

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 8-K

CURRENT REPORT

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

Date of Report: September 26, 1995

FEDERATED DEPARTMENT STORES, INC.

1440 Broadway, New York, New York 10018  
(212) 840-1440

-and-

7 West Seventh Street, Cincinnati, Ohio 45202  
(513) 579-7000

Delaware                      1-13536                      13-3324058

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(State of Incorporation) (Commission File No.) (IRS Id. No.)

Exhibit Index on Page 4

Item 5. Other Events  
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This Current Report on Form 8-K is being filed with the Securities and Exchange Commission by Federated Department Stores, Inc. ("Federated") for the purpose of filing the Underwriting Agreement, dated as of September 22, 1995, between Federated and the underwriters named therein and the form of Fourth Supplemental Indenture, dated as of September 27, 1995, between Federated and the First National Bank of Boston, as Trustee, as exhibits hereto.

Item 7. Financial Statements, Pro Forma Financial  
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Information and Exhibits.  
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The following exhibits are filed herewith:

1. Underwriting Agreement, dated as of September 22, 1995, between Federated Department Stores, Inc. and the underwriters named therein.
4. Form of Fourth Supplemental Trust Indenture, dated as of September 27, 1995, between Federated Department Stores, Inc. and The First National Bank of Boston, as Trustee.

#### SIGNATURES

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

FEDERATED DEPARTMENT STORES, INC.

Date: September 26, 1995 By: /s/ Dennis J. Broderick

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Dennis J. Broderick  
Senior Vice President,  
General Counsel and  
Secretary

#### EXHIBIT INDEX

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Exhibit Number	Description	Page
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1. Underwriting Agreement, dated as of September 22, 1995, between Federated Department Stores, Inc. and the underwriters named therein.
4. Form of Fourth Supplemental Trust Indenture, dated as of September 27, 1995, between Federated Department Stores, Inc. and The First National Bank of Boston, as Trustee.

Federated Department Stores, Inc.

5% Convertible Subordinated Notes due 2003

Underwriting Agreement

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September 22, 1995

Goldman, Sachs & Co.  
CS First Boston Corporation,  
c/o Goldman, Sachs & Co.  
85 Broad Street,  
New York, New York 10004

Ladies and Gentlemen:

Federated Department Stores, Inc., a Delaware corporation (the "Company"), proposes, subject to the terms and conditions stated herein, to issue and sell to you (the "Underwriters") an aggregate of \$305,000,000 principal amount of Notes specified above (the "Firm Securities"). In addition, the Company proposes to grant to the Underwriters named in Schedule I hereto (the "Underwriters") an option to purchase up to an additional \$45,000,000 principal amount of Notes (the "Option Securities"). The Firm Securities and the Option Securities, if purchased, are hereinafter collectively called the "Securities". The Securities will be convertible into shares of Common Stock, par value \$0.01 per share (the "Common Stock"), of the Company, upon the terms and subject to the conditions and adjustments set forth in the Indenture, dated as of December 15, 1994 (the "Indenture"), as supplemented by the Fourth Supplemental Indenture (the "Supplemental Indenture"), between the Company and The First National Bank of Boston, as Trustee (the "Trustee").

1. The Company represents and warrants to, and agrees with, each of the Underwriters that:

(a) A registration statement on Form S-3 (File No. 33-59691) in respect of the Securities has been filed with the Securities and Exchange Commission (the "Commission"); such registration statement and any post-effective amendment thereto, each in the form heretofore delivered or to be delivered to the Underwriters without exhibits thereto, but with documents incorporated by reference in the prospectus contained therein, have been declared effective by the Commission in such form; no other document with respect to such registration statement or document incorporated by reference therein has heretofore been filed or transmitted for filing with the Commission (other than prospectuses filed or to be filed pursuant to Rule 424(b) of the rules and regulations of the Commission under the Securities Act of 1933, as amended (the "Act")), each in the form heretofore delivered or to be delivered to the Underwriters; and no stop order suspending the effectiveness of such registration statement has been issued and no proceeding for that purpose has been initiated or threatened by the Commission (any preliminary prospectus included in such registration statement or filed with the Commission pursuant to Rule 424(a) under the Act is hereinafter called a "Preliminary Prospectus"); the various parts of such registration statement, including all exhibits thereto and the documents

incorporated by reference in the prospectus contained in the registration statement at the time such part of the registration statement became effective but excluding Form T-1, each as amended at the time such part of the registration statement became effective, are hereinafter collectively called the "Registration Statement"; the prospectus relating to the Securities, in the form in which it has most recently been filed, or transmitted for filing, with the Commission on or prior to the date of this Agreement, being hereinafter called the "Prospectus"; any reference herein to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Act, as of the date of such Preliminary Prospectus or Prospectus, as the case may be; any reference to any amendment or supplement to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any documents filed after the date of such Preliminary Prospectus or Prospectus, as the case may be, under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and incorporated by reference in such Preliminary Prospectus or Prospectus, as the case may be; any reference to any amendment to the Registration Statement shall be deemed to refer to and include any annual report of the Company filed pursuant to Sections 13(a) or 15(d) of the Exchange Act after the effective date of the Registration Statement that is incorporated by reference in the Registration Statement; and any reference to the Prospectus as amended or supplemented shall be deemed to refer to the Prospectus as amended or supplemented in relation to the Securities in the form in which it is filed with the Commission pursuant to Rule 424(b) under the Act in accordance with Section 5(a) hereof, including any documents incorporated by reference therein as of the date of such filing);

(b) The documents incorporated by reference in the Prospectus, when they became effective or were filed with the Commission, as the case may be, conformed in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder, and none of such documents contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein, or necessary to make the statements therein not misleading; and any further documents so filed and incorporated by reference in the Prospectus or any further amendment or supplement thereto, when such documents become effective or are filed with the Commission, as the case may be, will conform in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder and will not contain 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; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by the Underwriters through Goldman, Sachs & Co. expressly for use in the Prospectus as amended or supplemented;

(c) The Registration Statement and the Prospectus conform, and any further amendments or supplements to the Registration Statement or the Prospectus will conform, in all material respects to the requirements of the Act and the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), and the rules and regulations of the Commission thereunder and do not and will not, as of the applicable effective date as to the Registration Statement and any amendment thereto and as of the applicable filing date as to the Prospectus and any amendment or supplement thereto, contain an untrue

to be stated therein or necessary to make the statements therein not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by the Underwriters through Goldman, Sachs & Co. expressly for use in the Prospectus as amended or supplemented;

(d) There has not been any material adverse change in the business, financial position or results of operations of the Company and its subsidiaries, taken as a whole, from the respective dates as of which information is given in the Registration Statement and the Prospectus. Neither the Company nor any of its subsidiaries has sustained since the date of the latest audited financial statements included or incorporated by reference in the Prospectus any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Prospectus as amended or supplemented; and, since the respective dates as of which information is given in the Registration Statement and the Prospectus, there has not been any change in the capital stock (other than immaterial issuances and forfeitures of stock in connection with equity-based compensation plans of executive officers of the Company or as set forth or contemplated in the Prospectus as amended or supplemented, or any increase in excess of \$25,000,000 in long-term debt of the Company or any of its subsidiaries otherwise than as set forth or contemplated in the Prospectus as amended or supplemented, or any material adverse change, or any development involving a prospective material adverse change, in or affecting the general affairs, management, financial position, shareholders' equity or results of operations of the Company and its subsidiaries, otherwise than as set forth or contemplated in the Prospectus as amended or supplemented;

(e) The Company and its subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them, in each case free and clear of all liens, encumbrances and defects except such as are disclosed in the Prospectus as amended or supplemented, or as do not, individually or in the aggregate, have a material adverse effect on the business, financial position or results of operations or reasonably foreseeable prospects of the Company and its subsidiaries taken as a whole (a "Material Adverse Effect"); and any real property and buildings held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as would not, individually or in the aggregate, have a Material Adverse Effect;

(f) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, with power and authority (corporate and other) to own its properties and conduct its business as described in the Prospectus as amended or supplemented, and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it is required to be so qualified, except where failure to be so qualified and in good standing individually or in the aggregate would not have a Material Adverse Effect; and each Significant Subsidiary (as such term is defined in Rule 405 under the Act) has been duly incorporated and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation and each subsidiary of the

aggregate, have a Material Adverse Effect;

(g) All of the issued shares of capital stock of the Company have been duly and validly authorized and issued and are fully paid and non-assessable; all of the issued shares of capital stock of each Significant Subsidiary have been duly and validly authorized and issued, are fully paid and non-assessable and (except as otherwise disclosed in the Prospectus as amended or supplemented) are owned directly or indirectly by the Company, free and clear of all material liens, encumbrances, equities or claims; and all of the issued shares of capital stock of each subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims (except as otherwise disclosed in the Prospectus as amended or supplemented or where, individually or in the aggregate, the failure to have been duly and validly authorized and issued, to be fully paid and non-assessable and to be owned directly or indirectly by the Company free and clear of liens, encumbrances, equities or claims would not have a Material Adverse Effect);

(h) The Securities have been duly authorized and, when issued and delivered pursuant to this Agreement, will have been duly executed, authenticated, issued and delivered and will constitute valid and legally binding obligations of the Company entitled to the benefits provided by the Indenture as supplemented by the Supplemental Indenture; all of the shares of Common Stock issuable upon conversion of the Securities have been duly and validly authorized and reserved for issuance upon such conversion and, when issued and delivered in accordance with the terms of the Indenture as supplemented by the Supplemental Indenture, will be duly and validly issued, fully paid and non-assessable; the Indenture has been duly authorized and duly qualified under the Trust Indenture Act; the Indenture and, when executed and delivered by the Company and the Trustee, the Supplemental Indenture, will constitute a valid and legally binding instrument, enforceable in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, and other laws of general applicability relating to or affecting creditors' rights and to general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law; and the Securities, the Common Stock and the Indenture as supplemented by the Supplemental Indenture will conform to the descriptions thereof in the Prospectus as amended or supplemented;

(i) The issue and sale of the Securities and the compliance by the Company with all of the provisions of the Securities, the Indenture as supplemented by the Supplemental Indenture and this Agreement, the consummation of the transactions herein and therein contemplated (other than to the extent set forth in the Prospectus as amended or supplemented under the caption "Description of the Notes-Repurchase at Option of Holders Upon a Change in Control") and the issuance and delivery of shares of Common Stock issuable upon conversion of the Securities will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, sale/leaseback agreement, loan agreement or other similar financing agreement or instrument or other agreement or instrument to which the Company or any of its

subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, except for such conflicts, breaches, violations and defaults as individually or in the

aggregate would not have a Material Adverse Effect, nor will such action result in any material violation of the provisions of the Certificate of Incorporation or By-laws of the Company or any material statute, order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its Significant Subsidiaries or any of their properties, nor will such action result in any violation of the provisions of any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties except for such violations as individually or in the aggregate would not have a Material Adverse Effect; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Securities, the consummation by the Company of the transactions contemplated by this Agreement or the Indenture as supplemented by the Supplemental Indenture or the issuance of shares of Common Stock upon conversion of the Securities, except the registration of the Securities and the Common Stock under the Act, the Exchange Act and such as have been obtained under the Trust Indenture Act and such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Securities by the Underwriters;

(j) Neither the Company nor any of its Significant Subsidiaries (i) is in violation of its certificate of incorporation or by-laws (or comparable governing documents), (ii) is in default, and no event has occurred which, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any material obligation, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or by which it or any of its properties may be bound, or (iii) is in material violation of any material law, ordinance, governmental rule, regulation or court decree to which it or its property is subject, or (iv) has failed to obtain any material license, permit, certificate, franchise or other governmental authorization or permit necessary to the ownership of its property or to the conduct of its business; and none of the subsidiaries of the Company (i) is in violation of its certificate of incorporation or by-laws (or comparable governing documents), (ii) is in default, and no event has occurred which, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any obligation, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or by which it or any of its properties may be bound, or (iii) is in violation of any law, ordinance, governmental rule, regulation or court decree to which it or its property is subject, or (iv) has failed to obtain any license, permit, certificate, franchise or other governmental authorization or permit necessary to the ownership of its property or to the conduct of its business, except for such violations, defaults and failures as individually or in the aggregate would not have a Material Adverse Effect;

(k) The statements set forth in the Prospectus as amended or supplemented under the captions "Description of Debt Securities", "Description of Capital Stock" and "Description of the Notes", insofar as they purport to constitute a summary of the terms of the Securities and the Common Stock, and under the captions "Plan of Distribution" and "Underwriting", insofar as they purport to describe the provisions of the laws and

respectively.

(l) Other than as set forth in the Prospectus as amended or supplemented, there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or of which any property of the Company or any of its subsidiaries is the subject which, if determined adversely to the Company or any of its subsidiaries, would individually or in the aggregate have a Material Adverse Effect; and, to the best of the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

(m) The Company is not and, after giving effect to the offering and sale of the Securities, will not be an "investment company" or an entity "controlled" by an "investment company", as such terms are defined in the Investment Company Act of 1940, as amended (the "Investment Company Act");

(n) Neither the Company nor any of its affiliates does business with the government of Cuba or with any person or affiliate located in Cuba within the meaning of Section 517.075, Florida Statutes; and

(o) KPMG Peat Marwick LLP, who have certified certain financial statements of the Company and its subsidiaries, are independent public accountants as required by the Act and the rules and regulations of the Commission thereunder.

2. (a) Subject to the terms and conditions herein set forth, the Company agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, at a purchase price of 97.5% of the principal amount thereof, plus accrued interest from September 27, 1995 to the First Delivery Date (as such term is defined in Section 4(a) hereof), the principal amount of Firm Securities set forth opposite the name of such Underwriter in Schedule I hereto.

