if any such adjustment shall occur after the expiration or earlier termination of the Term, then the obligations of Landlord and Tenant under this subsection 5 shall survive such expiration or termination. Landlord shall, upon request by Tenant, furnish Tenant with copies of all statements submitted to Landlord of actual or estimated Operating Costs during the Term.

In addition to the foregoing, Tenant shall pay Landlord as additional rent the sum of Three Hundred Dollars ($300.00) on the Rental Commencement Date and on each anniversary of the Rental commencement Date during the term of this Sublease in lieu of a security deposit. Additional Rent shall be due thirty (30) days following Tenant's receipt thereof.

6. Quiet Enjoyment. So long as Tenant shall observe and perform the covenants and agreements binding on it hereunder, Tenant shall, at all times during the Term, peacefully and quietly have and enjoy possession of the Premises without any encumbrance and hindrance by, from or through Landlord, or anyone else lawfully claiming an interest in the Premises, subject, however, to the term and conditions of this Sublease.

7. Use of the Premises. Tenant warrants and represents to Landlord that the Premises shall be used and occupied only for office, warehouse and distribution purposes. Tenant shall occupy the Premises, conduct its business and control its employees, agents and invitees in such a manner as is lawful and reputable and without creating any nuisance; Tenant shall neither permit any waste on the Premises, nor allow anything to be stored in the Premises which would, in the reasonable opinion of Landlord, be extra hazardous on account of fire, or which would in any way increase or render void the fire insurance on the Premises.

8. Mechanic's Liens. Tenant shall have no authority, expressed or implied, to create or place any lien or encumbrance of any kind or nature whatsoever on, or in any manner to bind the interest of Landlord or Prime Lessor in the Premises or to charge the rentals payable hereunder for any claim in favor of any person dealing with the Tenant, including those who may furnish materials or perform labor for any of Tenant's construction or repairs, and each such claim shall affect and each such lien shall attach to, if at all, only the leasehold interest granted to the Tenant herein. Tenant covenants and agrees that it will pay or cause to be paid all sums legally due and payable by it on account of any labor performed or materials furnished in connection with any work performed on the Premises, and that it will save and hold the Landlord and Prime Lessor harmless from any and all liability, loss, damage, cost and expense arising out of asserted claims or liens against the leasehold estate or against the right, title and interest of Landlord and the Prime Lessor in the Building.

9. Estoppels Certificates. Upon delivery of the Premises to Tenant, and thereafter within ten (10) days following the written request of Landlord or the Prime Lessor, from time to time Tenant shall execute, acknowledge, and deliver to Landlord or to Prime Lessor or Prime Lessor's mortgagee, proposed mortgagee or proposed purchaser of the Building, an estoppel certificate stating whether this Sublease is in full force and effect and whether any changes may have been made to the original Sublease; whether there are any defaults by Landlord and, if so, the nature of such defaults; whether rent has been paid more than thirty (30) days in advance; whether there are any security deposits; and such other matters pertaining to the status of this Sublease as Landlord or the Prime Lessor may reasonably request.

10. Indemnification By Tenant. Tenant hereby releases Landlord and Prime Lessor from any liability for any loss or damage of any kind or for any injury or death of persons or damage to property of Tenant or any other person from any cause whatsoever by reason of the use, occupancy or enjoyment of the Premises by Tenant or any person therein holding under Tenant. Tenant shall indemnify, defend and save harmless Landlord and Prime Lessor, and each of their officers, directors, agents and employees, from all claims, actions, demands, damages, costs, expenses and liabilities whatsoever, including reasonable attorneys' fees, on account of any real or claimed loss, damage or liability occurring in or at the Premises, or arising out of the use, occupancy or enjoyment of the Premises, or occasioned in whole or in part by the act or omission of Tenant or its agents, contractors, employees, guests or invitees; provided, however, notwithstanding the foregoing, Tenant shall not be responsible for any of the foregoing to the extent directly attributable to the gross negligence or intentional misconduct of Landlord or Prime Lessor.

11. Insurance/Release

(a) Insurance Coverages and Amounts. Tenant shall, at all times during the term of this Lease and at Tenant's sole cost and expense, obtain and keep in force the insurance coverages and amounts set forth in this section. Tenant shall maintain commercial general liability insurance, including contractual liability, broad form property damage liability, fire legal liability, premises and completed operations, and medical payments, with limits not less than one million dollars ($1,000,000) per occurrence and aggregate, insuring against claims for bodily injury, personal injury and property damage arising from the use, occupancy or maintenance of the Premises and the Building. The policy shall contain an exception to any pollution exclusion which insures damage or injury arising out of heat, smoke or fumes from a hostile fire Any general aggregate shall apply on a per location basis. Tenant shall maintain business auto liability insurance with limits not less than one million dollars ($1,000,000) per accident covering owned, hired and non-owned vehicles used by Tenant. Tenant shall maintain umbrella excess liability insurance on a following form basis in excess of the required commercial general liability, business auto and employers liability insurance with limits not leas than two million dollars ($2,000,000) per occurrence and aggregate. Tenant shall carry workers' compensation insurance for all of its employees in statutory limits in the state in which the Property is located and employers liability insurance which affords not less than five hundred thousand dollars ($500,000) for each coverage. Tenant shall maintain all risk property insurance for all personal property of Tenant and improvements, fixtures and equipment constructed or installed by Tenant in the Premises in an amount not less than the full replacement cost, which shall include business income and extra expense coverage with limits not less than fifty percent (50%) of gross revenues for a period of twelve (12) months. If required by Landlord, Tenant shall maintain plate glass insurance coverage against breakage of plate glass in the Premises. Any deductibles selected by Tenant shall be the sole responsibility of Tenant,

(b) Insurance Requirements. All insurance and renewals thereof shall be issued by companies with a rating of at least "A-" "VIII" or better in the current edition of Best's Insurance Report and be licensed to do and doing business in the state in which the Property is located. Each policy shall expressly provide that the policy shall not be canceled or materially altered without thirty (30) days prior written notice to Landlord and shall remain in effect notwithstanding any such cancellation or alteration until such notice shall have bean given to Landlord and such thirty (30) days shall have expired. All liability insurance (except employers liability) shall name Landlord and any other parties designated by Landlord (including any investment manager, asset manager or property manager) as an additional insured, shall be primary and noncontributing with any insurance which may be carried by Landlord, shall afford coverage for all claims based on any act, omission, event or condition that occurred or arose) or the onset of which occurred or arose) during the policy period, and shall expressly provide that Landlord, although named as an insured, shall nevertheless be entitled to recover under the policy for any loss, injury or damage to Landlord. All property insurance shall name Landlord as loss payee as respects Landlord's interest in any improvements and betterments. Tenant shall deliver certificates of insurance, acceptable to Landlord, to Landlord at least ten (10) days before the Commencement Date and at least ten (10) days before expiration of each policy. If Tenant fails to insure or fails to furnish any such insurance certificate, Landlord shall have the right from time to time to effect such insurance for the benefit of Tenant or Landlord or both of them, and Tenant shall pay to Landlord on written demand, as additional rent, all premiums paid by Landlord.

(c) Subrogation. Tenant waives, on behalf of all insurers, under all policies of property insurance now or hereafter carried by Tenant insuring or covering the Premises, or any portion or any contents thereof, or any operations therein, all rights of subrogation which any such insurer might otherwise, if at all, have to any claims of Tenant against Landlord. Landlord waives, on behalf of all insurers under all policies of property insurance now or hereafter carried by Landlord insuring or covering the Property, or any portion or any contents thereof, or any operations therein, all rights of subrogation which any insurer might otherwise, if at all, have to any claims of Landlord against Tenant. Tenant shall procure from each of the insurers under all policies of property insurance now or hereafter carried by Tenant insuring or covering the Premises, or any portion or any contents thereof, or any operations therein, a waiver of all rights of subrogation which the insurer might otherwise, if at all, have to any claims of Tenant against Landlord as required by this section 11.

12. Holding Over. Unless otherwise agreed to in writing by Landlord and Tenant, if Tenant retains possession of the Premises, or any part thereof, after termination or expiration of the Term, Tenant shall be deemed to be in default hereunder, Landlord shall have any and all remedies provided for in this Sublease and at law or in equity, and Tenant shall pay Landlord rent for the time Tenant remains in possession at double the monthly rate in effect immediately prior to such termination or expiration. The provisions of this

Section 14 do not exclude Landlord's right of re-entry or any other right hereunder and such holding over shall be deemed to constitute a renewal or extension of the Term.

13. Notices. All notices required or permitted to be given hereunder shall be in writing and shall be deemed to be given on the date which is three (3) days after being deposited in the United States Mail, registered or certified mail, return receipt requested, postage prepaid, or it personally delivered, upon actual receipt, addressed as follows:

If to Landlord: NewSpace, Inc.
1960 Innerbelt Business Center Drive
St. Louis, MO 63114

If to Tenant: Build-A-Bear Workshop, L.L.C.
1954 Innerbelt Business Center Drive
St. Louis, MO 63114

subject to the right of either party to designate a different address or notice person by notice similarly given in accordance with the provision of this paragraph 15.

14. Repairs and Maintenance. Tenant shall, at all times during the term of this Sublease and at Tenant's sole cost and expense, maintain and repair the Premises and every part thereof (except only the parts for which expressly made the responsibility of the Landlord under the Prime Lease) and all equipment, fixtures and improvements therein (including walls, floors, heating and air conditioning systems, dock boards, truck doors, dock bumpers, plumbing fixtures and equipment, electrical components and mechanical systems) and keep all of the foregoing clean and in good order and operating condition, ordinary wear and tear excepted, Tenant shall not damage the Premises or disturb the integrity and support provided by any wall. Tenant shall, at Tenant's expense, promptly repair any damage to the Premises caused by Tenant or any agent, officer, employee, contractor, licensee or invitee of Tenant. Tenant shall take good care of the Premises and keep the Premises free from dirt, rubbish, waste and debris at all times. Tenant shall not overload the floors in the Premises or exceed the load-bearing capacity of the floors in the Premises. Tenant shall, at Tenant's expense, enter into a regularly scheduled preventive maintenance and service contract with a maintenance contractor approved in writing by Landlord for servicing all hot water, heating and air conditioning systems and equipment in the Premises. The maintenance and service contract shall include all services suggested by the equipment manufacturer and shall become effective (and Tenant shall deliver a copy to Landlord) within thirty (30) days after the Commencement Date. Sublessee shall, at the end of the term of this Sublease, surrender to Landlord the Premises and all alterations, additions, fixtures and improvements therein or thereto in the same condition as when received, ordinary wear and tear excepted. Notwithstanding anything to the contrary contained in this section, Tenant's obligation under this section shall not include making (i) any repair or improvement necessitated by the negligence or willful misconduct of Landlord, its agents, employees, servants or contractors; or (ii) any repair or improvement caused by Landlord's failure to perform its obligations under the Prime Lease or this Sublease, as the case may be.

15. Utility Services. Tenant shall pay, directly to the appropriate supplier before delinquency, for all water, gas, heat, light, power, telephone, sewer, refuse disposal and other utilities and services supplied to the Premises, together with all taxes, assessments, surcharges and similar expenses relating to such utilities and service. Tenant shall, at its expense, install separate meters for such services. If any such utilities or services are jointly matered with the Premises and the adjoining premises occupied by Landlord, Landlord shall determine Tenant's share of the cost as such jointly metered utilities and services based on Landlord's estimate of usage, and Tenant shall pay as additional rent Tenant's share of the cost of such jointly metered utilities and services to Landlord within twenty (20) days after receipt of Landlord's written statement for such cost. Tenant shall furnish the Premises with all telephone service, window washing, security service, janitor, scavenger and disposal services, and other services required by Tenant for the use of the Premises permitted by this Sublease. Tenant shall furnish all electric light bulbs and tubes and restroom supplies used in the Premises. Landlord shall not be in default under this Sublease or be liable for any damage or loss directly or indirectly resulting from, nor shall the rent be abated or a constructive or other eviction be deemed to have occurred by reason of, any interruption of or failure to supply or delay in supplying any such utilities and services or any limitation, curtailment, rationing or restriction on use of water, electricity, gas or any resource or form of energy or other service serving the Premises, whether such results from mandatory restriction or voluntary compliance with guidelines.

16. Eminent Domain. In the event title to the whole or a material part of the Premises shall be lawfully condemned or taken in any manner for any public or quasi-public use, this Sublease and estate hereby granted shall forthwith cease and terminate as of the

date of vesting of title. Tenant hereby assigns to Prime Lessor Tenant's interest in any award granted pursuant to this Section 17; provided, however, nothing herein shall be deemed to give Prime Lessor any interest in or to require Tenant to assign to Prime Lessor any award made to Tenant for the taking of personal property or fixtures belonging to Tenant or for the interruption of or damage to Tenant's business or for any funds awarded for Tenant's relocation.

17. Landlord's Remedies. All rights and remedies of Landlord herein enumerated shall be cumulative, and none shall exclude any other right or remedy allowed by law. In addition to the other remedies in this Sublease provided, Landlord shall be entitled to the restraint by injunction of the violation or attempted violation of any of the covenants, agreements or conditions of this Sublease or the Prime Lease, and Landlord shall be entitled to recover all direct and consequential damages arising out of or caused by Tenant's violation of any of the covenants, agreements or conditions of this Sublease or the Prime Lease.

(a) if Tenant shall (i) apply for or consent to the appointment of a receiver, trustee or liquidator of Tenant or of all or a substantial part of its assets, (ii) file a voluntary petition in bankruptcy, (iii) make a general assignment for the benefit of creditors, (iv) file a petition or an answer seeking reorganization or arrangement with creditors or to take advantage of any insolvency law, or (v) file an answer admitting the material allegations of a petition filed against Tenant in any bankruptcy, reorganization or insolvency proceeding, or if an order, judgment or decree shall be entered by any court of competent jurisdiction adjudicating Tenant a bankrupt or insolvent or approving a petition seeking reorganization of Tenant or appointing a receiver, trustee or liquidator of Tenant or of all or a substantial part of its assets, then, in any of such events, Landlord may terminate this Sublease by giving written notice to Tenant, and upon the giving of such notice the term of this Sublease and all right, title and interest of Tenant hereunder shall expire as fully and completely as if that day were the date herein specifically fixed for the expiration of the term.

(b) If Tenant defaults in the payment of rent or Additional Rent and such default continues for ten (10) days after written notice to Tenant, or if Tenant defaults in the prompt and full performance of any other provision of this Sublease, and if such other default continues for thirty (30) days after written notice, or if the leasehold interest of Tenant be levied upon under execution or be attached by process of law, then, and in any such event. Landlord may, at its election, either terminate this Sublease and Tenant's right to possession of the Premises, or, without terminating this Sublease, re-enter and endeavor to relate the Premises. Nothing herein shall relieve Tenant of any obligation, including the payment of rent and Additional Rent, as provided in this Sublease.

(c) Upon any termination of this Sublease, Tenant shall surrender possession and vacate the Premises immediately, and deliver possession thereof to Landlord, and Tenant hereby grants to Landlord full and free license to enter into and upon the Premises in such event and to repossess the Premises, and to expel or remove Tenant and any others who may be occupying or within the Premises, and to remove any and all property therefrom, using such force as may be allowed by law, without being deemed in any manner guilty of trespass, eviction or forcible entry or detainer, and without relinquishing Landlord's right to rent and Additional Rent, or any other right given to Landlord hereunder or by operation of law.

(d) if Landlord elects, without terminating the Sublease, to endeavor to relet the Premises, Landlord may, at Landlord's option, enter into the Premises and take and hold possession thereof, without such entry and possession terminating the Sublease or releasing Tenant, in whole or in part, from Tenant's obligation to pay rent and Additional Rent hereunder for the full Term as hereinafter provided. Upon and after entry into possession without termination of the Sublease, Landlord shall endeavor in good faith (but without being obligated to incur out of pocket costs as part of such endeavor) to relet the Premises for the account of Tenant to any person, firm or corporation other than Tenant for such rent, for such time and upon such terms as Landlord shall determine to be reasonable. In any such case, Landlord may make repairs in or to the Premises as are necessary to restore the Premises to as good a condition as existed at the commencement date of this Sublease, and Tenant shall, upon demand, pay the cost thereof, together with Landlord's expenses of the reletting, If the consideration collected by Landlord upon any such reletting for Tenant's account is not sufficient to pay monthly the full amount of the rent and Additional Rent reserved in this Sublease, together with the cost of repairs and Landlord's expenses, Tenant shall pay to Landlord the amount of each monthly deficiency upon demand.

(e) If Landlord elects to terminate this Sublease pursuant to this Section 19, it being understood that Landlord may elect to terminate the Sublease after and notwithstanding its election to terminate Tenant's right to possession provided in Section 19 (b) above, Landlord shall forthwith upon such termination be entitled to recover an amount equal to the

damages sustained by Landlord as a result of Tenant's default hereunder, and in addition thereto, an amount equal to the rent provided in this Sublease for the residue of the Term, less the current rental value of the Premises for the residue of the Term.

(f) Any and all property which may be removed from the Premises by Landlord pursuant to the authority of this Sublease or of law, to which Tenant is or may be entitled, may be handled, removed or stored by Landlord at the risk, cost and expense of Tenant, and Landlord shall in no event be responsible for the value, preservation or safekeeping thereof. Tenant shall pay to Landlord, upon demand, any and all expenses incurred in such removal and all storage charges against such property so long as the same shall be in Landlord's possession or under Landlord's control. Any such property of Tenant not removed from the Premises or retaken from storage by Tenant within thirty (30) days after the end of the Term or of Tenant's right to possession of the Premises, however terminated, shall be conclusively deemed to have been forever abandoned by Tenant and either may be retained by Landlord as its property, or may be disposed of in such manner as Landlord may see fit.

18. Subordination of Sublease. This Sublease is and shall be subject and subordinate to any and all mortgages, deeds of trust or land leases now existing upon or that may be hereafter placed upon the Premises, and to all advances made or to be made thereon, and all renewals, modifications, consolidations, replacements or extensions thereof, and the lien of any such mortgages, deeds of trust and land leases shall be superior to all rights hereby or hereunder vested in Tenant, to the full extent of all sums secured thereby. This provision shall be self-operative, and no further instrument of subordination shall be necessary to effectuate such subordination; and the recording of any such mortgage, deed of trust or land lease shall have preference and precedence and be superior and prior in lien to this Sublease, irrespective of the date of recording. In confirmation of such subordination, Tenant shall within ten (10) days after request of Landlord, Prime Lessor, or the holder of any such mortgage, deed of trust, or land lease, execute and deliver to Landlord, Prime Lessor or such holder, as the case may be, any instrument acknowledging such subordination that Landlord, Prime Lessor or such holder may reasonably request. Tenant agrees to attorn to any person or entity who may acquire title to the Building by way of transfer or foreclosure provided that such transferee or purchaser agrees to recognize Tenant's rights under this Sublease so long as Tenant is not in default in any of its obligations hereunder. Tenant shall also, within twenty (20) days after Landlord's or Prime Lessor's request, execute an attornment agreement evidencing the obligations of Tenant herein to attorn to such mortgagee in the event of a future succession of the rights of Landlord herein to any mortgagee, deed of trust holder or land lessor of the Premises. In the event of any act or omission of Landlord constituting a default by Landlord, Tenant shall not exercise any remedy until Tenant has given Landlord, Prime Lessor and any mortgagee, deed of trust holder or land lessor of the Building a prior thirty (30) day written notice of such act or omission; provided, however, if such act or omission cannot, with due diligence and in good faith, be remedied within such thirty (30) day period, Landlord, Prime Lessor and any mortgagee, deed of trust holder or land lessor shall be allowed such further period of time as may be reasonably necessary provided that it commences remedying the same with due diligence and in good faith within said thirty (30) day period.

19. Prevailing Party. In the event of litigation between Landlord and Tenant in connection with this Sublease, in addition to any other relief therein granted, the prevailing party shall be entitled to judgment for reasonable attorneys' fees, costs of litigation, and court costs incurred therein.

20. Governing Law. This Sublease has been made and executed in the County of St. Louis, State of Missouri, and shall be governed and construed in accordance with the laws of the State of Missouri without regard to its conflict of laws provisions.

21. Act of God or Force Majeure. Landlord or Tenant shall not be required to perform any covenant or obligation in this Sublease or be liable in damages for its nonperformance, so long as the performance or non-performance of the covenant or obligation is delayed, caused or prevented by an act of God or force majeure or by the other party. An "act of God" or "force majeure" is defined for purposes of this Sublease as strikes, lockouts, sitdowns, material or labor restrictions by any governmental authority, unusual transportation delays, riots, floods, washouts, explosions, earthquakes, fire, storms, weather (including wet grounds or inclement weather which prevents construction), acts of the public enemy, wars, insurrections and any other cause not reasonably within the control of the party required to perform and which by the exercise of due diligence the party required to perform is unable to prevent or overcome. The foregoing provisions of this Section 23 shall not apply, however, to Tenant's obligation to timely pay rent, Additional Rent or any other monies payable by Tenant under this Sublease.

22. Saverability. The invalidity of any provision of this Sublease as determined by a court of competent jurisdiction shall in no way affect the validity of any other provision hereof.

23. Assignment and Sublease. Tenant shall not voluntarily or by operation of law assign or encumber any interest in this Sublease, or sublet any part of the Premises, without obtaining the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed.

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

LANDLORD: NEWSPACE, INC.,
a Missouri corporation

By: /s/ Robert Fox

Its: CEO

TENANT: BUILD-A-BEAR WORKSHOP, L.L.C.,
a Missouri limited liability company

By: /s/ Maxine Clark

Its: Manager

SUBLEASE

THIS SUBLEASE ("Sublease") is made and entered into this _____ day of _____, 2000, by and between NewSpace, Inc., a Missouri corporation ("Landlord"), and Build-A-Bear Workshop, L.L.C., a Missouri limited liability company ("Tenant").

WITNESSETH, THAT:

WHEREAS, Landlord is the tenant of the property known as 1954 Innerbelt Business Center Drive, located in St. Louis County, Missouri, [ILLEGIBLE] more particularly shown on Exhibit A attached hereto and incorporated herein by reference (the "Building"); and

WHEREAS, Landlord has agreed to sublease the portion of the Building outlined in pink on Exhibit A attached hereto and incorporated herein by reference (the "Premises") to Tenant.

NOW, THEREFORE, in consideration of the premises, the mutual covenants, promises and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. Sublease. Landlord hereby subleases the Premises to Tenant and Tenant hereby subleases the Premises from Landlord for the term, at the rental, and upon all the conditions set forth herein. This agreement constitutes a sublease, and Tenant acknowledges that Landlord's interest in the Building is as a Tenant under a written lease with State of California Public Employees Retirement System (the Prime Lessor"), dated July 26, 1986 and amended seven (7) times (the "Prime Lease"), a copy of which along with all amendments is attached hereto, marked Exhibit B and incorporated herein by reference. Except as provided herein, this Sublease is expressly made subject to all the terms and conditions of the Prime Lease, and, insofar as they relate to the Premises or the use and occupancy thereof, Tenant agrees to observe and comply with all covenants and obligations of Landlord under the Prime Lease.

2. Term. The term of this sublease (the "Term") shall commance February 15, 2000, and expire on June 30, 2000.

3. Option to Renew. Subject to the terms and conditions set forth herein, Tenant shall have the option to renew this Sublease for an additional term of five (5) years commancing on the first day following the expiration of the Term. So long as Tenant is not in default of a material covenant under this Sublease, Tenant may renew this Sublease as provided hereinabove upon giving Landlord written notice of such renewal not less than nine (9) months prior to the expiration of the Term. Any renewal of this Sublease shall be on the same terms and conditions of this Sublease except that the base rent payable during such renewal shall be determined pursuant to Exhibit D to the Amended and Restated Lease attached as an exhibit to the 6th Amendment to the Prime Lease.

4. Rental. Tenant shall pay to Landlord as base rent, commancing on June 14, 2000 (the "Rental Commancement Date"), without deduction, setoff, notice or demand, at c/o Robert Fox, NewSpace, Inc., 1960 Innerbelt Business Center Drive, St. Louis, Missouri 63114 or at such other place as Landlord shall designate from time to time by notice to Tenant, Thirteen Thousand Four Hundred Fifty-Seven Dollars ($13,457.00) per month (based on $10.765 per square foot per year) for each month during the first twelve (12) months of this Sublease (prorated for the first partial month); Thirteen Thousand Six Hundred Fourteen ($13,614.00) per month (based on $10.89) per square foot per year) for each month from the thirteenth (13th) through the thirty-sixth (36th) months of the term of this Sublease; Thirteen Thousand Nine Hundred Twenty Dollars ($13,920.00) per month (based on $11.135 per square foot per year) from the thirty-seventh (37th) through the sixtieth (60th) months of the term of this Sublease; and Fourteen Thousand Seventy-Five Dollars ($16,075.00) per month (based on $21.26 per square foot per year) for each month from the Sixty-first (61st) month of the term of the Sublease through the Termination date. For the period commencing on the Rental Commencement Date and ending on the last day of the month in which the Rental Commencement Date occurs, rental shall be apportioned on the basis of the number of days in said month.

5. Additional Rent. As and for additional rent (the "Additional Rent") for the Premises, Tenant shall pay Landlord, commancing on the Rental Commancement Date, CAM Expenses, increases, if any, in property Taxes of the Property Taxes paid by the Landlord under the Prime Lease in 2000, the Base Year, and Insurance Costs incurred by the Landlord under the Prime Lease over Insurance Costs incurred in 2000 (collectively, "Operating Costs"). Tenant shall pay to Landlord as additional rent a prorata portion of the amounts payable by Landlord as Operating Costs under the Prime Lease. The prorata amount shall be determined by multiplying the total amount of Operating Costs that Landlord is required to

pay under the Prime Lease by a fraction, the numerator of which is 15,000 and the denominator of which is 40,749. Such additional rent shall be payable as and when Operating Costs are payable by Landlord. If the Prime Lease provides for the payment by Landlord of Operating Costs on the basis of an estimate thereof, then as and when adjustments between estimated and actual Operating Costs are made under the Prime Lease, the obligations of Landlord and Tenant hereunder shall be adjusted in a like manner; and if any such adjustment shall occur after the expiration or earlier termination of the Term, then the obligations of Landlord and Tenant under this Subsection 5 shall survive such expiration or termination. Landlord shall, upon request by Tenant, furnish Tenant with copies of all statements submitted to Landlord of actual or estimated Operating Costs during the Term.

In addition to the foregoing, Tenant shall pay Landlord as additional rent the sum of Three Hundred Dollars ($300.00) on the Rental Commencement Date and on each anniversary of the Rental Commencement Date during the term of this sublease in lieu of a security deposit. Additional Rent shall be due thirty (30) days following Tenant's receipt thereof.

6. Quiet Enjoyment. So long as Tenant shall observe and perform the covenants and agreements binding on it hereunder, Tenant shall, at all times during the term, peacefully and quietly have and enjoy possession of the Premises without and encumbrance and hindrance by, from or through Landlord, or anyone else lawfully claiming an interest in the Premises, subject, however, to the terms and conditions of this Sublease.

7. Use of the Premises. Tenant warrants and represents to Landlord that the Premises shall be used and occupied only for office, warehouse and distribution purposes. Tenant shall occupy the Premises, conduct its business and control its employees, agents and invitees in such a manner as in lawful and reputable and without creating any nuisance. Tenant shall neither permit any waste on the Premises, nor allow anything to be stored in the Premises which would, in the reasonable opinion of Landlord, be extra hazardous on account of fire, or which would in any way increase or render void the firm insurance on the Premises.

8. Mechanic's Liens. Tenant shall have no authority, expressed or implied, to create or place any lien or encumbrance of any kind or nature whatsoever on, or in any manner to bind the interest of Landlord or Prime Lessor in the Premises or to charge the rentals payable hereunder for any claim in favor of any person dealing with the Tenant, including those who may furnish materials or perform labor for any of Tenant's construction or repairs, and each such claim shall affect and each such lien shall attach to, if at all, only the leasehold interest granted to the Tenant herein. Tenant covenants and agrees that it will pay or cause to be paid all sums legally due and payable by it on account of any labor performed or materials furnished in connection with any work performed on the Premises, and that it will save and hold the Landlord and Prime Lessor harmless from any and all liability, loss, damage, cost and expense arising out of asserted claims or liens against the leasehold estate or against the right, title and interest of Landlord and the Prime Lessor in the Building.

9. Estoppel Certificates. Upon delivery of the Premises to Tenant, and thereafter within ten(10) days following the written request of Landlord or the Prime Lessor, from time to time Tenant shall execute, acknowledges, and deliver to landlord or to Prime Lessor or Prime Lessor's mortgagee, proposed mortgage or proposed purchaser of the Building, an estoppel certificate stating whether this Sublease is in full force and effect and whether any changes may have been made to the original Sublease; whether there are any defaults by Landlord and, if so, the nature of such defaults; whether rent has been paid more than thirty (30) days in advance; whether there are any security deposits; and such other matters pertaining to the status of this Sublease as Landlord or the Prime Lessor may reasonably request.

10. Indemnification By Tenant. Tenant hereby releases Landlord and Prime Lessor from any liability for any loss or damage of any kind or for any injury or death of persons or damage to property of Tenant or any other person from any cause whatsoever by reason of the use, occupancy or enjoyment of the Premises by Tenant or any person therein holding under Tenant. Tenant shall indemnify, defend and save harmless Landlord and Prime Lessor, and each of their officers, directors, agents and employees, from all claims, actions, demands, damages, costs, expenses and liabilities whatsoever, including reasonable attorneys' fees, on account of any real or claimed loss, damage or liability occurring in or at the Premises, or arising out of the use, occupancy or enjoyment of the Premises, or occasioned in whole or in part by the act or omission of Tenant or its agents, contractors, employees, guests or invitees; provided, however, notwithstanding the foregoing, Tenant shall not be responsible for any of the foregoing to the extent directly attributable to the gross negligence or intentional misconduct of Landlord or Prime Lessor.

11. Insurance/Release

(a) Insurance Coverance and Amounts. Tenant shall, at all times during the term of this Lease and at Tenant's sole cost and expense, obtain and keep in force the insurance coverages and amounts set forth in this section. Tenant shall maintain commercial general liability insurance, including contractual liability, broad form property damage liability, fire legal liability, premises and completed operations, and medical payments, with limits not less than one million dollars ($1,000,000) per occurrence and aggregate, insuring against claims for bodily injury, personal injury and property damage arising from the use, occupancy or maintenance of the Premises and the Buildings. The policy shall contain an exception to any pollution exclusion which insures damage or injury arising out of heat, smoke or fumes from a hostile fire. Any general aggregate shall apply on a per location basis. Tenant shall maintain business auto liability insurance with limits not less than one million dollars ($1,000,000) per accident covering owned, hired and non-owned vehicles used by Tenant. Tenant shall maintain umbrella excess liability insurance on a following form basis in excess of the required commercial general liability, business auto and employers liability insurance with limits not less than two million dollars ($2,000,000) per occurrence and aggregate. Tenant shall carry workers' compensation insurance for all of its employees in statutory limits in the state in which the Property is located and employers liability insurance which efforts not less than five hundred thousand dollars ($500,000) for each coverage. Tenant shall maintain all risk property insurance for all personal property of Tenant and improvements, fixtures and equipment constructed of installed by Tenant in the Premises in an amount not less than the full replacement cost, which shall include business income and extra expense coverage with limits not less than fifty percent (50%) of gross revenues for a period of twelve (12) months. If required by Landlord, Tenant shall maintain plate glass insurance coverage against breakage of plate glass in the Premises. Any deductibles selected by Tenant shall be the sole responsibility of Tenant.

(b) Insurance Requirements. All insurance and renewals thereof shall be issued by companies with a rating of at least "A-" "VIII" or better in the current edition of Best's Insurance Report and be licensed to do and doing business in the state in which the Property is located. Each policy shall expressly provide that the policy shall not be canceled or materially altered without thirty (30) days prior written notice to Landlord and shall remain in effect notwithstanding any such cancellation or alteration until such notice shall have been given to Landlord and such thirty (30) days shall have expired. All liability insurance (except employers liability) shall name Landlord and any other parties designated by Landlord (including any investment manager, asset manager or property manager) as an additional insured, shall be primary and noncontributing with any insurance which may be carried by Landlord, shall afford coverage for all claims based on any act, omission, event or condition that occurred or arose or the onset of which occurred or arose) during the policy period, and shall expressly provide that Landlord, although named as an insured, shall nevertheless be entitled to recover under the policy for any loss, injury or damage to Landlord. All property insurance shall name Landlord as loss payee as respects Landlord's interest in any improvements and betterments. Tenant shall deliver certificates of insurance, acceptable to Landlord, to Landlord at least ten (10) days before the Commencement Date and at least ten (10) days before expiration of each policy. If Tenant fails to insure or fails to furnish any such insurance certificate, Landlord shall have the right from time to time to effect such insurance for the benefit of Tenant or Landlord or both of them, and Tenant shall pay Landlord on written demand, as additional rent, all premiums paid by Landlord.

(c) Subrogation. Tenant waives, on behalf of all insurers, under all policies of property insurance now or hereafter carried by Tenant insuring or covering the Premises, or any portion or any contents thereof, or any operations therein, all rights or subrogation which any such insurer might otherwise, if at all, have to any claims of Tenant against Landlord. Landlord waives, on behalf of all insurers under all policies of property insurance now or hereafter carried by Landlord insuring or covering the Property, or any portion or any contents thereof, or any operations therein, all rights of subrogation which any insurer might otherwise, if at all, have to any claims of Landlord against Tenant. Tenant shall procure from each of the insurers under all policies of property insurance now or hereafter carried by Tenant insuring or covering the Premises, or any portion or any contents thereof, or any operations therein, a waiver of all rights of subrogation which the insurer might otherwise, if at all, have to any claims of Tenant against Landlord as required by this section 11.

12. Holding Over. Unless otherwise agreed to in writing by Landlord and Tenant, if Tenant retains possession of the Premises, or any part thereof, after termination or expiration, of the Term, Tenant shall be deemed to be in default hereunder. Landlord shall have any and all remedies provided for in this Sublease and at law or in equity, and Tenant shall pay Landlord rent for the time Tenant remain in possession at double the monthly rate in effect immediately prior to such termination or expiration. The provisions of this

Section 14 do not exclude Landlord's right of re-entry or any other right hereunder and such holding over shall be deemed to constitute a renewal or extension of the Term.