(b) In addition, the Company grants to the Underwriters an option to purchase up to an additional \$45,000,000 principal amount of Option Securities. Such option is granted solely for the purpose of covering over-allotments in the sale of Firm Securities and is exercisable as provided in Section 4 hereof. The principal amount of Option Securities to be purchased by each Underwriter shall be in proportion to the principal amount of Firm Securities set opposite the name of such Underwriter in Schedule I hereto. The purchase price for any Option Securities purchased by the Underwriters shall be 97.5% of the principal amount thereof, plus accrued interest from September 27, 1995 to the Second Delivery Date (as such term is defined in Section 4(c) hereof).

(c) The Company shall not be obligated to deliver any of the Securities to be delivered on the First Delivery Date or the Second Delivery Date, as the case may be, except upon payment for all the Securities to be purchased on such Delivery Date as provided herein.

3. Upon the authorization by the Underwriters of the release of the Firm Securities, the several Underwriters propose to offer the Firm Securities for sale upon the terms and conditions set forth in the Prospectus as amended or supplemented.

4. (a) The Firm Securities to be purchased by each Underwriter hereunder will be represented by one or more definitive global securities in book-entry form which will be deposited by or on behalf of the Company with The Depository Trust Company ("DTC") or its designated custodian. The Company will deliver the Firm Securities to Goldman, Sachs & Co., through the facilities of DTC, for the account of each Underwriter, against payment



by or on behalf of such Underwriter of the purchase price therefor by certified or official bank check or checks, payable to the order of the Company in New York Clearing House (next day) funds. The Company will cause the certificates representing the Firm Securities to be made available to Goldman, Sachs & Co. for checking at least twenty-four hours prior to the First Delivery Date at the office of DTC or its designated custodian (the "Designated Office"). The time and date of such delivery and payment shall be 9:30 a.m., New York City time, on September 27, 1995 or such other time and date as Goldman, Sachs & Co. and the Company may agree upon in writing. Such time and date are herein called the "First Delivery Date".

(b) The documents to be delivered at the First Delivery Date by or on behalf of the parties hereto pursuant to Section 7 hereof, including the cross-receipt for the Securities and any additional documents requested by the Underwriters pursuant to Section 7(j) hereof, will be delivered at the offices of Simpson Thacher & Bartlett, 425 Lexington Avenue, New York, New York 10017 (the "Closing Location"), and the Firm Securities will be delivered at the Designated Office, all at the First Delivery Date. A meeting will be held at the Closing Location at 2:00 p.m., New York City time, on the New York Business Day next preceding the First Delivery Date, at which meeting the final drafts of the documents to be delivered pursuant to the preceding sentence will be available for review by the parties hereto. For purposes of this Section 4, "New York Business Day" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New York are generally authorized or obligated by law or executive order to close.

(c) The option granted in Section 2 is hereby exercised in full. The date and time the Option Securities are to be delivered, which are sometimes referred to as the "Second Delivery Date," shall be the First Delivery Date.

(d) The Option Securities to be purchased by each Underwriter hereunder will be represented by one or more definitive global securities in book-entry form which will be deposited by or on behalf of the Company with the DTC or its designated custodian. On the Second Delivery Date, the Company will deliver the Option Securities to Goldman, Sachs & Co., through the facilities of DTC, for the account of each Underwriter, against payment by or on behalf of such Underwriter of the purchase price therefor by certified or official bank check or checks, payable to the order of the Company in New York Clearing House (next-day) funds. The Company will cause the certificates representing the Option Securities to be made available to Goldman, Sachs & Co. for checking at least twenty-four hours prior to the Second Delivery Date at the Designated Office. Delivery of and payment for the Option Securities shall be made at 9:30 A.M., New York City time, on the Second Delivery Date, or such other time and date as Goldman, Sachs & Co. and the Company may agree upon in writing.

5. The Company agrees with each of the Underwriters:

(a) To prepare the Prospectus as amended or supplemented in a form approved by the Underwriters and to file such Prospectus pursuant to Rule 424(b) under the Act not later than the Commission's close of business on the second business day following the

execution and delivery of this Agreement or, if applicable, such earlier time as may be required by Rule 424(b); to make no further amendment or any supplement to the Registration Statement or Prospectus after the date of this Agreement and prior to the earlier of (i) the thirtieth day following the First Delivery Date or (ii) the Second Delivery Date which shall have been disapproved by the Underwriters promptly after reasonable notice thereof; to advise the Underwriters promptly of such amendment or supplement after such date

and furnish the Underwriters with copies thereof; to file promptly all reports and any definitive proxy or information statements required to be filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act for so long as the delivery of a prospectus is required in connection with the offering or sale of the Securities, and during such same period to advise the Underwriters promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any supplement to the Prospectus or any amended Prospectus has been filed with the Commission, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any prospectus relating to the Securities, of the suspension of the qualification of the Securities or the shares of Common Stock issuable upon conversion of the Securities for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement or Prospectus or for additional information; and, in the event of the issuance of any such stop order or of any such order preventing or suspending the use of any prospectus relating to the Securities or suspending any such qualification, to promptly use its best efforts to obtain the withdrawal of such order;

(b) Promptly from time to time to take such action as the Underwriters may reasonably request to qualify the Securities and the Common Stock issuable upon conversion of the Securities for offering and sale under the securities laws of such jurisdictions as the Underwriters may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Securities, provided that in connection therewith the Company shall not be required to qualify as a foreign corporation, to file a general consent to service of process in any jurisdiction or to take any action that would subject it to general taxation in any jurisdiction;

(c) Prior to 10:00 a.m., New York City time, on the business day next succeeding the date of this Agreement and from time to time thereafter, to furnish the Underwriters with copies of the Prospectus as amended or supplemented in such quantities in New York City as the Underwriters may reasonably request, and, if the delivery of a prospectus is required at any time prior to the expiration of nine months after the time of issue of the Prospectus in connection with the offering or sale of the Securities and if at such time any event shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made when such Prospectus is delivered, not misleading, or, if for any other reason it shall be necessary during such same period to amend or supplement such Prospectus or to file under the Exchange Act any document incorporated by reference in such Prospectus in order to comply with the Act, the Exchange Act or the Trust Indenture Act, to notify the Underwriters and, upon your request and subject to your approval, to file such document and to prepare and furnish

without charge to each Underwriter and to any dealer in securities as many copies as the Underwriters may from time to time reasonably request of an amended Prospectus or a supplement to the Prospectus which will correct such statement or omission or effect such compliance; and in case any Underwriter is required to deliver a prospectus in connection with sales of any of the Securities at any time nine months or more after the time of issue of the Prospectus, upon request of such Underwriter but at the expense of such Underwriter, to prepare and deliver to such Underwriter as many copies

as such Underwriter may request of an amended or supplemented Prospectus complying with Section 10(a)(3) of the Act;

(d) To make generally available to its securityholders as soon as practicable, but in any event not later than eighteen months after the effective date of the Registration Statement (as defined in Rule 158(c) under the Act), an earnings statement of the Company and its subsidiaries (which need not be audited) complying with Section 9(a) of the Act and the rules and regulations of the Commission thereunder (including, at the option of the Company, Rule 158, in which case this Section 5(d) shall not be construed to require the Company to file any report referred to in Rule 158 prior to the time at which such report is otherwise due);

(e) During the period beginning from the date hereof and continuing to and including the date 90 days after the date hereof, not to offer, sell, contract to sell or otherwise dispose of, except as provided hereunder, any securities of the Company that are substantially similar to the Securities or the Common Stock, including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, Common Stock or any such substantially similar securities (other than pursuant to equity based employee and director compensation plans and plans of reorganization of the Company or Broadway Stores, Inc. ("Broadway") or their respective subsidiaries or any predecessors of any of the foregoing existing on, or upon the exercise, conversion or exchange (including successive exercises, conversions and/or exchanges) of warrants or convertible or exchangeable securities of either the Company or Broadway outstanding as of, the date of this Agreement or issuable pursuant to the Merger Agreement, the Stock Agreement or the Prudential Agreement (as such terms are defined in the Prospectus as amended or supplemented)), without the prior written consent of Goldman, Sachs & Co.;

(f) For so long as Securities are in global form, to furnish to the holders of the Securities as soon as practicable after the end of each fiscal year an annual report (including a balance sheet and statements of income, shareholders' equity and cash flows of the Company and its consolidated subsidiaries certified by independent public accountants) and, as soon as practicable after the end of each of the first three quarters of each fiscal year (beginning with the fiscal quarter ending after the effective date of the Registration Statement), consolidated summary financial information of the Company and its subsidiaries for such quarter in reasonable detail; and to furnish to the holders of the Securities all other documents specified in Section 7.04 of the Indenture, all in the manner so specified;

(g) During a period of three years from the effective date of the Registration Statement, to furnish to the Underwriters copies of all reports or other communications (financial or other) furnished to the Company's stockholders generally, and to deliver to the Underwriters (i) as soon as they are available, (A) copies of any reports and financial

statements furnished to or filed with the Commission or any national securities exchange on which the Securities, the Common Stock or any other class of securities of the Company is listed and (B) the documents specified in Section 7.04 of the Indenture, as in effect at each Delivery Date, and (ii) such additional information concerning the business and financial condition of the Company as the Underwriters may from time to time reasonably request, provided that any material nonpublic information received by the Underwriters will be held in confidence and not used in violation of any applicable law (such financial statements to be on a consolidated basis to the extent

the accounts of the Company and its subsidiaries are consolidated in reports furnished to its shareholders generally or to the Commission);

(h) To use the net proceeds received by it from the sale of the Securities pursuant to this Agreement in the manner specified in the Prospectus as amended or supplemented under the caption "Use of Proceeds";

(i) To reserve and keep available at all times, free of preemptive rights, shares of Common Stock for the purpose of enabling the Company to satisfy any obligations to issue shares of its Common Stock upon conversion of the Securities; and

(j) To list on the New York Stock Exchange, subject to notice of issuance, the shares of Common Stock issuable upon conversion of the Securities.

6. The Company covenants and agrees with the several Underwriters that the Company will pay or cause to be paid the following: (i) the fees, disbursements and expenses of the Company's counsel and accountants in connection with the registration of the Securities and the shares of Common Stock issuable upon conversion of the Securities under the Act and all other expenses in connection with the preparation, printing and filing of the Registration Statement, any Preliminary Prospectus and the Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (ii) the cost of producing any Agreement among Underwriters, this Agreement, the Indenture, the Blue Sky and Legal Investment Memoranda, closing documents (including any compilations thereof) and any other documents in connection with the offering, purchase, sale and delivery of the Securities; (iii) all expenses in connection with the qualification of the Securities and the shares of Common Stock issuable upon conversion of the Securities for offering and sale under state securities laws as provided in Section 5(b) hereof, including the fees and disbursements of counsel for the Underwriters (not to exceed \$15,000 in the aggregate) in connection with such qualification and in connection with the Blue Sky and legal investment surveys; (iv) any fees charged by securities rating services for rating the Securities; (v) the filing fees incident to, and fees and the disbursements of counsel for the Underwriters in connection with, any required review by the National Association of Securities Dealers, Inc. of the terms of the sale of the Securities; (vi) the cost of preparing the Securities and the Common Stock; (vii) the fees and expenses of the Trustee and any agent of the Trustee and the fees and disbursements of counsel for the Trustee in connection with the Indenture and the Securities; and (viii) all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section. It is understood, however, that, except as provided in this Section, and Sections 7 and 9 hereof, the Underwriters will pay all of their own costs and expenses, including the fees of their counsel, transfer taxes on resale of any of the Securities by them, and any advertising expenses connected with any offers they may make.

7. The obligations of the Underwriters to purchase the Securities hereunder shall be subject in the sole discretion of the Underwriters to the condition that all representations and warranties and other statements of the Company herein are, at and as of each Delivery Date, true and correct, the condition that the Company shall have performed all of its obligations hereunder theretofore to be performed, and the following additional conditions:

(a) The Prospectus as amended or supplemented, shall have been filed with the Commission pursuant to Rule 424(b) within the applicable time period prescribed for such filing by the rules and regulations under the Act and in accordance with Section 5(a) hereof

and the Indenture shall have been qualified under the Trust Indenture Act; no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; and all requests for additional information on the part of the Commission shall have been complied with to the reasonable satisfaction of the Underwriters;

(b) Simpson Thacher & Bartlett, counsel for the Underwriters, shall have furnished to the Underwriters a written opinion, dated such Delivery Date, in substantially the form attached hereto as Annex III;

(c) The General Counsel or Deputy General Counsel of the Company shall have furnished to the Underwriters his written opinion, dated such Delivery Date, in substantially the form attached hereto as Annex IV;

(d) Jones, Day, Reavis & Pogue, counsel for the Company, shall have furnished to the Underwriters a written opinion, dated such Delivery Date, in substantially the form attached hereto as Annex V;

(e) On the date hereof at a time prior to the execution of this Agreement, and at 9:30 a.m., New York City time, on the effective date of any post-effective amendment to the Registration Statement filed subsequent to the date of this Agreement, KPMG Peat Marwick LLP and Price Waterhouse LLP shall have each furnished to the Underwriters a letter, dated the date of delivery thereof, in form and substance satisfactory to the Underwriters, in the forms attached hereto as Annex I(a) and Annex II(a), respectively and at each Delivery Date, KPMG Peat Marwick LLP and Price Waterhouse LLP shall have each furnished to the Underwriters a "bring-down" letter dated such Delivery Date, in form and substance satisfactory to the Underwriters (the executed copies of the letters delivered prior to the execution of this Agreement are attached as Annex I(a) and Annex II(a) hereto and draft forms of letters to be delivered on the effective date of any post-effective amendment to the Registration Statement and as of such Delivery Date are attached as Annex I(b) and Annex II(b) hereto, respectively);

(f)(i) Neither the Company nor any of its subsidiaries shall have sustained since the date of the latest audited financial statements included or incorporated by reference in the Prospectus as first amended or supplemented any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Prospectus as first amended or supplemented, and (ii) since the respective dates as of which information is given in the

Prospectus as first amended or supplemented there shall not have been any change in the capital stock or long-term debt of the Company or any of its subsidiaries or any change, or any development involving a prospective change, in or affecting the general affairs, management, financial position, shareholders' equity or results of operations of the Company and its subsidiaries, otherwise than as set forth or contemplated in the Prospectus as first amended or supplemented, the effect of which, in any such case described in clause (i) or (ii), is in the judgment of the Underwriters so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Securities on the terms and in the manner contemplated in the Prospectus as first amended or supplemented;

(g) On or after the date hereof, (i) no downgrading shall have

occurred in the rating accorded the Company's debt securities by any "nationally recognized statistical rating organization", as that term is defined by the Commission for purposes of Rule 436(g)(2) under the Act, and (ii) no such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any of the Company's debt securities;

(h) On or after the date hereof, there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange; (ii) a suspension or material limitation in trading in the Company's securities on the New York Stock Exchange; (iii) a general moratorium on commercial banking activities declared by either Federal or New York State authorities; or (iv) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war, if the effect of any such event specified in this clause (iv) in the judgment of the Underwriters makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Securities on the terms and in the manner contemplated in the Prospectus as first amended or supplemented; or (v) the occurrence of any material adverse change in the existing financial, political or economic conditions in the United States or elsewhere which, in the judgment of the Underwriters, would materially and adversely affect the financial markets or the market for the Securities and other debt securities;

(i) The shares of Common Stock issuable upon conversion of the Securities shall have been approved for listing, subject to notice of issuance, on the New York Stock Exchange; and

(j) The Company shall have furnished or caused to be furnished to the Underwriters at such Delivery Date certificates of officers of the Company satisfactory to the Underwriters as to the accuracy of the representations and warranties of the Company herein at and as of such Delivery Date, as to the performance by the Company of all of its obligations hereunder to be performed at or prior to such Delivery Date, as to the matters set forth in subsections (a) and (f) of this Section and as to such other matters as the Underwriters may reasonably request.

8. (a) The Company will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue

statement of a material fact contained in any Preliminary Prospectus, any preliminary prospectus supplement, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the 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 will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; provided, however, that the Company shall 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 any Preliminary Prospectus, any preliminary prospectus supplement, the Registration Statement or the Prospectus as amended or supplemented, or any such amendment or supplement thereto in reliance upon and in conformity with written information furnished to the Company by any Underwriter through Goldman, Sachs & Co. expressly for use therein.

(b) Each Underwriter will indemnify and hold harmless the Company against any losses, claims, damages or liabilities to which the Company may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, any preliminary prospectus supplement, the Registration Statement or the Prospectus as amended or supplemented, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in any Preliminary Prospectus, any preliminary prospectus supplement, the Registration Statement or the Prospectus as amended or supplemented or any such amendment or supplement thereto in reliance upon and in conformity with written information furnished to the Company by such Underwriter through Goldman, Sachs & Co. expressly for use therein; and will reimburse the Company for any legal or other expenses reasonably incurred by the Company in connection with investigating or defending any such action or claim as such expenses are incurred.

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying 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 under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought

hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party.

(d) If the indemnification provided for in this Section 8 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the offering of the

Securities. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required under subsection (c) above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this subsection (d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (e). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (e) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint.

(e) The obligations of the Company under this Section 8 shall be in addition to any liability which the Company may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Underwriter within the meaning of the Act;

and the obligations of the Underwriters under this Section 8 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company (including any person who, with his or her consent, is named in the Registration Statement as about to become a director of the Company) and to each person, if any, who controls the Company within the meaning of the Act.

9. (a) If, on either Delivery Date, any Underwriter shall default in its obligation to purchase the Securities which it has agreed to purchase hereunder, the Underwriters may in their discretion arrange for the Underwriters or another party or other parties to purchase such Securities on the terms contained herein. If within thirty-six hours after such default by any Underwriter the Underwriters do not arrange for the purchase of such Securities, then the Company shall be entitled to a further period of thirty-six hours within which to procure another party or



other parties satisfactory to the Underwriters to purchase such Securities on such terms. In the event that, within the respective prescribed periods, the Underwriters notify the Company that they have so arranged for the purchase of such Securities, or the Company notifies the Underwriters that it has so arranged for the purchase of such Securities, the Underwriters or the Company shall have the right to postpone such Delivery Date for a period of not more than seven days in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus as amended or supplemented or in any other documents or arrangements, and the Company agrees to file promptly any amendments or supplements to the Registration Statement or the Prospectus which in the opinion of the Underwriters may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section with like effect as if such person had originally been a party to this Agreement with respect to such Securities.

(b) If, after giving effect to any arrangements for the purchase of the Securities of a defaulting Underwriter or Underwriters by the Underwriters and the Company as provided in subsection (a) above, the aggregate principal amount of such Securities which remains unpurchased does not exceed one-eleventh of the aggregate principal amount of all the Securities, then the Company shall have the right to require each non-defaulting Underwriter to purchase the principal amount of Securities which such Underwriter agreed to purchase hereunder and, in addition, to require each non-defaulting Underwriter to purchase its pro rata share (based on the principal amount of Securities which such Underwriter agreed to purchase hereunder) of the Securities of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

(c) If, after giving effect to any arrangements for the purchase of the Securities of a defaulting Underwriter or Underwriters by the Underwriters and the Company as provided in subsection (a) above, the aggregate principal amount of Securities which remains unpurchased exceeds one-eleventh of the aggregate principal amount of all the Securities, or if the Company shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to purchase Securities of a defaulting Underwriter or Underwriters, then this Agreement (or, with respect to the Second Delivery Date, the obligation of the Underwriters to purchase, and of the Company to sell, the Option Securities) shall thereupon terminate, without liability on the part of any non-defaulting Underwriter or the Company, except for the expenses to be borne by the Company and the Underwriters as provided in Section 6 hereof and the indemnity and contribution agreements in Section 8 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

10. The respective indemnities, agreements, representations, warranties and other statements of the Company and the several Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter or the Company, or any officer or director or controlling person of the Company, and shall survive delivery of and payment for the Securities.

11. If this Agreement shall be terminated pursuant to Section 9 hereof, the Company shall not then be under any liability to any Underwriter except as provided in Sections 6 and 8 hereof; but, if for any other reason, the Securities are not delivered by or on behalf of the Company as provided herein, the Company will reimburse the Underwriters for all out-of-pocket expenses, including fees and disbursements of counsel,

reasonably incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Securities, but the Company shall then be under no further liability to any Underwriter except as provided in Sections 6 and 8 hereof.

12. All statements, requests, notices, and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to the Underwriters in care of Goldman, Sachs & Co., 85 Broad Street, New York, New York 10004, Attention: Registration Department; and if to the Company shall be delivered or sent by mail, telex or facsimile transmission to the address of the Company set forth in the Registration Statement, Attention: Chief Financial Officer and Attention: Secretary; provided, however, that any notice to an Underwriter pursuant to Section 8(c) hereof shall be delivered or sent by mail, telex or facsimile transmission to such Underwriter at its address set forth in its Underwriters' Questionnaire, or telex constituting such Questionnaire, which address will be supplied to the Company by the Underwriters upon request. Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

13. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, the Company and, to the extent provided in Sections 8 and 10 hereof, the officers and directors of the Company and each person who controls the Company or any Underwriter, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Securities from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

14. Time shall be of the essence of this Agreement. As used herein, the term "business day" shall mean any day when the Commission's office in Washington, D.C. is open for business.

15. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

16. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such respective counterparts shall together constitute one and the same instrument.

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If the foregoing is in accordance with your understanding, please sign and return to us six counterparts hereof, and upon the acceptance hereof by the Underwriters, this letter and such acceptance hereof shall constitute a binding agreement among each of the Underwriters and the Company.

Very truly yours,

Federated Department Stores, Inc.

By: /s/ Ronald W. Tysoe

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Name: Ronald W. Tysoe  
Title: Vice Chairman and Chief  
Financial Officer

Accepted as of the date hereof:  
Goldman, Sachs & Co.  
CS First Boston Corporation

By: /s/ Goldman, Sachs & Co.

-----  
(Goldman, Sachs & Co.)

On Behalf of Each of the Underwriters

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#### SCHEDULE I

Principal Amount of Securities  
to be Purchased

Goldman, Sachs & Co.	244,000,000
CS First Boston Corporation	61,000,000
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Total	<u>\$305,000,000</u>
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#### ANNEX III

Goldman, Sachs & Co. CS First Boston Corporation c/o Goldman, Sachs & Co. 85 Broad Street New York, New York 10004	September 27, 1995
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Ladies and Gentlemen:

We have acted as your counsel in connection with the purchase by you of \$350,000,000 aggregate principal amount of 5% Convertible Subordinated Notes due 2003 (the "Notes") of Federated Department Stores, Inc., a Delaware corporation (the "Company"), pursuant to the Underwriting Agreement dated September 22, 1995 between you and the Company.

We have examined the Registration Statement on Form S-3 (File No. 33-59691) filed by the Company under the Securities Act of 1933, as amended (the "Act"), as it became effective under the Act (the "Registration

Statement"); and the Company's prospectus dated June 28, 1995, as supplemented by the prospectus supplement dated September 22, 1995 (the "Prospectus"), filed by the Company pursuant to Rule 424(b) of the rules and regulations of the Securities and Exchange Commission (the "Commission") under the Act, which pursuant to Form S-3 incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended January 28, 1995, the Quarterly Reports on Form 10-Q of the Company for the fiscal quarters ended April 29 and July 29, 1995, the Current Reports on Form 8-K of the Company dated September 21, 1995 and September 22, 1995 (the "Exchange Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"); and the Indenture dated as of December 15, 1994, (as supplemented by the Fourth Supplemental Indenture dated as of September 27, 1995, the "Indenture") between the Company and First National Bank of Boston, as Trustee (the "Trustee") relating to the Notes. In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to you at the closing, and upon originals or copies, certified or otherwise identified to our satisfaction, of such corporate records, agreements, documents and other instruments and such certificates or comparable documents of public officials and of officers and representatives of the Company, and have made such other and further investigations, as we have deemed relevant and necessary as a basis for the opinions hereinafter set forth.

In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

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Goldman, Sachs & Co.  
CS First Boston Corporation

September 27, 1995

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion that:

1. The Company has been duly incorporated and is validly existing and in good standing as a corporation under the laws of the State of Delaware.
2. The Indenture has been duly authorized, executed and delivered by the Company and duly qualified under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), and, assuming due authorization, execution and delivery thereof by the Trustee, constitutes a valid and legally binding instrument of the Company enforceable against the Company in accordance with its terms.
3. The Notes have been duly authorized, executed and issued by the Company and, assuming due authentication thereof by the Trustee and upon payment and delivery in accordance with the Underwriting Agreement, will constitute valid and legally binding obligations of the Company enforceable against the Company in accordance with their terms and entitled to the benefits of the Indenture.
4. The shares of the Company's Common Stock, par value \$0.01 per share (the "Common Stock"), issuable upon conversion of the Notes has been duly and validly authorized and reserved for issuance upon conversion and, when issued and delivered in accordance with the terms of the Indenture, will be validly issued, fully paid and non-assessable.
5. The statements made in the Prospectus under the captions "Description of Debt Securities", "Description of Capital Stock" and "Description of Notes," insofar as they purport to constitute

summaries of certain terms of documents referred to therein, constitute accurate summaries of the terms of such documents in all material respects.

6. The Underwriting Agreement has been duly authorized, executed and delivered by the Company.

Our opinions set forth in paragraphs 2 and 3 above are subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

All legal proceedings taken by the Company in connection with the offering of the Notes and the legal opinions, dated the date hereof, rendered to you by Dennis J. Broderick, General Counsel of the Company, and Jones, Day, Reavis & Pogue, counsel for the Company, pursuant to the Underwriting Agreement, are in form satisfactory to us.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Registration Statement, the Prospectus or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraph 4 above. In the course of the preparation by the Company of the Registration Statement and the Prospectus Supplement (excluding the Exchange Act Documents), we participated in conferences with certain officers and employees of the

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Goldman, Sachs & Co.  
CS First Boston Corporation

September 27, 1995

Company, with representatives of KPMG Peat Marwick LLP and with counsel to the Company. We did not participate in the preparation of the Exchange Act Documents. Based upon our examination of the Registration Statement, the Prospectus and the Exchange Act Documents, our investigations made in connection with the preparation of the Registration Statement and the Prospectus Supplement (excluding the Exchange Act Documents) and our participation in the conferences referred to above, (i) we are of the opinion that the Registration Statement, as of its effective date, and the Prospectus, as of September 22, 1995, complied as to form in all material respects with the requirements of the Act, the Trust Indenture Act and the applicable rules and regulations of the Commission thereunder and that the Exchange Act Documents complied as to form when filed in all material respects with the requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no opinion with respect to the financial statements or other financial data contained or incorporated by reference in the Registration Statement, the Prospectus or the Exchange Act Documents, and (ii) we have no reason to believe that the Registration Statement, as of its effective date (including the Exchange Act Documents on file with the Commission on such effective date), contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading or that the Prospectus (including the Exchange Act Documents) as of its date and as of the date hereof contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no belief with respect to the financial statements or other financial data contained or incorporated by reference in the Registration Statement, the Prospectus or the Exchange Act Documents.

We are members of the Bar of the State of New York and we do not

express any opinion herein concerning any law other than the law of the State of New York, the federal law of the United States and the Delaware General Corporation Law.

This opinion is rendered to you in connection with the above described transactions. This opinion may not be relied upon by you for any other purpose, or relied upon by, or furnished to, any other person, firm or corporation without our prior written consent.