13. Notices. All notices required or permitted to be given hereunder shall be in writing and shall be deemed to be given on the date which is three (3) days after being deposited in the United States Mail, registered or certified mail, return receipt requested, postage prepaid, or if personally delivered, upon actual receipt, addressed as follows:

If to Landlord: Newspace, Inc.
1960 Innerbelt Business Center Drive
St. Louis, MO 63114

If to Tenant: Build-A-Bear Workshop, L.L.C,
1954 Innerbelt Business Center Drive
St. Louis, MO 63114

subject to the right of either party to designate a different address or notice person by notice similarly given in accordance with the provision of this paragraph 15:

14. Repairs and Maintenance. Tenant shall at all times during the term of this sublease and at Tenant's sole cost and expense, maintain and repair the Premises and every part thereof (except only the parts for which expressly made the responsibility of the Landlord under the Prime Lease) and all equipment, fixtures and improvements therein (including walls, floors, heating and air conditioning systems, dock boards, truck doors, dock bumpers, plumbing fixtures and equipment, electrical components and mechanical systems) and keep all of the foregoing clean and in good order and operating condition, ordinary wear and tear excepted. Tenant shall not damage the Promises or disturb the integrity and support provided by any wall. Tenant shall, at Tenant's expense, promptly repair any damage to the Premises caused by Tenant or any agent, officer, employee, contractor, licenses or invitee of Tenant. Tenant shall take good care of the Premises and keep the Premises free from dirt, rubbish [ILLEGIBLE] at all times. Tenant shall not overload the floors in the Premises or exceed the load-bearing capacity of the floors in the Premises. Tenant shall, at Tenant's expense, enter into a regularly scheduled preventive maintenance and service contract with a maintenance contractor approved in writing by Landlord for servicing all hot water, heating and air conditioning systems and equipment in the Premises. The maintenance and service contract shall include all services suggested by the equipment manufacturer and shall become effective (and Tenant shall deliver a copy to Landlord) within thirty (30) days after the Commencement Date. Subleasee shall, at the end of the term of this sublease, surrender to Landlord the Promises and all alterations, additions, fixtures and improvements therein, or thereto in the same condition as when received, ordinary wear and tear excepted. Notwithstanding anything to the contrary contained in this section, Tenant's obligation under this section shall not include making (i) any repair and improvement necessitated by the negligence or willful misconduct of Landlord, its agents, employees, servants or contractors, or (ii) any repair and improvement caused by Landlord's failure to perform its obligations under the Prime Lease or this sublease, as the case may be.

15. Utility Services. Tenant shall pay, directly to the appropriate supplier before delinquency, for all water, gas, heat, light, power, telephone, sewer, refuse disposal and other utilities and services supplied to the Premises, together with all taxes, assessments, surcharges and similar expenses relating to such utilities and service. Tenant shall, at its expense, install separate moters for such services. If any such utilities or services are jointly [ILLEGIBLE] with the Premises and the adjoining premises occupied by Landlord. Landlord shall determine Tenant's share of the cost as such jointly [ILLEGIBLE] utilities and services based on Landlord's estimate of usage, and Tenant shall pay as additional rent Tenant's share of the cost of such jointly [ILLEGIBLE] utilities and services to Landlord within twenty (20) days after receipt of Landlord's written statement for such cost. Tenant shall furnish the Premises with all telephone services, window washing, security service, janitor, scavenger and disposal services, and other services required by Tenant for the use of the Premises permitted by this Sublease. Tenant shall furnish all electric light bulbs and tubes and restroom supplies used in the Premises. Landlord shall not be in default under this Sublease or be liable for any damage or loss directly or indirectly resulting from, nor shall the rent be abates or a constructive or other [ILLEGIBLE] be deemed to have occurred by reason of, any interruption of or failure to supply or delay in supplying any such utilities and services or any limitation, curtailment, rationing, restriction on use of water, electricity, gas or any resources or from of energy or other service serving the Premises, whether such results from mandatory restrictions or voluntary compliance with guidelines.

16. Eminent Domain. In the event title to the whole or a material part of the Premises shall be lawfully [ILLEGIBLE] or taken in any manner for any public or quasi-public use, this Sublease and estate hereby granted shall forthwith cease and terminate as of the

date of vesting of title. Tenant hereby assigns to Prime Leasor Tenant's interest in any award granted pursuant to this Section 17; provided, however, nothing herein shall be deemed to give Prime Lessor any interest in or to require Tenant to assign to Prime Lessor any award made to Tenant for the taking of personal property or fixtures belonging to Tenant or for the interruption of or damage to Tenant's business or for any funds awarded for Tenant's relocation.

17. Landlord's Remedise. All rights and remedies of Landlord herein [ILLEGIBLE] shall be cumulative, and none shall exclude any other right or remedy allowed by law. In addition to the other remedies in this sublease provided. Landlord shall be entitled to the restraint by injunction of the violation or attempted violation of any of the covenants, agreements or conditions of this Sublease or the Prime Loans, and Landlord shall be entitled to recover all direct and consequential damages arising cut of or caused by Tenant's violation of any of the covenances, agreements or conditions of this Sublease or the Prime Lease.

(a) If Tenant shall (i) apply for or consent to the appointment of a receiver, trustee or liquidator of Tenant or of all or a substantial part of its assets, (ii) file a voluntary petition in bankruptcy, (iii) make a general assignment for the benefit of creditors, (iv) file a petition or an answer seeking reorganization or arrangement with creditors or to take advantage of any insolvency law, or (v) file an answer admitting the material allegations of a petition filed against Tenant in any bankruptcy, reorganization or insolvency proceeding, or if an order, judgment or decree shall be entered by any court of competant jurisdiction adjudicating Tenant a bankrupt or insolvent or approving a petition seeking reorganization of Tenant or appointing a receiver, trustee or liquidator of Tenant or of all or a substantial part of its assets, then, in any of such events. Landlord may terminate this sublease by giving written notice to Tenant and upon the giving of such notice the term of this Sublease and all right, title and interest of Tenant hereunder shall expire as fully and completely as if that day were the date herein specifically fixed for the expiration of the term.

(b) If Tenant defaults in the payment of rent or Additional Rent and such default continues for ten (10) days after written notice to Tenant, or if Tenant defaults in the prompt and full performance of any other provision of this sublease, and if such other default continues for thirty (30) days after written notice, or if the leasehold interest of Tenant be levied upon under execution, or be attached by process of law, then, and in any such event, Landlord may, at its election, either terminate this Sublease and Tenant's right to possession of the Premises, or, without terminating this Sublease, re-enter and endeavor to [ILLEGIBLE] the Premises. Nothing herein shall relieve Tenant of any obligation, including the payment of rent and Additional rent, as provided in this Sublease.

(c) Upon any termination of this Sublease, Tenant shall surrender possession and vacate the Premises immediately, and deliver possession thereof to Landlord, and Tenant hereby grants to Landlord full and free License to enter into and upon the Premises in such event and to repossess the Premises, and to expel or remove Tenant and any others who may be occupying or within the Premises, and to remove any and all property therefrom, using such force as may be allowed by law, without being deemed in any manner guilty of [ILLEGIBLE] enviction or forcible entry or detainer and without relinquishing Landlord's right to rent and Additional Rent, or any other right given to Landlord hereunder or by operation of law.

(d) If Landlord elects, without terminating the Sublease, to endeavor to relet the Premises, Landlord may, at Landlord's option, enter into the Premises and take and hole possession thereof, without such entry and possession terminating the Sublease or releasing Tenant, in whole or in part, from Tenant's obligation to pay rent and Additional Rent hereunder for the full Term as hereinafter provided. Upon and after entry into possessions without termination of the Sublease, Landlord shall endeavor in good faith (but without being obligated to inour out of pocket costs as part of such endeavor) to relet the Premises for the account of Tenant to any person, firm or corporation other than Tenant for such rent, for such time and upon such terms as Landlord shall determine to be reasonable. In any such case, Landlord may make repairs in or to the Premises as are necessary to restore the Premises to as good a condition as existed at the commencement date of this Sublease, and Tenant shall, upon demand, pay the cost thereof, together with Landlord's expenses of the reletting. If the consideration collected by Landlord upon any such reletting for Tenant's account is not sufficient to pay monthly the full amount of the rent and Additional Rent reserved in this Sublease, together with the cost of repairs and Landlord's expenses, Tenant shall pay to Landlord the amount of each monthly deficiency upon demand.

(e) If Landlord elects to terminate this Sublease pursuant to this Section 19, it being understood that Landlord may elect to terminate the Sublease after and notwithstanding its election to terminate Tenant's right to possession provided in Section 19(h) above, Landlord shall forthwith upon such termination be entitled to recover an amount equal to the

damages sustained by Landlord as a result of Tenant's default hereunder, and in addition thereto, an amount equal to the rent provided in this Sublease for the residue of the Term, leus the current rental value of the Promises for the residue of the Term.

(f) Any and all property which may be removed from the promises by Landlord pursuant to the authority of this Sublease or of law, to which Tenant is or may be entitled, may be handled, removed or stored by Landlord at the risk, cost and expense of Tenant, and Landlord shall in no event be responsible for the value, preservation or safekeeping thereof. Tenant shall pay to Landlord, upon demand, any and all expenses incurred in such removal and all storage charges against such property so long as the same shall be in Landlord's possession or under Landlord's control. Any such property of Tenant not removed from the Promises or retaken from storage by Tenant within thirty (30) days after the end of the Term or of Tenant's right to possession of the Premises, however terminated, shall be conclusively deemed to have been forever abandoned by Tenant and either may be retained by Landlord as its property, or may be disposed or in such manner as Landlord may see fit.

18. Subordination of Sublease. This Sublease is and shall be subject and subordinate to any and all mortgages, deeds of trust or land leases now existing upon or that may be hereafter placed upon the Premises, and to all advances made or to be made thereon, and all renewals, modifications, consolidations, replacements or extensions thereof, and the lien of any such mortgages, deeds of trust and land leases shall be superior to all rights hereby or hereunder vested in Tenant, to the full extent of all sums occurred thereby. This provision shall be self-operative, and no further instrument of Subordination shall be necessary to effectuate such subordination; and the recording of any such mortgage, deed of trust or land lease shall have preference and precedence and be superior and prior in lien to this Sublease, irrespective of the date of recording. In confirmation of such subordination, Tenant shall within ten (10) days after request or Landlord, Prime Lessor, or the holder of any such mortgage, deed of trust, or land lease, execute and deliver to Landlord, Prime Lessor or such holder, as the case may be, any instrument acknowledging such subordination that Landlord, Prime Lessor or such holder may reasonably request. Tenant agree to any person or entity who may acquire title to the Building by way of transfer or under this Sublease so long as Tenant is not in default in any of its obligations hereunder. Tenant shall also, within twenty (20) days after Landlord's or Prime Lessor's request, execute an attornment agreement evidencing the obligations of Tenant herein to attorn to such mortgagee in the event of a future succession of the rights of Landlord herein to any mortgagee, deed of trust holder or land lessor of the Premises. In the event of any act or omission of Landlord constituting a default by Landlord, Tenant shall not exercise any remedy until Tenant has given Landlord, Prime Lessor and any mortgagee, deed of trust holder or land lessor of the Building a prior thirty (30) day written notice of such act or omission; provided, however, if such not or omission cannot, with due diligence and in good faith, be remedied within such thirty (30) day period, Landlord, Prime Lessor and any mortgagee, deed of trust holder or land lessor shall be allowed such further period of time as may be reasonably necessary provided that it commences remedying the same with due diligence and in good faith within said thirty (30) day period.

19. Prevailing Party. In the event of litigation between Landlord and Tenant in connection with this Sublease, in addition to any other relief therein granted, the prevailing party shall be entitled to judgment for reasonable attorneys' fees, costs of litigation, and [ILLEGIBLE] costs incurred therein.

20. Governing Law. This Sublease has been made and executed in the County of St. Louie, State of Missouri, and shall be governed and construed in accordance with the laws of the State of Missouri without regard to its conflict of laws provisions.

21. Act of God or force Majeure. Landlord or Tenant shall not be required to perform any covenant or obligation in this Sublease or be liable in damages for its nonperformance, so long as the performance or non-performance of the covenant or obligation [ILLEGIBLE] delayed, caused or prevented by an act of God or force majeure or by the other party. An "act of God" or "force majeure" is defined for purposes of this Sublease as strikes, lockouts, [ILLEGIBLE], material or labor restrictions by any governmental authority, unusual transportation delays, riots floods, washouts, explosions, earthquakes, fire, storms, weather (including wat grounds or inclement weather which prevents construction), acts of the public enemy, wara, insurrections and any other cause not reasonably within the control of the party required to perform and which by the exercise of due diligence the party required to perform is unable to prevent or overcome. The foregoing provisions of this Section as shall not apply, however, to Tenant's obligation to timely pay rent. Additional Rent or any other [ILLEGIBLE] payable by Tenant under this Sublease.

22. Severability. The invalidity of any provision of this Sublease as determined by a court of competent jurisdiction shall in no way affect the validity of any other provision hereof.

23. Assignment and Sublease. Tenant shall not voluntarily or by operation of law assign or encumber any interest in this Sublease, or sublet any part of the Premises, without obtaining the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed.

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

LANDLORD: NEWSPACE, INC.,
a Missouri corporation

By: _____
Its: CEO

TENANT: BUILD-A-BEAR WORKSHOP, L.L.C.,
a Missouri limited liability company

By: _____
Its: Manager

EXHIBIT 10.29

LEASE ABSTRACT

Mall: Galleria

Store Name: The Build-A-Bear Workshop

Store Address: store 1440

Landlord: Hycel Partners I L.P.

Address: 164 Crestwood Plaza, Suite 200
St. Louis, Missouri 63126-1794

Rent Paid To: Same

Total square footage: A 2,251

Annual Rent:

$74,328 yrs	1 to 2	($33.02/sq. ft.)
$78,780 yrs	3 to 4	($35.00/sq. ft.)
$83,292 yrs	5 to 6	($37.00/sq. ft.)
$87,816 yrs	7 to 8	($39.01/sq. ft.)
$92,268 yrs	9 to 10	($40.99/sq. ft.)

Lease Commencement: Section 1.03 10/1/97 if space is delivered by 7/1/97;
if not extended day for day

Rent Commencement: Section 1.03 Earlier of 10/1/97 or date store opens

Lease Expiration: Section 1.03 Ten years after Commencement Date

Early Termination: Section 2.02 Landlord's option

Sales Amount: Breakpoint

Period: Any year after 3rd Lease Year

Notice date: 30 days Remedy: Terminate lease or increase minimum rent by 15%

Gross Sales Reports: Section 3.02 Yes

Monthly by 15th Annually 30 days after anniversary of Commencement Date

Percentage Rent: 6%

Breakpoint: Yrs 1 & 2 $929,100; yrs 3 & 4 $984,750;
yrs 5 & 6 $1,041,150; yrs 7 & 8 $1,097,700;
yrs 9 & 10 $1,153,350

Payable: Section 2.02 Monthly after Breakpoint

CAM: Prorata (with 80% floor)

HVAC: Prorata

Tax: Section 2.04 Prorata (with 80% floor)

Advertising & Promotion: Section 17.01(b) $7,000/yr. ($3.12/sq. ft.)
adjusted annually by advertising rates in St. Louis but not to exceed 5% increase in years 1 and 2, and then the greater of 5% or actual.

Radius Restriction: Section 6.03 5 miles

Security Deposit: Section 8.01 $7,000.00

Remodel: Section 5.06 First 3 months of 6th year

Plan Approval Fee: Section 5.03 $1,000.00 maximum

Completion Deposit: Section 5.03(d) $12,500.00

Modification of Signs: Section 10.03 $250 maximum for plan review

LEASE

SAINT LOUIS GALLERIA

TENANT: SMART STUFF, INC.

DATE: May 5, 1997

TABLE OF CONTENTS

LEASE

WITNESSETH:

In consideration of the payment of the rents and other charges provided for herein and the covenants and conditions hereinafter set forth, Owner and Tenant agree as follows:

ARTICLE A	BASIC LEASE PROVISIONS
DATE:	May 5, 1997
OWNER:	HYCEL PARTNERS I, L.P., a Delaware limited partnership, 164 Crestwood Plaza, Suite 200 St.Louis, Missouri 63126-1794 EIN: 43-1530514
TENANT:	SMART STUFF, INC., a Missouri corporation
ADDRESS OF TENANT:	1964 Innerbelt Business Center Drive St. Louis, Missouri 63114
TENANT'S TRADE NAME:	THE BUILD-A-BEAR WORKSHOP
LEASED PREMISES:	Store 1440; Mall Level 1; containing approximately 2,251 square feet of Floor Area and hatched in black on Exhibit 'A'.
ADDRESS OF LEASED PREMISES:	Commonly known as 1440 Saint Louis Galleria St Louis, Missouri 63117
LEASE TERM:	Ten (10) Lease Years
OUTSIDE DATE:	October 1,1997

MINIMUM RENT:	ANNUAL	MONTHLY	PER S.F.
Lease Year 1 thru 2	$ 74,328.00	$ 6,194.00	$ 33.02
Lease Year 3 thru 4	$ 78,780.00	$ 6,565.00	$ 35.00
Lease Year 5 thru 6	$ 83,292.00	$ 6,941.00	$ 37.00
Lease Year 7 thru 8	$ 87,816.00	$ 7,318.00	$ 39.01
Lease Year 9 thru 10	$ 92,268.00	$ 7,689.00	$ 40.99

PERCENTAGE RATE : Six percent (6%)

PERCENTAGE BREAKPOINT:

During the first (1st) Lease Year through and including the second (2nd) Lease Year, an amount per annum equal to $929,100.00

During the third (3rd) Lease Year through and including the fourth (4th) Lease Year, an amount per annum equal to $984,750.00

During the fifth (5th) Lease Year through and including the sixth (6th) Lease Year, an amount per annum equal to $1,041,150.00

During the seventh (7th) Lease Year through and including the eighth (8th) Lease Year, an amount per annum equal to $1,097,700.00

During the ninth (9th) Lease Year through and including the tenth (10th) Lease Year, an amount per annum equal to $1,153,350.00

PERMITTED USES:

The display, assembly and sale at retail of make it yourself plush bears and other animals and accessories related to such bears and other animals such as clothes, books, shampoo, jewelry and stickers and for no other purposes.

SECURITY DEPOSIT: Seven Thousand Dollars ($7,000.00)
See Section 8.01.

PROMOTION AND ADVERTISING CHARGE: Seven Thousand Dollars ($7,000.00)
See Section 17.01 (b).

REMODELING PERIOD: The first three (3) months of the sixth (6th) Lease Year. See Section 5.06.

ARTICLE I GRANT AND TERM

SECTION 1.01. Leased Premises and Shopping Center

Owner hereby demises and leases to Tenant, and Tenant hereby rents from Owner those certain premises described as the "Leased Premises" in Article A of this Lease (the "Leased Premises"), together with the appurtenances specifically herein granted. The term "Shopping Center" shall mean the Saint Louis Galleria, City of Richmond Heights, St. Louis County, Missouri, together with the buildings and other improvements from time to time located on the land thereunder.

SECTION 1.02. USE OF ADDITIONAL AREAS

The use and occupation by Tenant of the Leased Premises during the term of this Lease shall include the nonexclusive use in common with others entitled thereto of the "Common Areas", as that term is hereinafter defined; subject, however, to the terms and conditions of this Lease and to reasonable rules and regulations for the use thereof as prescribed from time to time by Owner.

SECTION 1.03. COMMENCEMENT AND ENDING DATE OF TERM SEE RIDER, PARAGRAPH 1

(a) The term of this Lease and Tenant's obligation to pay rent hereunder shall commence upon the earlier of the following dates (the "Commencement Date"); (ii) the date on which Tenant shall first open the Leased Premises for business to the public; or (iii) the "Outside Date" set forth in Article A. The Commencement Date shall not be postponed due to any delays by Tenant in mailing or delivery of any of the plans described in Exhibit "B" or due to any changes made to or required by such plans. If requested by Owner, Tenant shall execute an agreement confirming the Commencement Date and expiration date of this Lease.

(b) If the term of this Lease shall not have commenced within one (1) year of the date hereof, then Owner shall have the right to cancel this Lease by giving Tenant thirty (30) days' notice. If this right is exercised, this Lease shall become null and void, and neither party shall have any further liability or obligation to the other hereunder, and Tenant shall execute an instrument in recordable form containing a release and surrender of all right, title and interest in and to the Leased Premises.

(c) The term of this Lease shall end on the last day of the last Lease Year provided under the heading "Lease Term" in Article A, unless sooner terminated pursuant to the terms of this Lease.

SECTION 1.04. FAILURE OF TENANT TO OPEN

Subject to Article XVIII and Section 27.04, in the event that Tenant fails to open the Leased Premises for business fully fixtured, stocked and staffed by the commencement of the term of this Lease as provided in Section 1.03(a), then Tenant shall, in recognition of the difficulty or impossibility of determining Owner's damages, pay to Owner as liquidated damages and not as a penalty, in addition to the Minimum Rent and other charges payable hereunder, a separate charge, payable upon demand, equal to fifty percent (50%) of the Minimum Rent (prorated on a per diem basis, and irrespective of whether payment of Minimum Rent is then abated by other provisions of this Lease) during the period beginning with the Commencement Dale and ending on the date Tenant opens the Leased Premises for business with the public.

SECTION 1.05. JOINT OPENING

ARTICLE II RENT AND REAL ESTATE TAXES

SECTION 2.01. MINIMUM RENT

Tenant agrees to pay to Owner at the address specified In Section 27.05 or at such other place designated by Owner (including without limitation by way of a lock box), without any prior notice or demand therefor and without any deduction or setoff whatsoever, the "Minimum Rent" specified in Article A, in equal monthly installments on or before the first day of each calendar month in advance. Minimum Rent for a fractional calendar month (including the fractional calendar month at the commencement of the term, if any) shall be prorated on a per diem basis. If the term of this Lease includes any Partial Lease Year, as defined in Section 26.06, then Tenant shall pay as Minimum Rant for any Partial Lease Year, the then applicable Minimum Rent payable per annum prorated on a per diem basis with respect to such Partial Lease Year.

SECTION 2.02. PERCENTAGE RENT

(a) In addition to the payment of Minimum Rent, Tenant agrees to pay to Owner for each Lease Year as "Percentage Rent" hereunder, an amount equal to the "Percentage Rate" set forth in Article A for the "Gross Sales", as that term is hereinafter defined, for each such Lease Year in excess of the applicable "Percentage Breakpoint" set forth in Article A for each such Lease Year. With respect to each Lease Year, the Percentage Rent shall be due and payable commencing with the calendar month during such Lease Year in which the aggregate Gross Sales for such Lease Year shall first have exceeded the applicable Percentage Breakpoint and thereafter shall be paid monthly on all additional Gross Sales made during the remainder of such Lease Year. Such payments shall be made to Owner not later than the fifteenth (15th) day following each month in which any such excess Gross Sales are made and without any prior notice or demand therefor and without any setoff or deduction whatsoever.

(b) For the purpose of computing the Percentage Rent payable hereunder with respect to any Partial Lease Year or Lease Year in which there has been an abatement of Minimum Rent as provided in this Lease, the applicable Percentage Breakpoint shall be adjusted to equal the product obtained by multiplying the applicable Percentage Breakpoint by a fraction, the numerator of which is the Minimum Rent paid by Tenant for such Partial Lease Year or Lease Year, and the denominator of which is the Minimum Rent otherwise payable by Tenant had such Partial Lease Year or Lease Year constituted three hundred sixty-five (365) days or had the Minimum Rent been payable without abatement.

SECTION 2.03. GROSS SALES DEFINED SEE RIDER PARAGRAPH 2

The term "Gross Sales" as used herein shall be defined to mean the aggregate amount of the price charged for all goods sold, services rendered and other operations in, on, at or from the Leased Premises by Tenant and all others, whether such sales are evidenced by cash, check, credit charge account, exchange or otherwise and regardless of the amount, if any, of profits realized on any transaction. Gross Sales shall include, but not be limited to, the entire amount of the price charged, whether wholly or partially in cash or credit, from the sale, lease, licensing or delivery of goods, wares and merchandise, whether such sales be made by means of merchandise or other vending

or video devices in the Leased Premises, rentals, lottery tickets, food, drinks, sales to Tenant's employees, deposits not refunded to purchasers, service charges for layaway sales, receipts from the sale of gift certificates and merchandise vouchers at the time of sale, not at the time of redemption for merchandise, and for service performed in, on or from the Leased Premises, together with the amount of all orders taken or received, including mail, catalog, telephone, telegraph, electronic mail, at home, or other orders received at the Leased Premises, whether such orders be filled from the Leased Premises or elsewhere and the amounts received from interest on charge accounts and other finance charges, and, if any one or more departments or other divisions of Tenant's business shall be sublet by Tenant or conducted by any person, firm or corporation other than Tenant pursuant to this Lease, for all receipts of gross sales of such departments or divisions in the same manner and with the same effect as if the business or sales of such departments and divisions of Tenant's business had been conducted by Tenant itself. Gross Sales shall not include sales of merchandise for which cash has been refunded or allowances made on merchandise claimed to be defective or unsatisfactory, provided they shall have been included in Gross Sales and provided that if such refunds or allowances are in the form of credits to customers, such credits shall be included in Gross Sales when used; the sales price of merchandise returned by customers for exchange, provided that the sales price of merchandise delivered to the customer in exchange shall be included in Gross Sales; the amount of any sales, use or gross receipts tax imposed by any federal, state, municipal or other governmental authority directly on sales and collected from customers, provided that the amount thereof is added to the selling price or absorbed therein, that the amount is paid by Tenant to such governmental authority and that a specific record is made at the time of each sale of the amount of tax. Each charge or sale upon installment or credit shall be treated as a sale for the full price in the month during which such charge or sale shall be made, irrespective of the time when Tenant shall receive payment (whether full or partial) therefor, and no reserve or deduction shall be allowed for uncollected or uncollectible charge accounts, bad debts, or other items. Each charge or sale shall be recorded for its full amount, and no deduction or offset thereto shall be permitted for trade-ins, over-allowances for trade-ins, coupons, handling charges for coupons or the equivalent.

SECTION 2.04. REAL ESTATE TAXES

(a) Tenant shall pay its proportionate share of the "Real Estate Taxes" which may be levied or assessed against the land, buildings and other improvements owned by Owner in the Shopping Center during the term of this Lease. Said land, buildings and improvements shall hereinafter be referred to as "Owner's Parcel". For purposes of this Section, the term "Real Estate Taxes" shall include all real estate taxes, assessments, water and sewer rents (except water meter charges and sewer rent based thereon) and other governmental impositions and charges of every kind and nature whatsoever, extraordinary as well as ordinary, general and special, foreseen and unforeseen, and each and every Installment thereof (including any interest on amounts which may be paid in installments) which shall or may, during the term of this Lease, be levied, assessed, imposed or becomes due and payable with respect to Owner's Parcel, or which Owner is contractually obligated to pay (including, without limitation, payments in lieu of Real Estate Taxes to any governmental or quasi-governmental entity) or which arise in connection with the use, occupancy or possession of or grow due or payable out of or for Owner's Parcel or any part thereof, or which may have been assessed by any taxing body on Owner's Parcel in any calendar year or part thereof during the term of this Lease but which are abated pursuant to ordinances of any taxing body, plus all costs incurred by Owner (including reasonable attorney, consultant and appraiser fees) in contesting or negotiating the Real Estate Taxes, any proposed Real Estate Taxes or any reassessment of Real Estate Taxes with any governmental authority, plus an administrative fee equal to two and one-half percent (2 1/2%) of the total of the foregoing costs and Real Estate Taxes.

(b) Nothing herein contained shall be construed to include as a tax which shall be the basis of Real Estate Taxes, any inheritance, estate, succession, transfer, gift, franchise, corporation, income or profit tax or capital levy that is or may be imposed upon Owner, provided, however, that if, at any time after the date hereof the methods of taxation shall be altered so that in lieu of or as a substitute for or in addition to the whole or any part of the Real Estate Taxes now levied, assessed or imposed on the Owner's Parcel, there shall be levied, assessed or imposed a tax on the rents received from the Owner's Parcel, or a tax or license fee imposed upon Owner which is otherwise measured by or based in whole or in part upon Owner's Parcel or any portion thereof, then the same shall be included in the computation of Real Estate Taxes hereunder and computed as if the amount of such tax or fee so payable were that due if Owner's Parcel were the only property of Owner subject thereto.

(c) Tenant's proportionate share of the Real Estate Taxes shall be the sum obtained by multiplying the total amount of the Real Estate Taxes assessed each calender year on the Owner's Parcel (less any contribution thereto by the Major Stores) by a fraction, the numerator of which shall be the Floor Area of the Leased Premises and the denominator of which shall be the leased and occupied Floor Area of the Owner's Parcel (less the Floor Area of the Major Store Premises) for such calendar year; provided, however, in no event shall such denominator be less than the amount equal to eighty percent (80%) of the average of the total Floor Area of the owner's Parcel available for lease on the first day of each calendar month in such calendar year (less the Floor Area of the Major Store Premises). The Floor Area of the Owner's Parcel in effect for the whole of any calender year shall be the average of the leased and occupied Floor

Area in affect on the first day of each calendar month in such calendar year. Tenant hereby waives any right it may have by statute or otherwise to protest the Real Estate Taxes Imposed on the Owner's Parcel, the building or buildings of which the Leased Premises form a part or the Leased Premises; it being agreed that Owner shall have the exclusive right (but not obligation) to contest or compromise any Real Estate Taxes.

(d) Tenant shall pay to Owner, as Additional Rent, Tenant's proportionate share of Real Estate Taxes in estimated (which estimate may be based on the prior calendar year's actual Real Estate Taxes) equal monthly installments in advance on the first day of each calender month during the term of this Lease. If Owner determines that Owner has underestimated Tenant's proportionate share of Real Estate Taxes, Owner may revise its estimate and adjust Tenant's monthly payments upon written notice to Tenant and such adjusted estimate shall become effective as of the next monthly payment. Within a reasonable time after receipt of the actual tax bill for such calendar year, Owner shall furnish to Tenant a statement showing Tenant's proportionate share of Real Estate Taxes for such calendar year and the payments made by Tenant for such calendar year. If Tenant's aggregate monthly payments are greater than Tenant's proportionate share of Real Estate Taxes with respect to such calendar year, then Tenant shall receive a credit for the excess against future payments of Tenant's proportionate share of Real Estate Taxes becoming due to Owner (or if such excess occurs at the end Of the term or is otherwise incapable of being credited against future payments end provided that Tenant is current in the payment of Minimum Rent, Percentage Rent, Additional Rent and all other sums payable under any of the terms and provisions of this Lease, such excess shall be refunded to Tenant within twenty (20) days after said determination). If Tenant's aggregate monthly payments are less than Tenant's proportionate share of Real Estate Taxes for such calendar year, then Tenant shall pay to Owner the difference within ten (10) days after receipt of Owner's statement. If the term of this Lease shall begin or end other than on the first or last day of a calendar year, Tenant's proportionate share of the Real Estate Taxes shall be prorated for such calendar year based on a three hundred sixty-five (365) day year. In the event of any dispute in the amount of any payment actually due under this Section. Tenant shall pay the amount according to Owner's bill or statement hereunder. However, such payment shall be without prejudice to Tenant's position, and if the dispute shall be determined in Tenant's favour, by agreement or otherwise, Owner shall issue a credit to Tenant against future payments of Tenant's proportionate share of the Real Estate Taxes for the amount of Tenant's overpayment resulting from such compliance by Tenant. Any tax bill or statement sent by Owner shall be deemed binding and conclusive if Tenant fails to object thereto within thirty (30) days after receipt thereof.

(e) Tenant shall be solely responsible for and shall pay before delinquency all taxes, assessments, license fees and public charges levied, assessed or imposed upon its business operation, as well as upon all trade fixtures, merchandise and other personal property in or upon the Leased Premises whether or not owned by Tenant. Should the taxing authorities include in Real Estate Taxes machinery, equipment, fixtures, inventory or other personal property or assets of Tenant, then Tenant shall also pay the entire taxes for such items.

SECTION 2.05. ADDITIONAL RENT

Wherever it is provided In this Lease that Tenant is required to make any payment to Owner, such payment shall be deemed to be 'Additional Rent, whether or not the same be designated "Additional Rent". However, such Additional Rent shall not be deemed to be Minimum Rent and shall not be deducted from Percentage Rent or be considered in the computation of Percentage Rent If such amounts or charges are not paid at the time provided in this Lease, they shall nevertheless be collectible as Additional Rent with the next installment of rent thereafter falling due hereunder.

SECTION 2.06. LATE CHARGE

Regardless of whether Tenant is in default, if Tenant shall fall to pay when the same is due and payable, any Minimum Rent, Percentage Rent, Additional Rent or any other amounts or charges accruing under this Lease, such unpaid amounts shall bear interest at the lesser of (i) the highest lawful rate of interest that may be charged Tenant under the laws of the state of Missouri or (ii) the rate of one and one-half percent (1 1/2%) per month (or any fraction thereof) from the date Tenant's payments first due to the date of payment; provided, however, that the payment of such interest shall not excuse or cure any default upon which such interest may have accrued. Nothing contained herein shall be deemed to suspend or delay the payment of any amount of money or charge at the time the same become due and payable hereunder, or limit any other remedy of Owner.

SECTION 2.07. GOVERNMENTAL LIMITATION ON RENTS AND OTHER CHARGES

If any law, decision, order, rule or regulation (collectively called "Limiting Law") of any governmental authority shall have the effect of limiting for any period of time the amount of rant or other amounts payable by Tenant to any amount less than the amount required by this Lease, then:

(a) Throughout the period of limitation, Tenant shall remain liable for the maximum amount of Minimum Rent, Percentage Rent and Additional Rent which are legally payable; and

(b) When the period of limitation ends, or if the Limiting Law is repealed, or following any order or ruling that substantially restrains or prohibits enforcement of the Limiting Law, Tenant shall pay to Owner, on demand (to the extent that payment of such amounts is not prohibited by law), all amounts that would have been due from Tenant to Owner during the period of limitation but which were not paid because of the Limiting Law; and thereafter Tenant shall pay to Owner Minimum Rent, Percentage Rent and Additional Rent due pursuant to this Lease, all calculated as though there had been no intervening period of limitation.