Very truly yours,

SIMPSON THACHER & BARTLETT

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ANNEX IV

September 27, 1995

Goldman, Sachs & Co.  
CS First Boston Corporation  
c/o Goldman, Sachs & Co.,  
85 Broad Street  
New York, New York 10004

Re: \$350,000,000 Aggregate Principal Amount of 5% Convertible Subordinated  
Notes due October 1, 2003 of Federated Department Stores, Inc.

Ladies and Gentlemen:

As General Counsel of Federated Department Stores, Inc. (the "Company"), I have acted as counsel for the Company in connection with the sale of \$350,000,000 aggregate principal amount of the Company's 5% Convertible Subordinated Notes due 2003 (the "Notes") pursuant to the Underwriting Agreement, dated September 22, 1995 (the "Underwriting Agreement"), between you and the Company. This opinion is furnished to you pursuant to Section 7(c) of the Underwriting Agreement. Except as otherwise defined herein, terms used herein with initial capital letters are so used with the respective meanings ascribed thereto in the Underwriting Agreement.

I have examined such documents, records and matters of law as I have deemed necessary for purposes of this opinion. Based thereupon, I am of the opinion that:

1. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, with corporate power and authority to own its properties and conduct its business as described in the Prospectus as amended or supplemented prior to the date hereof;

2. All of the issued shares of capital stock of the Company have been duly and validly authorized and issued and are fully paid and non-assessable and all of the shares of the Company's Common Stock, par value \$0.01 per share (the "Common Stock"), issuable upon conversion of the Securities have been duly and validly authorized and reserved for issuance upon conversion and, when issued and delivered in accordance with the terms of the Indenture, will be duly and validly issued, fully paid and non-assessable;

3. The Company has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in

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CS First Boston Corporation

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which it is required to be so qualified, except for such failures to be so qualified and in good standing as individually or in the aggregate would not have a Material Adverse Effect;

4. Each Significant Subsidiary of the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation; all of the issued shares of capital stock of each such Significant Subsidiary have been duly and validly authorized and issued, are fully paid and non-assessable, and (except as otherwise disclosed in the Prospectus as amended or supplemented prior to the date hereof) are owned directly or indirectly by the Company, free and clear of all material liens, encumbrances, equities or claims; and all of the issued shares of capital stock of each Significant Subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims (except as otherwise disclosed in the Prospectus as amended or supplemented prior to the date hereof or where, individually or in the aggregate, the failure to have been duly and validly authorized and issued, to be fully paid and non-assessable or to be owned directly or indirectly by the Company free and clear of liens, encumbrances, equities or claims would not have a Material Adverse Effect);

5. To my knowledge, other than as disclosed in the Prospectus as amended or supplemented prior to the date hereof, there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or of which any property of the Company or any of its subsidiaries is the subject which, if determined adversely to the Company or any of its subsidiaries, is reasonably likely individually or in the aggregate to have a Material Adverse Effect; and, to my knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

6. The issue and sale of the Securities and the compliance by the Company with all of the provisions of the Securities, the Indenture and the Underwriting Agreement, the consummation of the transactions therein contemplated (other than to the extent set forth in the Prospectus as amended or supplemented prior to the date hereof under the caption "Description of the Notes--Repurchase at Option of Holders Upon a Change in Control") and the issuance and delivery of the shares of the Common Stock issuable upon conversion of the Notes will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, sale/leaseback agreement, loan agreement or other financing agreement or any other agreement or instrument known to me to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, except for such conflicts, breaches, violations and defaults as individually or in the aggregate would not have a Material Adverse Effect, nor will such action result in any material violation of the provisions of the Certificate of Incorporation or By-laws of the Company or (a) any material statute, order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its Significant Subsidiaries or any of their properties or (b) any statute, order, rule or regulation of any court or governmental

agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties, except, with respect to this

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Goldman, Sachs & Co.  
CS First Boston Corporation

September 27, 1995

clause (b) only, for such violations, defaults and failures as individually or in the aggregate would not have a Material Adverse Effect;

7. Neither the Company nor any of its Significant Subsidiaries is (a) in violation of its certificate of incorporation or by-laws (or comparable governing documents) or (b) in default in the performance or observance of any material obligation, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument known to me after due inquiry to which it is a party or by which it or any of its properties may be bound, and, to my knowledge after due inquiry, none of the subsidiaries of the Company is (a) in material violation of its certificate of incorporation or by-laws (or comparable governing documents) or (b) in default in the performance or observance of any material obligation, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument known to me after due inquiry to which it is a party or by which it or any of its properties may be bound, except for such violations and defaults as individually or in the aggregate would not have a Material Adverse Effect;

8. The Underwriting Agreement has been duly authorized, executed and delivered by the Company;

9. The Securities have been duly authorized, executed, authenticated, issued, and delivered and constitute valid and legally binding obligations of the Company enforceable against the Company in accordance with their terms and entitled to the benefits provided by the Indenture, except as the enforceability of the Securities and the Indenture may be limited by bankruptcy, insolvency, reorganization, and other laws of general applicability relating to or affecting creditors' rights and to general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law; and the Securities and the Indenture conform in all material respects to the descriptions thereof in the Prospectus, as amended or supplemented prior to the date hereof;

10. The Indenture has been duly authorized, executed and delivered and constitutes a valid and legally binding instrument, enforceable against the Company in accordance with its terms, except as the enforceability of the Indenture may be limited by bankruptcy, insolvency, reorganization, and other laws of general applicability relating to or affecting creditors' rights and to general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law; and the Indenture has been duly qualified under the Trust Indenture Act;

11. No consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Securities or the consummation by the Company of the transactions contemplated by the Underwriting Agreement or the Indenture, except such as have been obtained under the Act, the Exchange Act, and the Trust Indenture Act, and such consents, approvals, authorizations, registrations, or qualifications as may be required under the state securities or Blue Sky laws in connection with the purchase and distribution of the Securities by the Underwriters;



September 27, 1995

12. The statements set forth in the Prospectus, as amended or supplemented prior to the date hereof, under the captions "Description of Debt Securities", "Description of Capital Stock" and "Description of the Notes," and under the captions "Plan of Distribution" and "Underwriting," insofar as they purport to summarize the provisions of the laws and documents referred to therein, present fair summaries of such provisions;

13. The Company is not an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the Investment Company Act;

14. The documents incorporated by reference in the Prospectus or any amendment or supplement thereto made by the Company prior to the date hereof (other than the financial statements and related schedules and other financial or statistical data contained therein, as to which I express no opinion), when they were filed with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the rules and regulations of the Commission thereunder; and I have no reason to believe that any of the documents referred to in this paragraph 14, when such documents were so filed, contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such documents were so filed, not misleading. However, I have not independently verified, and I assume no responsibility for the accuracy, completeness or fairness of the Registration Statement or the Prospectus as amended or supplemented (including any documents incorporated by reference therein), except to the extent of the opinion expressed in paragraph 12); and

15. The Registration Statement and the Prospectus and any amendments and supplements thereto made by the Company prior to the date hereof (other than the financial statements and related schedules and other financial or statistical data therein, as to which I express no opinion) comply as to form in all material respects with the requirements of the Act and the Trust Indenture Act and the rules and regulations thereunder; and I do not know of any amendment to the Registration Statement required to be filed or of any contract or other document of a character required to be filed as an exhibit to the Registration Statement or required to be incorporated by reference into the Prospectus or required to be described in the Registration Statement or the Prospectus which are not filed or incorporated by reference or described as required.

In rendering the opinions in paragraphs 9 through 15 hereof, I have relied solely on the opinion of Jones, Day, Reavis & Pogue furnished to you pursuant to Section 7(d) of the Underwriting Agreement.

In rendering this opinion, I have assumed that (i) the signatures on all documents examined by me are genuine and that, where any such signature purports to have been made in a corporate, governmental, fiduciary or other capacity, the person who affixed such signature to such document had authority to do so and (ii) the statements and certificates

September 27, 1995

described in the following paragraph are accurate in all material respects at the date of this opinion.

I am a member of the bar of the State of Ohio, and have not been admitted to the bar of any other jurisdiction. In rendering the opinions set forth herein, my examination of matters of law has been limited to the federal laws of the United States of America, the corporation laws of the States of Delaware and Ohio, and the laws of the State of New York. In rendering the opinions in paragraphs 1-13 and paragraph 15, I have relied, as to certain matters of fact, without any independent investigation, inquiry or verification, upon statements or certificates of representatives of the Company and of the Trustee under the Indenture and upon statements or certificates of public officials.

This opinion is furnished by me, as General Counsel of the Company, to you solely for your benefit and solely with respect to the purchase by you of the Notes from the Company, upon the understanding that I am not assuming hereby any professional responsibility to any other person whatsoever.

Very truly yours,

Dennis J. Broderick

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Annex V

September 27, 1995

Goldman, Sachs & Co.,  
CS First Boston Corporation  
c/o Goldman, Sachs & Co.  
85 Broad Street  
New York, New York 10004

Re: \$350,000,000 Aggregate Principal Amount of 5% Convertible  
Subordinated Notes due 2003 of Federated Department Stores, Inc.

Ladies and Gentlemen:

We have acted as counsel for Federated Department Stores, Inc. (the "Company") in connection with the sale of \$350,000,000 aggregate principal amount of the Company's 5% Convertible Subordinated Notes due 2003 (the "Notes") pursuant to the Underwriting Agreement, dated September 22, 1995 (the "Underwriting Agreement"), between you and the Company. This opinion is furnished to you pursuant to Section 7(d) of the Underwriting Agreement. Except as otherwise defined herein, terms used herein with initial capital letters are so used with the respective meanings ascribed thereto in the Underwriting Agreement.

We have examined such documents, records, and matters of law as we have deemed necessary for purposes of this opinion. Based thereupon, we are of the opinion that:

1. The Company has been duly incorporated and is validly existing

as a corporation in good standing under the laws of the State of Delaware, with corporate power and authority to own its properties and conduct its business as described in the Prospectus as amended or supplemented prior to the date hereof;

2. The Underwriting Agreement has been duly authorized, executed, and delivered by the Company;

3. The Securities have been duly authorized, executed, authenticated, issued, and delivered and constitute valid and legally binding obligations of the Company enforceable against the Company in accordance with their terms and entitled to the benefits provided by the Indenture, except as the enforceability of the Securities and the Indenture may be limited by bankruptcy, insolvency, reorganization, and other laws of general applicability relating to or affecting creditors' rights and to general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law; and the Securities and the

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Goldman, Sachs & Co.  
CS First Boston Corporation

September 27, 1995

Indenture conform in all material respects to the descriptions thereof in the Prospectus as amended or supplemented prior to the date hereof;

4. The shares of the Company's Common Stock, par value \$0.01 per share (the "Common Stock"), issuable upon conversion of the Notes has been duly authorized and reserved for issuance upon conversion and, when issued and delivered in accordance with the terms of the Indenture, will be validly issued, fully paid and non-assessable.

5. The Indenture has been duly authorized, executed, and delivered and constitutes a valid and legally binding instrument, enforceable against the Company in accordance with its terms, except as the enforceability of the Indenture may be limited by bankruptcy, insolvency, reorganization, and other laws of general applicability relating to or affecting creditors' rights and to general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law; and the Indenture has been duly qualified under the Trust Indenture Act;

6. No consent, approval, authorization, order, registration, or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Securities, the consummation by the Company of the transactions contemplated by this Agreement or the Indenture or the issuance of the Common Stock, upon conversion of the Securities, except such as have been obtained under the Act, the Exchange Act, and the Trust Indenture Act, and such consents, approvals, authorizations, registrations, or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Securities and the Common Stock by the Underwriters;

7. The statements set forth in the Prospectus as amended or supplemented prior to the date hereof under the captions "Description of Debt Securities", "Description of Capital Stock" and "Description of the Notes," and under the captions "Plan of Distribution" and "Underwriting," insofar as they purport to summarize the provisions of the laws and documents referred to therein, present fair summaries of such provisions;

8. The Company is not an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the Investment Company Act;

9. The documents incorporated by reference in the Prospectus or

any amendment or supplement thereto made by the Company prior to the date hereof (other than the financial statements and related schedules and other financial or statistical data contained therein, as to which we express no opinion), when they were filed with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the rules and regulations of the Commission thereunder; and

10. The Registration Statement and the Prospectus and any amendments and supplements thereto made by the Company prior to the date hereof (other than the financial statements and related schedules and other financial or statistical data therein, as to which we express no opinion) comply as to form in all material respects with the requirements of the Act and the Trust Indenture Act and the rules and regulations thereunder; and we do not

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Goldman, Sachs & Co.  
CS First Boston Corporation

September 27, 1995

know of any amendment to the Registration Statement required to be filed or of any contracts or other documents of a character required to be filed as an exhibit to the Registration Statement or required to be incorporated by reference into the Prospectus or required to be described in the Registration Statement or the Prospectus which are not filed or incorporated by reference or described as required.

We have participated in the preparation of the Registration Statement and the Prospectus (but not the documents incorporated into the Registration Statement or the Prospectus by reference) and, based on such participation, no facts have come to our attention which cause us to believe that, as of its effective date, the Registration Statement or any amendment thereto made by the Company prior to the date hereof (other than the financial statements and related schedules and other financial data contained therein, as to which we express no belief) contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that, as of its date, the Prospectus or any amendment or supplement thereto made by the Company prior to the date hereof (other than the financial statements and related schedules and other financial data contained therein, as to which we express no belief) contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading or that, as of the date hereof, either the Registration Statement or the Prospectus or any amendment or supplement thereto made by the Company prior to the date hereof (other than the financial statements and related schedules and other financial data contained therein, as to which we express no belief) contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. However, we have not independently verified, and we assume no responsibility for, the accuracy, completeness, or fairness of the Registration Statement or the Prospectus as amended or supplemented (including any documents incorporated or deemed to be incorporated by reference therein) except to the extent of the opinion expressed in paragraph 7.