SECTION 2.08. AUTOMATIC TRANSFER

Owner may, at its sole option, upon not less than thirty (30) days prior written notice to Tenant, require Tenant to promptly execute and deliver to Owner any documents, instruments, authorizations or certificates required by Owner to permit Owner to receive payment of Minimum Rent, Additional Rent or any other sums or charges payable under any of the terms and provisions of this Lease by an automated debiting system, whereby any or all of such payments by Tenant (as designated from time to time by Owner) shall be debited monthly or from time to time, as determined by Owner, from Tenant's account in a bank or financial institution designated by Tenant and credited to Owner's bank account as Owner shall designate from time to time. Tenant shall promptly pay all service fees and other charges connected therewith, including, without limitation, any charges resulting from insufficient funds in Tenant's bank account or any charges imposed on Owner. In the event Tenant elects to designate a different bank or financial institution from which any Minimum Rent, Additional Rent or other sums or charges payable under this Lease are automatically debited, then Tenant shall notify Owner in writing of such change and shall deliver to Owner the required documents, instruments, authorizations and certificates specified in this Section no later than thirty (30) days prior to the date such change is to become effective, Tenant agrees that it shall remain responsible to Owner for all payments of Minimum Rent, Additional Rent and any other sums or charges payable pursuant to the terms and provisions of this Lease, even if Tenant's bank account is incorrectly debited in any given month. Such Minimum Rent, Additional Rent and any other sums or charges shall be immediately payable to Owner upon written demand, Tenant's failure to property designate a bank or financial Institution or to promptly provide appropriate information in accordance with the provisions of this Section 2.08 shall constitute a default of the Lease.

ARTICLE III RECORDS AND BOOKS OF ACCOUNT

SECTION 3.01. TENANT'S RECORDS

(a) For the purpose of ascertaining the amount payable as Percentage Rent, Tenant agrees to prepare (and cause any assignee, licensee, concessionaire or subtenant to prepare) and keep on the Leased Premises or at its principal office for a period of not less than three (3) years following the end of each Lease Year a complete, adequate and accurate set of books and records in accordance with generally accepted accounting principles of Tenant's Gross Sales (and all exclusions therefrom) which shall be sufficient to enable Owner to verify Tenant's Gross Sales for each such Lease Year. These books and records shall show Gross Sales, claimed exclusions from Gross Sales, inventories and receipts of merchandise at the Leased Premises and dally receipts from all sales and other transactions on or from the Leased Premises by Tenant and any other persons conducting any business upon or from said premises. All Gross Sales shall be recorded at the time of sale and in the presence of the customer, and shall be recorded in a point of sale terminal, computer, cash register or registers having a cumulative total, which shall be sealed in a manner approved by Owner and having such other features as shall be approved by Owner. Tenant further agrees to keep on the Leased Premises or at its principal office for at least three (3) years following the end of each Lease Year the sales and occupation tax returns with respect to said Lease Years and all pertinent original sales records. Pertinent original sales records shall include: (i) dally dated cash register tapes, including tapes from temporary registers; (ii) serially numbered sales slips; (iii) the originals of all mail orders at and to the Leased Premises; (iv) the original records of all telephone or facsimile orders at and to the Leased Premises; (v) settlement report sheets of transactions with subtenants, concessionaires and licensees; (vi) original records showing that merchandise returned by customers was purchased at the Leased Premises by such customers; (vii) memorandum receipts or other records of merchandise taken out on approval; (viii) computer disk, tape or other electronic storage device; (ix) such other sales records, if any, which would normally be examined by an independent accountant pursuant to accepted auditing standards in performing an audit of Tenant's sales; and (x) the records specified in (i) to (ix) above of subtenants, assignees, concessionaires or licensees. The aforementioned books and records shall be open to inspection and audit by Owner and/or Owner's authorized representatives during regular business hours at any time during the term of this Lease and for a period of at least one (1) year after the termination of this Lease.

(b) If In the opinion of Owner's Independent certified accountant Tenant's books and records are inadequate to determine Gross Sales (or any Lease Year, Tenant shall promptly pay to Owner the examination fee, Owner's in-house processing costs, and all other costs associated with any audit and Investigation in accordance with Article IV, and if Tenant falls to provide adequate books and records for any Lease Year within twenty (20) days after notice of such inadequacy, Tenant shall pay Owner, as liquidated damages and not as a penalty (in recognition of the difficulty or impossibility of determining Owner's damages), as Additional Rent for such Lease Year, an amount equal to twenty-five percent (25%) of the amount of the Minimum Rent payable by Tenant for such Lease Year,

(c) In the event that Owner should commence an audit of Tenants books and records with respect to Gross Sales in accordance with Article IV, then in such case all of such audited books and records shall be kept until such audit is completed, but not to exceed an additional one (1) year, except in the event of litigation concerning any deficiency in Percentage Rent in which case such books and records shall be kept until such litigation Is finally determined by a final, unappealable order of court.

SECTION 3.02. REPORTS BY TENANT

(a) Tenant shall submit to Owner monthly on or before the fifteenth (15th) day of each month during the term hereof (including the fifteenth (15th) day of the month following the end of the term of this Lease) at the place then fixed for the payment of rent or such place as designated from time to time by Owner, together with the remittance of Percentage Rent (if any is then due), a written statement signed by Tenant, certified by it to be true and correct and showing in reasonably accurate detail the amount of Gross Sales for the preceding month or fractional month, if any. Tenant shall submit to Owner on or before the thirtieth (30th) day following the end of each Lease Year at the place then fixed for at the place then fixed for the payment of rent a written statement signed by Tenant, duly certified to be true and correct by Tenant and by independent certified public accountants of recognized standing, in a form satisfactory to Owner in scope and substance, and showing in reasonable accurate detail satisfactory in scope to Owner the amount of Gross Sales during the preceding Lease Year or Partial Lease Year and an itemization of all claimed exclusions therefrom. The statements referred to herein shall be In such form and style end contain such details and breakdown as the Owner may reasonably determine. Tenant shall require all concessionaires, licensees and subtenants to furnish similar statements to Owner as part of Tenant's own monthly reports.

(b) If Tenant shall fall to prepare and deliver any statement of Gross Sales required herein, Owner, in addition to other rights or remedies it may have, shall collect from Tenant Fifty Dollars ($50,00) for each day that any Gross Sales statement is late and may elect to make an audit of all books and records of Tenant, including Tenant's bank accounts, pursuant to Section 4.02, and prepare any statement which Tenant has failed to prepare and deliver. Such audit shall be made and such statement prepared by an accountant selected by Owner. Any statement so prepared shall be conclusive on Tenant, and Tenant shall pay on demand all expenses connected with such audit and the preparation of any such statement and all sums as may be shown by such audit to be due as Percentage Rent.

ARTICLE IV AUDIT

SECTION 4.01. RIGHT TO EXAMINE BOOKS

The acceptance by Owner of payments of Percentage Rent shall be without prejudice to Owner's right is examine the books and records of Tenant and all concessionaires, licensees and subtenants of Tenant as may be permitted hereunder, in order to determine the Gross Sales and Inventories of merchandise at the Leased Premises and to verify the amount of annual Gross Sales in and from the Leased Premises.

SECTION 4.02. AUDIT

At its option, Owner may cause at any reasonable time, upon forty-eight (48) hours' prior notice to Tenant. a complete audit to be made of all business affairs at the Leased Premises and all books and records referred to in Section 3.01 relating to the Gross Sales for the period covered by any statement issued by Tenant as above set forth. If any such audit shall disclose a liability for Percentage Rent to the extent of two percent (2%) or more in excess of the Percentage Rent theretofore computed and paid by Tenant for such period, and/or disclose that the amount of Gross Sales on any statement was understated by two percent (2%) or more of the Gross Sales, then Tenant shall promptly pay to Owner, the examination fee, Owner's in-house processing fee, and all other costs associated with said audit and investigation, the deficiency (which shall be payable in any event) and the appropriate late charge computed according to Section 2.06. In addition, if any such audit shall disclose ability for Percentage Rent to the extent of

four percent (4%) or more or disclose an understatement of the amount of Gross Sales by four percent (4%) or more, or if Tenant shall fail to permit inspection in accordance with the terms of this section, then owner, at its option, may terminate this Lease upon thirty (30) days notice to Tenant of Owner's election to do so, Any information obtained by Owner as a result of such audit shall be held in strict confidence by Owner except as may be necessary for the enforcement of Owner's rights under this Lease (including, without limitation, disclosure to the holder or prospective holder of any encumbrance affecting the Shopping Center or to any bona fide prospective purchaser thereof) or in connection with any tax proceedings or other legal requirements.

ARTICLE V CONSTRUCTION, ALTERATION, RELOCATION AND REMODELING

SECTION 5.01. CONSTRUCTION PROVIDED BY OWNER SEE RIDER PARAGRAPH. 3

(a) The construction provided by Owner in, of and for the Leased Premises has been or shall be, within a reasonable time hereafter, completed in conformity with Owner's obligations under Article B-l of Exhibit 'B', annexed hereto and made a part hereof; subject, however to delays beyond its reasonable control as described in Section 27.04. Upon completion, Owner will make the Leased Premises available to Tenant for its construction and completion as hereinafter provided. Tenant agrees that Owner may make any changes in the construction provided by Owner which may become reasonably necessary or advisable without the approval of Tenant,

(c) Owner has made no representations, covenants or warranties with respect to the condition of the Leased Premises and no promises to decorate, alter, repair or improve the Leased Premises before or after the execution hereof except as expressly set forth in this Lease. Tenant further agrees that no representations or promises have been made to Tenant that any other tenants will lease space within the Shopping Center or that Tenant has any exclusive right to sea merchandise, goods or services of any type and character.

(d) Tenant has inspected the Leased Premises and deems it to be suitable for the type of business to be conducted during the Lease term. Owner has made no warranty of fitness concerning the suitability of the Leased Premises for Tenant's business. Within the four-week period after delivery of possession, Tenant shall give Owner notice of any contended defects in the construction provided by Owner and of any contended variances from the requirements of this Lease. Any defect or variance not so set forth shall be deemed waived by Tenant if Tenant shall fail to give such notice, it shall waive all rights with respect to any defects or variances, and upon the expiration of the four-week period, the Leased Premises shall be conclusively deemed to have been accepted by Tenant, if Tenant shall notify Owner of any contended defects during the four-week period, the Leased Premises shall be conclusively deemed accepted by Tenant subject to the defects or variances set forth in the notice. At any time after the expiration of the four-week period, upon request of Owner, Tenant shall execute a certificate certifying that the Leased Premises were accepted in accordance with the foregoing.

SECTION 5.02. PARKING FACILITIES

Subject to Articles XVII and XIX, the Shopping Center shall contain parking areas having such number of parking spaces for passenger type automobiles as Owner deems appropriate. Owner reserves the right at any time to implement a pay parking system or to revert to free parking on all or any part of the parking lots or facilities, Owner may designate certain portions of the parking areas as reserved for the use of certain tenants or customers of certain tenants.

SECTION 5.03. TENANT'S WORK

(a) Tenant shall prepare and submit to Owner for written approval its Preliminary Plans as provided in Exhibit "B". Following Owner's approval of Tenant's Preliminary Plans, which approval shall not be unreasonably withheld or delayed, Tenant shall prepare and submit to Owner for written approval complete Working Plans for the Leased Premises as provided in Exhibit "B", prepared by Licensed Missouri Registered Architects and engineers and describing all work which is to be performed by Tenant under this Lease. Such Plans shall be prepared in conformity with the applicable provisions of Exhibit "B" and shall show in sufficient detail the locations of all utilities and partitions, the storefront, all materials and finishes to be used and any other matters which may affect the construction work in the Leased Premises and/or the building of which it forms a part in the event Tenant's said Plans, in the reasonable judgment of Owner or Owner's architect, are incomplete, inadequate or inconsistent with the terms of this Lease, and/or do not conform to the high standards of quality design, motif, decor or quality established or adopted by Owner, and/or would tend to create an imbalance with or be incompatible with Owner's design of the adjoining premises, and/or would subject Owner to additional costs or expenses in the performance of any of its construction, and/or would provide for or require any installation of work which is or might be unlawful or create an unsound or dangerous condition or adversely affect the structural soundness of the Leased Premises or the building of which the same forms a part, and/or would interfere with or abridge the use and enjoyment of any adjoining space in the building in which the Leased Premises are located, Owner may, without any obligation for increased costs or any delay, deny approval of Tenant's proposal Plans. Tenant agrees that within twenty (20) days after written notification of Owner's decision to deny such approval it will submit revised and/or corrected Plans to Owner remedying the objections previously noted. Further, Tenant agrees to pay to Owner within ten (10) days after receipt of an invoice therefor, the reasonable costs incurred by Owner for the review of Tenant's Plans, not to exceed Other Thousand Dollars ($1,000.00).

(b) Promptly after Owner notifies Tenant that the Leased Premises are ready for commencement of Tenant's Work, Tenant shall commence and thereafter complete at to sole cost and expense, with due diligence and in accordance with good construction practices and applicable legal and insurance requirements, all work required of it under Exhibit "B" and in accordance with its approved Working Plans. If Tenant shall neglect, fail or refuse to commence its work as aforesaid or thereafter neglects, fails or refuses to diligently proceed with and complete its work, then Owner, in addition to other rights or remedies it may have and, after thirty (30) days' notice to Tenant, may (i) complete Tenant's Work at Tenant's expense and thereupon commence the term of this Lease, (ii) commence the term of this Lease and all of Tenant's payment obligations hereunder, notwithstanding the incompletion of Tenant's Work, or (iii) declare this Lease cancelled and of no further force and offset.

(c) Tenant may but only with the written consent of Owner, enter the Leased Premises for preliminary work prior to the completion by Owner of its construction, provided that Tenant's Work shall be done in such manner so as not to interfere with any construction being performed or to be performed by Owner and provided also that Tenant's Work does not interfere with any of Owner's labor agreements. Tenants entry on and occupancy of the Leased Premises prior to the commencement of this Lease shall be governed by and subject to all the provisions, covenants and conditions of this Lease other than those requiring the payment of Minimum Rent and other charges, except utility charges.

(d) All entry on the Leased Premises by Tenant and all work done by Tenant shall be at Tenant's sole risk. Tenant shall furnish to Owner all certificates and approval with respect to work done by Tenant or on Tenant's behalf that may be required from an authority for the issuance of a certificate of occupancy, and Owner shall have no responsibility or liability whatsoever for any loss or damage to any fixtures or equipment installed or left in the Leased Premises. Before entering on the Leased Premises for the performance of Tenant's Work, Tenants shall furnish Owner for the mutual benefit of both Tenant and Owner and its designees a bond naming both Owner and Tenant as beneficiaries and obligees in an amount satisfactory to Owner written by a surety company licenses and authored to issue such bonds in the State of Missouri, guaranteeing the payment and performance of Tenant's Work, free of mechanics', or other liens or in lieu of such bond, Tenant shall deposit with Owner the sum of Twelve Thousand Five Hundred Dollars ($12,500,00), which may be in the form of cash or an irrevocable letter of credit from a national bank in the Metropolitan St. Louis area, payable in St. Louis, Missouri, running in favor of Owner which shall be irrevocable for a period ending not earlier than six (6) months after Tenant has completed Tenant's Work, including the completion of any punchlist items, construction performance guarantee, the same to be held by Owner without liability for interest until Tenant has completed Tenant's Work in conformance with the Working Plans, including the completion of any punchlist items, has received its final occupancy permit, has provided full and final mechanic's and/or materialmen's lien waivers from all contractors, subcontractors and materialmen used in performing Tenant's Work, and has opened for business in the leased Premises. Should Tenant fail to so complete Tenant's Work, obtain such occupancy permit, provide such then waivers, or open for business, Owner may, in addition to any other remedies available to Owner at law or in equity or under this lease, retain said deposit.

(e) If it shall be necessary or Owner shall deem it consistent to perform any item of Tenant's Work in the Leased Premises in order to permit to continue and complete any of its construction, then Tenant shall cause such work to be

commenced on the date fixed by Owner in a written notice to Tenant given at least ten (10) days prior thereto, and Tenant shall thereafter cause such work to be completed with

due diligence. If Tenant shall fail to comply with the foregoing, Owner may, at its election, proceed with its construction and, upon the completion thereof or so much thereof as can be completed in the absence of such work by Tenant, Owner shall be deemed to have fulfilled all of Its construction obligations hereunder.

(f) Tenant and Tenant's Agents agree to use bast efforts during the performance of any construction work to cause no interference to the Shopping Center or any person, firm or corporation doing business in the Shopping Center. During construction of Tenant's Work, Owner shall have the right to reasonably control the usage of the Common Areas by Tenant, Tenant's Agents and contractors for parking, storage, and otherwise. Tenant agrees to employ only union labor and to cause its Independent contractors to employ only union labor (who shall be members of labor unions affiliated and not in conflict with labor unions whose members are employed in connection with construction at the Shopping Center) for all construction work performed by Tenant in the Leased Premises.

(g) Time is of the essence with respect to Tenant's performance of each of the provisions concerning construction and the opening of the Leased Premises tor business.

(h) Notwithstanding anything to the contrary contained in this Lease, Tenant shall not have the right to open the Leased Premises for business with the public until (i) Tenant shall have submitted to Owner an affidavit certifying the names of all contractors, subcontractors and materialmen used in performing Tenant's Work In the Leased Premises, and (ii) Tenant shall have delivered to Owner a permanent certificate of occupancy or its equivalent for the Leased Premises. Nothing contained in this paragraph (h) shall be deemed to delay the Commencement Date or Tenant a obligation to commence paying rent as required by Section 1.03 of this Lease. Within ninety (90) After Tenant opens the Leased Premises for business with the public, Tenant shall deliver to Owner duly executed full mechanic's and/or materialmen's lien waivers from all contractors, subcontractors and materialman used in performing Tenant's Work

SECTION 5.04. FIRE PREVENTION SYSTEMS

(a) If the National Board of Fire Underwriters or any local Board of Fire Underwriters or Insurance Exchange (or other bodies hereafter exercising similar functions) shall require or recommend the installation of fire extinguishers, a "sprinkler system", fire detection and prevention equipment (including, but not limited to, smoke detectors and heat sensors), or any changes, modifications, alterations, or the installation of additional sprinkler heads or other equipment for any existing sprinkler, fire extinguishing system, and/or fire detection system for any reason, whether or not attributable to Tenants use of the Leased Premises or alterations performed by Tenant; or

(b) If any law, regulation, or order or if any bureau, department, or official of the Federal, State, and/or Municipal Governments shall require or recommend the Installation of fire extinguishers, a 'sprinkler system," fire detection and prevention equipment (including, but not limited to, smoke detectors and heat sensors), or any changes, modifications, alterations, or the installation of additional sprinkler heads or other equipment for any existing sprinkler system, fire extinguishing system, and/or fire detection system for any reason, whether or not attributable to Tenant's use of the Leased Premises or alterations performed by Tenant; or

(c) If any such installation, changes, modifications, alterations, sprinkler heads, or other equipment become necessary to prevent the imposition of a penalty, an additional charge, or an increase in the fire insurance rate as fixed by said Board or Exchange, from time to time, or by any fire insurance company as a result of the use of the Leased Premises whether or not the same is a permitted use under Section 6.01;

then Tenant shall, at Tenant's sole cost and expense, promptly make such Installations within the Leased Premises and make such changes, modifications, alterations, or the installation of additional sprinkler heads or other required or recommended equipment. If Tenant fails to perform its obligation under this Section, Owner may, at Owner's option after giving Tenant fifteen (15) days prior written notice, enter upon the Leased Premises and put, provide same or place same in good order, condition and repair; and the cost thereof plus a fifteen percent (15%) administrative charge shall become due and payable as Additional Rent by Tenant to Owner upon demand, but nothing contained in this sentence shall be deemed to impose any duty upon Owner or affect in any manner the obligations placed upon Tenant by this Section.

SECTION 5.05. CHANGES AND ADDITIONAL TO BUILDINGS SEE RIDER. PARAGRAPH. 4.5

Owner hereby reserves the right at any time to make alterations, additions or diminutions to, and to build additional stories on, any building in the Shopping Center, including the building in which the Leased Premises are contained, and to build adjoining the same. Owner also reserves the right to construct other buildings or improvements in the Shopping Center from time to time and to make alterations, additions or diminutions thereto, to build additional stories on any such building or buildings, to build adjoining same and to construct multi-deck, elevated or subsurface parking facilities. Owner shall have the right to erect in connection with any of the foregoing temporary scaffolds and

other aids to construction on the exterior of the Leased Premises, provided that access to the Leased Premises shall not be denied. Owner may make any use it desires of the side or rear walls of the Leased Premises, provided that such use shall not encroach on the interior of the Leased Premises. Owner also reserves the right to install, maintain use, repair and replace pipes, ducts, mains, columns, conduits, wires and appurtenant fixtures leading through the Leased Premises in locations which will not materially interfere with Tenant's use thereof. The purpose of the site plan attached hereto as Exhibit "A" is to show the approximate location of the Leased Premises. Owner reserves the right at any time to relocate the premises of any tenant (excluding Tenant), buildings, automobile parking areas, and other Common Areas shown on said site plan.

SECTION 5.06. REMODELING OF LEASED PREMISES

(a) Provided that Tenant has not completed a substantial remodeling of the Leased Premises by the end of the fifth (5th) Lease Year, then during the "Remodeling Period", set forth in Article A, Tenant shall, at its sole cost and expense remodel the Leased Premises (meaning painting wall, surfaces, replacing carpeting and floor covering, replacing wall covering, repairing and refurbishing display fixtures, to like new condition, cleaning and relamping light fixtures, replacing or repainting ceiling tiles and such other items that have experienced more than ordinary wear and tear so that the Leased Premises has a new and "fresh" look in keeping with the first class quality of the Shopping Center) in accordance with plans and specifications approved by Owner (the 'Remodeling Work'). Tenant shall not commence the Remodeling Work until the plans and specifications for the Remodeling Work have been approved by Owner. For purposes of performing the Remodeling Work, Tenant may, with Owner's prior approval, close the Leased Premises during the Remodeling Period as is necessary to perform the Remodeling Work; provided, however, there shall be no abatement of the Minimum rent and the other charges payable under the Lease during such period Tenant shall close the Leased Premises to perform such Remodeling Work. Tenant shall reimburse Owner (or the reasonable costs incurred by Owner for the review of Tenant's plans and specifications for the Remodeling Work within ten (10) days after receipt of an invoice therefor.

(b) If Tenant shall fall to complete the remodeling Work prior the expiration of the Remodeling Period then, without limiting Owner's other remedies and in consideration of the failure to realize increased Gross Sales which the parties anticipate would be generated by reason of the Remodeling Work, at Owner's option, (i) the Minimum Rent (as the same may have been increased pursuant to the other provisions of this Lease) otherwise payable by Tenant during the balance of the term, shall be deemed automatically increased by twenty-five percent (25%) commencing with the first month after the expiration of the Remodeling Period, and continuing thereafter throughout the remainder of the term, or (ii) Owner shall have the right to terminate into Lease; by giving notice thereof to Tenant within ninety (90) days after the expiration of the Remodeling Period. If Owner so elects to terminate this Lease, then this Lease shall terminate sixty (60) days alter such notice to Tenant.

SECTION 5.07. CONSTRUCTION REIMBURSEMENT COAT

The cost of operating, maintaining, repairing and replacing the central ventilating and all conditioning service shall be allocated according to the provisions of Section 9.03.

ARTICLE VI CONDUCT OF BUSINESS BY TENANT

SECTION 6.01. USE OF PREMISES

(a) Tenant shall use the Leased Premises solely for the "Permitted Uses" set forth In Article A and for no other purposes whatsoever. Tenant shall conduct business in the Leased Premises solely under the "Trade Name" set forth in Article A and under no other name whatsoever. Tenant shall use the name "Saint Louis Galleria" in its local business address and advertising. Tenant shall not sell lottery tickets, raffle tickets or any kind of gaming tickets from the Leased Premises.

(b) In the event that Tenant, at any lime during the term of this Lease, shall use or permit others to use the Leased Premises for any purpose other than the Permitted Uses without obtaining the prior written consent of Owner, and Tenant shall not cease using the Leased Premises for such non-permitted use within ten (10) days after written notice from Owner. In addition to Owner's other rights and remedies hereunder or at law or in equity, it is hereby mutually agreed that the Minimum Rent during the period Tenant shall use the Leased Premises for such non-permitted use shall be automatically increased to one hundred twenty-five percent (125%) of the Minimum Rent otherwise payable for such period.

(c) Tenant will not use, permit or suffer the use of the Leased Premises for any business or purpose which is in violation of any law or the rules or regulations of any public authority. Tenant shall, at its sole cost and expense, promptly comply with all present and future laws, regulations or rules of any county, state, federal and other governmental authority and any bureau or department thereof, and of the National Board of Fire Underwriters, or any other body exercising similar function, which may be applicable to the Leased Premises, including the making of any required structural changes thereto and including the making of any changes, alterations, or additions in the fire detection and prevention system or equipment. If Tenant shall install any electrical equipment that overloads the lines in the Leased Premises, Tenant shall make whatever changes are necessary to comply with the requirements of the insurance underwriters and governmental authorities having jurisdiction thereover. Tenant shall not conduct catalogue sales in or from the Leased Premises, except of merchandise which Tenant is permitted to sell "over the counter" in or at the Leased Premises pursuant to the provisions of this Section.

(d) The plumbing facilities of the Leased Premises shall not be used for any purpose other than that for which they were constructed, nor shall any substances be disposed of in such facilities which may clog, erode, or damage the plumbing, pipes, lines or conduits of the Shopping Center, whether through the utilization of "garbage disposal" units or otherwise. If Tenant is permitted to use and uses the Leased Premises for the sale, preparation, or service of food, Tenant shall install and maintain all grease traps that may be necessary or desirable to prevent the accumulation of grease or other wastes in the plumbing facilities servicing the Leased Premises, shall install all fire extinguishing devices required by local codes and/or Owner's insurance carrier and keep such devices in good working order and repair, shall install all necessary exhaust systems, filters and ducts, and shall install a garbage disposal system. Tenant shall clean all grease traps at least monthly and, if provided by Owner, Tenant shall participate in and pay to Owner within ten (10) days after receipt of an invoice therefor, the cost of providing cleaning or treatment services to the plumbing facilities to prevent the accumulation of grease and other wastes in the plumbing facilities servicing the Leased Premises. If Tenant fails to perform its obligations under this Section, Owner may, at Owner's option after giving Tenant fifteen (15) days notice, enter upon the Leased Premises and put the same in good order, condition and repair; and the cost thereof plus a fifteen percent (15%) administrative charge shall become due and payable as Additional Rent by Tenant to Owner upon demand, but nothing contained in this sentence shall be deemed to impose any duty upon Owner or affect in any manner the obligations placed upon Tenant by this Section. Tenant shall not place a load on any floor exceeding the floor load per square foot which such floor was designed to carry. Tenant shall not install, operate or maintain any heavy item of equipment in the Leased Premises, except in such manner as to achieve a proper distribution of weight. Tenant shall not use the roof of the Leased Premises for any purposes. Tenant shall not use any exterior walls of the Leased Premises other than the storefront as provided herein. Tenant shall be responsible for the expense of any breakage, stoppage or damage resulting from a violation of these provisions where it is caused by Tenant, Tenant's Agents, customers or invitees.

SECTION 6.02. Operation of Business

(a) Tenant shall continuously and uninterruptedly use, occupy and operate all of the Leased Premises during the entire term of this Lease for the Permitted Uses with due diligence and efficiency and in a high grade and reputable manner so as to produce the optimum amount of Gross Sales which may be produced by such manner of operation, unless prevented from doing so by causes listed in Section 27.04. Subject to inability by reason of strikes or labor disputes, Tenant shall provide adequate personnel and shall carry at all times in the Leased Premises a full and complete stock of seasonable merchandise of such size, character and quality as shall be reasonably designed to produce the maximum amount of Gross Sales. Tenant shall keep the Leased Premises open for business to the public continuously during all business hours and days designated by owner from time to time as the hours for the Shopping Center, which designated hours shall at a minimum require Tenant to be open for business Monday through Saturday 10:00 A.M. to 9:30 P.M. and Sunday 11:00 A.M. to 6:00 P.M., and for such additional hours as may be designated by Owner from time to time. Tenant shall install and maintain at all times displays of merchandise in the display windows (if any) of the Leased Premises. Tenant shall keep the display windows and the signs on the Leased Premises well lighted during the hours commencing one-half (1/2) hour before through one-half (1/2) hour after the hours for the Shopping Center. Tenant shall not, during the hours and days that the Leased Premises are required to be open for business under this Lease, lock, barricade or otherwise prevent access into the Leased Premises through any door opening onto the mall or sidewalk adjacent to the Leased Premises.

(b) If Tenant fails to (i) keep the Leased Premises open during the hours and days that the Leased Premises are required to be open for business to the public under this Lease, (ii) operate all of the Leased Premises in the manner required under this Lease, or (iii) adequately stock or staff the Leased Premises, then Tenant shall, in recognition of the difficulty or impossibility of determining Owner's damages, pay to Owner, upon demand, as liquidated damages and not as a penalty and in addition to the Minimum Rent and other charges payable under this Lease, a separate charge equal to one-thirtieth (1/30th) of the monthly Minimum Rent for each and every day that the Leased Premises are not open or are not fully operated or in which such hours are not maintained in accordance with the provisions of this Section.

SECTION 6.03. COMPETITION

In consideration of the fact that Owner has agreed to accept a percentage of Tenant's Gross Sales as a portion of the rent during the term of the Lease, neither Tenant nor any of Tenant's affiliates, subsidiaries or parent corporations (collectively "Tenant's Affiliates") shall directly or indirectly engage in any similar or competing business within a radius or five (5) miles from the outside boundary of the Shopping Center, in the event that Tenant or Tenant's Affiliates, during the term of this Lease, directly or indirectly, owns, operates, acquires, engages in, or is in any manner interested in, any such business in violation of this provision, it is hereby mutually agreed that if said improper competition occurs within the first five (5) years of the term of this Lease, then for the remainder of the term, the annual Minimum Rent (for the unexpired term) shall be the greater sum of the following; (i) the highest annual Minimum Rent and Percentage Rent paid by Tenant during any Lease Year that Tenant has been a tenant in the Leased Premises, or (ii) the sum of one hundred fifty percent (150%) of the then applicable annual Minimum Rent and that if said improper competition occurs after the first five (5) years of the term of this Lease (if any), then for the remainder of the term, the annual Minimum Rent (for the unexpired term) shall be the greater sum of the following: (i) the highest annual Minimum Rent and Percentage Rent paid by Tenant during any Lease Year that Tenant has been a tenant in the Leased Premises, or (ii) the sum of one hundred twenty-five percent (125%) of the then applicable annual Minimum Rent. The provisions of this Section shall not apply to any business operated by Tenant or Tenant's Affiliates under another trade name for an unrelated use or existing businesses of Tenant operated for the same use as the Leased Premises on the date of this Lease.

SECTION 6.04. STORAGE, OFFICE SPACE, DISPLAY OF MERCHANDISE, SOLICITATION OF BUSINESS

(a) Tenant shall warehouse, store and/or stock in the Leased Premises only such goods, wares and merchandise as Tenant intends to offer for sale at retail at, in, from or upon the Leased Premises. This shall not preclude occasional emergency transfers of merchandise to the other stores of Tenant not located in the Shopping Center.

(b) Tenant shall use for office, clerical or other non-selling purposes only such space in the Leased Premises as is from time to time reasonably required for Tenant's business in the Leased Premises.

(c) Neither Tenant nor Tenant's Agents shall display any merchandise outside the Leased Premises in the Common Areas or in any way obstruct the malls or sidewalks adjacent thereto or conduct any sale or similar undertaking in these areas.

SECTION 6.05. MAINTAIN CHARACTER OF SHOPPING CENTER

Tenant shall not permit the Leased Premises, or any part thereof, to be used as sleeping quarters or for any immoral purposes or in any manner which causes odors, excessive noises or otherwise constitutes a nuisance or which may injure the building or the reputation, character or appearance of the Shopping Center or which may disturb, inconvenience, annoy or cause complaints by other tenants of the Shopping Center. No auction, fire, going out of business, liquidation, distress or bankruptcy sales or any other similar practices may be conducted in the Leased Premises without the previous written consent of Owner.

SECTION 6.06. WASTE

Tenant shall not commit or suffer to be committed any waste upon the Leased Premises or use the Leased Premises for any extra-hazardous purpose or in any manner that will violate, suspend, void, or serve to increase the premium rate of or make inoperative any policy or policies of insurance of any kind whatsoever at any time carried on any property, buildings or improvements in the Shopping Center, or any part thereof, including the Leased Premises.

SECTION 6.07. HAZARDOUS SUBSTANCES SEE RIDER PARAGRAPH 6

Tenant and Tenants Agents shall not (i) use, store, generate, treat, sell or dispose in, on, from or about the Leased Premises, any "Hazardous Substances" (hereinafter defined), or (ii) permit the use, storage, generation, treatment, selling or disposal in, on, from or about the Leased Premises or the Shopping Center of any Hazardous Substances, except Hazardous Substances in such amounts and of such types that are commonly and customarily used in the cleaning and maintenance of retail stores and in a manner that complies with all laws, rules, regulations, ordinances, codes and any other governmental restriction or requirement of all federal, state and local government authorities having jurisdiction thereof regulating such Hazardous Substances ("Governmental Regulations"), permits issued for any such Hazardous Substances (which permits Tenant shall obtain prior to bringing any Hazardous

Substances in, on or about the Leased Premises or the Shopping Center) and all producers' and manufacturers' instructions and recommendations to the extent they are stricter than Governmental Regulations. "Hazardous Substances" or "Hazardous Substance" as used in this lease shall mean any substances or substance now or hereafter designated as, or containing components designated as, hazardous, dangerous, toxic or harmful and/or subject to any Governmental Regulations, Including, without limitation, asbestos in any form, urea formaldehyde foam insulation, transformers or other equipment which contains dielectric fluid or other fluids containing levels of polychlorinated biphenyls in excess of fifty (50) parts per million and petroleum products in any form. Tenant shall: (i) promptly, timely, and completely comply with all Governmental Regulations now or hereafter pertaining to the use, discharge, handling, transportation, disposal, treatment, generation, storage, sale or presence on the Leased Premises of Hazardous Substances; and (ii) allow Owner or Owner's agents or representatives to enter onto the Leased Premises at all times to check Tenant's compliance with all applicable Governmental Regulations regarding Hazardous Substances. Any and all costs incurred by Owner and associated with Owner's inspection of the Leased Premises and Owner's monitoring of Tenant's compliance with this Section, including Owner's attorneys' fees and costs, shall be deemed Additional Rent and shall be due and payable to Owner immediately upon demand by Owner, Tenant shall indemnify, defend and save Owner, its partners, managers, agents and employees harmless from and against any and all damages, penalties, costs and other liabilities (including Owner's attorneys' fees and costs and the cost of any remedial or abatement activities), arising during the term of this Lease or anytime thereafter, directly or indirectly, from the use, discharge, handling, transportation, disposal, treatment, generation, storage, existence or sale of Hazardous Substances, during the term of this Lease in on from or about the Leased Premises except to the extent such use, discharge, handling, transportation, disposal, treatment, generation, storage, existence or sale of Hazardous Substances resulted solely from the actions of Owner. Tenant's obligations under this Section shall survive the expiration or termination of this Lease.

ARTICLE VII OPERATION OF CONCESSIONS

SECTION 7.01. CONSENT OF OWNER

Tenant shall not permit any business to be operated in or from the Leased Premises by any concessionaire, licensee or franchisee without the prior written consent of Owner, which Owner may in Its sole and absolute discretion elect to give or withhold despite any statutory provision to the contrary.

ARTICLE VIII SECURITY DEPOSIT

SECTION 8.01. AMOUNT OF DEPOSIT

(a) Tenant, contemporaneously with the execution of this Lease (except as hereinafter otherwise provided), shall deposit with Owner the "Security Deposit" set forth in Article A (the "Deposit"), which may be In the form of either (i) Cash Deposit (the "Cash Deposit"), or (ii) an automatically renewable irrevocable Letter of Credit (the "LC Deposit").

(b) If Tenant elects the Cash Deposit, the Cash Deposit shall be held by Owner, without liability for interest, as security for the faithful performance by Tenant of all of the terms, covenants and conditions of this Lease by Tenant to be performed. Owner shall not be required to hold the Cash Deposit as a separate fund, but may commingle it with other funds.

(c) If Tenant elects the LC Deposit, Tenant shall deposit with Owner an Irrevocable Letter of Credit from a national bank in the metropolitan St Louis, Missouri area payable in St. Louis, Missouri, running in favor of Owner. The Letter of Credit shall be irrevocable for the term of this Lease and shall provide that it is automatically renewable for a period ending not earlier than sixty (60) days after the expiration of the term of this Lease without any action whatsoever on the part of Owner, provided that the issuing bank that have the right not to renew the Letter of Credit by giving written notice to Owner not less than sixty (60) days prior to the expiration of the then current term thereof (it being understood, however, that the privilege of the issuing bank not to renew the letter of Credit shall not, in any event, diminish the obligation of Tenant to maintain the Letter of Credit with Owner through the date which is sixty (60) days after the expiration of the term of this Lease). The form and terms of the Letter of Credit (and the bank issuing the Letter of Credit) shall be in the form attached to this Lease at Exhibit "C-1". Tenant, contemporaneously with the

execution of this Lease shall deliver to Owner a copy of the form of Letter of Credit to be issued by Tenant's bank for approval by Owner, and Tenant shall deliver the actual Letter of Credit to Owner within five (5) days after the execution of this Lease. Tenant further covenants that it will not assign or encumber the Letter of Credit or any part thereof and that neither Owner nor its successor or assigns will be bound by any such assignment, encumbrance, attempted assignment or attempted encumbrance. Without limiting the generality of the foregoing, if the Letter of Credit expires earlier than sixty (60) days after the expiration of the term of this Lease or the issuing bank notifies Owner that it will not renew the Letter of Credit, Owner will accept a renewal thereof or substitute Letter of Credit (such renewal or substitute Letter of Credit to be effective not later than sixty (60) days prior to the expiration of the existing Letter of Credit), irrevocable and automatically renewable as above provided to sixty (60) days after the end of the term of this Lease upon the same terms as the expiring Letter of Credit or such other terms as may be acceptable to Owner. However, (i) if the Letter of Credit is not timely renewed or a substitute Letter of Credit is not timely received, or (ii) If Tenant fails to maintain the Letter of Credit the amount and terms set forth in this Article VIII, Tenant, at least sixty (60) days prior to the expiration of the Letter of Credit, or immediately upon its failure to comply with each and every term of this Article VIII, shall deposit with Owner cash security in the amount required by and to be held subject and In accordance with, all the terms and conditions set forth in this Article VIII, failing which the Owner may present such Letter of Credit to the bank, in accordance with the terms of this Article VIII and the entire sum secured thereby shall be paid to Owner, to be held by Owner as provided in this Article VIII.

SECTION 8.02. USE AND RETURN OF DEPOSIT

In the event of the failure of Tenant to keep and perform any of the terms, covenants and conditions of this Lease to be kept and performed by Tenant, Owner at its option may appropriate and apply the entire Deposit, or so much thereof as may be necessary, to compensate Owner for loss or damage sustained or suffered by Owner due to such breach on the part of Tenant. Should the entire Deposit, or any portion thereof, be appropriated and applied by Owner for the payment of overdue rent or other sums due end payable to Owner by Tenant hereunder, then Tenant shall, upon the written demand of Owner, forthwith remit to Owner in cash a sufficient amount to restore the Deposit to the original sum deposited. Tenant's failure to do so within five (5) days after receipt of such demand shall constitute a breach of this Lease. The use application or retention of the Deposit by Owner shall not prevent Owner from exercising any other right or remedy provided for under this Lease or at law or in equity and shall not limit any recovery to which Owner may otherwise be entitled. Should Tenant comply with all of the terms, covenants and conditions of this Lease and promptly pay all of the rental and other charges herein provided or as it falls due and all other sums payable by Tenant to Owner here under, the Deposit shall be returned in full to Tenant within sixty (60) days of the end of the term of this Lease.

SECTION 8.03. TRANSFER OF DEPOSIT

Owner may assign its Interest in the Deposit or deliver the Deposit to any mortgagee of the Shopping Center. Further, Owner may deliver the Deposit to the purchaser or other transferee of Owner's interest in the Leased Premises, and thereupon Owner shall be discharged from any further liability with respect to the Deposit. Tenant agrees to look solely to the purchaser or transferee for the return of the Deposit. Tenant may not mortgage, assign or encumber the Deposit, and Tenant agrees that neither Owner nor any of its successors shall be bound by any such mortgage, assignment or encumbrance. In the event of the foreclosure of any first mortgage encumbering the Shopping Center or any part thereof or a conveyance in lieu of foreclosure, the party who succeeds to title by reason thereof shall have no obligation for return of the Deposit

SECTION 8.04. ADDITIONAL SECURITY DEPOSIT

If Tenant commits a default (either monetary or non-monetary) more than two (2) times in any three hundred sixty-five (365) day period, irrespective of whether or not such default is cured, then (i) If Tenant was not initially required to provide a Deposit with the execution of this Lease, Tenant shall, within ten (10) days after written demand by Owner, deliver to Owner a Deposit in the amount of three (3) times the then applicable monthly Minimum Rent to be held in accordance with the provisions of this Article VIII or (ii) If Tenant initially provided a Deposit to Owner with the execution of this Lease, Tenant shall, within ten (10) days after written demand by Owner, deliver to Owner the amount necessary to increase the Deposit to four (4) times the then applicable monthly Minimum Rent.

ARTICLE IX COMMON AREAS

SECTION 9.01. CONTROL OF COMMON AREAS BY OWNER SEE RIDER, PARAGRAPHS 4, 5

All Common Areas shall at all limes be subject to the exclusive control and management of Owner and to such rules and regulations as Owner may from time to time establish, modify and enforce. Owner shall have the right to make changes, additions, deletions, alterations or improvements in and to the size, shape or both of said Common Areas and in the number, type, style and location of any or all aspects of the facilities, fixtures, equipment, signs or other property therein or thereon; to construct, maintain and operate lighting facilities on all said areas; to construct and lease kiosks on any part of said areas; to permit entertainment events, advertising displays, artistic displays, educational displays and other displays in said areas; to police the same; from time to time to change the area, level, location and arrangement or parking areas and other facilities herein referred to; to restrict parking by tenants, their officers, agents and employees to designated parking areas; to loss all or any portion of the Common Areas or facilities to such extent as may, in the opinion of Owner's counsel, be legally sufficient to prevent a dedication thereof or the accrual of any rights to any person or the public therein; to close temporarily all or any portion of the parking areas or facilities; to discourage non-customer parking; and to do and perform such other acts in and to said areas and improvements as, in the use of good business judgment, Owner shall determine to be advisable with a view to the improvement of the convenience and use thereof by Owner, tenants, their officers, agents, employees and customers. Tenant, Tenant's Agents, customers and other invitees shall not use the Common Areas for the solicitation of business, the distribution of advertisements, filers or handbills of any nature; for sound trucks or other amplifying devices; or for solicitation for membership in or contributions to any organization or association of any kind without the prior written approval of Owner, which Owner may in its sole and absolute discretion elect to give or withhold. The right of Tenant's Agents to use such Common Areas shall be limited to the periods during which such Agents shall be engaged in the pursuit of Tenant's business. Owner will operate and maintain the Common Areas In such manner as Owner, in its sole discretion, shall determine from time to time. Without limiting the scope of such discretion, Owner shall have the full right and authority to employ all personnel and to make all rules and regulations pertaining to and necessary for the proper operation and maintenance of the Common Areas. Nothing contained herein shall be deemed to create any liability upon Owner for any damage to or loss of motor vehicles of Tenant's customers or Agents or for loss of property, from within such motor vehicles, unless caused by the negligence of Owner.

SECTION 9.02. LICENSE

All Common Areas not within the leased Premises, which Tenant may be permitted to use and occupy, are to be used and occupied under a revocable license, and if the amount of such areas be diminished, Owner shall not be subject to any liability, nor shall Tenant be entitled to any compensation or diminution or abatement of rent, nor shall the diminution of such areas be deemed a constructive or actual eviction.

SECTION 9.03. TENANT'S SHARE OF EXPENSES SEE RIDER, PARAGRAPH 7

(a) During each calendar year during the term hereof, Tenant shall pay to Owner, in addition to the rentals specified In Article II, as Additional Rent, and at the times and In the manner hereinafter set forth, its prorata share of the "Net CAM Costs" for such calendar year. For purposes of this Lease, "Net CAM Costs" shall be defined as the costs included In Paragraph (l)-(3) below for each such calendar year less the contribution received by Owner, if any, from any Major Store in the Shopping Center as a reimbursement to Owner for "Net CAM Costs" for each such calendar year.

Net CAM Costs shall include:

(1) Operating Costs: All sums incurred by Owner in connection with operating, maintaining, equipping, inspecting, protecting, repairing, replacing, insuring, cleaning, improving, altering and lighting the Common Area, including but not limited to the following: the maintenance, repair, replacement, rental, depreciation, cost recovery and/or reserve for replacement of the following: all property, furniture, fixtures, plantings, landscaping, security devices, equipment and systems and other equipment located on or used in the operation of the Common Area; any heating, ventilating, air conditioning, emergency water, sprinkler, escalators, elevators, telephone, cable television, electrical, gas, domestic water, storm drainage and sewer systems; all identification, directional and other signs and markers; all other items serving the Common Areas; all personal property taxes and other charges relating to the Common Area; all salaries, fees, wages, payroll and social security taxes, workers' compensation and unemployment insurance and other benefits of all personnel, including without limitation supervisory personnel and all independent contractors engaged in the

operation, management, maintenance and/or security of the Common Areas; on-site management, accounting and attorneys' fees; all necessary tools, materials, and supplies; supplying and cleaning employees' uniforms and/or work clothes; the cost of, installation and maintenance of Christmas and other seasonal decorations; periodic depreciation calculated in accordance with generally accepted accounting principles of the cost or expense of any repair, maintenance, renovation or replacement of any part of the Common Area, including fixtures, furnishings and equipment therein, the cost of which is not paid out of insurance proceeds, plus interest thereon at the then applicable interest rate therefor (as determined by Owner); all costs relating to separate employee parking areas, including, but not limited to the cost of any shuttle services Owner may provide and the cost of transportation services; resurfacing, restriping, repair and maintenance of the parking decks and other parking areas; repair end maintenance of the roof of the Shopping Center, and the cost for pest extermination and removal of ice, snow, trash, rubbish, debris, garbage and other refuse.

(2) Utility Costs: The cost of providing all utility services to the Common Area, including, without limitation, the charges, surcharges and other costs or taxes levied or imposed for electricity to operate the lighting, exhaust, signage, heating, ventilating, elevator, escalator and air conditioning systems; and the charges for water, sprinkler, telephone, cable television, gas, sewer and refuse services to the Common Area.

(3) Administrative Costs: Owner's administrative, office and overhead costs In an amount equal to fifteen percent (15%) of the total of all of the Operating Costs and Utility Costs.

(b) Tenant's prorata share of the Net CAM Costs shall be determined by multiplying the total amount of Net CAM Costs for each calendar year during the term by a fraction the numerator of which shall be the Floor Area of the Leased Premises and the denominator of which shall be the leased and occupied Floor Area of the Shopping Center (less the Floor Area of the Major Store Premises and any promises which do not front on the enclosed mall) for such calendar year in which such costs ware incurred; provided, however, in no event shall such denominator be less than the amount equal to eighty percent (80%) of the average of the total Floor Area of shopping center available for lease on the first day of each calendar month in such calendar year (less the Floor Area of the Major Store Premises and any premises which do not front on the enclosed mall). The Floor Area of the Shopping Center in effect for the whole of any calendar year shall be the average of the leased and occupied Floor Area in effect on first day of each calendar month in such calendar year.

(c) In addition to the payment of its share of Net CAM Costs, Tenant shall also pay to Owner during each calendar year during the term hereof, as Additional Rent and at the times and in the manner hereinafter set forth, its prorata share of the "Tenant VAC Costs." For purposes of the Lease, Tenant VAC Costs shall mean all costs of operating, maintaining, altering, improving, repairing and replacing the central ventilating and air conditioning equipment serving the Leased Promises and other areas in the Shopping Center concurrently using said service. Tenant's prorata share of the Tenant VAC Costs shall be determined by multiplying the total monthly amount of said costs by a fraction, the numerator of which shall be the Floor Area of the Leased Premises and the denominator of which shall be the Floor Area of all premises in the Shopping Center fronting on the enclosed mall which concurrently use said service as of the last day of the calendar month in which such costs were incurred. Said monthly payments shall be due to Owner within ten (10) days after Owner has billed Tenant for the same and shall be paid without any deduction or setoff whatsoever. The costs included in Tenant VAC costs are not duplicative of the costs included in Net Cam Costs.

(d) Payment of Tenant's prorata share of the Net CAM Costs and the Tenant VAC Costs shall be made as follows:

(1) Tenant shall pay to Owner upon the Commencement Date of the term and on the first day of each calendar month during the term thereafter such amounts estimated by Owner to be Tenant's monthly prorata share of the Net CAM Cost. Owner may adjust said estimated monthly amounts upon written notice to Tenant on the basis of Owner's experience and reasonably anticipated costs and said adjusted estimates shall become effective as of the next monthly payment.

(2) Within ninety (90) days following the end of each calendar year, Owner shall furnish to Tenant a statement covering such year just expired, certified as correct by an independent public accountant or by an authorized representative of Owner, showing the Net CAM Costs for such year and the payments made by Tenant with respect to such year. If Tenant's aggregate monthly payments are greater than Tenant's prorata share of the Net Cam Costs with respect to such year, then Tenant shall receive a credit for the excess against future payments of Tenant's share of Net CAM Costs becoming due to Owner (or such excess occurs at the end of the term or is otherwise incapable of being credited against future payments and provided that Tenant is current in the payment of Minimum Rent, Percentage Rent, Additional Rent and all other sums payable under any of the terms and provisions of this Lease, such excess shall be

refunded to Tenant within twenty (20) days after said determination). If said payments are less than man Tenant's prorata share, then Tenant shall pay to Owner the difference within twenty (20) days after said determination.

(3) Within ninety (90) days following the end of each calendar year, Owner may furnish to Tenant a statement covering such year just expired, certified as correct by an independent public accountant or by an authorized representative of Owner, showing the Tenant VAC Costs for such year end the payments made by Tenant with respect to such year. If Tenant's aggregate monthly payments are greater than Tenant's prorate share of the Tenant VAC Costs with respect to such year, then Tenant shall receive a credit for the excess against future payments of Tenant's share of the Tenant VAC Costs becoming due to Owner (or if such excess occurs at the end of the term or is otherwise incapable of being credited against future payments and provided that Tenant is current in the payment of Minimum Rent, Percentage Rent, Additional Rent and all other sums payable under any of the terms and provisions of this Lease, such excess shall be refunded to Tenant within twenty (20) days after said determination). If said payments are less than Tenant's prorata share, then Tenant shall pay to Owner the difference within twenty (20) days after said determination. If no adjustment is required, Owner will not furnish a statement

(e) Provided that Tenant is not in default under any terms or provisions of this Lease, Owner shall make its records relating to the Net CAM Costs and to the calculation of Tenant's prorata share thereof for the immediately preceding calendar year available for Tenant's Inspection at Owner's principal place of business or at another place designated by Owner during normal business hours and within thirty (30) business days after receiving a written request from Tenant to Inspect the same. Tenant shall deliver to Owner a copy of the results of such inspection within fifteen (15) days of its receipt by Tenant. Tenant agrees that it will not engage a contingent fee auditor of perform Tenant's inspection and that Tenant's auditor will be an independent certified public accountant or a qualified full-time employee of Tenant. Tenant, its auditor, and the officers, employees and agents of each, shall treat such records and the results of such inspection, including any compromise, settlement or adjustment between Owner and Tenant, in strict confidence and shall not divulge the information contained in such records or the results of such inspection to any other person, entity, tenant or Major Store at any time. Prior to exercising its right to inspect Owner's records, Tenant shall cause its auditor to execute a confidentiality and indemnification agreement acknowledging that the records and results of the inspection of such records including any compromise, settlement or adjustment between Owner and Tenant, shall be held in strict confidence and shall not be disclosed in any manner whatsoever without the prior written consent of Owner, which consent may be withheld in Owner's sole discretion, unless disclosure is required pursuant to any litigation between Owner and Tenant in which the subject matter of the litigation involves the records or the inspection of such records, or if required by law. Tenant understands end acknowledges that the foregoing provisions concerning confidentiality are of material importance to Owner and that any violation of these provisions shall result in immediate and irreparable harm to Owner. If Tenant, its officers, employees and agents and/or the auditor violate the provisions of this subparagraph (e), Owner, in addition to any rights and remedies at law or In equity, shall have the right to terminate Tenant's right to audit in the future pursuant to this subparagraph (e). Tenant shall indemnity and hold Owner harmless from and against all claims, suits, proceedings, actions, damages, liabilities, losses, costs and expenses, inducing reasonable attorney's fees, arising out of or related to any breach of the provisions of this subparagraph (e) by Tenant and/or its auditor. Tenant's obligations under this subparagraph (e) shall survive the expiration or earlier termination of this Lease.

(f) If the term of this Lease shall begin or end other than on the first or last day of the calendar year or a calendar month, all charges which apply to a full calendar year or a calendar month shall during those fractional years and/or months be billed and adjusted on the basis of such fraction. Tenant's obligation to pay its prorata share of the Net CAM Costs and the Tenant VAC Costs for the period under the Lease (and any interest or late charge which might apply) shall survive the termination of the Lease, and Tenant recognizes that for the final Lease Year the final reconciliation of this charge may occur after the termination date,

(g) In the event of any dispute in the amount of any payment actually due under this Section. Tenant shall pay the amount according to Owner's bill or statement hereunder. However, such payment shall be without prejudice to Tenant's position, and if the dispute shall be determined in the Tenant's favor, by agreement or otherwise, Owner shall credit Tenant the amount of Tenant's overpayment resulting from such compliance by Tenant. A bill or statement setting forth the amount of any payment due Owner under this Section shall be deemed binding and conclusive if Tenant fails to object thereto within thirty (30) days after receipt thereof.

(h) Notwithstanding anything to the contrary contained in this Lease, (i) any security service that may be provided by Owner is intended solely for the operation and benefit of the Common Areas and not for the benefit or protection of the Leased Premises or any other premises occupied by Tenant and (ii) Owner shall not be liable in any manner whatsoever to Tenant or to any third party by reason of Owner's act or failure to act in providing or maintaining any security In the Shopping Center,

ARTICLE X SIGNS, CANOPIES, FIXTURES, ALTERATIONS

SECTION 10.01. Installation and Alterations by Tenant

(a) All fixtures installed by Tenant shall be completely new or like new and installed by Union Labor, Tenant shall not make or cause to be made any alterations, additions or improvements of any kind or nature to the Leased Premises or install or cause to be installed any trade fixtures, signage, floor coverings, interior or exterior lighting or plumbing fixtures or make any changes to the storefront without first obtaining Owner's written approval and consent, which Owner may in its sole and absolute discretion elect to give or withhold. Tenant shall make no adjustment, alteration or repair to any part of the sprinkler or fire alarm system in or serving the Leased Premises without the prior approval of Owner and Owner's property insurance carrier or representative. Tenant shall present to Owner plans and specifications for such work at the time approval is sought in a form satisfactory to Owner.

(b) Insofar as is possible, any work done pursuant to this Section shall be performed so as not to interfere with the operations of other tenants in the Shopping Center or with the operations of Owner. Activities that in Owner's judgment do interfere with other tenants or Owner shall be conducted at times other than during normal store hours and in the manner reasonably specified by Owner. All alterations, Improvements and additions to the Leased Premises shall be made in a good and workmanlike manner and in accordance with all applicable laws and insurance requirements. Immediately when made or installed, alterations, improvements and additions shall be deemed to have attached to the freehold and to have become the property of Owner and shall remain for the benefit of Owner at the end of the term, or other expiration of this Lease, in as good order and condition as they were when installed, reasonable wear and tear excepted; provided, however, if prior to the termination of this Lease, or within twenty (20) days thereafter, Owner so directs. Tenant shall promptly remove the additions, improvements, fixtures and installations which were placed in the Leased Premises by Tenant or Tenant's Agents and which are designated in said notice and shall repair any damage occasioned by such removal and repairs at Tenant's expense. In the event of making such alterations, improvements and/or additions as herein provided. Tenant shall indemnify and save Owner harmless from all expense, liens, claims or damages to either persons or property arising out of or resulting from undertaking or making of said alterations, additions and improvements.

(c) Tenant shall not decorate, paint or in any other manner alter, and shall not Install or affix any device, fixture or attachment upon or to the exterior of the Leased Promises or of any building or any part thereof in the Shopping Center, including the roof or canopy thereof, without the prior written consent thereto of Owner, which Owner may in its sole and absolute discretion elect to give or withhold. If Tenant shall do any of the foregoing acts in contravention of this provision, Owner shall have the right to remove any such decoration, paint, alteration, device, fixture or attachment and restore the Leased Premises to the condition thereof prior to such act, and the cost of such removal and restoration shall be paid by Tenant as Additional Rent payable in the month next following such removal and restoration.

(d) All store fixtures or trade fixtures, wall coverings, carpets and drapes shall remain the property of Tenant.

(e) Tenant shall not make any alterations, repairs or installations, or perform any other work to the Leased Premises unless, prior to the commencement of such work, Tenant shall obtain (and during the performance of the work keep in force) public liability and workers' compensation insurance to cover every contractor to be employed. The policies shall be non-cancelable without thirty (30) days' notice to Owner and shall be carried with companies reasonably satisfactory to Owner. Prior to the commencement of the work, Tenant shall deliver duplicate originals or certificates of such Insurance policies to Owner.

SECTION 10.02. Tenant Discharge of Lions

Tenant shall not permit to be created nor to remain undischarged any lien, encumbrance or charge arising out of any work of any contractor, mechanic, laborer or materialmen which might be or become a lien, encumbrance or charge upon the Leased Premises or the income therefrom, and Tenant shall not suffer any other matter or thing whereby the estate, right and interest of Owner in the Leased Premises or in the Shopping Center might be impaired. If any lien or notice of lien on account of an alleged debt of Tenant or Tenant's Agents or any notice of contract by a party engaged by Tenant or Tenant's Agents to work in the Leased Premises shall be filed against the Leased Premises or the Shopping Center, Tenant shall, within twenty-four (24) hours of receipt thereof, give notice to Owner of such lien and shall within ten (10) days after notice of the filing thereof, cause the same to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or otherwise. If Tenant shall that to cause such lien or notice of lien to be discharged with the period provided, then Owner, in addition to any other rights or remedies

may, after giving Tenant notice of its intention, but shall not to obligated to, discharge the same by either paying the amounts claimed to be due or by procuring the discharge of such lien by deposit or by bonding proceedings without inquiring into the validity thereof; and in any such event, Owner shall be entitled, if Owner so elects, to defend any prosecution of any action for foreclosure of such lien by the lienor and to pay the amount of the judgment in favor of the lienor with interest, costs and allowances. Any amount paid by Owner and all costs and expenses, including attorneys' fees, incurred by Owner in connection therewith, together with interest thereon at the rate specified in Section 2.06 from the respective dates of Owner's making of the payment or incurring of the cost and expense shall be paid by Tenant to Owner on demand, as Additional Rent.

SECTION 10.03. Signs, Displays and Canopies

(a) Tenant shall not erect, install, maintain or permit any signs, insignias, decals or other advertising or display devices, illuminated or otherwise, on the exterior of the Leased Premises or of any building or part thereof in the Shopping Center, or on, in or about the windows or doors of any such building or elsewhere within a distance of seven (7) feet from the storefront which shall be visible to public view outside the Leased Premises without the prior approval thereof in writing by Owner, which Owner may in its sole and absolute discretion elect to give or withhold. Tenant shall not erect, install, maintain or permit any easel signs, pedestal signs or banners on the interior or exterior of the Leased Premises, Tenant shall promptly, on notice from Owner, remove the sign or advertising or display device erected or maintained in violation of this provision. If Tenant fails to remove same promptly upon receipt of notice from Owner to such effect, Owner may enter upon the Leased Premises and cause such sign or advertising or display device to be removed, and the cost of such removal and restoration shall be paid by Tenant as Additional Rent for the month next following such removal. Tenant shall, at its own expense, maintain and keep in good repair all signs, advertising and display devices in or about the Leased Premises and shall save Owner harmless from any loss, cost or damage as a result of the erection, maintenance, existence or removal of the same. All signs shall be in accordance with Owner's sign specifications referred to as "Graphic & Signage Criteria" in the Tenant Design Guide. Upon vacating the Leased Premises, Tenant shall remove all signs and repair all damage caused by such removal. If Tenant requests Owner's consent during the term of this Lease to modify, change or install a new storefront sign, then Tenant shall pay Owner (whether or not Owner consents thereto) the reasonable costs incurred by Owner for the review of the plans and specifications for such new or modified storefront sign within ten (10) days after receipt of an invoice therefor, not to exceed Two Hundred Fifty Dollars ($250.00).

(b) If Owner shall deem It necessary to remove any sign in order to paint or to make repairs, alterations, or improvements to the Leased Premises or to the building of which the Leased Premises are a part, Owner shall have the right to do so at its sole cost provided that Owner shall reinstall such sign at its sole cost and indemnify and hold Tenant harmless from all costs, expenses and liability in connection with the removal and reinstallation of such sign.

ARTICLE XI MAINTENANCE OF LEASED PREMISES

SECTION 11.01. Maintenance by Tenant

(a) Subject to the provisions of Articles XVIII and XIX hereof, during the term of this Lease, Tenant shall keep the Leased Premises (including the entire storefront thereof) in a careful, safe, clean and proper manner and shall maintain in good order and condition, make replacements and repairs to the Leased Premises and every part thereof, including, without limiting the generality of the foregoing, all plumbing, sewerage (including the flow to the main sewer line), all air conditioning and heating facilities (other than the ventilating and air conditioning supply main originally installed by Owner) exclusively serving the Leased Premises, the sprinkler system within the Leased Premises, fixtures, leasehold improvements, interior wells, floors, ceilings, sides, storefronts, security gates, windows, doors, door closures and other door appliances and appurtenances, glass, showcases, skylights, all electrical facilities, utilities, meters and equipment, including lighting fixtures, lamping, fans, and electric motors, all telephone equipment and facilities (including all conduit, wires and cables to the telephone terminal location outside the Leased Premises), all other appliances and equipment of every kind and nature, all landscaping upon or attached to the Leased Premises, and all vestibules, entrances and returns located within the Leased Premises. In addition, Tenant shall maintain and keep clean any loading platform, truck dock and/or maneuvering space thereof which is used by Tenant (notwithstanding the fact that the same may be deemed to be a portion of the Common Areas). Tenant shall employ a firm satisfactory to Owner engaged in the business of maintaining air conditioning systems to maintain the air conditioning system serving the Leased Premises, to inspect said system at least once every year, and to report in writing to Owner and Tenant the results of each such inspection and the repairs and/or replacements recommended by such firm. Tenant shall promptly make the repairs and/or replacements so recommended. Tenant shall comply at its sole cost and expense with the applicable rules and regulations governing refuse removal in, on and from the Leased Premises.

Tenant shall participate in any recycling program designated by Owner or required by law and comply with the applicable rules and regulations governing such program.

(b) Should Tenant, with Owner's approval, install, use, keep or maintain all conditioning or other equipment on the roof of the building of which the Leased Premises form a part, Tenant agrees to assume primary responsibility for the maintenance and repair of that portion of the root where such installation is made, and such installation and the operation, maintenance and repair thereof shall be made in such manner that the rights of Owner under any roofing bond or roof guaranty then in force shall not be affected or voided thereby. Tenant agrees to be solely responsible for all damages to Owner and/or other tenants in the Shopping Center resulting from the installation, operation, maintenance and/or repair of such air conditioning equipment.

(c) If Tenant fails to perform its obligations under this Section, Owner may, at Owner's option, after giving Tenant fifteen (15) days prior written notice, enter upon the Leased Premises and put the same In good order, condition and repair; and the cost thereof plus a fifteen percent (15%) administrative charge shall become due and payable as Additional Rent by Tenant to Owner upon demand, but nothing contained in this sentence shall be deemed to impose any duty upon Owner or affect in any manner the obligations placed upon Tenant by this Section.

SECTION 11.02. Maintenance by Owner

Subject to the provisions of Articles XVIII and XIX hereof and Section 11.01 and during the term of this Lease, Owner shall keep in good order and repair the central ventilating and air conditioning system, the ventilating and air condoning supply main to the Leased Premises originally installed by Owner, the foundations, exterior walls (excluding the Interior of all walls and the exterior and interior of all storefronts, windows, doors, glass and showcases), downspouts, gutters and roof (excluding skylights and interior ceilings) of the Leased Premises, except for any damage thereto caused by any act, negligence or omission of Tenant, Tenant's Agents and/or Invitees and except for reasonable wear and tear. It is an express condition precedent to all obligations of Owner to repair and maintain that Tenant shall have notified Owner in writing of the need for such repairs or maintenance. Other than as herein provided, Owner shall not be responsible to maintain or make any improvements, repairs and/or replacements of any kind in or upon the Leased Premises.

SECTION 11.03. Rules and Regulations

The rules end regulations appended to this Lease as Exhibit "C" are hereby made a part of this Lease, and Tenant and Tenant's Agents agree to comply with and observe the same. The failure to keep and observe said rules and regulations shall constitute a breach, of the terms of this Lease as if the same were contained herein as covenants. Owner reserves the right from time to time to amend or supplement said rules and regulations and to adopt and promulgate additional rules and regulations applicable to the Leased Premises and the Shopping Center. Notice of such additional rules and regulations, and amendments and supplements, if any, shall be given to Tenant, and Tenant agrees thereupon to comply with and observe all such rules and regulations and amendments thereto and supplements thereof, provided the same shall apply uniformly to all tenants similarly situated In the Shopping Center.

ARTICLE XII SURRENDER OF PREMISES

SECTION 12.01. SURRENDER OF PREMISES END OWNERSHIP OF CERTAIN PROPERTY

(a) Upon the termination of this Lease, Tenant shall surrender to Owner, without notice, the Leased Premises and all keys thereto Including, without limitation, all buildings,improvements, apparatus and fixtures, except moveable trade fixtures and furniture installed by Tenant, at Tenant's sole expense without contribution (whether directly or indirectly) from Owner then upon the Leased Premises, in as good condition and repair as the same shall be at the commencement of the term of this Lease, reasonable wear and tear excepted.

(b) Tenant shall remove all property of Tenant including Tenant's storefront signage, and all alterations, equipment, machinery, additions and improvements made or installed from time to time by either party hereto, in, upon or about the Leased Premises as to which Owner shall have made the election herein before provided in Section 10.01(b), repair all damage to the Leased Premises caused by such removal and restore the Leased Premises to the condition they were prior to the installation of articles so removed. Should Tenant fail to effect such removal or make the necessary repairs or restoration, Owner may do so, and Tenant hereby agrees to reimburse Owner for all reasonable costs

and expenses incurred therewith. All property not so removed shell be the property of Owner, and upon the termination of this Lease, shall be surrendered to Owner by Tenant without any Injury, damage or disturbance thereto or payment therefor. Owner's said property shall include but not be limited to all components of the heating, air conditioning (if any), plumbing and electrical systems, lighting fixtures (including track light systems). all escalators, elevators, dumbwaiters, conveyors and all partitions (whether removable or otherwise).

SECTION 12.02. Ownership of Property on Premises

Moveable trade fixtures, furniture, signs and other personal property installed or placed in the Leased Premises at the cost of Tenant or Tenant's Agents without contribution (whether directly or indirectly) from Owner shall be the property of Tenant or such Agent, and Tenant shall remove the same prior to the termination of this Lease. Tenant shall at its own cost and expense completely repair any and all damage to the Leased Premises resulting from or caused by such removal. If Tenant fails to remove any of such property, Owner may at its option retain all or any of such property, In which case title thereto shall thereupon vest In Owner, or Owner may remove from the Leased Premises and dispose of in any manner all or any of such property, in which case Tenant shall, upon demand, pay to Owner the actual expense of such removal and disposition and the repair of any and all damage to the Leased Premises resulting from or caused by such removal. The provisions of this Section shall survive termination of this Lease.

ARTICLE XIII INSURANCE AND INDEMNITY

SECTION 13.01. Tenant's Insurance

(a) Tenant shall procure and from the date of this Lease or the date Tenant takes physical possession of the Leased Premises, whichever of said dates shall first occur, through the term of this Lease maintain in full force and effect, at its sole cost and expense, with respect to the Leased Premises and the business of Tenant and any approved subtenant, licensee or concessionaire, the following insurance in standard form generally in use in the State of Missouri and satisfactory to Owner with responsible insurance companies satisfactory to Owner, having a general policy holder's rating of not less then "A" and a financial rating of Class XV, or its equivalent, as rated in the most current available "Best's Key Rating Guide" and authorized to do business in said State:

(1) Commercial general liability insurance including property damage, with minimum limits shown below for any accident or occurrence resulting in bodily injury to or the death of one person, consequential damages arising therefrom and damage to property, with minimum limits shown below for any accident or occurrence resulting in body injury to or the death of more than one person, consequential damages arising therefrom, and property damage.