In rendering the foregoing opinions, we have assumed (i) the due authorization, execution, and delivery of the Underwriting Agreement by or on behalf of the Underwriters, (ii) that the signature on all documents examined by us are genuine and that where any such signature purports to have been made in a corporate, governmental, fiduciary, or other capacity, the person who affixed such signature to such document had authority to do so, and (iii) that the statements and certificates described in the following paragraph are accurate in all material respects at the date of

this opinion.

In rendering the opinions in paragraphs 1 through 10, (i) our examination of matters of law has been limited to the federal laws of the United States of America, the laws of the State of New York, and the General Corporation Law of the State of Delaware and (ii) we have relied, as to certain matters of fact, without any independent investigation, inquiry, or verification, upon statements or certificates of representatives of the Company and of the Trustee under the Indenture and upon statements or certificates of public officials.

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Goldman, Sachs & Co.  
CS First Boston Corporation

September 27, 1995

This opinion is furnished by us, as counsel for the Company, to you solely for your benefit and solely with respect to the purchase by you of the Notes from the Company, upon the understanding that we are not assuming hereby any professional responsibility to any other person whatsoever.

Very truly yours,

Jones, Day, Reavis & Pogue

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Federated Department Stores, Inc.

and

The First National Bank of Boston,

Trustee

Fourth Supplemental Trust Indenture

Dated as of September 27, 1995

Supplementing that certain

Indenture

Dated as of December 15, 1994

Authorizing the Issuance and Delivery of

Debt Securities

consisting of \$350,000,000 aggregate principal amount of

5% Convertible Subordinated Notes due 2003

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Fourth Supplemental Indenture, dated as of September 27, 1995 (the "Fourth Supplemental Indenture"), between Federated Department Stores, Inc., a corporation duly organized and existing under the laws of the State of Delaware (the "Company"), and The First National Bank of Boston, a national banking association organized and existing under the laws of the United States of America, as Trustee (the "Trustee"), supplementing that certain Indenture, dated as of December 15, 1994, between the Company and the Trustee (the "Indenture").

#### Recitals

A. The Company has duly authorized the execution and delivery of the Indenture to provide for the issuance from time to time of its unsecured debentures, notes, or other evidences of indebtedness (the "Securities") to be issued in one or more series as provided for in the Indenture.



B. The Indenture provides that the Securities of each series shall be in substantially the form set forth in the Indenture, or in such other form as may be established by or pursuant to a Board Resolution or in one or more indentures supplemental thereto, in each case with such appropriate insertions, omissions, substitutions, and other variations as are required or permitted by the Indenture, and may have such letters, numbers, or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined to be required by the officers executing such Securities, as evidenced by their execution thereof.

C. The Company and the Trustee have agreed that the Company shall issue and deliver, and the Trustee shall authenticate, Securities denominated "5% Convertible Subordinated Notes due 2003" (the "Notes") pursuant to the terms of this Fourth Supplemental Indenture and substantially in the form set forth below, in each case with such appropriate insertions, omissions, substitutions, and other variations as are required or permitted by the Indenture and this Fourth Supplemental Indenture, and with such letters, numbers, or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of such Securities.

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[Form of Face of Security]

This Security is a Global Security within the meaning of the Indenture hereinafter referred to and is registered in the name of a Depositary or a nominee thereof. This Security may not be transferred to, or registered or exchanged for Securities registered in the name of, any Person other than the Depositary or a nominee thereof, and no such transfer may be registered, except in the limited circumstances described in the Indenture. Every Security authenticated and delivered upon registration of transfer of, or in exchange for or in lieu of, this Security shall be a Global Security subject to the foregoing, except in such limited circumstances.

Federated Department Stores, Inc.

5% Convertible Subordinated Note due October 1, 2003

No. R- \_\_\_\_\_ \$ \_\_\_\_\_

Federated Department Stores, Inc., a corporation duly organized and existing under the laws of the State of Delaware (hereinafter called the

"Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of \$\_\_\_\_\_ on October 1, 20\_\_, and to pay interest thereon from September 27, 1995 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semiannually on October 1 and April 1 of each year, commencing on April 1, 1996 at the rate of 5% per annum, until the principal hereof is paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date shall, as provided in said Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the September 15 or March 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 calendar days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

Payment of the principal of and any such interest on this Security shall be made at the office or agency of the Company maintained for the purpose in New York, New York, in such coin or currency of the United States of America as at the time

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of payment is legal tender for payment of public and private debts; provided,

-----

however, that at the option of the Company payment of interest may be made by

- -----

check mailed to the address of the Person entitled thereto as such address appears in the Security Register.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS SET FORTH ON THE REVERSE HEREOF. SUCH PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS THOUGH FULLY SET FORTH IN THIS PLACE.

This Security shall not be valid or become obligatory for any purpose until the certificate of authentication herein has been signed manually by the Trustee under said Indenture.

In Witness Whereof, this instrument has been duly executed in accordance with the Indenture.

Federated Department Stores, Inc.

Date Issued:\_\_\_\_\_ By:\_\_\_\_\_

Attest:

By:\_\_\_\_\_

[Form of Reverse of Security]

Federated Department Stores, Inc.

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities") issued and to be issued in one or more series under an Indenture, dated as of December 15, 1994 (herein called the "Indenture"), between the Company and The First National Bank of Boston, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties, and immunities thereunder of the Company, the Trustee, and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof, limited in aggregate principal amount to \$350,000,000.

No sinking fund is provided for the Securities. The Securities are subject to redemption at the option of the Company on or after October 1, 1998, in whole but not in part, upon not

more than 60 nor less than 30 days' notice to the Holders prior to the Redemption Date.

The Redemption Prices (expressed as a percentage of principal amount) are as follows for the 12-month period beginning on October 1 of the following years:

Year	Redemption Price
----	-----
1998 .....	103.125%
1999 .....	102.500%
2000 .....	101.875%

2001 .....	101.250%
2002 .....	100.625%

In each case together with accrued and unpaid interest to the date of redemption.

In the event of the repurchase of this Security in part only, a new Security or Securities of this series and of like tenor for the portion hereof not so repurchased shall be issued in the name of the Holder hereof upon the cancellation hereof.

Subject to and upon compliance with the provisions of the Indenture, the Holder of this Security is entitled, at his option, at any time, and on or before the close of business on September 30, 2003, or in case this Security is called for redemption or the Holder hereof has exercised his right to require the Company to repurchase this Security, then in respect of this Security until and including, but (unless the Company defaults in making the payment due upon redemption or repurchase, as the case may be) not after, the close of business on the business day next preceding the Redemption Date or the Repurchase Date, as the case may be, to convert this Security (or any portion of the principal amount hereof that is U.S.\$1,000 or any integral multiple of U.S.\$1,000 in excess thereof, provided the unconverted portion of such principal amount is also U.S.\$1,000 or any integral multiple of U.S.\$1,000 in excess thereof) into newly issued, fully paid and nonassessable shares of Common Stock of the Company at an initial Conversion Rate equal to 29.2547 shares of Common Stock per U.S.\$1,000 principal amount of Securities (or at the current adjusted Conversion Rate if an adjustment has been made as provided in the Indenture) by surrender of this Security, duly endorsed or assigned to the Company or in blank and, in case such surrender shall be made during the period from the close of business of any Regular Record Date next preceding any Interest Payment Date to the opening of business on such Interest Payment Date (unless this Security or the portion thereof being converted has been called for redemption on a Redemption Date, or is to be repurchased on a Repurchase Date, that occurs within such period), also accompanied by payment in New York Clearing House or other funds

acceptable to the Company of an amount equal to the interest payable on such Interest Payment Date on the principal amount of this Security then being converted, and also the conversion notice hereon duly executed, to the Company at the Corporate Trust Office of the Trustee, or at such other office or agency of the Company as may be designated by it for such purpose in The City of New York, or at such other offices or agencies as the Company may designate (each a "Conversion Agent"). Subject to the aforesaid requirement for payment and, in the case of a conversion after the Regular Record Date next preceding any

Interest Payment Date and on or before such Interest Payment Date, to the right of the Holder of this Security (or any Predecessor Security) of record at such Regular Record Date to receive an installment of interest (with certain exceptions provided in the Indenture), no cash payment or adjustment is to be made on conversion if the date of conversion is not an Interest Payment Date, for interest accrued hereon from the Interest Payment Date next preceding the date of conversion, or for dividends on the Common Stock issued on conversion hereof. The Company shall thereafter deliver to the Holder the fixed number of shares of Common Stock (together with any cash adjustment, as provided in the Indenture) into which this Security is convertible and such delivery will be deemed to satisfy the Company's obligation to pay the principal amount of this Security. No fractions of shares or scrip representing fractions of shares will be issued on conversion, but instead of any fractional interest (calculated to the nearest 1/100th of a share) the Company shall pay a cash adjustment as provided in the Indenture. The Conversion Rate is subject to adjustment as provided in the Indenture. In addition, the Indenture provides that in case of certain consolidations or mergers to which the Company is a party or the conveyance, transfer, sale or lease of all or substantially all of the property and assets of the Company, the Indenture shall be amended, without the consent of any Holders of Securities, so that this Security, if then Outstanding, will be convertible thereafter, during the period this Security shall be convertible as specified above, only into the kind and amount of securities, cash and other property receivable upon such consolidation, merger, conveyance, transfer, sale or lease by a holder of the number of shares of Common Stock of the Company into which this Security could have been converted immediately prior to such consolidation, merger, conveyance, transfer, sale or lease. No adjustment in the Conversion Rate will be made until such adjustment would require an increase or decrease of at least one percent of such rate, provided that any adjustment that would otherwise be made will be carried forward and taken into account in the computation of any subsequent adjustment.

If a Change of Control (as defined in the Indenture) occurs, the Holder of this Security shall have the right, in accordance with the provisions of the Indenture, to require the Company to repurchase this Security (or any portion of the principal amount hereof equal to U.S.\$1,000 or any integral multiple of \$1,000 in excess thereof, provided the unrepurchased portion of such principal amount is U.S.\$1,000 or any integral

multiple of \$1,000 in excess thereof) for cash at a Repurchase Price equal to 100% of the principal amount plus accrued and unpaid interest to the Repurchase Date. Whenever in this Security there is a reference, in any context, to the principal of any Security as of any time, such reference shall be deemed to include reference to the Repurchase Price payable in respect of such Security to the extent that such Repurchase Price is, was or would be so payable at such time, and express mention of the Repurchase Price in any provision of this Security shall not be construed as excluding the Repurchase Price in those provisions of this Security when such express mention is not made.

In the event of redemption, repurchase or conversion of this Security in part only, a new Security or Securities for the unredeemed, unrepurchased or unconverted portion hereof will be issued in the name of the Holder hereof.

The indebtedness evidenced by this Security is, to the extent and in the manner provided in the Indenture, subordinate and subject in right of payment to the prior payment in full of all amounts then due on all Senior Debt of the Company. Each Holder of this Security, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination so provided and (c) appoints the Trustee his attorney-in-fact for any and all such purposes.

If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding with respect to the Indenture or for

the appointment of a receiver or trustee or for any other remedy thereunder unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default with respect to the Securities of this series, the Holders of not less than 25% in principal amount of the Securities of this series at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of a majority in principal amount of Securities of this series at the time Outstanding a direction inconsistent with such request and shall have failed to institute such proceeding for 60 calendar days after receipt of such notice, request, and offer of indemnity. The foregoing shall apply to any suit instituted by the Holder of this Security for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Security at the times, place, and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registerable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, shall be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form without coupons in denominations of \$1,000 and integral multiples thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee, and any agent of the Company or the Trustee may treat the Person in whose name

this Security is registered as the owner hereof for all purposes, whether or not this Security shall be overdue, and neither the Company, the Trustee, nor any such agent shall be affected by notice to the contrary.

Unless this Security is presented by an authorized representative of The Depository Trust Company (55 Water Street, New York, New York) to the Company or its agent for registration of transfer, exchange, or payment, and any Security issued upon registration of transfer of, or in exchange for or in lieu of, this Security is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and payment hereon is made to Cede & Co., ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL because the registered owner hereof, Cede & Co., has an interest herein.

All terms used in this Security that are defined in the Indenture shall have the respective meanings assigned to them in the Indenture.

#### ELECTION OF HOLDER TO REQUIRE REPURCHASE

1. Pursuant to the Indenture, the undersigned hereby elects to have this Security repurchased by the Company.

2. The undersigned hereby directs the Trustee or Paying Agent to pay it or \_\_\_\_\_ an amount in cash equal to 100% of the principal amount hereof plus accrued and unpaid interest to the Repurchase Date.

Dated: \_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature Guaranteed

Principal amount to be repurchased: \_\_\_\_\_

Remaining principal amount following such repurchase: \_\_\_\_\_

NOTICE: The signature to the foregoing Election must correspond to the Name as written upon the face of this Security in every particular, without alteration or any change whatsoever.

D. The Trustee's certificate of authentication shall be in substantially the following form:



Trustee's Certificate of Authentication

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

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The First National Bank of  
Boston, as Trustee

By: \_\_\_\_\_  
Authorized Officer

E. All acts and things necessary to make the Notes, when the Notes have been executed by the Company and authenticated by the Trustee and delivered as provided in the Indenture and this Fourth Supplemental Indenture, the valid, binding, and legal obligations of the Company and to constitute these presents a valid indenture and agreement according to its terms, have been done and performed, and the execution and delivery by the Company of the Indenture and this Fourth Supplemental Indenture and the issue hereunder of the Notes have in all respects been duly authorized; and the Company, in the exercise of legal right and power in it vested, is executing and delivering the Indenture and this Fourth Supplemental Indenture and proposes to make, execute, issue, and deliver the Notes.

Now, Therefore, this Fourth Supplemental Indenture Witnesseth:

In order to declare the terms and conditions upon which the Notes are authenticated, issued, and delivered, and in consideration of the premises and of the purchase and acceptance of the Notes by the Holders thereof, it is mutually agreed, for the equal and proportionate benefit of the respective Holders from time to time of the Notes, as follows:

ARTICLE I. ISSUANCE OF NOTES.