Commercial General Liability (occurrence form) with the following minimum limits:

(i)	General Aggregate	$ 1,000,000.00
(ii)	Products/Completed Operations Aggregate	1,000,000.00
(iii)	Personal & Advertising Injury	1,000,000.00
(iv)	Each Occurrence	1,000,000.00
(v)	Fire legal Liability	50,000.00

and

an Umbrella Liability policy with the following minimum limits:

(I)	Each Occurrence	$2,000,000.00
(II)	Aggregate	$2,000,000.00

(2) Fire Insurance (with extended coverage and vandalism and malicious mischief coverage), water damage and sprinkler leakage insurance insuring all of Tenant's personal property, trade fixtures, decorations, merchandise, inventory, furniture, signs, floor covering, wall covering, glass, improvement, betterments and equipment in the Leased Premises;

(3) Contractual liability insurance covering the insuring provisions of this Lease and the performance by Tenant of the Indemnity agreement In Section 13.03;

(4) Workers' Compensation Insurance to comply with the applicable laws of the State of Missouri; and

(5) Liquor Liability or "Dram Shop" Liability Insurance in an amount equal to the maximum liability for which Tenant may be held under the laws of the State in which the Leased Premises are located if Tenant is permitted pursuant to Section 8.01 of the Lease to sell beer, wine or other alcoholic liquors or beverages in the Leased Premises. If Tenant shall be unable to procure such insurance, then the sale of alcoholic beverages shall be suspended in the Leased Premises until such date as such insurance is maintained by Tenant as herein provided. In addition, Tenant's indemnification obligations under Section 13.03 shall extend to damage resulting from risks insurable by "dram-shop" or liquor liability insurance.

Said insurance shall name Owner and, at Owner's request, the holder of any Mortgage, as an additional insured for the full amount of the insurance herein required with respect to the operations and activities of Tenant and Tenant's Agents on or in connection with the Shopping Center and shall contain provisions that Owner, although named as an additional insured, shall nevertheless be entitled to recovery under said policies for any loss occasioned to it, its servants, agents and employees by reason of the negligence of Tenant or Tenant's Agents. All of said insurance policies shall be primary policies not contributing with and not in excess of coverage which Owner may carry. With respect to each and every policy of such Insurance and each renewal thereof, Tenant, at the beginning of the term of this Lease and thereafter not less than thirty (30) days prior to the expiration of any such policy, shall furnish Owner with a certificate of insurance executed by the insurer involved which shall contain, in addition to the matters customarily set forth in such a certificate under standard insurance industry practices, an undertaking by the insurer to give Owner thirty (30) days' prior written notice of any cancellation or change in scope or amount of coverage of such policy and to pay Owner first for its loss in the event of payment for a covered loss.

(b) The minimum limits on any insurance maintained by Tenant shall not limit Tenant's liability under Section 13.03 hereof. Any Insurance required to be carried under this Lease may be carried under a blanket policy covering the Leased Premises and other locations of Tenant, provided that Owner shall be named as an additional insured thereunder, as its interests may appear. If Tenant elects to include the Leased Premises in blanket coverage, Tenant may deliver to Owner a duplicate original of the blanket insurance policy or a certificate evidencing such insurance instead of the original of the policy. Tenant agrees to permit Owner at all reasonable times to inspect the policies of insurance of Tenant covering risks upon the Leased Premises for which policies or copies thereof are not delivered to Owner.

(c) If Tenant shall not comply with its covenants contained in this Section, Owner may after giving Tenant fifteen (15) days prior written notice, obtain such insurance and, in such event, Tenant agrees to pay the premium for such insurance. Further, if Tenant shall fail to deliver any certificate of insurance when due, Owner, in addition to other rights or remedies it may have, shall collect from Tenant Fifty Dollars ($50.00) for each day that said certificate is late.

SECTION 13.02. INCREASE IN INSURANCE PREMIUM

(a) Tenant agrees that it will not use, suffer or permit the Leased Premises, or any part thereof, to be used or occupied for any purpose contrary to the requirements of any insurance underwriters or rating bureaus, Tenant further agrees that it will not keep, use, sell or offer for sale in or upon the Leased Premises any article which may be prohibited by the standard form of fire insurance policy or in any manner increase the cost of insurance to Owner above and beyond the normal cost of such insurance for the use permitted above and for the type and location of the building of which the Leased Premises are a part or which may result in the imposition of a penalty or additional charge by Owner's Insurance company or the National Board of Fire Underwriters. Tenant agrees to pay any increase in premiums for fire and extended coverage insurance that may be charged during the term of this Lease on the amount of such insurance which may be carried by Owner on said premises or the building of which they are a part, resulting from Tenant's use of the Leased Premises, or from the type of merchandise sold by Tenant or Tenant's Agents in the Leased Premises, whether or not Owner has consented to such use or merchandise. In determining whether increased premiums are the result of Tenant's use of the Leased Premises, a schedule, issued by the organization making the insurance rate on the Leased Premises, showing the various components of such rate, shall be conclusive evidence of the several items and charges which make up the insurance on the Leased Premises.

(b) In the event Tenants occupancy causes any increase of premium for the fire, boiler and/or casualty rates on the Leased Premises and/or the Shopping Center property or any part thereof, above the rate (or the least hazardous type of occupancy legally permitted in the Leased Premises, Tenant shall pay the additional premium on the fire, boiler and/or casualty insurance policies by reason thereof. Tenant also shall pay In such event any additional premium on the rent insurance policy that may be carried by Owner for the protection against rent loss through fire. Bills for such additional premiums shall be rendered by Owner to Tenant at such times as Owner may elect and shall

be due from and payable by Tenant when rendered, and the amount thereof shall be deemed to be, and be paid as, Additional Rant

SECTION 13.03. Indemnification of Owner

(a) Subject to Section 18.03, Tenant will indemnify, defend and save harmless Owner from and against all "Claims", as that term is defined in subsection (c) hereof. In connection with loss of life, bodily injury and/or damage to property arising from or out of any occurrence (i) in, upon or at the Leased Premises, or the occupancy or use by Tenant of the Leased Premises or any part thereof, or occasioned wholly or in part any act or omission of Tenant, its agents, employees, servants, subtenants, licensees or concessionaires, including, without limitation, the following: any death or injury (whether physical or non-physical) to persons or any damage to property that may result by reason of the present or future lack of repair of the Leased Premises or any part thereof or caused by or resulting from any acts of God or the elements, or the wiring, equipment, furnishings, utilities, fixtures, apparatus, signs, advertising, display devices, awning or other covering therein or thereof, or plumbing, gas, water, steam, snow, ice or other pipes, or any sewerage, leakage, or the use, misuse or disuse of the Leased Premises, any part thereof, or any equipment, furnishings or fixtures therein, or any person or persons lawfully or unlawfully upon the Leased Premises or any part thereof, including Tenant, Tenant's Agents, customers and invitees, or any act, omission or neglect of any such person, or in any manner whatsoever growing out of the past, present or future condition or use of the Leased Premises or any part thereof, or (ii) the Common Areas or any part thereof due directly or indirectly to the act, negligence or omission of Tenant, Tenant's Agents, customers or invitees,

(b) Tenant shall at its cost defend any Claims against Owner with respect to the foregoing or in which Owner may be impleaded. Tenant shall pay, satisfy and/or discharge any judgments, orders and decrees which may be rendered against Owner in connection with the foregoing.

(c) As used herein, "Claims" shall mean all claims, suits, proceedings, actions, demands, causes of action, responsibility, liability, judgments, executions, damages, loss and expense (including attorney's fees).

SECTION 13.04. Glass

All glass, both exterior and interior, is installed and maintained at the sole risk of Tenant. In the event of any damage, Tenant shall, at its expense, promptly replace all glass in or on the Leased Premises with glass of the same kind, size and quality, or such other glass as may be required under any law or regulation. In the event that Tenant shall fail to replace any broken or damaged glass, Owner shall have the right to replace the same, and the cost thereof plus a fifteen percent (15%) administrative charge shall be paid by Tenant as Additional Rent payable in the month next following such replacement.

SECTION 13.05. Boiler Insurance

Tenant shall carry at its own expense Broad Form Boiler and Machinery Insurance on all air conditioning equipment, boilers and other pressure vessels and systems, whether fired or unfired, installed by Tenant and used on the Leased Premises.

SECTION 13.06. Owner's Insurance

(a) Owner shall at all times during the term hereof maintain in effect a policy or policies of insurance covering the buildings on Owner's Parcel, including Tenant's permanent leasehold Improvements, but not Tenant's moveable trade fixtures, merchandise, Inventory, or other items used in Tenant's trade or business, in amount at least equal to eighty percent (80%) of full replacement cost (exclusive of the cost of excavations, foundations and footings), providing protection against any peril generally included within the classification "All Risk" (or at Owner's option, other special Broad Form coverages), together with Insurance against vandalism and malicious mischief and, at Owner's option, sprinkler leakage. Owner's obligation to carry the Insurance provided for herein may be brought within the coverage of a blanket policy or policies of Insurance.

(b) Tenant shall pay to Owner within ten (10) days after presentation of a bill therefore, as Additional Rent hereunder, Tenant's proportionate share of all premiums end deductible charges for procuring and maintaining (i) the Insurance referred to the Section 13,00(a) and (ii) rent, casualty, earthquake, flood, multi-risk and public liability Insurance (including umbrella coverage) and any other Insurance maintained by Owner on the Shopping Center, (Including the Common Areas end Owners property at the Shopping Center), plus an administrative fee equal to fifteen percent (15%) of the total of such foregoing costs (the "Insurance Costs"), Tenant's proportionate share of the

Insurance Costs shall be calculated by multiplying the Insurance Costs for the applicable billing period (less any contribution thereto by the Major Stores} by a fraction, the numerator or which shall be the Floor Area in the Leased Premises and the denominator of which shall be the Floor Area in the Shopping Center (less the Floor Area of the Major Store Premises) which Is leased and occupied on the date the bill is rendered, provided, however, in no event shall such denominator be less than the amount equal to eighty percent (80%) of the total Floor Area available for lease in the Shopping Center (less the Floor Area of the Major Store Premises) as of the date the bill is rendered. If the term of this lease shall begin or end other than on the first or last day of an insurance billing period, Tenant's proportionate share of Insurance Costs shall be prorated on a per diem basis for such billing period. In the event of any dispute in the amount of any payment actually due under this Section, Tenant shall pay the amount according to Owner's bill or statement hereunder. However, such payment shall be without prejudice to Tenant's position, and if the dispute shall be determined in Tenant's favor, by agreement or otherwise, Owner shall pay to Tenant the amount of overpayment resulting from such compliance by Tenant. Any bill or statement setting forth the amount of any payment due Owner under this Section shall be deemed binding and conclusive If Tenant falls to object thereto within thirty (30) days after receipt thereof.

ARTICLE XIV UTILITIES

SECTION 14.01. Utility Charges

(a) Tenant shall, at Tenant's sole cost and expense, contract in its own name and pay for all electric current, telephone, fresh, water, gas. sewer and other utility services used or consumed by Tenant In the Leased Premises (other than ventilating and air conditioning service as described in paragraph (b) below) or in any sign of Tenant's In the Shopping Center, together with all taxes or other charges levied on or associated with such utilities in case any such utility charges are not paid by Tenant when due. Owner after giving Tenant fifteen (15) days prior written notice, may pay the same to the utility company or department furnishing the same, and any amounts so paid by Owner are hereby agreed and declared to be Additional Rent payable hereunder which shall be due and payable with the next Installment of rent thereafter falling due under this Lease. Owner may require Tenant to Install, at Tenant's expense, submeters for certain utility services provided to the Leased Premises. Notwithstanding the foregoing, if Owner shall supply any utility services to the Leased Premises or If a submeter is installed for any of said utilize, Tenant shall pay to Owner as billed (but no more than monthly) for the utility service so supplied or submetered at the same rates which Tenant would pay to the utility company supplying such utility service if such utility service were supplied by such utility company to Tenant by direct meter; provided, however, in no event shall such reimbursement by Tenant be less than Owner's actual cost of providing such services. Any such charges for service supplied by Owner shall be due and payable within ten (10) days alter billing therefor by Owner.

(b) Owner shall construct, at its initial cost, central ventilating and air conditioning equipment providing service to the Leased Premises, the Common Areas and other tenants in the Shopping Center, Specifically, Owner shall supply to the Leased Premises ventilating and air conditioning service of up to 1.5 CFM per square foot by installing main supply and return ducts to the Leased Premises in a location selected by Owner. Tenant shall, at its cost, install a fan powered variable air volume mixing box with electric resistance healing coil, temperature controls and all distribution ductwork, fans, diffusers, vents, smoke dampers) and return grills in the Leased Premises and will submit plans and specifications therefor to Owner for approval as provided in Section 5.03 above. Should Tenant require additional air conditioning or ventilation, Tenant shall at its cost be responsible for the additional equipment, supply, ducts and returns.

(c) Owner shall not be liable in damages or otherwise for the quality, quantity or interruption of any utility or other services to the Leased Premises (whether or not furnished by Owner) from the date of possession of the Leased Premises by Tenant or the dale of commencement of this Lease, whichever shall first occur. The construction, erection and location of all utilities, including poles, wires, conduits, and pipes, serving the Leased Premises from any point in or adjacent to the Shopping Center shall be subject at all times to the approval of Owner.

SECTION 14.02. MAINTENANCE OF METERS

Tenant shall keep all meters and submeters serving the Leased Premises in good order and repair, whether or not they are located in the Leased Premises.

SECTION 14.03. DISCONTINUANCE OF SERVICES SEE RIDER PARAGRAPH

Owner may, with ten (10) days' notice to Tenant, or without notice in the case of an emergency, cut off and discontinue trash and rubbish removal (where provided), gas, water, electricity, ventilating, air conditioning service and

any or all other utilities or services whenever such discontinuance is necessary in order to make additions, improvements, repairs, replacements or alterations to the Shopping Center or the building therein or during any period in which bills for the same remain unpaid by Tenant. No such action by Owner shall be construed as an eviction or disturbance of possession or as an election by Owner to terminate this Lease, nor shall Owner be in any way responsible or liable for such action.

SECTION 14.04. ENERGY SHORTAGE

Tenant shall at its sole cost and expense be responsible for conversion of any of the utilities used in the Leased Premises to an alternative energy source to comply with governmental laws, rules, orders and regulations which may be or are in effect. Should it become necessary or desirable because of recommended actions or directives of public authorities to reduce energy consumption within the Shopping Center, Tenant will reduce its energy consumption in accordance with reasonable, uniform and non-discriminatory standards established by Owner.

SECTION 14.05. NO OVERLOADING

Tenant shall in no event use any of the utility facilities in any way which shall overload or overburden the utility systems. Tenant desires to install any equipment which shall exceed the capacity of any electrical, telephone, water, gas, sewer or other utility facilities or which shall require additional utilities, facilities, Tenant shall not have the right to do so without Owner's prior written approval of Tenant's plans and specifications therefor. If such installation is approved by Owner, and if Owner provides such additional facilities to accommodate Tenant's installation, Tenant agrees to pay Owner, on demand, the costs of providing, maintaining and repairing such additional utility facility or utility facilities of a greater capacity.

ARTICLE XV ESTOPPEL CERTIFICATE, ATTORNMENT, SUBORDINATION

SECTION 15.01. ESTOPPEL CERTIFICATE SEE RIDER PARAGRAPH 9

Within days after request therefor by Owner (which thirty (30) period is not subject to any notice and cure periods otherwise provided under this Lease), or in the event that upon any sale, assignment, financing or hypothecation of the Leased Premises and/or the land thereunder by Owner, an estoppel certificate shall be required from Tenant, Tenant agrees to deliver in recordable form a certificate to any proposed mortgagee or purchaser, or to Owner, certifying (if such be the case) that Owner has completed construction of the Leased Premises, that this Lease is in full force and effect, and that there are no defenses or offsets thereto (or stating those claimed by Tenant) and the dates, if any, to which any rent or charges have been paid in advance. Tenant shall also, upon request by Owner, deliver to Owners:

(i) Such financial information concerning Tenant and/or any Guarantor hereof and their business operations as may be requested by any mortgagee, purchaser, prospective mortgagee or prospective purchaser of the fee of the Leased Premises (any financial information and any statement delivered pursuant thereto may be relied upon by any mortgagee, purchaser, prospective mortgagee or prospective purchaser of the fee of the Leased Premises; provided, however, that any such financial Information and any such statement shall be utilized only for bona fide business reasons related to such mortgage and/or purchase); and

(II) An executed and acknowledged instrument amending this Lease in such respects as may be required by any mortgagee or prospective mortgagee under any said first mortgage, provided that any such amendment shall not materially alter or impair any of the rights and remedies of Tenant under this Lease.

SECTION 15.02. ATTORNMENT

Tenant shall, in the event any proceedings are brought for the foreclosure of, or in the event of exercise of the power of sale under any mortgage made by Owner covering the Leased Promisee, or upon the sale or other transfer of Owner's interest in this Lease or the Shopping Center attornment to the transferee upon any such foreclosure, sale or transfer end recognize such transferee as the Owner under this Lease. Tenant further agrees upon request to execute and deliver a recordable instrument setting forth the provisions of this Section.

SECTION 15.03. SUBORDINATION SEE RIDER, PARAGRAPH 10

This Lease and the estate of Tenant hereunder shall be subject and subordinate to any deed of trust or mortgage lien or charge (jointly, herein referred to as "Mortgage") and to any ground lease, reciprocal Operating and Easement Agreement, reciprocal easement agreement or other operating agreement (jointly, herein referred to as "Agreement") between Owner and any store operating at the Shopping Center which is now or at any time hereafter may be placed upon or affect the Leased Premises and the Shopping Center, and any replacement, renewal, refinancing or extension of any such Mortgage and any modification, amendment or supplement to such Agreement. Any such Mortgage Shall, for the full amount of principal at any time advanced thereon or secured thereby, with interest, be prior and paramount to this Lease and to the rights of Tenant hereunder and all persons claiming through or under Tenant, or otherwise, in the Leased Premises. Tenant, on Tenant's behalf, and on behalf of all persons claiming through and under Tenant, covenants and agrees that Tenant will, from time to time at the request of Owner or the holder of any Mortgage, execute and deliver any necessary or proper instruments or certificates acknowledging the priority of the lien or charge of such Mortgage and/or Agreement to this Lease and the subordination of this Lease thereto. Notwithstanding anything to the contrary in this paragraph, in the event the holder of any such Mortgage elects to have this Lease superior to its Mortgage, then upon Tenant being notified to that effect by such encumbrance holder, this Lease shall be deemed prior to the lien of said Mortgage (but not in respect to the priority of entitlement to insurance proceeds or any award in condemnation), whether this Lease is dated prior or subsequent to the date of such Mortgage, and Tenant shall execute, acknowledge and deliver an instrument in the form used by such encumbrance holder effecting such priority.

SECTION 15.04. ATTORNEY-IN-FACT

Tenant, upon request of any party in interest, shall execute promptly such instruments or certificates to carry out the intent of Sections 15.02 and 15.03 above as shall be requested by Owner. If fifteen (15) days after the date of a second (2nd) written request by Owner to execute such instruments Tenant shall not have executed the same, Owner may, at its option, cancel this Lease without incurring any liability on account thereof, and the term hereby granted is expressly limited accordingly.

ARTICLE XVI ASSIGNMENT AND SUBLETTING

SECTION 16.01. CONSENT REQUIRED SEE RIDER, PARAGRAPH 11

(a) Tenant shall not voluntarily, involuntarily or by operation of law assign, transfer, mortgage, or otherwise hypothecate or encumber this Lease, in whole or in part, or any interest therein, nor sublet all or any part of the Leased Premises or permit any other persons (including licensees and concessionaires) to occupy same without the prior written consent of Owner in each Instance, any references elsewhere herein to assignees, subtenants or other persons notwithstanding. In the event that Tenant so requests Owner's consent, Owner may in its sole and absolute discretion arbitrarily give or withhold consent. Any attempted transfer, assignment, subletting, mortgage, hypothecation or encumbrance without Owner's written consent shall be void, shall confer no rights upon any third person, and shall, at the option of Owner, terminate this Lease. The consent of Owner, if given in one instance, shall not constitute a waiver of the necessity for such consent to any subsequent assignment, subletting, occupancy, transfer, mortgage or encumbrance. As a condition to any assignment of this Lease by Tenant which is permitted hereunder, the assignee thereof shall be required to execute and deliver to Owner an agreement in recordable form, whereby such assignee assumes and agrees with Owner to discharge all obligations of tenant under this Lease. Notwithstanding any assignment or subletting, Tenant shall remain fully liable under this Lease and shall not be relieved from performing any of its obligations hereunder.

(b) Subject to the other terms of this Article, if this Lease be assigned, or if the Leased Premises or any part thereof be sublet or occupied by anybody other than Tenant, Owner, at Owner's election may collect rent from the assignee, subtenant or occupant, and apply the net amount collected to the rent herein reserved.

(c) If Owner consents to any transfer or assignment of this Lease or subletting of the Leased Premises, such consent shall not be effective unless and until Tenant gives notice of the assignment or subletting and a copy of the assignment or sublease to Owner, and the transferee, assignee or sublessee delivers to Owner a written agreement in form and substance satisfactory to Owner pursuant to which such transferee, assignee or sublessee assumes all of the obligations and liabilities of Tenant under this Lease.

(d) Tenant agrees to pay Owner upon demand all reasonable attorney's fees incurred by Owner in connection with the processing or documentation of any assignment, transfer, subletting or encumbrance pursuant to the Section.

SEE RIDER, PARAGRAPH 12

(e) If Tenant shall request Owner's consent to any assignment of this Lease or to any subletting of all or any part of the Leased Premises, Tenant shall submit to Owner with such request the name of the proposed assignee or subtenant, such information concerning its business, financial responsibility and standing as Owner may reasonably require, and the consideration (and terms and conditions thereof) to be paid for and the effective date of the proposed assignment or subletting. Upon receipt of such request and all such Information, Owner shall have the right (without limiting Owner's right of consent in respect of such assignment or subletting), by giving notice to Tenant within fifteen (15) days thereafter, (i) to terminate this Lease if the request is for an assignment or a subletting of all the Leased Premises, or (ii) if such request is to sublet a portion of the Leased Premises only, to terminate this Lease with respect to such portion. If Owner exercises its right to terminate this Lease, the effective date of termination shall be set forth in Owner's notice to Tenant, but such date shall not be earlier than the effective date of the proposed assignment or subletting nor later than ninety (90) days thereafter. If Owner so elects to terminate this Lease, Tenant shall continue to pay the Minimum Rent, annual Percentage Rent and other charges hereunder to Owner until the effective date of termination, on which date Tenant will surrender possession of the Leased Premises or the portion thereof subject to such right of termination to Owner in accordance with the terms of this Lease. If Owner shall terminate this Lease as to a portion of the Leased Premises only, then following such termination the Minimum Rent (but not the annual Percentage Rent) and other charges hereunder determined on the basis of the Floor Area in the Leased Premises shall be reduced in the same proportion as the Floor Area in such portion of the Leased Premises bears to the Floor Area in the Leased Premises immediately prior to such termination.

(f) If Tenant shall request Owner's consent to an assignment of this Lease and Owner shall consent thereto, the assignee ("Assignee") shall pay directly to Owner, as Additional Rent hereunder, at such times as the Assignee shall have agreed to pay Tenant, an amount equal to any consideration the Assignee shall have agreed to pay Tenant on account of such assignment. If Assignee shall fail to pay Owner any such consideration when due, such failure shall constitute a default under this Lease.

(g) If Tenant shall request Owner's consent to a subletting of the Leased Premises or any part thereof and Owner shall consent thereto, Tenant shall pay Owner, as Additional Rent, in addition to the Minimum Rent and other charges payable hereunder, an amount equal to any consideration paid by the subtenant to Tenant in excess of (i) the Minimum Rent, annual Percentage Rent and other charges payable hereunder if all of the Leased Premises are so sublet or (II) If less than all of the Leased Premises are so sublet, the Minimum Rent, annual Percentage Rent and other charges payable hereunder allocable to the portion of the Leased Premises so sublet based on the Floor Area in the Leased Premises so sublet to the total Floor Area in the Leased Premises. The foregoing amount shall be determined monthly and paid by Tenant to Owner on the first day of each calendar month in advance during the term of such sublease. If Tenant shall fail to pay Owner any such consideration, such failure shall be a default under this Lease.

(h) Notwithstanding anything to the contrary contained in this Lease, in the event of an assignment of this Lease, or the subletting of all or any portion of the Leased Premises (whether with or without the consent of Owner, but nothing in this paragraph shall be deemed to give Tenant the right to assign this Lease or sublet all or any portion of the Leased Premises without Owner's consent), the Minimum Rent payable hereunder shall, effective as of the effective date of each such assignment or subletting, automatically be Increased to the greater of (i) an amount equal to the highest annual combined Minimum Rent and annual Percentage Rent payable by Tenant during any Lease Year prior to such effective date or (ii) one hundred twenty percent (120%) of the Minimum Rent which would have otherwise been payable during the remainder of the term of this Lease.

SECTION 16.02. OWNER'S RIGHT TO ASSIGN LEASE

Owner's rights to assign this Lease are and shall remain unqualified. Upon any sale or transfer of Owner's interest in this Lease or the Shopping Center, Owner shall thereupon be entirely freed of all obligations of the Owner hereunder and shall not be subject to any liability resulting from any act, omission or event occurring after such conveyance.

SECTION 16.03. CHANGE IN OWNERSHIP SEE RIDER, PARAGRAPH 13

If Tenant or any Guarantor is a corporation, partnership or other business entity and if at any time during the term of this Lease (i) any part or all of such corporation's shares shall be transferred by sale, assignment, request, inheritance, dissolution, merger, consolidation or other reorganization, operation of law or other disposition, so as to result in a change in the effective voting control of such corporation which was in effect as of the date of this Lease by persons or entitles owning a majority of such corporation's shares on the data of this Lease, or (ii) twenty-five percent (25%) of the interest in such partnership or other business entity is transferred, assigned, sold or otherwise disposed of, or (iii) any transfer of Interest in such partnership or other business entity results in a change in effective control, the Tenant shall promptly notify Owner in writing of such change and any such transfer shall, unless made with Owner's prior consent (which consent may be withheld in Owner's sole, absolute and arbitrary discretion) be deemed an unauthorized assignment of this Lease and a default by Tenant under this Lease.

SECTION 16.04. CONTINUING LIABILITY OF TENANT

Notwithstanding any assignment or sublease pursuant to this Article, Tenant and any Guarantor hereof shall remain fully liable on this Lease and shall not be released from performing any of the terms, covenants and conditions of this Lease.

ARTICLE XVII PROMOTIONS FUND, ADVERTISING

SECTION 17.01. PROMOTIONS AND ADVERTISING FUND

(a) In order to foster the Interests of the Shopping Center and to assist the business of Tenant by public relations, sales promotions, center-wide advertising, special events, displays, shows, signs, promotional literature and other activities promoting the Shopping Center, Owner shall during the term of this Lease conduct or provide promotional and advertising activities. In order to perform these activities, Owner shall establish a Promotions and Advertising Fund and from that Fund spend and/or allocate monies to carry out the above purposes and pay for all administrative expenses related thereto, including the salary of a marketing director and support staff. Owner shall have the exclusive right to hire and/or retain persons required to perform these services, plan events and create and conduct advertising campaigns. Any personnel so hired and any persons so retained shall be under the exclusive control and supervision of Owner. Owner shall also have the exclusive right to change the name of the Fund from time to time. Owner shall have no obligation to pay for any costs or expenses in excess of the sums contributed to said Fund nor to expend all of the sums contributed to the Fund during any given year.

(b) In each calendar year during the term of this Lease, Tenant shall pay to Owner, as Additional Rent, an amount per annum (the "Promotion and Advertising Charge") equal to the Promotion and Advertising Charge set forth in Article A of the Lease; subject, however, to adjustment on January 1 of each calendar year during the term of this Lease as hereinafter provided. On January 1, 1999, and on January 1 of calendar year 2000, the Promotion and Advertising Charge for the immediately preceding calendar year shall be increased by the "Average Advertising Rate" (hereinafter defined) for the applicable "Comparison Period" (hereinafter defined); provided, however, in no event shall the annual increase in the Promotion and Advertising Charge exceed an amount equal to five percent (5%) of the Promotion and Advertising Charge which was payable for the immediately preceding calendar year. On January 1, 2001 and on January 1 of each calendar year during the reminder of the term of this Lease, the Promotion and Advertising Charge for the immediately preceding calendar year shall be increased by the greater of the following percentages: (i) five percent (5%) or (ii) the "Average Advertising Rate" for the applicable "Comparison Period"). A percentage decrease in the Average Advertising Rate will not cause any reduction or readjustment. The Promotion and Advertising Charge shall be paid in advance in semi-annual installments on January 1 and July 1 of each calendar year during the term of this Lease, and on the Commencement Date for the calendar year in which this Lease shall commence. The Promotion and Advertising Charge shall be prorated for any partial calendar year during the term of this Lease. The failure of any other tenant to contribute to the Fund shall not release Tenant from its obligations under this Section.

(c) The term "Average Advertising Rate" shall mean the average of the percentage increase in each of the following advertising mediums during an applicable Comparison Period; (i) the prime advertising rate for the commercial radio station with the largest market share in the greater St. Louis, Missouri metropolitan area (the "Metropolitan Area"), (ii) the prime advertising rate for the commercial television station with the largest market share in the Metropolitan Area, (iii) the daily advertising rate for a full page advertisement for the daily newspaper in the Metropolitan Area with the largest daily circulation, (iv) the monthly advertising rate for an outdoor billboard in the Metropolitan Area, and (v) the first class postal rate for mailing a letter with the United States Postal Service.

(d) The term "Comparison Period" shall mean the period of twelve consecutive calendar months commencing on July 1 of a prior calendar year and ending on June 30 of the calendar year immediately preceding the January 1 on which an adjustment to the Promotion and Advertising Charge will be made.

(e) The "largest market share for a particular advertising medium and particular Comparison Period shall be determined by the Arbitron rankings or any comparable media rankings service selected by Owner.

(f) It at anytime during the term of this Lease a tax (the Advertising Tax) is imposed on advertising services, the purchase of advertising in any media and/or any other advertising functions, then, in addition to the increase in (b) above, the Promotion and Advertising Charge for the calendar year in which such Advertising Tax is applicable, and each calendar year thereafter during the term in which an Advertising Tax is imposed, shall be increased by the percentage equal to the effective rate of the applicable Advertising Tax. For example, if the Advertising Tax for an applicable calendar year is two percent (2%), then the Promotion and Advertising Charge for such calendar year shall be increased by two percent (2%). Such increase in the Promotion and Advertising Charge shall be effective with the first calendar month in which such Advertising Tax is imposed. For the calendar year in which an Advertising Tax is first imposed, the increase in the Promotion and Advertising Charge under this paragraph shall be prorated.

(g) Owner may elect to form a committee comprised of representatives of Owner, any Major Store and various other tenants in the Shopping Center to discuss the promotions activities sponsored by the Shopping Center and paid for out of this Fund.

SECTION 17.02. MALL CREDIT CARD PROGRAM

ARTICLE XVIII DESTRUCTION AND RESTORATION

SECTION 18.01. Total or Partial Destruction of Leased Premises

(a) If the Leased Premises shall be damaged to the extent of fifty percent (50%) or more of the cost of replacement thereof or to the extent of less than fifty percent (50%) of the cost of replacement thereof during the last five (5) years of this Lease, and the damage or other casualty to covered by Owner's policy of fire and extended coverage insurance, then Owner shall have the option to rebuild or terminate this Lease. Said option shall be exercised by notice to Tenant and given not more than one (1) year from the date of such damage. If Owner elects to rebuild, Owner shall, at its expense, upon receipt of the Insurance proceeds, proceed with so much of the restoration of the Leased Premises as was Owner's original construction provided or in Section 5.01 and Exhibit "B"; and Tenant shall, at its expense, proceed with all repairs and restorations not included in Owner's original construction in conformance with Section 5.03 and Exhibit "B" and shall restore and replace its trade fixtures, decorations, signs, floor covering, wall covering, carpeting, glass, furniture, equipment, personal property, merchandise, inventory and contents at least to the condition immediately prior to the damage or destruction. The proceeds of all insurance carried by Tenant on such property shall be held in trust by Tenant for the purposes of such repair, restoration or replacement. The parties shall promptly commence and diligently proceed with their restoration obligations hereunder. Owner shall not be obligated to expend any sums for repairs, replacements or rebuilding which are greater than the proceeds of any insurance policy carried by Owner.

(b) If the Leased Premises shall be damaged by any uninsured casualty or any casualty not reimbursed by Owner's insurance carrier excluding any deductible amount, Owner shall have the option to rebuild or terminate this Lease, to be exercised by notice to Tenant given not more than one (1) year from the date of such damage. If Owner elects to rebuild, Owner shall, at its expense, proceed with so much of the restoration of the Leased Premises as was Owner's original construction provided for in Section 5.01 and Exhibit "B"; and Tenant shall, at its expense, proceed with all repairs and restorations not included in Owner's original construction in conformance with Section 5.03 and Exhibit "B" and shall restore and replace its trade fixture, decorations, signs, floor covering, wall covering, carpeting, glass, furniture, equipment, personal property, merchandise, inventory and contents at least to the condition immediately prior to the damage or destruction. The proceeds of all insurance carried by Tenant in such property shall be held in trust by Tenant for the purposes of such repair, restoration or replacement. The parties shall promptly commence and diligently proceed with their restoration obligations hereunder.

(c) If the Leased Premises shall be damaged to the extent of less than fifty percent (50%) of the cost of replacement, by fire or other casualty covered by Owner's policy of fire and extended coverage insurance during

the term of this Lease, except for the last five (5) years of this Lease, then the parties shall restore the Leased Premises in accordance with the parties' respective obligations contained in Section 18.01(a).