Section 1.1. Issuance of Notes; Principal Amount;  
Maturity.

(a) On September 27, 1995, the Company shall issue and deliver to the Trustee, and the Trustee shall authenticate, Notes substantially in the form set forth above, in each case with such appropriate insertions, omissions, substitutions, and other variations as are required or permitted by the Indenture and this Fourth Supplemental Indenture, and with such letters, numbers, or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Notes, as evidenced by their execution of such Notes.

(b) The Notes shall be issued in the aggregate principal amount of \$350,000,000 and shall mature on October 1, 2003.

Section 1.2. Interest on the Notes; Payment of Interest.

(a) The Notes shall bear interest at the rate of 5% per annum from September 27, 1995, except in the case of Notes delivered pursuant to Sections 2.05 or 2.07 of the Indenture, which shall bear interest from the last Interest Payment Date through which interest has been paid.

(b) The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date shall, as provided in such Indenture, be paid to the Person in whose name a Note is registered at the close of business on the Regular Record Date for such interest, which shall be the September 15, or March 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name the Note is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 calendar days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture.

(c) Payment of the principal of (and premium, if any) and any such interest on the Notes shall be made at the office or agency of the Company maintained for the purpose in New York, New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of

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the Company payment of interest may be made by check mailed to the address of the Person entitled thereto as such address appears in the Security Register.

## ARTICLE II. CERTAIN DEFINITIONS.

### Section 2.1. Certain Definitions.

The terms defined in this Section 2.1 (except as herein otherwise expressly provided or unless the context of this Fourth Supplemental Indenture otherwise requires) for all purposes of this Fourth Supplemental Indenture and of any indenture supplemental hereto have the respective meanings specified in this Section 2.1. All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP. All other terms used in this Fourth Supplemental Indenture that are defined in the Indenture or the Trust Indenture Act, either directly or by reference therein (except as herein otherwise expressly provided or unless the context of this Fourth Supplemental Indenture otherwise requires), have the respective meanings assigned to such terms in the Indenture or the Trust Indenture Act, as the case may be, as in force at the date of this Fourth Supplemental Indenture as originally executed.

"Change of Control" has the meaning specified in Section 7.3 of this Fourth Supplemental Indenture.

"Closing Price Per Share" means, with respect to the Common Stock of the Company, for any day, the reported last sales price regular way per share or, in case no such reported sale takes place on such day, the average of the reported closing bid and asked prices regular way, in either case (i) on the New York Stock Exchange as reported in The Wall Street Journal (or other similar

newspaper) for New York Stock Exchange Composite Transactions or, if the Common Stock is not listed or admitted to trading on such Exchange, on the principal (as determined by the Company's Board of Directors) national securities exchange on which the Common Stock is listed or admitted to trading or (ii) if not listed or admitted to trading on any national securities exchange, on the Nasdaq National Market, or, if the Common Stock is not listed or admitted to trading on any national securities exchange or quoted on the Nasdaq National Market, the average of the closing bid and asked prices in the over-the-counter market as furnished by any New York Stock Exchange member firm selected from time to time by the Company for that purpose. If no such prices are available, the Closing Price Per Share shall be the fair value of a share as determined by the Board of Directors of the Company.

"Common Stock" means the Common Stock, par value \$.01 per share, of the Company authorized at the date of this instrument as originally executed. Subject to the provisions of Section 5.11, shares issuable on conversion of Securities shall include only shares of Common Stock or shares of any class or classes of common stock resulting from any reclassification or reclassifications thereof; provided, however, that if at any time there shall be more than one

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such resulting class, the shares so issuable on conversion shall include shares of all such classes, and the shares of each such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

"Constituent Person" has the meaning specified in Section 5.11 of this Fourth Supplemental Indenture.

"Conversion Agent" means any Person authorized by the Company to convert Securities in accordance with Article VI of this Fourth Supplemental Indenture.

"Conversion Price" has the meaning specified in Section 7.3 of this Fourth Supplemental Indenture.

"Conversion Rate" has the meaning specified in Section 5.1 of this Fourth Supplemental Indenture.

"Non-electing Share" has the meaning specified in Section 5.11 of this Fourth Supplemental Indenture.

"Permitted Holder of Senior Debt" means any duly authorized representative of a holder of Senior Debt.

"Proceeding" has the meaning specified in Section 6.2 of this Fourth Supplemental Indenture.

"Quoted Price" has the meaning specified in Section 7.3 of this Fourth Supplemental Indenture.

"Redemption Date", when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Fourth Supplemental Indenture.

"Redemption Price", when used with respect to any Security to be redeemed, means the price at which it is to be redeemed pursuant to this Fourth Supplemental Indenture.

"Repurchase Date" has the meaning specified in Section 7.1 of this Fourth Supplemental Indenture.

"Repurchase Price" has the meaning specified in Section 7.1 of this Fourth Supplemental Indenture.

"Senior Debt" means the principal of (and premium, if any) and interest (including all interest accruing subsequent to the commencement of any bankruptcy or similar proceeding, whether or not a claim for post-petition interest is allowable as a claim in any such proceeding) on, and all fees and other amounts payable in connection with, the following, whether absolute or contingent, secured or unsecured, due or to become due, outstanding on the date of this Fourth Supplemental Indenture or thereafter created, incurred or assumed: (a) indebtedness of the Company to banks, insurance companies and other financial institutions evidenced by credit agreements, notes or other written obligations, (b) all other indebtedness of the Company which is (i) for money borrowed (including obligations of the Company in respect of overdrafts, foreign exchange contracts and currency exchange agreements, letters of credit, bankers' acceptances, interest rate protection agreements, and any loans or advances from banks, whether or not evidenced by notes or similar instruments) or (ii) evidenced by a note or similar instrument given in connection with an acquisition of any businesses, properties or assets of any kind (other than any account payable or other accrued current liability or obligation incurred in the ordinary course of business in connection with the obtaining of materials or services ("Trade Accounts")), (c) obligations of the Company as lessee under leases required to be capitalized on the balance sheet of the lessee under generally accepted accounting principles, (d) all obligations of the Company issued or assumed as the deferred purchase price of property (except Trade Accounts), all conditional sale obligations of the Company and all obligations of the Company under any title retention agreements, (e) all indebtedness and obligations of other Persons of the types described in clauses (a) through (d) for the payment of which the Company is responsible or liable as obligor or guarantor, including, without

limitation, obligations (contingent or otherwise) to purchase or otherwise acquire, or to assure a creditor against loss in respect of, any such indebtedness or obligation, and any such indebtedness or obligation secured by a lien on any asset of the Company, whether or not such indebtedness or obligation is assumed by the Company and (f) amendments, renewals, extensions, modifications and refundings of any such indebtedness or obligation described in clauses (a) through (e), unless in any case in the instrument creating or evidencing any such indebtedness or obligation or pursuant to which the same is outstanding it is provided that such indebtedness or obligation is not superior in right of payment to the Securities.

"Senior Nonmonetary Default" has the meaning specified in Section 6.3 of this Fourth Supplemental Indenture.

"Senior Payment Default" has the meaning specified in Section 6.3 of this Fourth Supplemental Indenture.

"Trading Days" means (i) if the Common Stock is listed or admitted for trading on any national securities exchange, days on which such national securities exchange is open for business or (ii) if the Common Stock is quoted on the Nasdaq National Market or any similar system of automated dissemination of quotations of securities prices, days on which trades may be made on such system or (iii) if the Common Stock is not listed or admitted to trading on any national securities exchange or quoted on the Nasdaq National Market or similar system, days on which the Common Stock is traded regular way in the over-the-counter market and for which a closing bid and a closing asked price for the Common Stock are available.

### ARTICLE III. CERTAIN COVENANTS.

The following covenant shall be applicable to the Company for so long as any of the Notes are Outstanding. Nothing in this paragraph will, however, affect the Company's obligations under any provision of the Indenture or, except for Article III hereof, this Fourth Supplemental Indenture.

#### Section 3.1. Registration and Listing.

The Company (i) will effect all registrations with, and obtain all approvals by, all governmental authorities that may be necessary under any United States Federal or state law (including the Securities Act, the Exchange Act and state securities and Blue Sky laws) before the shares of Common Stock issuable upon conversion of Securities may be lawfully issued and delivered, and thereafter publicly traded, and qualified or listed as contemplated by clause (ii); and (ii) will list the shares of Common Stock required to be issued and delivered upon conversion of Securities prior to such issuance or delivery on The New York Stock Exchange.

### ARTICLE IV. REDEMPTION OF SECURITIES.

#### Section 4.1. Right of Redemption.

The Securities may be redeemed in accordance with the provisions of the form of Securities set forth herein.

### ARTICLE V. CONVERSION OF SECURITIES

#### Section 5.1. Conversion Privilege and Conversion Rate.

Subject to and upon compliance with the provisions of this Article, at the option of the Holder thereof, any Security may be converted into fully paid and nonassessable shares (calculated as to each conversion to the nearest 1/100 of a share) of Common Stock of the Company at the Conversion Rate, determined as hereinafter provided, in effect at the time of conversion. Such conversion right shall commence immediately and expire at the close of business on September 30, 2003, subject, in the case of the conversion of any Global Security, to any applicable book-entry procedures of the Depositary therefor. In case a Security is called for redemption at the election of the Company or the Holder thereof exercises his right to require the Company to repurchase the Security, such conversion right in respect of the Security shall expire at the close of business on the business day next preceding the Redemption Date or the Repurchase Date (as defined in Article VII), as the case may be, unless the Company defaults in making the payment due upon redemption or repurchase, as the case may be (in each case subject as aforesaid to any applicable book entry procedures).

The rate at which shares of Common Stock shall be delivered upon conversion (herein called the "Conversion Rate") shall be initially 29.2547 shares of Common Stock for each \$1,000 principal amount of Securities. The Conversion Rate shall be adjusted in certain instances as provided in this Article V.

#### Section 5.2. Exercise of Conversion Privilege.

In order to exercise the conversion privilege, the Holder of any Security to be converted shall surrender such Security in blank at any office or agency of the Company maintained for that purpose pursuant to Section 6.02 of the Indenture, accompanied by a duly signed conversion notice substantially in the form attached to the form of Security stating that the Holder elects to convert such Security or, if less than the entire principal amount thereof is to be converted, the portion thereof to be converted. Each Security surrendered for conversion (in whole or in part) during the period from the close of

business on any Regular Record Date next preceding any Interest Payment Date to the opening of business on such Interest Payment Date shall (except in the case of any Security or portion thereof which has been called for redemption on a Redemption Date, or repurchased on a Repurchase Date, occurring within such period) be accompanied by payment in New York Clearing House funds or other funds acceptable to the Company of an amount equal

to the interest payable on such Interest Payment Date on the principal amount of such Security (or part thereof, as the case may be) being surrendered for conversion. The interest so payable on such Interest Payment Date in respect of such Security (or portion thereof, as the case may be) surrendered for conversion shall be paid to the Holder of such Security as of such Regular Record Date. Interest payable in respect of any Security surrendered for conversion on or after an Interest Payment Date shall be paid to the Holder of such Security as of the next preceding Regular Record Date, notwithstanding the exercise of the right of conversion. Except as provided in this paragraph, no cash payment or adjustment shall be made upon any conversion on account of, if the date of conversion is not an Interest Payment Date, any interest accrued from the Interest Payment Date next preceding the conversion date, in respect of any Security (or part thereof, as the case may be) surrendered for conversion, or on account of any dividends on the Common Stock issued upon conversion. The Company's delivery to the Holder of the fixed number of shares of Common Stock (or a cash adjustment, as provided in this Indenture) into which a Security is convertible will be deemed to satisfy the Company's obligation to pay the principal amount of the Security.

Securities shall be deemed to have been converted immediately prior to the close of business on the day of surrender of such Securities for conversion in accordance with the foregoing provisions, and at such time the rights of the Holders of such Securities as Holders shall cease, and the Person or Persons entitled to receive the Common Stock issuable upon conversion shall be treated for all purposes as the record holder or holders of such Common Stock at such time. As promptly as practicable on or after the conversion date, the Company shall issue and deliver to the Trustee, for delivery to the Holder, a certificate or certificates for the number of full shares of Common Stock issuable upon conversion, together with payment in lieu of any fraction of a share, as provided in Section 5.3.

In the case of any Security which is converted in part only, upon such



conversion the Company shall execute and the Trustee shall authenticate and deliver to the Holder thereof, at the expense of the Company, a new Security or Securities of authorized denominations in an aggregate principal amount equal to the unconverted portion of the principal amount of such Security. A Security may be converted in part, but only if (i) such Security is of a denomination larger than U.S.\$1,000 and (ii) the principal amount of such Security both to be converted and to remain Outstanding after such conversion is equal to U.S.\$1,000 or any integral multiple of \$1,000 in excess thereof.

#### Section 5.3. Fractions of Shares.

No fractional shares of Common Stock shall be issued upon conversion of any Security or Securities. If more than one Security shall be surrendered for conversion at one time by the same Holder, the number of full shares which shall be issuable upon conversion thereof shall be computed on the basis of the

aggregate principal amount of the Securities so surrendered. Instead of any fractional share of Common Stock which would otherwise be issuable upon conversion of any Security or Securities, the Company shall calculate and pay a cash adjustment in respect of such fraction (calculated to the nearest one-100th of a share) in an amount equal to the same fraction of the current market price per share of Common Stock (calculated in accordance with Section 5.4(8) below) at the close of business on the day of conversion.