(d) In the event of total destruction of the Leased Promises pursuant to an insured casualty not caused by the fault or neglect of Tenant or Tenant's Agents, Tenant's Minimum Rent shall completely abate from the date of such destruction, and the Percentage Breakpoint shall be prorated to the date of such destruction. If Owner elects to rebuild as aforesaid, Tenant's Minimum Rent shall completely abate from the date of such destruction until forty-five (45) days after the date when Owner notifies Tenant that the Leased Premises are ready for commencement of Tenant's Work, or upon the day when Tenant opens for business, whichever date shall first occur. The Percentage Breakpoint shall be proportionately reduced based on the period of time Tenant is unable to be open for business due to such destruction. But in the event of a partial destruction or damage not caused by the fault or neglect of Tenant or Tenant's Agents, whereby Tenant shall be deprived of the occupancy and use of only a portion of the Leased Premises, then the Minimum Rent and the Percentage Breakpoint shall be equitably apportioned according to the area of the Leased Premises which is unusable by Tenant, until such time as the Leased Premises are repaired or restored as provided herein. If the total or partial destruction is caused by the fault or neglect of Tenant or Tenant's Agents, rent shall not abate.

(e) Except for the abatement of the Minimum Rent hereinabove set forth, Tenant shall not be entitled to and hereby waives all claims against Owner for any compensation or damage for loss of use of the whole or any part of the Leased Premises and/or for any inconvenience or annoyance occasioned by any such damage, destruction, repair or restoration. The provisions of any statute or other law which may be in effect at the time of the occurrence of any such damage or destruction, under which a lease is automatically terminated or a Tenant is given the right to terminate a lease upon the occurrence of any such damage or destruction, are hereby expressly waived by Tenant.

(f) Upon termination of the Lease under any of the provisions of this Article, the parties shall be released thereby without further obligations to the other party coincident with the surrender of possession of the Leased Premises to Owner, except for items which have theretofore accrued and are then unpaid, and the then remaining balance of the security deposit, if any, which may have been made by Tenant pursuant to the provisions of Article VIII hereof shall be returned to Tenant.

SECTION 18.02. PARTIAL DESTRUCTION OF SHOPPING CENTER

In the event a "major portion" of the Shopping Center shall be damaged or destroyed by fire or other casualty (notwithstanding that the Leased Premises may be unaffected), Owner may cancel this Lease by giving Tenant notice of its election, and this Lease shall terminate and shall become null and void sixty (60) days after said notice. Rent shall be adjusted as of the date of such termination. A "major portion" of the Shopping Center shall be deemed damaged or destroyed if the cost of the restoration thereof would exceed fifteen percent (15%) of the amount it would have cost to replace the Shopping Center in its entirety at the time such damage or destruction occurred.

SECTION 18.03. WAIVER OF SUBROGATION, LIMITATION OF LIABILITY

Anything in this Lease to the contrary notwithstanding, it is agreed that each party (the "Releasing Party") hereby waives any right of subrogation and releases the other (the "Released Party") from any lability which the Released Party would, but for this Section 18.03, have had to the Releasing Party during the term of this Lease, resulting from the occurrence of any accident or occurrence of casualty (i) which is or would be covered by a fire and extended coverage policy (with a vandalism and malicious mischief endorsement attached) or by a sprinkler leakage, boiler and machinery or water damage policy in the State of Missouri (irrespective of whether such coverage is being carried by the Releasing Party), or (ii) covered by any other casualty property damage insurance being carried by the Releasing Party at the time of such occurrence, which accident, occurrence or casualty may have resulted in whole or in part from any act or neglect of the Released Party, its officers, agents or employees; provided, however, the release hereinabove set forth shall became inoperative and null and void if the Releasing Party wishes to place the appropriate insurance with an insurance company which takes the position that the existence of such release vitiates or would adversely affect any policy so insuring the Releasing Party in a substantial manner and notice thereof is given to the Released Party.

ARTICLE XIX EMINENT DOMAIN

SECTION 19.01. TOTAL CONDEMNATION OF LEASED PREMISES

If the whole of the Leased Premises shall be permanently taken, acquired or condemned by eminent domain, or transferred by agreement in lieu of condemnation by eminent domain, for any public or quasi-public use or purpose, then the term of this Lease shall cease and terminate as of the date of title vesting in such proceeding. All rentals shall be paid by Tenant up to that date, and Tenant shall have no claim against Owner or the condemning authority for the value of any unexpired term of this Lease.

SECTION 19.02. PARTIAL CONDEMNATION OF LEASED PREMISES

If any part of the Leased Premises shall be permanently taken, acquired or condemned by eminent domain, or transferred by agreement in lieu of condemnation as aforesaid, and in the event that such partial taking or condemnation shall render the Leased Premises unsuitable for the business of Tenant, then the term of the Lease shall cease and terminate as of the date of title vesting in such proceeding. Tenant shall have no claim against Owner or the condemning authority for the value of any unexpired term of this Lease, and rent shall be adjusted to the date of such termination. In the event of a partial taking or condemnation which is not extensive enough to render the Leased Premises unsuitable for the business of Tenant, Owner shall promptly restore the Leased Premises to a condition, comparable to its condition at the time of such condemnation less the portion lost in the taking, and this Lease shall continue in full force and effect with a proportionate adjustment of the Minimum Rent and the Percentage Breakpoint for the said portion lost by such taking or condemnation.

SECTION 19.03. CONDEMNATION OF SHOPPING CANTER

In the event a major portion of the Shopping Center shall be taken, condemned or transferred as aforesaid and as a result thereof Owner, in its sole discretion, elects to discontinue the operation of the Shopping Center, Owner may cancel this Lease by giving Tenant notice of its election, and this Lease shall terminate and shall become null and void sixty (60) days after said notice. A major portion of the Shopping Center shall be deemed to mean ten percent (10%) or more of the leasable space within the Shopping Center.

SECTION 19.04. OWNER'S DAMAGES

In the event of any condemnation or taking as aforesaid, whether whole or partial and whether or not this Lease shall be terminated, Tenant shall not be entitled to any part of the compensation award, either leasehold or reversion. Owner is to receive the full amount of such award, and Tenant hereby expressly waives any right or claim to any part thereof and any claim for deduction therefrom for any present or future estate of Tenant. Tenant hereby assigns to Owner all its right, title and interest to any such award and shall execute all documents required to evidence this result.

SECTION 19.05. TENANT'S DAMAGE

Although all damages in the event of any condemnation are to belong to Owner, whether such damages are awarded as compensation for diminution in value of the leasehold or to the fee of the Leased premises, Tenant shall have the right to claim, prove and recover from the condemning authority, but not from Owner, such compensation as may be separately awarded or recoverable by Tenant in Tenant's own right on account of any cost or loss to which Tenant might be put in removing Tenant's merchandise, furniture, fixtures and personal property, but only if or to the extent such award shall be in addition to the award for the land, the building and the other improvements containing the Leased Premises.

ARTICLE XX DEFAULT BY TENANT

SECTION 20.01. RIGHT TO TERMINATE THE LEASE OR TENANT'S POSSESSION OF THE LEASED PREMISES

(a) If Tenant shall fail to pay any Minimum Rent, Percentage Rent, Additional Rent, or other sums payable hereunder within ten (10) days after the day payment is required by the terms of this Lease, or if Tenant shall fail to perform any of the other terms, conditions or covenants of this Lease to be observed or performed by Tenant for more than ten (10) days after receipt of notice of such default by Tenant, or if Tenant shall vacate or abandon (it being agreed that not operating for business in the Leased Premises for seven (7) consecutive days shall be deemed an abandonment) the Leased Premises, or if Tenant or Tenant's Agents shall falsify any report required to be furnished to Owner pursuant to the terms of this Lease, or if Tenant or any Guarantor of this Lease shall become bankrupt or insolvent, file or acquiesce in any debtor proceedings, or take or have taken against it in any court pursuant to any statute either of the United States or of any State a petition in bankruptcy or insolvency or for reorganization or for the appointment of a receiver or trustee of all or a portion of Tenant's or any such Guarantor's property, or if Tenant or any Guarantor of this Lease makes an assignment for the benefit of creditors or petitions for or enters into such an arrangement, or if Tenant shall suffer this Lease to be taken under any writ of execution, then Owner, in addition to the other rights or remedies it may have under this Lease and at law or in equity, shall have the Immediate right to (i) terminate this Lease (in which case the term of this Lease shall automatically terminate on the giving of such notice) or (ii) terminate Tenant's right to possession of the Leased Premises without termination of this Lease. Notwithstanding any termination of Tenant's right to possession of the Leased Premises without termination of this Lease, Owner may at any time after such termination of possession elect to terminate this Lease for such previous breach by giving notice thereof to Tenant.

(c) Notwithstanding anything to the contrary contained in this Lease and notwithstanding any other rights or remedies Owner may have, Tenant shall be deemed to be in "Chronic Default" if Tenant commits a monetary default during any three hundred sixty-five (365) day period in which any three (3) other events of monetary default have already occurred (even though said defaults may have been timely cured). If Tenant is in Chronic Default, owner may immediately exercise any or all remedies available to Owner under this Lease or at law or in equity, all without giving Tenant an opportunity to cure the last default which causes Tenant's Chronic Default.

(d) Upon (i) any termination of this Lease, whether by lapse of time or by the exercise of any option by Owner to terminate the same or in any other manner whatsoever, or (ii) any termination of Tenant's right to possession without termination of this Lease, Tenant shall immediately surrender possession of the Leased Premises to Owner and immediately vacate the same, and remove all effects therefrom, except such as may not be removed under other provisions of this Lease. If Tenant fails to surrender possession and vacate as aforesaid, Owner may forthwith re-enter the Leased Premises, and repossesses itself thereof as in its former estate and expel and remove Tenant end any other persons and property therefrom, using such force as may be necessary, without being deemed guilty of trespass, eviction, conversion or forcible entry and without thereby waiving Owner's rights to rent or any other rights given Owner under this Lease or at law or in equity. If Tenant shall not remove all effects for the Leased Premises as hereinabove provided, Owner may, at its option, remove any or all of said effects in any manner it shall choose and store the same without liability for loss thereof, and Tenant shall pay Owner, on demand, any and all expenses incurred in such removal and also storage of said effects for any length of time during which the same shall be in Owner's possession or in storage. No re-entry or taking possession of the Leased Premises by Owner, shall be constructed as an election on its part to terminate this Lease unless a notice of such intention is given to Tenant (all other demands and notices of forfeiture or other similar notices being hereby expressly waived by Tenant). Notwithstanding any reletting without termination, Owner may at any time thereafter elect to terminate this Lease for such previous breach in the manner provided in this Section.

SECTION 20.02. RIGHT TO RELET

If Owner re-enters the Leased Premises as provided In this Article or if Owner takes possession of the Leased Premises pursuant to legal proceedings or any notice provided for by law, then Owner may at its option, make such alterations and repairs as Owner shall determine may be necessary in order to relet all or any portion of the Leased

Premises and to relet the Leased Premises or any part thereof for such term or terms (which may be for a term extending beyond the term of this Lease), at such rental or rentals and upon such other terms and conditions of Owner in its sole discretion may deem advisable. Upon each such reletting, all rentals received by Owner shall be applied first to the payment of any indebtedness other than rent due hereunder from Tenant to Owner; second to the payment of any costs and expenses of such reletting, including any brokerage fees or attorneys' fees and any costs of such alterations and repairs; and third to the payment of rent and other charges due and unpaid hereunder. The residue, if any, shall be held by Owner and applied in payment of future rent as the same may become due and payable hereunder. If the rentals received from such reletting during any month are less than that to be paid during that month by Tenant hereunder, Tenant shall pay any such deficiency to Owner. Such deficiency shall be calculated and paid monthly. No re-entry or taking possession of the Leased Premises by Owner shall be construed as an election on its part to terminate this Lease unless a written notice of such intention is given to Tenant or unless the termination thereof is decreed by a court of competent Jurisdiction. Notwithstanding any such reletting without termination, Owner may at any time thereafter elect to terminate this Lease for such previous breach. Should Owner at any time terminate this Lease for any breach, then in Addition to any other remedies Owner may have, Owner may recover from Tenant all damages Owner may incur by reason of such breach, including the cost of recovering possession of the Leased Premises, reasonable attorneys' fees, and the worth at the time of such termination of the excess, if any, of the amount of rent and charges equivalent to rent reserved in this Lease for the remainder of the stated term over the then reasonable rental value of the Leased Premises for the remainder of the stated term, all of which amounts shall be immediately due and payable from Tenant to Owner. In determining the annual Minimum Rent and other charges which would be payable by Tenant hereunder subsequent to termination, the annual Minimum Rent payable per annum for the remainder of the stated term shall be increased by an amount equal to the average Percentage Rents payable by Tenant from the commencement of the term to the time of termination, or during the preceding three (3) full calendar years, whichever period is shorter.

SECTION 20.03. Payment of Expenses

In addition to any other remedies Owner may have at law or in equity and/or under this Lease, Tenant shall pay upon demand all of Owner's costs, charges and expenses, including fees of counsel, agents and others retained by Owner, incurred in connection with the recovery of sums due under this Lease, because of the breach of any covenant under this Lease, or for any other relief against Tenant. In the event Tenant shall bring any action against Owner for relief hereunto and Tenant shall fall to obtain a final, unappealable judgment against Owner, or if Tenant causes any appearance by Owner as a witness or otherwise in any proceeding, or if Owner should become a party to any litigation instituted by or against Tenant with respect to any third party, Tenant shall pay Owner's reasonable attorneys' fees and expenses and all court costs. Tenant's obligations under this Section shall survive the expiration of the term of this Lease.

SECTION 20.04. OWNER'S RIGHT TO CURT DEFAULTS

If Tenant fails to perform any agreement or obligation on its part to be performed under this Lease, Owner shall have the right (i) if no emergency exists, to perform the same after giving fifteen (15) days' notice to Tenant, and (ii) in any emergency situation to perform the same immediately without notice or delay. For the purpose of rectifying Tenant's defaults as aforesaid, Owner shall have the right to enter the Leased Premises. Tenant shall on demand reimburse Owner for the costs and expenses incurred by Owner in rectifying Tenant's defaults as aforesaid, including reasonable attorney's fees and an administrative fee equal to fifteen percent (15%) of all such costs. Except for gross negligence by Owner, Owner shall not be liable or in any way responsible for any loss, inconvenience, annoyance or damage resulting to Tenant or anyone holding under Tenant for any action taken by Owner pursuant to this Section. Any act or thing done by Owner pursuant to this Section shall not constitute a waiver of any such default by Tenant or a waiver of any covenant, term or condition herein contained or the performance thereof.

SECTION 20.05. WAIVER OF RIGHT OF REDEMPTION

Tenant hereby expressly waives any and all rights of redemption granted by or under any present or future laws in the event of Tenant being evicted or dispossessed for any cause or in the event of Owner obtaining possession of the Leased Premises by reason of the violation by Tenant of any of the covenants or condition) of this Lease or otherwise.

SECTION 20.06. WAIVER AND SUBSEQUENT DEFAULTS

No waiver of any covenant or condition or of the breach of any covenant or condition of this Lease shall be taken to constitute a waiver of any subsequent breach of such covenant or condition or to justify or authorize the

nonobservance on any other occasion of the same or of any other covenant or condition hereof, nor shall the acceptance of rent by Owner at any time when Tenant has breached or is in default under any covenant or condition hereof, with or without knowledge of any breach or default by Tenant, be construed as a waiver of such breach or default or of Owner's right to terminate this Lease on account of such default, nor shall any waiver or indulgence granted by Owner to Tenant be taken as an estoppel against Owner, regardless of Owner's knowledge of any such preceding breach. It is expressly understood that if at any time Tenant shall be in default in any of its covenants or conditions hereunder, an acceptance by Owner of rental during the continuance of such default or the failure on the part of Owner promptly to avail itself of such other right or remedies as Owner may have, shall not be construed as a waiver of such default, but Owner may at anytime thereafter, if such default continues, terminate this Lease on account of such default in the manner hereinbefore provided. No covenant, term or condition of this Lease shall be deemed to have been waived by Owner, unless such waiver is in writing by Owner.

SECTION 20.07. INJUNCTIVE RELIEF

In the event of any breach or threatened breach by Tenant of any of the terms and provisions of this Lease, Owner shall have the right to injunctive relief as if no other remedies were provided herein for such breach,

SECTION 20.09. CUMULATIVE REMEDIES

The rights and remedies given to Owner by this Lease shall be deemed to be cumulative, and no one of such rights or remedies shall be exclusive at law or in equity of the rights and remedies which Owner might otherwise have by virtue of a default under this Lease. The exercise of one such right or remedy by Owner shall not impair Owner's standing to exercise any other right or remedy.

SECTION 20.09. TENANT'S BANKRUPTCY OR INSOLVENCY

Should Tenant file, or have filed against it, a petition under the Bankruptcy Code (11 U.S.C. Section 101 et. seq. as from time to time amended), then this Lease shall be in default, and Owner shall be entitled to all rights and remedies hereunder and otherwise.

(a) In the event that Tenant shall become a debtor under Chapter 7 of the Bankruptcy Code and Tenant shall elect to assume this Lease for its own use or for the purpose of assigning the same or otherwise, such election or assignment may be made only if all of the provisions of this Section 20809 are satisfied. If Tenant shall fall to elect to assume this Lease within sixty (60) days after the filing of a petition or such additional time as provided by the Bankruptcy Court within such sixty (so) day period, then this Lease shall be deemed to have been rejected. Immediately thereupon, Owner shall be entitled to possession of the Leased Premises without further obligation to Tenant and this Lease shall terminate, but Owner's right to be compensated for damages (including, without limitation, liquidated damage pursuant to the terms of this Lease) in any such proceeding shall survive.

(b) In the event that a petition for reorganization or adjustment of debts is filed concerning Tenant under Chapter 11 of the Bankruptcy Code, or a proceeding is filed under Chapter 7 of the Bankruptcy Code and is transferred to Chapter 11, Tenant must assume or reject this Lease within the earlier of: (i) confirmation of the plan; or (ii) sixty (60) days from the date of the filing of the petition under Chapter 11 or such transfer thereto, or Tenant shall be deemed to have rejected this Lease. In the event that Tenant has failed to perform all of Tenant's obligations under this Lease within the time periods (excluding grace periods) required for such performance, no election by Tenant to assume this Lease, whether under Chapter 7 or Chapter 11, shall be effective unless each of the following conditions has been satisfied:

(1) Tenant has cured or has provided Owner with "Assurance" (as that term is hereinafter defined) that it will cure: (i) all monetary defaults under this Lease within ten (10) days from the date of such assumption, and (ii) all non-monetary defaults under this Lease within thirty (30) days from the date of such assumption;

(2) Tenant has compensated, or has provided Owner with Assurance that within ten (10) days from the date of such assumption it will compensate Owner for any pecuniary loss incurred by Owner arising from the default of Tenant, indicated in any statement of pecuniary loss sent by Owner to Tenant;

(3) Tenant has provided Owner with Assurance of the future performance of each of the obligations under this Lease of Tenant and has (i) deposited with Owner, as security for the timely payment of rent hereunder, any amount equal to three (3) monthly installments of rent, and (ii) paid in advance to Owner on

the date rent is due and payable one-twelfth (1/12) of Tenant's annual obligations for Additional Rent pursuant to this Lease. The Obligations imposed upon Tenant, shall continue with respect to Tenant or any assignee of Tenant's Interests in this Lease after the completion of bankruptcy proceedings; and

(4) Such assumption will not breach or cause a default under any provision of any other lease, mortgage, financing agreement, reciprocal operating or easement agreement or other agreement by which Owner is bound relating to the Shopping Center or any larger development of which the Shopping Center is a part.

For purposes of this Section, Owner and Tenant acknowledge that "Assurance" shall mean no less than that: (i) Tenant has and will continue to have sufficient unencumbered assets after the payment of all secured obligations and administrative expenses to assure Owner shall sufficient funds will be available to fulfill the obligations of Tenant under this Lease, and (ii) the Bankruptcy Court shall have entered an order aggregating sufficient cash payable to Owner, and/or Tenant shall have been granted a valid and perfected first lien and security interest and/or mortgage in property of Tenant, acceptable as to value and kind to Owner and Owner's mortgagees, to secure to Owner and Owner's mortgagees the obligation of Tenant to cure the defaults under this Lease, monetary and non-monetary, within the time period set forth above.

(c) Tenant shall have further complied with all provisions of Section 365 of the Bankruptcy Code.

(d) If Tenant has assumed this Lease pursuant to the terms and provisions of this Section for the purpose of assigning (or elects to assign) this Lease, this Lease may be so assigned only if the proposed assignee has provided adequate assurance of future performance of all of the terms, covenants and conditions of this Lease to be performed by Tenant. Owner shall be entitled to receive all cash proceeds of any such assignment. As used herein, "adequate assurance of future performance" shall mean that no less than each of the following conditions has been satisfied:

(1) The proposed assignee has furnished Owner with (i) a current financial statement audited by a certified public accountant indicating a net worth and working capital in amounts which Owner and Owner's mortgagees reasonably determine to be sufficient to assure the future performance by such assignee of Tenant's obligations under this Lease, and (ii) a guarantee or guarantees in form and substance satisfactory to Owner and Owner's mortgagees from one or more persons with aggregate net worth equal to or in excess of Tenant's net worth as of the date of this Lease. Tenant hereby acknowledges Owner's reliance upon the provisions of this subsection;

(2) Said assignment shall be subject to Owner's receipt from said assignee of Assurance, as defined above, along with a prior finding by the Bankruptcy Court of compliance with all provisions of Section 365 of the Bankruptcy Code;

(3) Any such assignment shall be specifically subject to all the provisions hereof; and

(4) A substantial reduction of any Percentage Rent due hereunder for purposes of Section 365 of the Bankruptcy Code shall be deemed to be a reduction of five percent (5%) or more in said Percentage Rent.

(e) For purposes of this Section 20.09 only, the term "Tenant" shall also mean and apply to Tenant's trustee in any bankruptcy proceeding and/or Tenant as debtor-in-possession, as the case may be appropriate.

(f) This Lease shall be deemed a Lease of "Non-residential Real Property" within a "shopping center" for the purpose of Section 365 of the Federal Bankruptcy Code.

ARTICLE XXI DEFAULT BY OWNER

SECTION 21.01. NOTICE TO OWNER

In no event shall Owner be charged with default in the performance of any of its obligations hereunder, unless and until Owner shall have failed to perform such obligations within thirty (30) days (or within such additional time as is reasonably required to correct any such default) after notice to Owner by Tenant properly specifying wherein Owner has to perform any such obligations.

SECTION 21.02. LIABILITY OF OWNER

Notwithstanding anything to the contrary provided in this Lease, it is specifically understood and agreed by the parties that neither Owner nor any of its partners, employees, officers, directors, representatives, managers, agents, trusts, trustees or beneficiaries shall have any personal liability whatsoever with regard to any provision of this Lease or any obligation or liability arising from or in connection with this Lease in the event of a breach or default by Owner of any of its obligations. Tenant shall look solely to the equity of Owner in the Shopping Center at the time of the breach or default for the satisfaction of each and every remedy of Tenant. Such exculpation shall be absolute and without any exceptions whatsoever.

ARTICLE XXII ACCESS BY OWNER

SECTION 22.01. RIGHT OF ENTRY SEE RIDER, PARAGRAPH 14

Owner or its agents shall have the right to enter the Leased Premises at all reasonable during normal business hours (except in the case of an emergency) times to examine the same, to show them to prospective purchasers, mortgagees or lessees, to enforce or carry out any provisions of this Lease, and to make such repairs, alterations, improvements or additions to the Leased Premises or to the Shopping Center as Owner may deem necessary or desirable in connection with the expansion, modification, alteration, reduction, additions to, remodeling, rearrangement or renovation of any portion of the Shopping Center or which Tenant has covenanted herein to do and has failed so to do. Owner shall be allowed to take all material into and upon said premises that may be required therefor without the same constituting an eviction of Tenant in whole or in part. The rent shall in no wise abate while said repairs, alterations, improvements or additions are being made by reason of loss or interruption of business of Tenant or otherwise. During the six (6) months prior to the expiration of the term of this Lease or any renewal term, Owner may exhibit the Leased Promises to prospective tenants or purchasers. If Tenant shall not be personally present to open and permit an entry into the Leased Premises, at any time, when for any reason an entry therein shall be necessary or permissible, Owner or Owner's agents may forcibly enter the same without rendering Owner or such agents liable therefor and without in any manner affecting the obligations and covenants of this Lease. Nothing contained herein, however, shall be deemed or construed to impose upon Owner any obligation, responsibility or liability whatsoever for the care, maintenance or repair of the building or any part thereof, except as otherwise herein specifically provided.

SECTION 22.02. EXCAVATION SEE RIDER, PARAGRAPH 14

If an excavation shall be made upon land adjacent to the Leased Premises, or shall be authorized to be made, Tenant shall afford to the person causing or authorized to cause such excavation license to enter upon the Leased Premises for the purpose of doing such work as Owner shall deem necessary to preserve the wall or the building of which the Leased Premises form a part from injury or damage and to support the same by proper foundations, without any claim for damages or indemnification against Owner or diminution or abatement of rent.

ARTICLE XXIII PROPERTY WITHIN THE LEASED PREMISES

SECTION 23.01. PAYMENT OF TAXES AND FEES

Tenant shall be solely responsible for and shall pay before delinquency all municipal, county, state or federal taxes assessed during the term of this Lease upon Tenant's business or against any leasehold Interest or personal property of any kind, owned by or placed in, upon or about the Leased Premises by Owner, Tenant, Tenant's Agents or others holding under, through or with the consent of Tenant. Tenant shall pay when and as due all license fees, permit fees and charges of a similar nature for the conduct of business in the Leased Premises.

SECTION 23.02. LOSS AND DAMAGE

Owner shall not be liable for any damage to any property of Tenant or of others located on the Leased Premises, nor for the loss of or damage to any property of Tenant or of others by theft or otherwise. Except to the extent caused by Owner's negligence (but subject to Section 18.03 hereof). Owner shall not be liable for any injury or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas,

electricity, water, rain, snow or leaks from any part of the Leased Premises or from the pipes, wires, odors, appliances or plumbing works or from the roof, street or sub-surface or from any other place or by dampness or by any other cause of whatsoever nature. Owner shall not be liable for any such damage caused by other tenants, persons in the Leased Premises, occupants of adjacent property, of the Shopping Center or the public, or caused by operations in construction of any private, public or quasi-public work. Owner shall not be liable for any latent defect in the Leased Premises or in the building of which they form a part. All property kept or stored on the Leased Premises shall be so kept or stored at the risk or Tenant only, and Tenant shall hold Owner harmless from any claims arising out of damage to the same, including subrogation claims by Tenant's insurance carrier, unless such damage shall be cause by the willful act or gross neglect of Owner.

SECTION 23.03 NOTICE BY TENANT

Tenant shall give immediate notice to Owner in case of fire or accidents in the Leased Premises or in any fixtures or equipment therein.

ARTICLE XXIV HOLDING OVER, SUCCESSORS

SECTION 24.01. HOLDING OVER

Any holding over after the expiration of the term hereof in all or any part of the Leased Premises, without the consent of Owner, shall be construed to be a tenancy from month to month on the terms and conditions herein specified, so far as applicable, excepting that Tenant shall pay for each day that Tenant holds over rent at double the highest annual rate of Minimum Rent, Percentage Rent and Additional Rent hereinbefore paid under this Lease for a Lease Year, Tenant hereby waives notice to vacate the Leased Premises and agree that Owner shall be entitled to the benefit of all provisions of law respecting the summary recovery of possession from a Tenant holding over to the same extent as if statutory notice had been given.

SECTION 24.02. SUCCESSORS

Except as otherwise expressly provided, all rights and liabilities herein given to, or imposed upon, the respective parties hereto shall extend to and bind the several respective heirs, executors, administrators, successors and permitted assigns of the parties. If there shall be more than one tenant hereunder, they shall all be bound jointly and severally by the terms, covenants and agreements herein. No rights, however, shall inure to the benefit of any assignee of Tenant unless the assignment to such assignee severally has been approved by Owner in writing as provided in Section 16.01 hereof.

ARTICLE XXV QUIET ENJOYMENT

SECTION 25.01. OWNER'S COVENANT

Upon timely payment by Tenant of the Minimum Rent, Percentage Rent, Additional Rent and other charges herein provided and upon the observance and performance of all the covenants, terms and conditions on Tenant's part to be observed and performed, Tenant shall peaceably and quietly hold and enjoy the Leased Premises for the term hereby demised without hindrance or interruption by Owner or any other person or persons lawfully or equitably claiming by, through or under Owner, subject, nevertheless, to the terms and conditions of this Lease.

ARTICLE XXVI DEFINITION OF TERMS

SECTION 26.01. COMMON AREAS

The terms "Common Area" and "Common Areas" as used herein shall mean all areas, facilities and improvements located, in, on or near the Shopping Center as are provided from time to time by Owner for the general use in common, of Owner and the tenants, their officers, agents, employees and customers, including but not limited to employee parking areas, customer service centers, customer parking areas, parking decks, truckways, malls, roofs, skylights, windows, vestibules, mall amenities, mall HVAC units, satellite dishes, concourses, courts, corridors, approaches, exits, entrances, curbs, roadways, drives, access roads, ramps, sidewalks, signs, loading facilities, package pick-up stations, landscaped areas, escalators, elevators, public restrooms, comfort stations, auditoriums, stairways, water, sanitary and storm sewer, gas, electric, telephone, cable television and other utility lines, systems conduits and facilities to the perimeter wall of any building and those serving more than one premises within a building, and any of the foregoing which serve the Common Area.

SECTION 26.02. OWNER

The term "Owner" as used herein, so far as covenants or obligations on the part of Owner are concerned, shall be limited to mean and include only the Owner or Owners at the time in question of the Leased Premises. In the event of any sale or transfer of the Shopping Center or any transfer of title to the Leased Premises or the underlying ground or Lease, the Owner herein named (and in case of any subsequent transfers or conveyances, the then grantor) shall be automatically and entirely freed and relieved from the performance of all covenants and obligations under this Lease and all liability concerning all such covenants and obligations from and after the date of such conveyance or transfer, provided that any amount then due and payable to Tenant by Owner or the then grantor, under any provisions of this Lease, shall be paid to Tenant. It is intended hereby that the covenants and obligations contained in this Lease on the part of Owner shall, subject as aforesaid, be binding on Owner, its heirs, successors and assigns only during and in respect to their successive periods of ownership.

SECTION 26.03. FLOOR AREA

The term "Floor Area" as used herein shall mean the actual number of square feet of leased and occupied floor space of all levels, including basements and mezzanines, of promisee in the Shopping Center used for retail or restaurant purposes, without deduction or exclusion for any space occupied or used by columns, ducts, chases, stairs or other interior construction or equipment within the exterior faces of exterior walls, except party walls (walls shared by separate tenants), in which case the center of the wall in question shall be used instead of the exterior face thereof.

SECTION 26.04. TENANT

The term "Tenant" as used herein shall be deemed and taken to mean each and every person or party mentioned as a tenant herein; and if there shall be more than one Tenant, any notice required or permitted by the terms of this Lease may be given by or to any one thereof and shall have the same force and effect as if given by or to all.

SECTION 29.05. TENANT'S AGENTS

The term "Tenant's Agents" as used herein shall be deemed and taken to mean Tenant's employees, representatives, licensees, concessionaires, agents, tenants, subtenants, assignees, contractors, heirs, successors, legatees, devisees and guarantors.

SECTION 26.06. LEASE YEAR AND PARTIAL LEASE YEAR

The term "Lease Year" as used hereto shall mean a period of twelve (12) consecutive full calendar months. The first Lease Year shall begin on the date of commencement of the term hereof if said date shall occur on the first day of a calendar month. If not, then the first Lease Year shall commence upon the first day of the calendar month

next following the date of commencement of the term hereof. Each succeeding Lease Year shall commence upon the anniversary date of the first Lease Year. Any fractional month prior to the first Lease Year and any period following the last Lease Year shall be referred to herein as a "Partial Lease Year". Unless otherwise applicable, the term Partial Lease Year shall be included in the term Lease Year.

SECTION 26.07. GUARANTOR

This term "Guarantor" as used herein shall mean any partnership, person, corporation or other entity which has undertaken, by separate instrument, endorsement on this Lease or in any other manner to warrant, agree or guarantee that the obligations of Tenant, or any portion thereof, shall be performed by Tenant.

SECTION 26.08. MAJOR STORE AND MAJOR STORE PREMISES

The term "Major Store Premises" shall mean a store containing at least 25,000 square feet of contiguous Floor Area and operated under a single trade name. The term "Major Store" shall mean the occupant from time to time of a Major Store Premises.

SECTION 26.09. TENANT DESIGN GUIDE

The term "Tenant Design Guide" shall mean the Tenant Design Guide provided by Owner from time to time.

ARTICLE XXVII MISCELLANEOUS

SECTION 27.01. ACCORD AND SATISFACTION

The acceptance by Owner of payments of Percentage Rent or reports thereof shall be without prejudice and shall in no way constitute a waiver of Owner's right to claim a deficiency in the payment of such rent or to audit Tenant's books and records. No payment by Tenant or receipt by Owner of a lesser amount than the monthly rent herein stipulated shall be deemed to be other than on account of the earliest stipulated rent, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as rent be deemed an accord and satisfaction. Owner at its sole and absolute discretion may apply any payment received from Tenant in any manner Owner elects. Owner may accept such check or payment without prejudice to Owner's right to recover the balance of such rent or pursue any other remedy provided in this Lease.

SECTION 27.02. ENTIRE AGREEMENT

This Lease, all Exhibits, and the Rider, if any, attached hereto and forming a part hereof together with any rules and regulations adopted and promulgated by Owner, set forth all the covenants, promises, agreements, assurances, representations, warranties, statements, conditions and understandings (the "Representations") between Owner and Tenant concerning the Leased Premises and the Shopping Center. There are no Representations, either oral or written, between them other than as are herein set forth. This Lease supersedes end revokes all previous negotiations, arrangements, offers, proposals, brochures, representations and Information conveyed, whether oral or written, between the parties hereto or their representatives, and Tenant acknowledges that it has not been induced to enter into this Lease by any Representations not set forth herein and has not relied on any such Representations and likewise, no such Representations shall be used to interpret or construed this Lease, and Owner shall have no liability for any consequences arising as a result of any such Representations. Specifically, but without limitation, Tenant acknowledges that Tenant has relied solely on its own investigation and business judgment in its determination to enter into this Lease, that any statements which may have been made by any representative of Owner concerning the success of Tenant's business or the Shopping Center or the extent of Tenant's sales or profits are based upon that representative's expectations and are not to be considered as promises, covenants or guarantees of success, that the success of Tenant's business and the Shopping Center are based upon many factors, including certain factors not within the control of Owner and certain factors which are within the control of Tenant and that Tenant is not in any way entitled to the benefits of any agreements between Owner and other tenants or occupants which agreements may differ from the terms of this Lease. Except as herein otherwise provided, no subsequent alteration, amendment, change or addition to this Lease shall be binding upon Owner or Tenant unless reduced to writing and signed by them.

SECTION 27.03. RELATIONSHIP OF THE PARTIES

Owner does not, in any way or for any purpose, become a partner of Tenant in the conduct of its business, or otherwise, or joint venturer or a member of a joint enterprise with Tenant whatsoever, or become a principal or agent of Tenant. The provisions of this Lease relating to the Percentage Rent payable hereunder are included solely for the purpose of providing a method whereby the rent is to be measured and ascertained. It is expressly understood and agreed that neither the computation of rent nor any other provisions contained in this Lease nor any act or acts of the parties hereto shall be deemed to create any relationship between Owner and Tenant other than the relationship of landlord and tenant.

SECTION 27.04. FORCE MAJEURE

In the event that either party hereto shall be delayed, hindered in, or prevented from the performance of any act required hereunder by reason of strikes, lock-outs, labor troubles, inability to procure materials, failure of power, restrictive governmental laws or regulations, riots, insurrection, war or other reason of a like nature, not the fault of the party delayed in performing work or doing acts required under the terms of this Lease, then performance of such act shall be excused for the period of the delay, and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay. The provisions of this Section shall not, however, operate to excuse Tenant from prompt payment of Minimum Rent, Percentage Rent, Additional Rent or any other payments required by the terms of this Lease.

SECTION 27.05. NOTICES

Any notice, demand, request, payment (including Minimum Rent, Percentage Rent and Additional Rent payments), communication or other instrument which may be or is required to be given under this Lease shall be delivered in person or sent by United States certified mail, return receipt requested, postage prepaid, by facsimile, or by any overnight or express mall service which provides receipts to indicate delivery, and shall be addressed (a) if to Owner, at 164 Crestwood Plaza - Suite 200, St. Louis, Missouri 63126-1794, or at such other address as Owner may designate by written notice, and (b) if to Tenant, at the "Address of Tenant" set forth in Article A or at such other address as Tenant shall designate by written notice (and Owner may deliver the notice to the Leased Premises in addition to the "Address of Tenant"); provided, however, Owner may, after notice to Tenant, require all Minimum Rent, Percentage Rent and Additional Rent to be paid to Owner by way of a lockbox. Any notice, demand, request, or communication required of Owner under this Lease may be given by Owner's attorneys as well as Owner. All notices sent by mail or by overnight or express mall service shall be effective upon being deposited in the United States mail or with such service as herein provided.

SECTION 27.06. CAPTIONS AND SECTION NUMBERS

The captions, titles, section numbers, article numbers, and table of contents appearing in this Lease are inserted only as a matter of convenience and in no way define, limit, construe, or describe the scope or intent of such sections or articles for this Lease or in any way affect this Lease.

SECTION 27.07. USE OF PRONOUN

The use in this Lease of the neuter singular pronoun to refer to Owner or Tenant shall be deemed a proper reference even though Owner or Tenant may be an individual, a partnership, a corporation, or a group of two or more individuals or business entities. The necessary grammatical changes required to make the provisions of this Lease apply in the plural sense where there is more than one Owner or Tenant and to either corporations, associations, partnerships, or individuals, males or females, shall in all instances be assumed as though in each case fully expressed. Unless the context otherwise requires, the word person shall include corporation, firm or association.

SECTION 27.08. BROKERAGE SEE RIDER, PARAGRAPH 15

SECTION 27.09. PARTIAL INVALIDITY

Each term and each provision of this Lease to be performed by Tenant shall be construed to be both an independent covenant and a condition. If any term, covenant or condition of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant or condition of this Lease shall be valid and be enforced to the fullest extent permitted by law.

SECTION 27.10. APPLICABLE LAW

The validity, performance and enforcement of this Lease shall be construed under the laws of the State of Missouri. Should either party institute legal suit or action for enforcement of any obligation contained herein, it is agreed that the venue of such suit or action shall be, at the option of Owner, in St. Louis County, Missouri, and Tenant expressly consents to Owner's designating the venue of such suit or action.

SECTION 27.11. NO OPTION

The submission of this Lease for examination does not constitute a reservation of or option for the Leased Premises, and this Lease becomes effective as a Lease only upon execution and delivery thereof by Owner and Tenant.

SECTION 27.12. REIMBURSEMENT

All terms, covenants and conditions herein contained to be performed by Tenant shall be performed all its sole cost and expense, and if Owner shall pay any sum of money or do any act which requires the payment of money by reason of the failure, neglect or refusal of Tenant to perform such term, covenant or condition, the sum of money so paid by Owner shall be payable by Tenant to Owner with the next succeeding installment of rent. All sums payable by Tenant to Owner under this Lease shall be paid without any prior demand therefor and without any deduction or setoff whatsoever.

SECTION 27.13. RECORDING

Tenant shall not record this Lease without the written consent of Owner.

SECTION 27.14. LIQUIDATED DAMAGES

Tenant hereby agrees that the provisions of this Lease stipulating an amount of damages or rental adjustments in lieu of damages which take effect upon breach by Tenant of this Lease are agreed upon liquidated damages to compensate Owner as the exact amount of damages cannot be ascertained with certainty.

SECTION 27.15. TENANT'S FINANCIAL INFORMATION

Tenant represents and warrants to Owner that all of Tenant's financial information submitted by Tenant to Owner prior to the mutual execution of this Lease to true and correct. Tenant acknowledges that Owner has relied on such information as an inducement for Owner's execution of this Lease.

SECTION 27.16. AUTHORITY

Tenant, if a corporation, warrants and represents to Owner that Tenant is a duly incorporated or duly qualified (if foreign) corporation and is authorized to do business in the State of Missouri; and that Tenant's execution of this Lease is pursuant to a resolution of the Tenant's Board of Directors.

SECTION 27.17. CONSENT

SECTION 27.18. RIGHTS TO CHANGE SHOPPING CENTER NAME

Owner reserves the right to change the name of the current address of the Shopping Center or both during the term of this Lease. Should Owner elect to make such changes, Tenant shall thereupon use the new name and/or address in its local business address and advertising as provided in Section 6.01(a) and Owner shall incur no liability to Tenant as a result of such changes. Furthermore, such changes shall not entail a decrease in rental value, constitute an eviction or diminution of services or excuse Tenant from the full performance of all its Lease obligations.

SECTION 27.19. ADDING AND WITHDRAWING PROPERTY

From time to time Owner may add property to the Shopping Center or withdraw property from the Shopping Center. Any property so added shall thereafter be subject to the terms of this Lease and shall be included in the term Shopping Center as used in this Lease and any property so withdrawn by Owner shall thereafter not be subject to the terms of this Lease and shall be executed from the term Shopping Center as used in this Lease.

SECTION 27.20. ADDITIONAL MAJOR STORE

SECTION 27.21. GIFT CERTIFICATES

Tenant shall honor all gift certificates issued by the Shopping Center and other gift certificate programs sponsored by the Shopping Center, provided Tenant either is reimbursed by Owner upon demand for the face amount of such gift certificates or may deposit such gift certificate directly into its bank account with the same effect as depositing a check from a customer.

SECTION 27.22. SURVIVAL OF TENANT'S OBLIGATIONS

All obligations of Tenant, which by their nature involve performance, in any particular, after the end of the term, shall survive the expiration or other termination of this Lease.

SECTION 27.23. TRIAL BY JURY WAIVER AND COUNTERCLAIMS

THE PARTIES HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER PARTY AGAINST THE OTHER ON ANY MATTER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, THE RELATIONSHIP OF OWNER AND TENANT, OR TENANT'S USE AND OCCUPANCY OF THE LEASED PREMISES. IF OWNER COMMENCES ANY PROCEEDING AGAINST TENANT FOR NON-PAYMENT OF ANNUAL MINIMUM RENT OR ANY ADDITIONAL RENT PAYABLE HEREUNDER, THEN TENANT WILL NOT INTERPOSE ANY COUNTERCLAIM OF ANY NATURE OR DESCRIPTION IN SUCH PROCEEDING; PROVIDED, HOWEVER, THE TERMS OF THIS SENTENCE SHALL NOT PRECLUDE TENANT FROM ASSERTING ANY SUCH COUNTERCLAIMS IN A SEPARATE ACTION BROUGHT BY TENANT.

SECTION 27.24. RIDER

A rider consisting of 4 page(s), with Sections numbered consecutively 1 through 15 is attached hereto and made a part hereof.

SECTION 27.25. EXHIBITS

Exhibits "A", "B", "C" and "C-1" are attached hereto and made a part hereof prior to execution.

IN WITNESS WHEREOF, Owner and Tenant have signed and sealed this Lease as of the day and year first above written.

OWNER HYCEL PARTNERS I, L.P.
BY: Galleria Partners, L.P.
Its General Partner
BY: Mark H. Zorensky Grantor Trust
Its General Partner

BY: /s/ Mark H. Zorensky

Mark H. Zorensky
Trustee

TENANT SMART STUFF, INC.
By: /s/ MAXINE CLARK

NAME: MAXINE CLARK
TITLE: Pres./Ceo

ATTEST: (SEAL)

/s/ MAXINE CLARK

Secretary

STATE OF MISSOURI)
)SS
)
COUNTY OF ST. LOUIS)

On this 7th day of May, 1997, before me appeared Mark H. Zorensky, as Trustee of his Grantor Trust, one of the general partners of Galleria Partners, L.P., which is the general partner of HYCEL PARTNERS I, LP., to me known to be the person described in and who executed the forgoing instrument and acknowledged that he executed the same as his free act and deed in his capacity set forth above.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal In the County and State aforesaid, the day and year first above written.

/S/ SHIRLEY K. CARIGNAN

Notary Public

SHIRLEY K. CARIGNAN, NOTARY PUBLIC
STATE OF MISSOURI, ST. LOUIS COUNTY
MY COMMISSION EXPIRES JULY 14, 1999.

STATE OF)
)SS
COUNTY OF)

On the 5th day of May, 1997, before me the undersigned a Notary Public in and for said Country and State, personally appeared Maxine Clark known to me to be the _____ President, and CEO, known to me to be the _____ of SMART STUFF, INC., and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said individuals acknowledged said instrument to be the free act and deed of said corporation.

IN TESTIMONY WHEREOF , I have hereunto set my hand and affixed my official seal in said County and State as of the day and year last above written.

/s/ CAROLYN SUE HERRMANN

Notary Public

My Commission Expires:

CAROLYN SUE HERRMANN
Notary Public - Notary Seal
STATE OF MISSOURI
St. Louis Country
My Commission Expires: Nov. 20, 1998

RIDER

RIDER attached to and made a part of Lease dated May 5, 1997 by and between Hycel Partners I, LP, a Delaware limited partnership, as Owner, and SMART STUFF, INC., as Tenant.

In the event of a conflict between the terms and provisions of the Lease and the terms and provisions of this Rider, the terms and provisions of this Rider shall be controlling.

1. SECTION 1.03. TERM - OWNER'S WORK DELAY.

Notwithstanding anything to the contrary contained in Section 1.03 of the Lease, Owner shall endeavor to deliver possession of the Leased Premises to Tenant on or before July 1, 1997, but Owner shall have no liability to Tenant for failing to do so, and if Owner does not do so then, as Tenant's sole and exclusive remedy therefore, the Outside Date set forth in Article A of the Lease shall be extended for a period equivalent to the number of days between July 1, 1997 and the date Owner shall so make the Leased Premises available to Tenant (but excluding both such dates in making such computation).

2. SECTION 2.03. GROSS SALES - EXCLUSIONS.

Notwithstanding anything to the contrary contained in Section 2.03 of the Lease, Gross Sales shall not include, or if included, there shall be deducted (but only to the extent they have been included):

(1) Sales to Tenant's employees at a discount, provided such sales in the aggregate do not exceed one percent (1%) of Gross Sales per Lease Year (calculated on a non-cumulative basis).

(2) Bad debts actually written off by Tenant for federal income tax purposes, provided such bad debts do not exceed one percent (1%) of Gross Sales in any Lease Year (computed on a non-cumulative basis), it being agreed that such amounts shall be included in Gross Sales in the Lease Year in which collected.

(3) Insurance proceeds received in the settlement of claims for loss or damage to merchandise.

(4) Gift certificates until redeemed (it being agreed that redeemed gift certificates shall be included in Gross Sales even if such gift certificates were initially purchased elsewhere).

(5) Refunds, whether cash or credit, made to customers on sales of merchandise from the Leased Premises, but only to the extent of such refund.

(6) The sales price of trade fixtures, machinery and equipment which Tenant has the right to remove from the Leased Premises after use thereof in the conduct of Tenant's business in the Leased Premises.

3. SECTION 5.01. OWNER'S WORK - "AS-IS".

Notwithstanding anything to the contrary contained in Section 5.01 or in any other provision of the Lease, it is agreed that Owner has completed Owner's Work set forth in Exhibit B. Tenant has inspected and approved the same, and Tenant shall accept the Leased Premises in an "as-is" condition.

4. SECTION 5.50. CHANGES AND ADDITIONS - VISIBILITY AND ACCESS.
SECTION 9.01. CONTROL OF COMMON AREAS BY OWNER-VISIBILITY AND ACCESS.

Owner will use diligent efforts not to materially, adversely impair the visibility of the Leased Premises from the enclosed mall or to prohibit access into or egress from the Leased Premises to the enclosed mall.

5. SECTION 5.05. CHANGES AND ADDITIONS - KIOSKS.
SECTION 9.01. CONTROL OF COMMON AREAS BY OWNER - KIOSKS.

Notwithstanding anything to the contrary contained in the Lease, Owner shall not construct any permanent kiosks or carts (except as set forth on Exhibit A or existing as of the Commencement Date of this Lease) in the enclosed mall within ten (10) feet in front of the Leased Premises.

6. SECTION 6.07. HAZARDOUS SUBSTANCES - SUPPLEMENT.

If it is determined as a result of any investigation or testing that Hazardous Substances are present within the Leased Premises, such presence pre-existed the date on which possession of the Leased Premises was given tenant, and Governmental Regulations require the remediation, removal or abatement thereof, Owner will, at its sole cost, remediate, remove and abate such Hazardous Substances in accordance with all applicable Governmental Regulations, except in each case to the extent such Hazardous Substances are present, or are required to be removed, as a result of the act of Tenant, its subtenants or assignees or their respective agents, employees or contractors, in which case Tenant, at its sole expense, shall remediate, remove and abate such Hazardous Substances in accordance with all applicable Governmental Regulations.

7. SECTION 9.03. TENANT'S SHARE OF EXPENSES - SUPPLEMENT.

(A) Notwithstanding anything to the contrary contained in Section 9.03 of the Lease, the following items shall be excluded from Net CAM Costs:

(1) Any items for which Owner is reimbursed by insurance or otherwise compensated, including direct reimbursement by any other tenant in the Shopping Center.

(2) To the extent covered by construction warranties and/or insurance maintained by Owner, the cost of correcting construction defects in the initial design or construction of the Shopping Center.

(3) Any legal, brokerage or other fees or expenses incurred in connection with the negotiation, execution or enforcement of any lease for space in the Shopping Center.

(4) The cost of providing improvements within the leased premises of any tenants in the Shopping Center.

(B) Owner agrees that charges payable by Tenant under the provisions of this Section 9.03, shall not be a duplication of charges payable by Tenant elsewhere under this Lease.

8. SECTION 14.03. OWNER'S LIABILITY FOR INTERRUPTION - ABATEMENT.

Notwithstanding anything to the contrary contained in section 14.03 of the Lease, if (i) the interruption of any such services or utilities is due to the negligent act or omission of Owner, its agents or employees, (ii) such interruption is for a period in excess of forty-eight (48) hours after notice thereof

from Tenant and (iii) such interruption forces Tenant to close the Leased Premises for business, then, as Tenant's sole and exclusive remedy on account thereof, the Minimum Rent (but not the Percentage Rent or other charges payable hereunder) shall be abated commencing forty-eight (48) hours after such notice from Tenant and continuing until the earlier of (i) the date Tenant reopens the Leased Premises for business, or (ii) such interrupted services or utilities are again being furnished to the Leased Premises.

9. SECTION 15.01. ESTOPPEL CERTIFICATE - SUPPLEMENT.

Upon not leas than thirty (30) days prior written request by Tenant and not more than three (3) times during the term of this Lease, Owner will deliver to Tenant a statement certifying that (i) this Lease is unmodified and in full force and effect (or if there has been any modifications thereof that the Lease is in full force and effect as modified and stating the nature of the modification or modifications); (ii) that, to the extent of Owner's knowledge, Tenant is not in default under this Lease (or if such default exists, the specific nature and extent thereof); and (iii) the date to which Minimum Rent has been paid in-advance, if any.

10. SECTION 15.03. PRIORITY OF LEASE - NON-DISTURBANCE.

Upon written request by Tenant, Owner will use reasonable efforts to cause the holder of the existing mortgage on the Shopping Center to execute a non-disturbance agreement, in form and substance reasonably satisfactory to such holder recognizing Tenant's rights Under the Lease; provided, however, owner shall have no liability to Tenant for the failure of such holder to provide such a non-disturbance agreement. Tenant shall pay the amount charged by such holder, if any, for such non-disturbance agreement.

11. SECTION 16.01. PERMITTED ASSIGNMENT - SUPPLEMENT.

Notwithstanding anything to the contrary contained in Section 16.01 of the Lease, Tenant shall have the right, without owner's consent, to assign this Lease or sublet the entire (but not part of the) Leased Premises, to its parent corporation or to a wholly owned subsidiary or to a corporation which is wholly owned by the same corporation which wholly owns Tenant; provided, however, that (i) Tenant shall also remain primarily liable for all obligations under this Lease, (ii) the assignee or subtenant shall, at least thirty (30) days prior to the effective date of the assignment or subletting, deliver to Owner, instruments evidencing such assignment or subletting and its agreement to assume and be bound by all of the terms, conditions and covenants of the Lease to be performed by Tenant, (iii) Tenant shall not be in default beyond the applicable cure period under any of the terms or provisions of this Lease and (iv) Tenant's right to make such assignment or subletting is expressly conditioned on, and shall remain in effect only as long as, the assignee or subtenant maintains its relationship as parent corporation or wholly owned subsidiary of Tenant or wholly owned subsidiary of Tenant's parent corporation.

12. SECTION 16.01(E). ASSIGNMENT - NEGATION OF TERMINATION.

Notwithstanding anything to the contrary contained in paragraph (e) of Section 16.01 of the Lease, in the event Owner elects to exercise its right to terminate the Lease in accordance with the terms of paragraph (e) of Section 16.01 of the Lease, Tenant shall have the right to negate such termination by giving Owner notice, within fifteen (15) days following the date Tenant receives notice from Owner of such termination, of Tenant's intent to continue operation of its business in the Leased premises in accordance with the terms and provisions of the Lease and not to assign the Lease or sublet all or any portion of the Leased Premises. If Tenant so elects to negate Owner's notice of termination, then the Lease shall continue in full force and effect for the term of the Lease.

13. SECTION 16.03. CHANGE IN OWNERSHIP - SUPPLEMENT.

The owners of the voting stock of Tenant named herein as of the date of the Lease may, without the prior consent of Owner, transfer the voting stock of Tenant named herein to (i) any person (s) who is an owner of the voting stock of Tenant named herein as of the date of the Lease, (ii) the "immediate family" of any person(s) who is an owner of the voting stock of Tenant named herein as of the data of the Lease (the term "IMMEDIATE FAMILY" meaning a spouse, lineal descendants and legal cousins), or(iii) any trust for the benefit of any person(s) who is an owner of the voting stock of Tenant named herein as of the date of the Lease and such owners' immediate family. Nothing contained in Section 16.03 of the Lease shall prohibit any transfer or sale of any non-voting or voting equity interest of Tenant named herein so long as such transfer or sale does not result in a change in the effective ownership and/or management control of Tenant named herein.

14. SECTION 22.01. RIGHT OF ENTRY - SUPPLEMENT.
SECTION 22.02. EXCAVATION - SUPPLEMENT.

Notwithstanding anything to the contrary, contained in Sections 22.01 or 22.02 of the Lease, if Owner's entry pursuant to Section 22.01 or 22.02 of the Lease (other than an entry pursuant to section 20.04) is so extensive and disruptive that Tenant is forced to close the Leased Premises for business for more than forty-eight (48) hours, then, as Tenant's sole and exclusive remedy on account thereof, the Minimum Rent (but not the Percentage Rent or other charges payable hereunder) shall be abated commencing forty-eight (48) hours after Tenant closes the Leased Premises for business and continuing until the earlier of (i) the date Tenant is able to reopen the Leased Premises for business or (ii) the date Owner substantially completes such work.

15. SECTION 27.08. BROKERAGE - SUPPLEMENT.

Each party represents and warrants to the other party that it has had no dealings with any broker or agent in connection with the Lease, and each party agrees to indemnify and hold the other party harmless from and against any and all claims, liabilities or expense (including reasonable attorneys' fees) imposed upon, asserted or incurred by each party as a consequence of any breach of this representation.

Initialed by: MHZ

Owner

_____
Tenant

EXHIBIT "A" SITE PLAN

Attached to and forming part of Lease dated May 5 1997, by and between HYCEL PARTNERS I, L.P., as Owner, and SMART STUFF, Inc. as Tenant.

Space 1440 SAINT LOUIS GAULERIA
Approximate Floor Area: 2,251 square feet.

NOTES:

(1) This Site Plan is preliminary and may be modified at any time without Tenant's consent, at the option of Owner, but the size, dimensions and location of the Leased Premises may not be modified.

(2) Owner may locate additional curb cuts anywhere in the parking areas and in the interior access roads to afford access thereto from adjoining properties.

(3) No representation to made by Owner with respect to any information shown on this plan.

EXHIBIT A
SHEET 2 OF 3

[PLAN]

EXHIBIT A
SHEET 3 Of 3

[PLAN]

EXHIBIT "B" IMPROVEMENT OF LEASED PREMISES

ARTICLE B-1 CONSTRUCTION REQUIREMENTS

Section 1. Structure of Building

(a) Owner has constructed or will construct the structural frame, exterior walls (other than the storefront), a concrete slab floor, and the roof (over insulation) of the building of which the Leased Premises are a part. Owner's work excludes any exterior wall or storefront construction, except for vertical neutral strips approximately thirty-six inches in width, centered upon the demising walls of the Leased Premises.

(b) Columns located at or within the demising proportions of the Leased Premises shall be fireproofed by Tenant, if required by code, and the finished floor, any necessary filler and the ceiling are to be provided by Tenant, all at its cost.

Section 2. Interior Finish

(a) Owner will provide metal studs for Tenant's Interior demising walls defining the Leased Premises, which walls shall be constructed by Tenant of 5/8" fire-rated dry wall or as required by code.

(b) Suspended Ceiling System shall be installed by Tenant at its cost end shall consist of non-combustible rated assembly covering the entire area exposed in the Leased Premises. Space above the suspended ceiling will be of sufficient height to permit installation of all ducts, electric, plumbing and sprinkler lines to be concealed.

(c) Tenant shall provide door and door frame construction meeting the requirements of the applicable building codes for access to any adjacent service corridor from the Leased Premises. Any curtain walls, interior division walls, or any walls where a change occurs in ceiling heights, shall be provided by Tenant and shall consist of studs with plaster or dry wall.

Section 3. Utilities

(a) Electrical Work

Owner shall install electrical conduit and wiring to a meter location outside the Leased Premises. Tenant, at its expense, shall provide an electrical breaker, electrical conduit and wiring from such meter location to the Leased Premises in a location approved by Owner, shall procure the installation of its electric meter and shall cause the electrical service to be connected to such meter. The electrical service shall be 120/208 volts, three-phase, four wire for Tenant's combined power and lighting requirement. The size of the aforesaid conduit installed by Tenant shall be a minimum of two (2) inches in diameter. Tenant shall also install a disconnect switch for the electrical service in the Leased Premises and shall provide a junction box or panel within the Leased Premises at a location selected by Owner.

(b) Telephone Service

Owner shall provide a telephone terminal location outside the Leased Premises. Tenant shall provide conduit through which it may cause telephone wires to be run to the Leased Promises in a location approved by Owner. The procuring of telephone service to the Leased Premises shall be at Tenant's cost and expense, except as otherwise provided hereinabove.

(c) Gas Service

Owner will provide gas service to a meter location outside the Leased Premises. If Owner approves the use of gas service by Tenant, Tenant shall provide gas piping from such meter location to the Leased Premises at a location approved by Owner, shall procure the installation of Tenant's gas meter, and shall cause the gas service as aforesaid to be connected to such meter.

(d) Plumbing end Sprinkler

Owner will provide roof drains and downspouts. If the governing building codes and/or Tenant's use of the Leased Premises shall require potable cold water service to the Leased Premises, Owner shall furnish and install water service to the Leased Premises in a location selected by Owner. Tenant shall procure the Installation of Tenant's water submeter (if required by Owner), and shall cause the water service provided by Owner as aforesaid to be connected to such meter.

Owner will provide a sprinkler main to or adjacent to the Leased Premises. Tenant shall at its cost tap into that main and Install sprinkler service in the Leased Premises.

Owner will provide a four Inch (4") sanitary sewer line beneath the floor slab of the Leased Premises to which Tenant may connect its plumbing facilities.

(a) Payment of Utilities

The provisions of this Section have reference only to providing facilities for the utilities referred to herein and do not refer in any respect to the payment for any utilities as such. Owner does not warrant the availability of any utility services to the Leased Premises.

SECTION 4. Tenant's Work

All work required to complete end place the Leased Premises in finished condition for opening for business (except that work to be specifically done by Owner pursuant to this Article B-I) shall be furnished by Tenant and at Tenant's expense, in accordance with plans and specifications approved by Owner and with the provisions of Article B-II.

ARTICLE B-II PLANS

SECTION 1. Preliminary Plans

Within forty-five (45) days after the date of execution of this Lease, Tenant, at its sole cost and expense, shall cause to be prepared and delivered to Owner for Owner's approval one (1) set of Mylar transparencies and three (3) sets of prints of preliminary drawings and specifications ("Preliminary Plans") for the construction and improvement of the Leased Premises as required of Tenant under this Lease (said construction and improvement are herein referred to as "Tenant's Work"). Tenant covenants and agrees that such Preliminary Plans shall be prepared in strict accordance with (1) the design criteria, construction requirements and specifications set forth In the Tenant Design Guide, and (ii) the provisions of subparagraph (a) of Sections 2 of Article B-II hereinafter (the design criteria, construction requirements and specifications referred to in subdivision (i) and the provisions of subparagraph (a) of Section 2 referred to in subdivision (ii) being hereinafter collectively referred to as "Tenant's Construction Requirements"). Owner covenants and agrees that Owner shall not unreasonably withhold approval of the Preliminary Plans if the same shall have been prepared in strict accordance with Tenant's Construction Requirements. Owner shall notify Tenant of the matters, if any, in which the Preliminary Plans fail to conform to Tenant's Construction Requirements. Tenant shall, within twenty (20) days upon receipt of any such notice from Owner, cause the Preliminary Plans to be revised in such manner as is requisite to obtaining Owner's approval and shall resubmit one (1) set of mylar transparencies and three (3) sets of prints of revised Preliminary Plans for Owner's approval. When Owner shall determine that the Preliminary Plans, as the case may be, conform to Tenant's Construction Requirements, Owner shall cause one (1) set thereof to be initialed on behalf of Owner, thereby evidencing the approval thereof by Owner, and shall return such set so initialed to Tenant

SECTION 2. Working Plans

(a) The term "Working Plans" as used hereafter In Article B-II of this Exhibit "B" means the complete development and delineation by licensed Missouri Registered Architects end engineers of drawings, specifications, bid instructions, bid forms, general conditions, and other documents and details as requited to secure competitive lump sum bids from qualified contractors for the construction of Tenant's Work, and shall completely describe the architectural, structural, mechanical and electrical components of Tenant's Work. The Working Plans submitted by Tenant for Owner's approval shall:

1. Include detailed drawings and specifications of all mechanical, HVAC, sprinkler, plumbing and electrical installations which shall be installed by Tenant.

2. Show in complete detail all parts which will affect the appearance of the building and its structural, mechanical and electrical components, including any special heavy equipment and its location and any openings in floors and walls.

3. Comply with all applicable laws, codes and regulations.

4. Comply with the applicable standards of the National Board of Fire Underwriters, the National Electrical Code, the American Gas Association, and the American Society of Heating and Air Conditioning Engineers.

5. Include suitable instructions and provisions so as to comply with all of the requirements of this Exhibit "B".

6. Use materials that are in harmony with the high quality of design established in the Common Area.

(b) Within thirty (30) days after approval of the Preliminary Plans, Tenant, at Tenant's sole cost and expense, shall cause to be prepared and delivered to Owner one (1) set of mylar transparencies and three (3) sets of prints of Working Plans prepared in conformity with the approved. Preliminary Plans and in strict accordance with Tenant's Construction Requirements. Owner shall within ten (10) business days after receipt of the Working Plans notify Tenant of the matters, if any, in which said Working Plans fall to conform with the approved Preliminary Plans and Tenant's Construction Requirements. Tenant shall, within twenty (20) days upon receipt of any such notice from Owner, cause said Working Plans to be revised in such manner as is requisite to obtaining Owner's approval and shall resubmit one (1) set of mylar transparencies and three (3) sets of prints of revised Working Plans for Owner's approval. When Owner shall determine that the Working Plans or revised Working Plans, as the case may be, conform to the approved Preliminary Plans and Tenant's Construction Requirements, Owner shall cause one (1) counterpart thereof to be initialed on behalf of Owner, thereby evidencing the approval thereof by Owner, and shall return such counterpart so initiated to Tenant.

SECTION 3. CHANGES IN WORKING PLANS

From and after Owner's approval of the Working Plans, no change in the approved Working Plans shall be made except as set forth hereinafter in this Section 3:

(a) With respect to any changes in the approved Working Plans initiated by Tenant, the following provisions shall apply:

(1) No such change in the approved Working Plans shall be made unless Owner expressly consents thereto in writing (which consent shall not be unreasonably withheld);

(2) All architectural services with respect to any such change shall be rendered by the architect who prepared the Working Plans (herein called "Tenant's Architect") at the sole cost of Tenant; and

(3) All construction work with respect to each such change shall be performed by Tenant at the sole cost of Tenant.

(b) With respect to any changes in the approved Working Plans initiated by Owner, the following provisions shall apply:

(1) No such change in the approved Working Plans shall be made unless Tenant expressly consents thereto in writing (which consent shall not be unreasonably withheld);

(2) All architectural services with respect to any such change shall be rendered by Tenant's Architect at the sole cost of Owner; and

(3) All construction work with respect to each such change shall be performed by Tenant at the sole cost of Owner.

SECTION 4. Construction By Tenant

Tenant shall cause the commencement of construction of Tenant's Work within thirty (30) days after the last to occur of the following, to wit:

(a) Owner's approval of the Working Plans as provided in Section 2 of this Article B-II; or

(b) Owner's notice to Tenant that the building will, within thirty (30) days after said notice, be completed to the extent reasonably required for the commencement of Tenant's Work (in case of any disagreement between Owner and Tenant as to the date on which the building shall have been completed in substantial conformity with Exhibit "B", the architects in charge of the construction shall fix such date by a certificate in writing, under oath, which shall be binding upon the parties hereto); and Tenant shall cause the completion of Tenant's Work within sixty (60) days thereafter In accordance with the following requirements:

(1) Tenants' Work shall be constructed strictly in accordance with the approved Working Plans;

(2) Tenant shall comply and shall cause the contractor and each subcontractor concerned with the construction of Tenant's Work to comply with Tenant's Construction Requirements and specifications as set forth in this Exhibit "B";

(3) Tenant shall supply at its cost all heat, air conditioning, electricity, water, telephone and other utility service required by it during construction; and

(4) During the construction and completion of Tenant's Work, Tenant and Tenant's Agents shall keep the Leased Premises and the Common Areas reasonably clean and free of debris.

SECTION 5. Miscellaneous

The approval by Owner of the Preliminary Plans and/or Working Plans shall not constitute the assumption of any liability on the part of Owner for their compliance with applicable building codes and the requirements of this Lease or for their accuracy, and Tenant shall be solely responsible for such Plans and specifications. Owner will provide one (1) copy of the Tenant Design Guide to tenant at no charge. If Tenant requires additional copies of the Tenant Design Guide, Tenant shall pay to Owner, as Additional Rent, within ten (10) days after receipt of an invoice therefor, the sum of Fifty Dollars ($50.00) for each additional copy of the Tenant Design Guide.

EXHIBIT"C" RULES AND REGULATIONS

Tenant agrees as follows:

(1) All loading and unloading of goods shall be done only at such times, in the areas, and through the entrances designated for such purposes by Owner. Tenant shall cause any truck-making deliveries to or for it to be expeditiously loaded or unloaded and the merchandise and freight promptly removed from the loading docks and other loading areas. Tenant shall attempt to cause no delivery trucks or other vehicles servicing the Leased Premises to park or stand at or on any curb, roadway, and ramp or drive in the Shopping Center. Owner reserves the right to further regulate the activities of Tenant in regard to deliveries and servicing of the Leased Premises, and Tenant agrees to abide by such further non-discriminatory regulations of Owner.

(2) The delivery or shipping of merchandise, supplies and fixtures to and from the Leased Premises shall be subject to such rules and regulations as in the judgment of Owner are necessary for the proper operation of the Leased Premises or Shopping Center.

(3) All garbage and refuse shall be kept in the kind of container specified by Owner and shall be placed either within the Leased Premises prepared for collection or if any common compactor or dumpster provided by Owner in the manner and at reasonable times and places specified by Owner. Tenant shall not permit any rubbish or refuse of any nature emanating from the Leased Premises to accumulate in or on the Common Areas, including but not limited to rear delivery areas, loading platforms, service corridors, truck docks and/or maneuvering space therefor. If Owner shall provide or designate a service for picking up refuse and garbage, Tenant shall use same at Tenant's cost and may either be backcharged by Owner as Additional Rent for same or have such costs included under Section 9.03(a). Otherwise, Tenant shall designate a responsible refuse service to collect all garbage and refuse in, on and from the Leased Premises. Tenant shall pay all costs associated with the removal of any of Tenant's refuse or rubbish.

(4) No radio or television or other similar device shall be installed without first obtaining in each instance Owner's consent in writing. No antenna or satellite dish shall be erected on the roof or exterior walls of the Leased Premises, or on the grounds, without in each instance, the written consent of Owner. Any antenna or satellite dish so installed without such written consent shall be subject to removal without notice at any time.