#### Section 5.4. Adjustment of Conversion Rate.

The Conversion Rate shall be subject to adjustment from time to time as follows:

(1) In case at any time after the date hereof, the Company shall pay or make a dividend or other distribution on all of the shares of any class of capital stock of the Company in shares of its Common Stock, the Conversion Rate in effect at the opening of business on the day following the date fixed for the determination of shareholders entitled to receive such dividend or other distribution shall be increased by dividing such Conversion Rate by a fraction of which the numerator shall be the number of shares of Common Stock outstanding

at the close of business on the date fixed for such determination and the denominator shall be the sum of such number of shares and the total number of shares constituting such dividend or other distribution, such increase to become effective immediately after the opening of business on the day following the date fixed for such determination. For the purposes of this paragraph (1), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock.

(2) In case at any time after the date hereof, the Company shall issue rights or warrants to all holders of its Common Stock (not being available on an equivalent basis to Holders of the Securities upon conversion) entitling them to subscribe for or purchase shares of Common Stock at a price per share less than the current market price per share (determined as provided in paragraph (8) of this Section 5.4) of the Common Stock on the date fixed for the determination of shareholders entitled to receive such rights or warrants (other than pursuant to a dividend reinvestment plan), the Conversion Rate in effect at the opening of business on the day following the date fixed for such determination shall be increased by dividing such Conversion Rate by a fraction of which the numerator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock which the aggregate of the offering price of the total number of shares of Common Stock so offered for subscription or purchase would purchase at such current market price and the denominator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common

Stock so offered for subscription or purchase, such increase to become effective immediately after the opening of business on the day following the date fixed for such determination. For the purposes of this paragraph (2), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but will include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock.

(3) In case at any time after the date hereof, the outstanding shares

of Common Stock shall be subdivided into a greater number of shares of Common Stock, the Conversion Rate in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately increased, and, conversely, in case at any time after the date hereof, outstanding shares of Common Stock shall each be combined into a smaller number of shares of Common Stock, the Conversion Rate in effect at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately reduced, such increase or reduction, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

(4) In case at any time after the date hereof the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock evidences of its indebtedness or assets (including stock or other securities of the Company or any other issuer, but excluding any rights or warrants referred to in paragraph (2) of this Section 5.4, any dividend or distribution paid exclusively in cash and any dividend or distribution referred to in paragraph (1) of this Section 5.4), the Conversion Rate shall be adjusted so that the same shall equal the rate determined by dividing the Conversion Rate in effect immediately prior to the close of business on the date fixed for the determination of shareholders entitled to receive such distribution by a fraction of which the numerator shall be the current market price per share (determined as provided in paragraph (8) of this Section 5.4) of the Common Stock on the date fixed for such determination less the then fair market value (each reference to "fair market value" in this Section 5.4 shall mean the fair market value as determined by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution filed with the Trustee) of the portion of the assets or evidences of indebtedness so distributed applicable to one share of Common Stock and the denominator shall be such current market price per share of the Common Stock, such adjustment to become effective immediately prior to the opening of business on the day following the date fixed for the determination of shareholders entitled to receive such distribution.

(5) In case (A) the Company shall, by dividend or otherwise, other than regular, periodic or other dividends declared or paid in accordance with the Company's practice as established from time to time, distribute to all holders of its

Common Stock cash (excluding any cash that is distributed upon a merger or consolidation to which Section 5.11 applies or as part of a distribution referred to in paragraph (4) of this Section 5.4) and (B)(I) the total of (x) the aggregate amount of such cash distribution, (y) the aggregate amount of any other distributions to all holders of its Common Stock made exclusively in cash within the 12 months preceding the date of payment of such distribution and in respect of which no adjustment pursuant to this paragraph (5) or paragraph (6) of this Section 5.4 has been made (other than regular, periodic or other dividends declared or paid in accordance with the Company's practice as established from time to time) and (z) the aggregate of any cash plus the fair market value of other consideration payable in respect of any tender offers by the Company or any of its Subsidiaries for all or any portion of the Common Stock concluded within the 12 months preceding the date of payment of such distribution and in respect of which no adjustment pursuant to this paragraph (5) or paragraph (6) of this Section 5.4 has been made, exceeds (II) 12.5% of the product of the current market price per share (determined as provided in paragraph (8) of this Section 5.4) of the Common Stock on the date for the determination of holders of shares of Common Stock entitled to receive such distribution times the number of shares of Common Stock outstanding on such date, then, and in each such case, immediately after the close of business on such date for determination, the Conversion Rate shall be increased so that the same shall equal the rate determined by dividing the Conversion Rate in effect immediately prior to the close of business on the date fixed for determination of the shareholders entitled to receive such distribution by a fraction (i) the numerator of which shall be equal to such current market price per share on the date fixed for such determination less an amount equal to the quotient of (X) the sum of (I) the total of the amounts referred to in subclauses (B)(I)(x) and (y) of this paragraph (5) and (II) the aggregate of the excess of the amount referred to in subclause (B)(I)(z) of this paragraph (5) for each tender offer so referred to over the aggregate current market price of the shares of Common Stock purchased in such tender offer as of the Expiration Time (as hereinafter defined) for such tender offer divided by (Y) the number of shares of Common Stock outstanding on such date for determination and (ii) the denominator of which shall be equal to such current market price per share on such date for determination.

(6) In case (A) a tender offer made by the Company or any Subsidiary for all or any portion of the Common Stock shall expire and (B)(I) the total of (x) the fair market value of the aggregate consideration required to be paid pursuant to such tender offer (as amended upon the expiration thereof) to shareholders (based on the acceptance (up to any maximum specified in the terms of the tender offer) of Purchased Shares (as defined below)), (y) the aggregate of the cash plus the fair market value, as of the expiration of such tender offer, of consideration payable in respect of any other tender offer, by the Company or any Subsidiary for all or any portion of the Common Stock expiring within the 12 months preceding the

expiration of such tender offer and in respect of which no adjustment pursuant to this paragraph (6) or paragraph (5) of this Section 5.4 has been made and (z) the aggregate amount of any distributions to all holders of the Company's Common Stock made exclusively in cash within 12 months preceding the expiration of such tender offer and in respect of which no adjustment pursuant to this paragraph (6) or paragraph (5) of this Section 5.4 has been made (other than regular, periodic or other dividends declared or paid in accordance with the Company's practice as established from time to time), exceeds (II) 12.5% of the product of the current market price per share of the Common Stock (determined as provided in paragraph (8) of this Section 5.4) on the date of the last time (the "Expiration Time") tenders could have been made pursuant to such tender offer (as it may be amended) times the number of shares of Common Stock outstanding (including any tendered shares) on the Expiration Time, then, and in each such case, immediately prior to the opening of business on the day after the date of the Expiration Time, the Conversion Rate shall be adjusted so that the same shall equal the price determined by dividing the Conversion Rate immediately prior to the close of business on the date of the Expiration Time by a fraction (i) the numerator of which shall be equal to (a) the product of (I) such current market price per share on the date of the Expiration Time and (II) the number of shares of Common Stock outstanding (including any tendered shares) as of the Expiration Time less (b) the total of the amounts referred to in Clause (B)(I) of this paragraph (6), and (ii) the denominator of which shall be equal to the product of (a) such current market price per share on the date of the Expiration Time and (b) the number of shares of Common Stock outstanding (including any tendered shares) as of the Expiration Time less the number of all shares validly tendered and not withdrawn as of the Expiration Time (the shares deemed so accepted up to any such maximum, being referred to as the "Purchased Shares").

(7) The reclassification of Common Stock into securities including other than Common Stock (other than any reclassification upon a consolidation or merger to which Section 5.11 applies) shall be deemed to involve (a) a distribution of such securities other than Common Stock to all holders of Common Stock (and the effective date of such reclassification shall be deemed to be "the date fixed for the determination of shareholders entitled to receive such distribution" and "the date fixed for such determination" within the meaning of paragraph (4) of this Section 5.4), and (b) a subdivision or combination, as the case may be, of the number of shares of Common Stock outstanding immediately prior to such reclassification into the number of shares of Common Stock outstanding immediately thereafter (and the effective date of such reclassification shall be deemed to be "the day upon which such subdivision becomes effective" or "the day upon which such combination becomes effective", as the case may be, and "the day upon which such subdivision or combination becomes effective" within the meaning of paragraph (3) of this Section 5.4).

(8) For the purpose of any computation under paragraphs (2), (4), (5) or (6) of this Section 5.4, the current market price per share of Common Stock on any date shall be calculated by the Company and be deemed to be the average of the daily Closing Prices Per Share for the five consecutive Trading Days selected by the Company commencing not more than 10 Trading Days before, and ending not later than, the earlier of the day in question and the day before the "ex" date with respect to the issuance or distribution requiring such computation. For purposes of this paragraph, the term "ex" date, when used with respect to any issuance or distribution, means the first date on which the Common Stock trades regular way on the applicable securities exchange or in the applicable securities market without the right to receive such issuance or distribution.

(9) No adjustment in the Conversion Rate shall be required unless such adjustment (plus any adjustments not previously made by reason of this paragraph (9)) would require an increase or decrease of at least one percent in such rate; provided, however, that any adjustments which by reason of this

----- paragraph (9) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Article shall be made to the nearest cent or to the nearest one-thousandth of a share, as the case may be.

(10) The Company may make such increases in the Conversion Rate, for the remaining term of the Securities or any shorter term, in addition to those required by paragraphs (1), (2), (3), (4), (5) and (6) of this Section 5.4, as it considers to be advisable in order to avoid or diminish any income tax to any holders of shares of Common Stock resulting from any dividend or distribution of stock or issuance of rights or warrants to purchase or subscribe for stock or from any event treated as such for income tax purposes or for any other reasons. The Company shall have the power to resolve any ambiguity or correct any error in this paragraph (10) and its actions in so doing shall be final and conclusive.

#### Section 5.5. Notice of Adjustments of Conversion Rate.

Whenever the Conversion Rate is adjusted as herein provided:

(1) the Company shall compute the adjusted Conversion Rate in accordance with Section 5.4 and shall prepare a certificate signed by the Chief Financial Officer or Treasurer of the Company setting forth the adjusted Conversion Rate and showing in reasonable detail the facts upon which such adjustment is based, and such certificate shall forthwith promptly be filed with the Trustee and with each Conversion Agent; and

(2) a notice stating that the Conversion Rate has been adjusted and setting forth the adjusted Conversion Rate shall forthwith be required, and as soon as practicable after it is required, such notice shall be provided by the

Company to all Holders in accordance with Section 13.03 of the Indenture.

Neither the Trustee nor any Conversion Agent shall be under any duty or responsibility with respect to any such certificate, except to exhibit the same to any Holder of Securities desiring inspection thereof at its office during normal business hours.

Section 5.6. Notice of Certain Corporate Action.

In case:

(1) the Company shall declare a dividend (or any other distribution) on its Common Stock payable otherwise than in cash out of its earned surplus; or

(2) the Company shall authorize the granting to all holders of its Common Stock of rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any other rights (other than any rights that are substantially similar to the rights issued under the Rights Agreement, dated as of December 19, 1994, between the Company and The Bank of New York, as rights agent); or

(3) (a) of any reclassification of the Common Stock of the Company, or (b) of any consolidation, merger or share exchange to which the Company is a party and for which approval of any shareholders of the Company is required, or (c) of any tender offer by the Company or any Subsidiary for all or any portion of the Common Stock, or (d) of the conveyance, transfer, sale or lease of all or substantially all of the assets of the Company; or

(4) of the voluntary or involuntary dissolution, liquidation or winding up of the Company;

then the Company shall cause to be filed at each office or agency maintained for the purpose of conversion of Securities pursuant to Section 6.02 of the Indenture, and shall cause to be provided to all Holders in accordance with Section 13.03 of the Indenture, at least 20 days (or 10 days in any case specified in clause (1), (2) or (3)(c) above) prior to the applicable record, expiration or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, or grant of rights or warrants, or, if a record is not to be taken, the effective date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, rights or warrants are to be determined, (y) the date on which the right to make tenders under such tender offer is originally scheduled to expire or (z) the date on which such reclassification, consolidation, merger, share exchange, conveyance, transfer, sale, lease, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such

reclassification, consolidation, merger, share exchange, conveyance, transfer, sale, lease, dissolution, liquidation or winding up. Neither the failure to give such notice or the notice referred to in the following paragraph nor any defect therein shall affect the legality or validity of the proceedings described in clauses (1) through (4) of this Section 5.6. If at the time the Trustee shall not be the conversion agent, a copy of such notice and any notice referred to in the following paragraph shall also forthwith be filed by the Company with the Trustee.

The preceding paragraph to the contrary notwithstanding, the Company shall cause to be filed at each office or agency maintained for the purpose of conversion of Securities pursuant to Section 6.02 of the Indenture, and shall cause to be provided to all Holders in accordance with Section 13.03 of the Indenture, notice of any tender offer by the Company or any Subsidiary for all or any portion of the Common Stock at or about the time that such notice of tender offer is provided to the public generally.

#### Section 5.7. Company to Reserve Common Stock.

The Company shall at all times reserve and keep available, free from



preemptive rights, out of its authorized but unissued Common Stock, for the purpose of effecting the conversion of Securities, the full number of shares of Common Stock then issuable upon the conversion of all Outstanding Securities.

#### Section 5.8. Taxes on Conversions.

Except as provided in the next sentence, the Company will pay any and all taxes and duties that may be payable in respect of the issue or delivery of shares of Common Stock on conversion of Securities pursuant hereto. A Holder delivering a Security for conversion will be required to pay any tax or duty which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock in a name other than that of the Holder of the Security or Securities to be converted, and no such issue or delivery shall be made unless and until the Person requesting such issue has paid to the Company the amount of any such tax or duty, or has established to the satisfaction of the Company that such tax or duty has been paid.

#### Section 5.9. Agreements as to Common Stock.

The Company agrees that all shares of Common Stock which may be delivered upon conversion of Securities, upon such delivery, will have been duly authorized and validly issued and will be fully paid and nonassessable and, except as provided in Section 5.8, the Company will pay all taxes, liens and charges with respect to the issue thereof.