(5) No loud speakers, televisions, phonographs, radios, musical instruments or other devices shall be used in a manner so as to be heard or seen outside of the Leased Premises without the prior written consent of Owner,

(6) Heating, ventilating and air conditioning shall be thermostatically controlled in the Leased Premises, and Tenant agrees to operate same so that the temperature within the Leased Premises will be reasonably identical to that within the enclosed mall and connecting corridors and will comply with all laws and governmental rules, orders and regulations. Tenant shall keep the Leased Premises at a temperature sufficiently high to prevent freezing of water in pipes and fixtures.

(7) Any outside areas which constitute a part of the Leased Premises shall be kept clean and free from snow, Ice, dirt and rubbish by Tenant to the satisfaction of Owner, and Tenant shall not place or permit any obstructions or merchandise in such areas and in the outside areas adjoining the Leased Premises.

(8) Tenant and Tenant's Agents shall park their cars only in those portions of the parking area designated for that purpose by Owner. Tenant shall furnish Owner with state automobile license numbers assigned to Tenant's car or cars, and cars of Tenant's employees, within five (5) days after taking possession of the Leased Premises and shall thereafter notify Owner of any changes within five (5) days after such changes occur. In the event that Tenant or Tenant's Agent fail to park their cars in designated parking areas as aforesaid, then Owner at its option shall charge Tenant Twenty-Five Dollars ($25.00) per day per car parked in any area other than those designated as and for liquidated damages. Tenant hereby authorizes Owner to remove from the Shopping Center any of Tenant's cars or cars belonging to Tenant's employees and/or to attach violation stickers or notices to such cars, and Tenant hereby waives and releases Owner and hereby indemnifies Owner against all claims, liabilities, costs and expanses which may result therefrom.

(9) Tenant shall use at Tenant's cost such peat extermination contractor as Owner may direct and at such intervals as Owner may require. If Tenant fails to use such contractor, Owner may at its option have such work performed, and the cost thereof shall become due and payable as Additional Rent by Tenant hereunder upon demand.

(10) All mechanical equipment and machinery shall be kept free of noises and vibrations which may be transmitted to any part of the walls or buildings in which the leased premises are located or beyond the confines of the Leased Premises.

(11) No orders or vapors shall be permitted to emanate from the Leased Premises.

(12) No live animals shall be kept on or about the Leased Premises.

EXHIBIT "C-1" FORM OF LETTER OF CREDIT

(BANK LETTERHEAD)

(INSERT DATE)

IRREVOCABLE LETTER OF CREDIT NO. (INSERT NUMBER)

Hycel Partners I, L.P.
d/b/a Saint Louis Galleria
164 Crestwood Plaza
Suite 200
St Louis, MO 63126

Dear Sir;

At the request and for the account of (INSERT NAME OF TENANT) located at (INSERT ADDRESS OF TENANT) (hereafter called "Applicant"), we hereby establish our Irrevocable letter of Credit No. (INSERT NUMBER) in your favor and authorize you to draw on us up to the aggregate amount of US$ (INSERT AMOUNT OF LETTER OF CREDIT) available by your drafts at sight drawn on us and accompanied by the following:

A written statement by you that:

(I) "Applicant is in default under that certain Lease doled (INSERT DATE OF LEASE) between you, as Owner, and Applicant, as Tenant (the 'Lease');" or

(II) "Applicant has failed to deliver timely a renewal Letter of Credit as provided in the Lease."

This Irrevocable Letter of Credit will be duly honored by us at sight upon delivery of the statement set forth above without inquiry as to the accuracy of such statement and regardless of whether Applicant disputes the contents of such statement.

We hereby engage with you that all drafts drawn under and in compliance with the terms of this Irrevocable Letter of Credit will be duly honored by us if presented at (INSERT ADDRESS OF ISSUING BANK) no later than (INSERT EXPIRATION DATE OF LETTER OF CREDIT), it being a condition of this Irrevocable Letter of Credit that it shall be automatically extended for periods of at least one year from the present and each future expiration date unless, at least sixty (60) days prior to the relevant expiration date, we notify you, by certified mail, return receipt requested, that we elect not to extend this Irrevocable Letter of Credit for any additional period.

This Irrevocable Letter of Credit is transferable at no charge to any transferree of Owner upon notice to the undersigned from you and such transferree.

This Irrevocable Letter of Credit is subject to the Uniform Customs and Practices for Documentary Credits (1993-Rev) International Chamber of Commerce Pupation #500.

Sincerely yours,

(INSERT AUTHORIZED SIGNATURE)

EXHIBIT 10.30

HYCEL PROPERTIES CO.
101 South Hanley Road
Suite 1300
St. Louis, MO 63105-3494
Telephone 314 721-4800
Facsimile 314 721-3663

October 16, 2002

[HYCEL PROPERTIES LOGO]

Ms. Maxine Clark
President and CEB
Build-A-Bear Workshop, Inc.
1954 Innerbelt Business Center Dr.
St. Louis, MO 63114

Dear Maxine:

This letter, when countersigned by you, will confirm that Build-A-Bear Workshop, Inc., a Delaware Corporation (the "Company"), has engaged Hycel Properties Co., a Missouri corporation ("Hycel"), as an independent contractor to serve as the Company's exclusive real estate consultant.

1. Hycel's Real Estate Services

Hycel's services pursuant to this Agreement shall be to act as real estate consultants for the purpose of locating store spaces for the Company in markets identified by the Company as markets in which it wishes to conduct business. Hycel will perform the terms of this Agreement, will exercise reasonable skill and care for the Company and will promote the interests of the Company with the utmost good faith, loyalty and fidelity. No offer of subagency will be made without the Company's prior written approval. Hycel may also recommend markets. Hycel will use reasonable efforts to find retail locations in those markets and to this end will provide the following services:

(a) Identify and locate suitable locations for occupancy, such as malls, specialty centers and other specific locations to meet the Company's needs; and

(b) Obtain proposals for desired locations and negotiate all business terms with the property owner's representative, subject to the Company's approval.

2. Company to Furnish Information

The Company agrees to furnish to Hycel such information with respect to the Company as Hycel may reasonably request in connection with the services to be rendered by Hycel hereunder. The Company represents that all information furnished to Hycel will be accurate and complete in all material respects to the best of the Company's knowledge and belief, after reasonable investigation.

3. Exclusivity

During the term of this agreement, Hycel shall be the exclusive United States agent for the Company in performing the types of services that Hycel is to perform as set forth in paragraph 1 above.

During the term of this Agreement, Hycel shall not represent as agent, finder, or broker any other person whose business, in whole or in part, is the sale of, at retail, stuffed animals or whose major business is the sale of toys, by doing any of the activities for such other company that Hycel is doing for Company as set forth in paragraph 1 above.

4. Fees and Reimbursements of Expenses

(a) As compensation for Hycel's services under paragraph 1, the Company shall pay or cause to be paid to Hycel fees as follows:

(i) Commencing on November 1, 2002, through and including December 31, 2005, a monthly fee due on the first of each month in the amount of Four Thousand Dollars ($4,000.00).

(ii) For each lease executed by the Company, for a property in the United States, a fee of Seven Thousand Five Hundred Dollars ($7,500,00), payable within ten (10) days after execution.

(iii) For each lease executed by the Company, for a property in Canada, a fee of One Thousand Dollars ($1,000.00), payable within Ten (10) days after execution.

(b) In addition, the Company shall pay all out-of-pocket expenses of Hycel however, travel and other travel related expenses shall be reimbursed at their cost plus ten percent (10%), whether or not a proposal to lease a certain location is accepted. Any out-of-town travel and any other single out-of-pocket expense item in excess of $750.00 shall be pre-approved by the Company. On a monthly basis, the expenses under this paragraph 4(b) will be reimbursed by the Company.

5. Term

The term of this Agreement shall commence on November 1, 2002 and shall terminate on December 31, 2005. If a lease is subsequently accepted by the Company that was negotiated by Hycel prior to the termination of this Agreement, the fees and expenses referred to above will be due and payable upon the execution of the lease. Any of the Company's obligations that have accrued prior to the termination of this Agreement shall survive the termination of this Agreement.

6. Assignment

This Agreement shall not be assigned by either the Company or Hycel without the prior written consent of the other party, such consent not to be unreasonably withheld; provided, however, if requested by Hycel, the Company will consent to the assignment of this Agreement to another entity so long as Hycel or Mark H. Zorensky owns at least fifty percent (50%) interest in such entity.

7. Proprietary Information

The parties acknowledge that, during the course of Hycel's dealings on behalf of Company as well as for the third parties, Hycel has developed or become acquainted with, and in the future may develop or become acquainted with, data, concepts, studies, demographics, and other information pertaining to retail properties, tenants, rentals, sales, markets, businesses, and associated industries (the "Property"). Hycel will use the Property in fulfilling its obligations under this Agreement. Company agrees that the Property shall, however, remain the exclusive property of Hycel, and Hycel shall have all economic benefits resulting therefrom, including all rights to use the Property in providing real estate consulting or other services for its own account, to affiliates, or to third parties. Company further agrees to maintain in strict confidence any of the Property disclosed to Company, and agrees to restrict access to the Property to the employees and agents of Company on a "need-to-know" basis, to require its employees and agents to maintain strict confidentiality with respect to the Property, and to refrain from disclosing, divulging or communicating the Property, directly or indirectly, to others (unless compelled by court order or governmental authority).

8. Claims

Hycel and the Company will indemnify, defend and save harmless the other from and against all "Claims" as that term is defined. Both parties agree to defend at their cost any Claims against them with respect to the foregoing or in which they may be impleaded. Each party shall pay, satisfy and/or discharge any judgements, orders and decrees that may be rendered against themselves in connection with the foregoing. As used herein, "Claims" shall mean all claims, suits, proceedings, actions, demands, causes of action, responsibility, liability, judgments, executions, damages, loss and expense (including attorney's fees).

If this letter correctly sets forth the Company's understanding, please sign and return one (1) copy of this letter. Upon receipt by Hycel this letter shall be deemed a binding agreement in accordance with the laws of the State of Missouri. The parties agree to submit to the jurisdiction of the courts in the State of Missouri.

Sincerely,

HYCEL PROPERTIES CO.

/s/ Mark H. Zorensky

Mark H. Zorensky
President

MHZ/jap

ACCEPTED AND AGREED TO AS OF THE DATE FIRST ABOVE WRITTEN BUILD-A-BEAR WORKSHOP, INC.

BY: /s/ Maxine Clark

Name: Maxine Clark
Title: CEB

EXHIBIT 10.31

HYCEL PROPERTIES CO.
HYCEL RETAIL CROUP
7817 Forsyth Blvd.
St. Louis, MO 63105-3307
Telephone 314 721-4800
Facsimile 314 721-3663

CONSTRUCTION MANAGEMENT AGREEMENT

THIS AGREEMENT is made and entered into this 16th day of November 2003, by and between Hycel Properties Co., a Missouri corporation ("Hycel"), and Build-A-Bear Workshop, Inc., a Missouri Corporation (the "Company").

RECITALS

WHEREAS, Hycel and the Company have entered into an agreement for Hycel to provide real estate consulting services to the Company; and

WHEREAS, Hycel has offered to provide construction management services to the Company for the construction of the Company's Build-A-Bear Workshop stores; and

WHEREAS, the Company desires to have Hycel provide construction management services to the Company,

NOW THEREFORE, in consideration of the mutual covenants hereinafter exchanged, it is agreed as follows:

1. Construction Management Services

Hycel will provide the following services in connection with the construction of the Company's new stores:

(a) Design/Plan Review

Hycel will work closely with the Company's architect and engineers to assist in the development of a detailed set of architectural and engineering drawings and specifications. Upon receipt of the architectural and engineering drawings from the Company's architect, as-builts from the previous tenant build-out, landlord's tenant design criteria and the lease sections relating to construction, Hycel's personnel will review the drawings before submittal to the landlord and for building permit.

(b) Bidding & Permits

Hycel will prepare bid forms and invitation to bid letters to accompany the architectural and engineering drawings to be distributed to selected general contractors the Company has approved to handle the general construction of the space as well as for all millwork, theming, signage, graphics and other special equipment. Applications for building permits will be made as well as the

submittal for landlord approval. Bids will be evaluated and a recommendation will be provided to the Company. A contract will be prepared for the general contractor with the Company's approval.

(c) Construction Supervision

Hycel's personnel will monitor the day-to-day activities of the general contractor and coordinate scheduling and material and equipment deliveries. Discrepancies, field conditions and requests for additional information will be handled and resolved. Periodic visits to the project will be made from pre-construction through the construction phase of the project to monitor progress and quality.

(d) Punchlist/Close-Out

A final visit to the project will be made upon substantial completion of construction. A punchlist will be prepared noting all items not completed or requiring rework to make the store ready for occupancy and operation.

(e) Pay Request Review

All requests for payment, including change orders, will be reviewed and evaluated. Lien waivers will be obtained, reviewed and compared to the pay requests. All required documentation from the general contractor and equipment, fixture and other suppliers, including the completion of punchlist items, will be obtained. Hycel will advise the Company that the contractor may be paid.

2. Fees and Reimbursement of Expenses

(a) As compensation for Hycel's services under this Agreement, the Company shall pay, or cause to be paid, to Hycel a fee (the "Construction Management Fee") of:

Two Hundred Fifty-Two Thousand Dollars ($252,000). This fee is for up to 15 stores and a store in Manhattan, New York, which shall count as three (3) stores for a total of eighteen (18) new stores. The parties agree that the exact location of any store cannot be determined. Should the company desire to utilize Hycel for additional stores (more than 18 stores, or 15 stores and a store in Manhattan, New York which shall count as 3 stores), the Construction Management Fee will be Fourteen Thousand Dollars ($14,000) per store and shall be paid 50% at the start of construction and 50% upon the store opening business.

The Construction Management Fee outlined above shall be paid as follows: Twelve (12) monthly payments of Twenty One-Thousand and 00/100 Dollars ($21,000.00) on the first of each month commencing January 2004 through December 2004. Any additional stores shall be paid as outlined above.

(b) The fee paid under paragraph 2(a) above does not include changes to existing stores or trouble shooting. If the Company requests additional store design or construction services not covered in the scope of this Agreement, such services will be billed to the Company monthly at the rate One Hundred Twenty-Five Dollars ($ 125.00) per hour if such services are performed by a senior construction staff member, at the rate of Seventy-Nine Dollars ($79.00) per hour for a construction crew staff member and at the rate of Fifty-Six Dollars ($56.00) per hour if such services are performed by support staff to the construction staff member.

(c) The fee paid under paragraph 2(a) and 2(b) above does not cover expenses. In addition, the Company shall pay all out-of-pocket expenses of Hycel, however, travel and other travel related expenses shall be reimbursed at their cost plus overhead at ten percent (10%). Any single out-of-pocket expense item in excess of $750.00 shall be pre-approved by the Company. On a monthly basis, the Company will reimburse the expenses within ten (10) days after receipt of an invoice.

3. Term

The term of this agreement shall commence on January 1, 2004 and shall terminate on December 31, 2004. If Hycel's personnel have provided construction management or other services prior to the termination of this Agreement, the fees and expenses referred to above will be due and payable upon the completion of construction, as the case may be. Any of the Company's obligations that have accrued prior to the termination of this Agreement shall survive the termination of this Agreement.

4. Assignment

This Agreement shall not be assigned by either the Company or Hycel without the prior written consent of the other party, such consent not to be unreasonably withheld; provided, however, if requested by Hycel, the Company will consent to the assignment of this Agreement to another entity so long as Hycel or Mark H. Zorensky owns at least fifty percent (50%) interest in such entity.

5. Disclaimer

The Company understands that Hycel does not purport to offer architectural and engineering services or installation and construction services (collectively "Construction Services"). The Company shall contract for Construction Services and the Company shall, at its cost, defend any claims against Hycel with respect to said Construction Services. The Company shall pay, satisfy and/or discharge any judgments, orders and decrees, which may be rendered against Hycel in connection with the foregoing.

6. Claims

Hycel and the Company will indemnify, defend and save harmless the other from and against all "Claims", as that term is defined, based upon the indemnifying party's negligence or intentional misconduct. As used herein, "Claims" shall mean all claims, suits, proceedings, actions, demands, causes of action, responsibility, liability, judgments, executions, damages, loss and expense (including attorney's fees.)

7. Notices

All notices called for hereunder shall be deemed delivered one day after having been posted in the United States mail, postage prepaid, at the address shown on the signature page of this Agreement, which address may be changed by either party by giving notice as called for herein-

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

HYCEL PROPERTIES CO.	BUILD-A-BEAR WORKSHOP, INC.
By: /s/ Mark H. Zorensky --- Mark H. Zorensky President	By: /s/ Brian Vent --- Name: BRIAN VENT Title: C.O.B.
7817 Forsyth Blvd. St. Louis, MO 63105	1954 Innerbelt Business Center Dr. St. Louis, MO 63114

CONSTRUCTION MANAGEMENT AGREEMENT

THIS AGREEMENT is made and entered into this 9th day of October 2001, by and between Hycel Properties Co., a Missouri corporation ("Hycel"), and Build-A-Bear Workshop, Inc., a Missouri Corporation (the "Company").

RECITALS

WHEREAS, Hycel and the Company have entered into an agreement for Hycel to provide real estate consulting services to the Company; and

WHEREAS, Hycel has offered to provide construction management services to the Company for the construction of the Company's Build-A-Bear Workshop stores; and

WHEREAS, the Company desires to have Hycel provide construction management services to the Company,

NOW THEREFORE, in consideration of the mutual covenants hereinafter exchanged, it is agreed as follows:

1. Construction Management Services

Hycel will provide the following services in connection with the construction of the Company's new stores:

(a) Design/Plan Review

Hycel will work closely with the Company's architect and engineers to assist in the development of a detailed set of architectural and engineering drawings and specifications. Upon receipt of the architectural and engineering drawings from the Company's architect, as-builts from the previous tenant build-out, landlord's tenant design criteria and the lease sections relating to construction, Hycel's personnel will review the drawings before submittal to the landlord and for building permit.

(b) Bidding & Permits

Hycel will prepare bid forms and invitation to bid letters to accompany the architectural and engineering drawings to be distributed to selected general contractors the Company has approved to handle the general construction of the space as well as for all millwork, theming, signage, graphics and other special equipment. Applications for building permits will be made as well as the submittal for landlord approval. Bids will be evaluated and a

See agreement dated Nov 10, 2003

recommendation will be provided to the Company. A contract will be prepared for the general contractor with the Company's approval.

(c) Construction Supervision

Hycel's personnel will monitor the day-to-day activities of the general contractor and coordinate scheduling and material and equipment deliveries. Discrepancies, field conditions and requests for additional information will be handled and resolved. Periodic visits to the project will be made from pre-construction through the construction phase of the project to monitor progress and quality.

(d) Punchlist/Close-Out

A final visit to the project will be made upon substantial completion of construction. A punchlist will be prepared noting all items not completed or requiring rework to make the store ready for occupancy and operation.

(e) Pay Request Review

All requests for payment, including change orders, will be reviewed and evaluated. Lien waivers will be obtained, reviewed and compared to the pay requests. All required documentation from the general contractor and equipment, fixture and other suppliers, including the completion of punchlist items, will be obtained. Hycel will advise the Company that the contractor may be paid.

2. Fees and Reimbursement of Expenses

(a) As compensation for Hycel's services under this Agreement, the Company shall pay, or cause to be paid, to Hycel a fee (the "Construction Management Fee") of:

Three Hundred Eighty-Two Thousand Two Hundred Dollars ($382,200.00). This fee constitutes payment for up to thirty (30) new stores. The parties agree that the exact location of any store cannot be determined. Should the Company desire to utilize Hycel for additional stores (more than 30 stores), the Construction Management Fee will be Twelve Thousand One Hundred Thirty Three Dollars ($12,133.00) per store and shall be paid 50% at the start of construction and 50% upon the store opening for business.

The Construction Management Fee outlined above shall be paid as follows: Twelve (12) monthly payments of Thirty One-Thousand Eight Hundred Fifty Dollars and 00/100 ($31,850.00) on the first of

each month commencing January 2002 through December 2002. Any additional stores shall be paid as outlined above.

(b) The fee paid under paragraph 2(a) above does not include changes to existing stores or trouble shooting. If the Company requests additional store design or construction services not covered in the scope of this Agreement, such services will be billed to the Company monthly at the rate One Hundred Four Dollars ($104.00) per hour if such services are performed by a senior construction staff member, at the rate of Seventy-One Dollars ($71.00) per hour for a construction crew staff member and at the rate of Fifty Dollars ($50.00) per hour if such services are performed by support staff to the construction staff member.

(c) The fee paid under paragraph 2(a) and 2(b) above does not cover expenses. In addition, the Company shall pay all out-of-pocket expenses of Hycel (including travel and other travel related expenses) at their cost plus overhead at ten percent (10%). Any single out-of-pocket expense item in excess of $500.00 shall be pre-approved by the Company. On a monthly basis, the Company will reimburse the expenses within ten (10) days after receipt of an invoice.

3. Term

The term of this agreement shall commence on January 1, 2002 and shall terminate on December 31, 2001. If Hycel's personnel have provided construction management or other services prior to the termination of this Agreement, the fees and expenses referred to above will be due and payable upon the completion of construction, as the case may be. Any of the Company's obligations that have accrued prior to the termination of this Agreement shall survive the termination of this Agreement.

4. Assignment

This Agreement shall not be assigned by either the Company or Hycel without the prior written consent of the other party, such consent not to be unreasonably withheld; provided, however, if requested by Hycel, the Company will consent to the assignment of this Agreement to another entity so long as Hycel or Mark H. Zorensky owns at least fifty percent (50%) interest in such entity.

5. Disclaimer

The Company understands that Hycel does not purport to offer architectural and engineering services or installation and construction services (collectively "Construction Services"). The Company shall contract for Construction Services and the Company shall, at its cost, defend any claims against Hycel with respect to

said Construction Services. The Company shall pay, satisfy and/or discharge any judgments, orders and decrees, which may be rendered against Hycel in connection with the foregoing.

6. Notices

All notices called for hereunder shall be deemed delivered one day after having been posted in the United States mail, postage prepaid, at the address shown on the signature page of this Agreement, which address may be changed by either party by giving notice as called for herein.

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

HYCEL PROPERTIES CO.	BUILD-A-BEAR WORKSHOP, INC.
By: /s/ Mark H. Zorensky	By:[ILLEGIBLE]
----------	----------
Mark H. Zorensky	Name:
President	Title:
101 South Hanley Road, Suite 1300	1954 Innerbelt Business Center Dr.
St. Louis, MO 63105	St. Louis, MO 63114

EXHIBIT 10.32

AGREEMENT

In consideration of one dollar and other monies already paid and the mutual covenants and promises contained in this Agreement, and for other valuable consideration, the sufficiency of which is hereby acknowledged, Adrienne Weiss Company with an address at 875 North Michigan Avenue, Suite 3700, Chicago, IL 60611(hereinafter "CONTRACTOR") hereby contracts with Build-A-Bear Workshop, Inc. a Delaware corporation, with principal offices at 1954 Innerbelt Business Center Drive, St. Louis, Missouri 63114 (hereinafter "OWNER"), as follows:

1. CONTRACTOR has been commissioned or contracted to design and create or has already designed and created certain audio, visual, musical, literary, graphic, dramatic, architectural, textual, software or other works, designs or processes or systems as described as follows: graphic projects that support brand identification, promotion development new products, entertainment products and expansion of the Build-A-Bear Workshop brand (a sample or description of which is attached hereto as Exhibit A). All such works, including without limitation all manners of dimensions, presentations, embodiments or forms thereof in any medium, and any revisions, alterations, variations or derivative works thereof, and any ideas, inventions, processes, designs, whether patentable, copyrightable or susceptible to other forms of intellectual property protection associated therewith or resulting therefrom, are hereinafter collectively referred to as the "Works".

2. CONTRACTOR hereby assigns, transfers and conveys to OWNER the entire worldwide right, title and interest including worldwide copyright in and to the Works, including all reproduction rights present and future and any and all manners of dimensions, presentations, embodiments and/or forms thereof, and all derivative Works thereof which CONTRACTOR may now or hereinafter author in whole or part. CONTRACTOR warrants that the Works are the original works of the CONTRACTOR or its predecessor in interest, that CONTRACTOR owns the entire valid, subsisting and exclusive right, title and interest in the Works including without limitation exclusive claim to copyright therein; and that such Works have not been licensed, assigned, mortgaged or otherwise encumbered. Any other work, idea, invention design process or other intellectual property which CONTRACTOR may hereinafter create as part of any further contract or commission from OWNER or created at the request of OWNER or for which payment is made by OWNER to CONTRACTOR or which is associated with or results from any such commission, contract, request or payment by OWNER shall be deemed Works subject to the terms of this Agreement [and a sample of same shall be included as an exhibit hereto].

3. CONTRACTOR hereby indemnifies, defends, and holds OWNER harmless for any breach of this agreement or any of the warranties and representations made herein or any claim against OWNER or its assigns, or others in privity with it, for copyright infringements, unfair competition, unfair trade practice, unjust enrichment, fraud or

infringement or violation of any intellectual property right relating to or by reason of uses of Works.

4. Without limitation to any provision of this agreement, CONTRACTOR expressly acknowledges and agrees that it will not provide such Works or any derivative or substantially similar Works to any other party notwithstanding that such Works may be of a different color, size, texture or fabric.

5. CONTRACTOR covenants that it will execute any and all documents required by OWNER for the purpose of implementing CONTRACTOR'S obligations under Paragraph two (2) above for confirming OWNER'S ownership.

6. If CONTRACTOR is an individual (as opposed to a corporation):
CONTRACTOR'S birth date is:_____
CONTRACTOR is a citizen of United States

7. This Agreement shall be governed by the internal laws of the State of Missouri, and federal intellectual property laws, without regard for choice of law. The parties agree that any dispute arising out of this Agreement shall be litigated solely in the federal and state courts located in the City or County of St. Louis, Missouri, and CONTRACTOR hereby submits to the exclusive jurisdiction of such courts.

8. If any provision of this Agreement is deemed invalid or unenforceable by any court of competent jurisdiction, such provision shall be deemed amended to conform to applicable law so as to be valid, legal and enforceable in such jurisdiction. If such provision cannot be amended without materially altering the intention of the parties, it shall be stricken and the remainder of this Agreement shall continue in full force and effect.

9. CONTRACTOR agrees to maintain any designs, drawings, business plans, prototypes, materials, documents, methods of business, inventions, trade secrets and other proprietary information associated with the Works or OWNER'S business, whether in tangible form, or communicated orally or in writing, or observed by CONTRACTOR ("Confidential Information") in confidence, and agrees that any employees of CONTRACTOR who have access to such Confidential Information shall likewise be bound to maintain such information in confidence, until such time as OWNER discloses such information to the public, or such information becomes available to the public through no fault of CONTRACTOR. Should CONTRACTOR or employees of CONTRACTOR have any doubt as to what constitutes Confidential Information, CONTRACTOR and its employees

agree to request clarification in writing form OWNER, who will advise CONTRACTOR and its employees accordingly in writing.

10. This Agreement is the entire agreement between the parties and shall not be modified amended or altered in any manner except by written agreement of the parties.

11. This Agreement shall inure to the benefit of, and be binding upon, the parties, their heirs, successors and assigns.

BUILD-A-BEAR WORKSHOP, INC.

By: /s/ Maxine Clark

Printed Name: Maxine Clark
Title: President
Date: 7/19/01

ADRIENNE WEISS CORPORATION

By: /s/ Adrienne Weiss

Printed Name: Adrienne Weiss
Date: July 16, 2001

AGREEMENT

In consideration of one dollar and other monies already paid and the mutual covenants and promises contained in this Agreement, and for other valuable consideration, the sufficiency of which is hereby acknowledged, Adrienne Weiss Corporation with an address at _____ (hereinafter "CONTRACTOR") hereby contracts with Build-A-Bear Workshop, Inc. a Delaware corporation, with principal offices at 1954 Innerbelt Business Center Drive, St. Louis, Missouri 63114 as successor in interest to Build-A-Bear Workshop, L.L.C., and Smart Stuff, Inc. (hereinafter "OWNER"), as follows:

1. CONTRACTOR has been commissioned or contracted to design and create or has already designed and created certain audio, visual, musical, literary, graphic, dramatic, architectural, textual, software or other works, designs or processes or systems as described as follows: Teddy Bear Hanger, and the "CHOOSE ME" jingles, with and without designs, (a sample or description of which is attached hereto as Exhibit A). All such works, including without limitation all manners of dimensions, presentations, embodiments or forms thereof in any medium, and any revisions, alterations, variations or derivative works thereof, and any ideas, inventions, processes, designs, whether patentable, copyrightable or susceptible to other forms of intellectual property protection associated therewith or resulting therefrom, are hereinafter collectively referred to as the "Works".

2. CONTRACTOR hereby assigns, transfers and conveys to OWNER the entire worldwide right, title and interest including worldwide copyright in and to the Works, including all reproduction rights present and future and any and all manners of dimensions, presentations, embodiments and/or forms thereof, and all derivative Works thereof which CONTRACTOR may now or hereinafter author in whole or part. CONTRACTOR warrants that the WORKS are the original works of the CONTRACTOR or its predecessor in interest; that CONTRACTOR owns the entire valid, subsisting and exclusive right, title and interest in the Works including without limitation exclusive claim to copyright therein; and that such Works have not been licensed, assigned, mortgaged or otherwise encumbered. Any other work, idea, invention design process or other intellectual property which CONTRACTOR may hereinafter create as part of any further contract or commission from OWNER or created at the request of OWNER or for which payment is made by OWNER to CONTRACTOR or which is associated with or results from any such commission, contract, request or payment by OWNER shall be deemed Works subject to the terms of this Agreement [and a sample of same may be included as an exhibit hereto].

3. CONTRACTOR hereby indemnifies, defends, and holds OWNER harmless for any breach of this agreement or any of the warranties and representations made herein or any claim against OWNER or its assigns, or others in privity with it, for copyright infringements, unfair competition, unfair trade practice, unjust enrichment, fraud or infringement or violation of any intellectual property right relating to or by reason of uses of works.

4. Without limitation to any provision of this agreement, CONTRACTOR expressly acknowledges and agrees that it will not provide such Works or any derivative or substantially similar Works to any other party notwithstanding that such Works may be of a different color, size, texture or fabric.

5. CONTRACTOR covenants that it will execute any and all documents required by OWNER for the purpose of implementing CONTRACTOR'S obligations under Paragraph two (2) above for confirming OWNER'S ownership.

6. If CONTRACTOR is an individual (as opposed to a corporation):
CONTRACTOR'S birth date is: _____
CONTRACTOR is a citizen of United States

7. This Agreement shall be governed by the internal laws of the State of Missouri, and federal intellectual property laws, without regard for choice of law. The parties agree that any dispute arising out of this Agreement shall be litigated solely in the federal and state courts located in the City or County of St. Louis, Missouri, and CONTRACTOR hereby submits to the exclusive jurisdiction of such courts.

8. If any provision of this Agreement is deemed invalid or unenforceable by any court of competent jurisdiction, such provision shall be deemed amended to conform to applicable law so as to be valid, legal and enforceable in such jurisdiction. If such provision cannot be amended without materially altering the intention of the parties, it shall be stricken and the remainder of this Agreement shall continue in full force and effect.

9. CONTRACTOR agrees to maintain any designs, drawings, business plans, prototypes, materials, documents, methods of business, inventions, trade secrets and other proprietary information associated with the Works or OWNER'S business, whether in tangible form, or communicated orally or in writing, or observed by CONTRACTOR ("Confidential Information") in confidence, and agrees that any employees of CONTRACTOR who have access to such Confidential Information shall likewise be bound to maintain such information in confidence, until such time as OWNER discloses such information to the public, or such information becomes available to the public through no fault of CONTRACTOR. Should CONTRACTOR or employees of CONTRACTOR have any doubt as to what constitutes Confidential Information, CONTRACTOR and its employees agree to request clarification in writing from OWNER, who will advise CONTRACTOR and its employees accordingly in writing.

10. This Agreement is the entire agreement between the parties and shall not be modified amended or altered in any manner except by written agreement of the parties.

11. This Agreement shall inure to the benefit of, and be binding upon, the parties, their heirs, successors and assigns. The parties acknowledge that OWNER is successor in interest to Build-A-Bear Workshop, L.L.C., and Smart Stuff, Inc., and this Agreement shall be equally effective in conveying all rights in the works to OWNER just as though those rights were first assigned to OWNER'S predecesser companies and then conveyed to OWNER.

12. This Agreement is effective, nunc pro tunc, as of creation of the works.

BUILD-A-BEAR WORKSHOP, INC.	ADRIENNE WEISS CORPORATION
By: /s/ Maxine Clark	By: /s/ Adrienne Weiss
Printed Name: Maxine Clark	Printed Name: Adrienne Weiss
Title: President	Title: CEO

EXHIBIT A

1. All "CHOOSE ME" jingles, with and without designs, including in particular:

   A. Choose Me Stuff Me Stitch Me Fluff Me Take Me Home

   B. Choose Me Stuff Me Stitch Me Fluff Me Dress Me Hear Me Name Me Take Me Home

   C. Choose Me Hear Me Stuff Me Stitch Me Fluff Me Name Me Dress Me Take Me Home

   D. All other variations, derivative works, and presentations, with and without designs, including but not limited to the attached designs.

2. Teddy Bear Hanger (copy attached)

[GRAPHIC]

CHOOSE ME

STUFF ME

STITCH ME

FLUFF ME

DRESS ME

TAKE ME HOME

[GRAPHIC]

BUILD - A - BEAR HANGER.

(FRONT)

BUILD - A - BEAR HANGER.

(BACK)

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.
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EXHIBIT 21.1

SUBSIDIARIES OF BUILD-A-BEAR WORKSHOP, INC.

Subsidiary:	Jurisdiction of Incorporation/Organization:
---- Build-A-Bear Entertainment, LLC	Missouri
Build-A-Bear Workshop Franchise Delaware Holdings, Inc.	Delaware
Build-A-Bear Workshop Canada Ltd.	New Brunswick
Build-A-Bear Retail Management, Inc.	Delaware

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use of our report included herein and to the reference to our firm under the heading "Experts" in the prospectus.

As discussed in Note 2(q) to the consolidated financial statements, the Company adopted Emerging Issues Task Force Issue No. 03-6, Participating Securities and the Two-Class Method under FASB Statement No. 128, Earnings Per Share.

/s/ KPMG LLP
St. Louis, Missouri
August 11, 2004