#### Section 5.10. Cancellation of Converted Securities.

All Securities delivered for conversion shall be delivered to the Trustee, which shall dispose of the same as provided in Section 2.08 of the Indenture.

#### Section 5.11. Provision in Case of Consolidation, Merger or Conveyance of Assets.

In case of any consolidation of the Company with, or merger of the

Company into, any other Person, any merger of another Person into the Company (other than a merger which does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock of the Company) or any conveyance, transfer, sale or lease of all or substantially all of the properties and assets of the Company, the Person formed by such consolidation or resulting from such merger or which acquires such assets, as the case may be, shall execute and deliver to the Trustee a supplemental indenture providing that the Holder of each Security then Outstanding shall have the right thereafter, during the period such Security shall be convertible as specified in Section 5.1, to convert such Security only into the kind and amount of securities, cash and other property receivable upon such consolidation, merger, conveyance, transfer, sale or lease by a holder of the number of shares of Common Stock of the Company into which such Security might have been converted immediately prior to such consolidation, merger, conveyance, transfer, sale or lease, assuming such holder of Common Stock of the Company (i) is not a Person with which the Company consolidated or into which the Company merged or which merged into the Company or to which such conveyance, transfer, sale or lease was made, as the case may be ("Constituent Person"), or an Affiliate of a Constituent Person and (ii) failed to exercise his rights of election, if any, as to the kind or amount of securities, cash and other property receivable upon such consolidation, merger, conveyance, transfer, sale or lease (provided that if the kind or amount of securities, cash and other property receivable upon such consolidation, merger, conveyance, transfer, sale or lease is not the same for each share of Common Stock of the Company held immediately prior to such consolidation, merger, conveyance, transfer, sale or lease by others than a Constituent Person or an Affiliate thereof and in respect of which such rights of election shall not have been exercised ("Non-electing Share"), then for the purpose of this Section 5.11 the kind and amount of securities, cash and other property receivable upon such consolidation, merger, conveyance, transfer, sale or lease by the holders of each Non-electing Share shall be deemed to be the kind and amount so receivable per share by a plurality of the Non-electing Shares). Such supplemental indenture shall provide for adjustments which, for events subsequent to the effective date of such supplemental indenture, shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article. The above provisions of this Section 5.11 shall similarly apply to successive consolidations, mergers, conveyances, transfers, sales or leases.

Neither the Trustee, any Paying Agent nor any Conversion Agent shall be under any responsibility to determine the correctness of any provisions contained in any such supplemental indenture relating either to the kind or amount of shares of stock or other securities or property or cash receivable by Holders of Securities upon the conversion of their Securities after any such consolidation, merger, conveyance, transfer, sale or lease or to any such adjustment, but may accept as conclusive evidence of the correctness of any such provisions, and shall be protected in relying upon, an Opinion of Counsel with respect thereto, which the Company shall cause to be furnished to the Trustee upon request.

Section 5.12. Responsibility of Trustee for Conversion Provisions.

The Trustee, subject to the provisions of Section 9.01 of the Indenture, and any Conversion Agent shall not at any time be under any duty or responsibility to any Holder of Securities to determine whether any facts exist which may require any adjustment of the Conversion Rate, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed, or herein or in any supplemental indenture provided to be employed, in making the same, or whether a supplemental indenture need be entered into. Neither the Trustee, subject to the provisions of Section 9.01 of the Indenture, nor any Conversion Agent shall be accountable with respect to the validity or value (or the kind or amount) of any Common Stock, or of any other securities or property or cash, which may at any time be issued or delivered upon the conversion of any Security; and it or they do not make any representation with respect thereto. Neither the Trustee, subject to the provisions of Section 9.01 of the Indenture, nor any Conversion Agent shall be responsible for any failure of the Company to make or calculate any cash payment or to issue, transfer or deliver any shares of Common Stock or share certificates or other securities or property or cash upon the surrender of any Security for the purpose of conversion; and the Trustee, subject to the provisions of Section 9.01 of the Indenture, and any Conversion Agent shall not be responsible for any failure of the Company to comply with any of the covenants of the Company contained in this Article.

ARTICLE VI. SUBORDINATION.

Section 6.1. Securities Subordinated to Senior Debt.

The Company covenants and agrees, and each Holder of a Security, by his acceptance thereof, likewise covenants and agrees, that, to the extent and in the manner hereinafter set forth in this Article, the payment of the principal of and interest on each and all of the Securities are hereby expressly made subordinate and subject in right of payment to the prior payment in full of all Senior Debt.

## Section 6.2. Payment Over of Proceeds Upon Dissolution, Etc.

In the event of (a) any insolvency or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding in connection therewith, relative to the Company or to its creditors, as such, or to its assets, or (b) any liquidation, dissolution or other winding up of the Company, whether voluntary or involuntary and whether or not involving insolvency or bankruptcy, or (c) any assignment for the benefit of creditors or any other marshalling of assets and liabilities of the Company, then and in any such event specified in (a), (b) or (c) above (each such event, if any, herein sometimes referred to as a "Proceeding") the holders of Senior Debt shall be entitled to receive payment in full of all amounts due or to become due on or in respect of all Senior Debt, or provision shall be made for such payment in cash or cash equivalents or otherwise in a manner satisfactory to the holders of Senior Debt, before the Holders of the Securities are entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, on account of principal of or interest on the Securities or on account of any purchase or other acquisition of Securities by the Company or any Subsidiary of the Company (all such payments, distributions, purchases and acquisitions herein referred to, individually and collectively, as a "Securities Payment"), and to that end the holders of all Senior Debt shall be entitled to receive, for application to the payment thereof, any Securities Payment which may be payable or deliverable in respect of the Securities in any such Proceeding.

In the event that, notwithstanding the foregoing provisions of this Section, the Trustee or the Holder of any Security shall have received any Securities Payment before all Senior Debt is paid in full or payment thereof provided for in cash or cash equivalents or otherwise in a manner satisfactory to the holders of Senior Debt, and if such fact shall, at or prior to the time of such Securities Payment, have been made known to the Trustee or, as the case may be, such Holder, then and in such event such Securities Payment shall be paid over or delivered forthwith to the trustee in bankruptcy, receiver, liquidating trustee, custodian, assignee, agent or other Person making payment or distribution of assets of the Company for application to the payment of all Senior Debt remaining unpaid, to the extent necessary to pay all Senior Debt in full, after giving effect to any concurrent payment or distribution to or for the holders of Senior Debt.

For purposes of this Article only, the words "any payment or distribution of any kind or character, whether in cash, property or securities" shall not be deemed to include a payment or distribution of stock or securities of the Company provided for by a plan of reorganization or readjustment authorized by an order or decree of a court of competent jurisdiction in a reorganization proceeding under any applicable bankruptcy law or of any other corporation provided for by such plan of reorganization or readjustment which stock or securities are subordinated in right of payment to all then outstanding

Senior Debt to substantially the same extent as the Securities are so subordinated as provided in this Article. The consolidation of the Company with, or the merger of the Company into, another Person or the liquidation or dissolution of the Company following the conveyance, transfer, sale or lease of all or substantially all of its properties and assets to another Person upon the terms and conditions set forth in Article XI of the Indenture shall not be deemed a Proceeding for the purposes of this Section if the Person formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance, transfer, sale or lease such properties and assets, as the case may be, shall, as a part of such consolidation, merger, conveyance, transfer, sale or lease comply with the conditions set forth in Article XI of the Indenture.

#### Section 6.3. No Payment When Senior Debt in Default.

In the event that any Senior Payment Default (as defined below) shall have occurred and be continuing, then no Securities Payment shall be made unless and until such Senior Payment Default shall have been cured or waived or shall have ceased to exist or all amounts then due and payable in respect of Senior Debt to which such Senior Payment Default relates shall have been paid in full, or provision shall have been made for such payment in cash or cash equivalents or otherwise in a manner satisfactory to the holders of Senior Debt. "Senior Payment Default" means any default in the payment of principal of or premium, if any, or interest on any Senior Debt.

In the event that any Senior Nonmonetary Default (as defined below) shall have occurred and be continuing, then, from and after the sixtieth day after the receipt by the Company and the Trustee of written notice of such Senior Nonmonetary Default from any Permitted Holder of Senior Debt, no Securities Payment shall be made until such Senior Nonmonetary Default shall have been cured or waived or shall have ceased to exist and any acceleration of Senior Debt shall have been rescinded or annulled or the Senior Debt to which such Senior Nonmonetary Default relates shall have been discharged. "Senior Nonmonetary Default" means the occurrence or existence and continuance of any event of default, or of any event which, after notice or lapse of time (or both), would become an event of default, under the terms of any instrument pursuant to which any Senior Debt is outstanding, permitting (whether immediately or after notice or lapse of time or both) one or more holders of such Senior Debt (or a trustee or agent on behalf of the holders thereof) to declare such Senior Debt due and payable prior to the date on which it would otherwise become due and payable, other than a Senior Payment Default.

In the event that, notwithstanding the foregoing, the Company shall make any Securities Payment to the Trustee or any Holder prohibited by the foregoing provisions of this Section, and if such fact shall, at or prior to the

time of such Securities Payment, have been made known to the Trustee or, as the case may be, such Holder, then and in such event such

Securities Payment shall be paid over and delivered forthwith to the Company.

The provisions of this Section shall not apply to any Securities Payment with respect to which Section 6.2 would be applicable.

#### Section 6.4. Payment Permitted If No Default.

Nothing contained in this Article or in any of the Securities insofar as they incorporate the provisions of this Article shall prevent (a) the Company, at any time except during the pendency of any Proceeding referred to in Section 6.2 or under the conditions described in Section 6.3, from making Securities Payments, or (b) the application by the Trustee of any money deposited with it hereunder to Securities Payments or the retention of such Securities Payment by the Holders, if, at the time of such application by the Trustee, the Trustee did not have knowledge that such Securities Payment would have been prohibited by the provisions of this Article.

#### Section 6.5. Subrogation to Rights of Holders of Senior Debt.

Subject to the payment in full of all amounts due or to become due on or in respect of Senior Debt, or the provision for such payment in cash or cash equivalents or otherwise in a manner satisfactory to the holders of Senior Debt, the Holders of the Securities shall be subrogated to the rights of the holders of such Senior Debt to receive payments and distributions of cash, property and securities applicable to the Senior Debt until the principal of and interest on the Securities shall be paid in full. For purposes of such subrogation, no payments or distributions to the holders of the Senior Debt of any cash, property or securities to which the Holders of the Securities or the Trustee would be entitled except for the provisions of this Article, and no payments over pursuant to the provisions of this Article to the holders of Senior Debt by Holders of the Securities or the Trustee, shall, as among the Company, its creditors other than holders of Senior Debt and the Holders of the Securities,

be deemed to be a payment or distribution by the Company to or on account of the Senior Debt.

#### Section 6.6. Provisions Solely to Define Relative Rights.

The provisions of this Article are and are intended solely for the purpose of defining the relative rights of the Holders on the one hand and the holders of Senior Debt on the other hand. Nothing contained in this Article or elsewhere in this Indenture or in the Securities is intended to or shall (a) impair, as among the Company, its creditors other than holders of Senior Debt and the Holders of the Securities, the obligation of the Company, which is absolute and unconditional (and which, subject to the rights under this Article of the holders of Senior Debt, is intended to rank equally with all other general obligations of the Company), to pay to the Holders

of the Securities the principal of and interest on the Securities as and when the same shall become due and payable in accordance with their terms; or (b) affect the relative rights against the Company of the Holders of the Securities and creditors of the Company other than the holders of Senior Debt; or (c) prevent the Trustee or the Holder of any Security from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article of the holders of Senior Debt to receive cash, property and securities otherwise payable or deliverable to the Trustee or such Holder.

#### Section 6.7. Trustee to Effectuate Subordination.

Each Holder of a Security by his acceptance thereof authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article and appoints the Trustee his attorney-in-fact for any and all such purposes.

#### Section 6.8. No Waiver of Subordination Provisions.

No right of any present or future holder of any Senior Debt to enforce subordination as herein provided shall at any time in any way be prejudiced or

impaired by any act or failure to act on the part of the Company or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Company with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof any such holder may have or be otherwise charged with.

Without in any way limiting the generality of the foregoing paragraph, the holders of Senior Debt may, at any time and from time to time, without the consent of or notice to the Trustee or the Holders of the Securities, without incurring responsibility to the Holders of the Securities and without impairing or releasing the subordination provided in this Article or the obligations hereunder of the Holders of the Securities to the holders of Senior Debt, do any one or more of the following: (i) amend or supplement in any manner Senior Debt or any instrument evidencing the same or any agreement under which Senior Debt is outstanding; (ii) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing Senior Debt; (iii) release any Person liable in any manner for the collection of Senior Debt; and (iv) exercise or refrain from exercising any rights against the Company and any other Person.

#### Section 6.9. Notice to Trustee.

The Company shall give prompt written notice to the Trustee of any fact known to the Company which would prohibit the making of any payment to or by the Trustee in respect of the Securities. Notwithstanding the provisions of this Article or any other provision of this Fourth Supplemental Indenture, the Trustee shall not be charged with knowledge of the existence of

any facts which would prohibit the making of any payment to or by the Trustee in respect of the Securities, unless and until the Trustee shall have received written notice thereof from the Company or a holder of Senior Debt or from any trustee therefor or representative thereof; and, prior to the receipt of any such written notice, the Trustee, subject to the provisions of Section 9.01 of the Indenture, shall be entitled in all respects to assume that no such facts exist; provided, however, that if the Trustee shall not have received the notice

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provided for in this Section at least two Business Days prior to the date upon



which by the terms hereof any money may become payable for any purpose (including, without limitation, the payment of the principal of or interest on any Security), then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to receive such money and to apply the same to the purpose for which such money was received and shall not be affected by any notice to the contrary which may be received by it within two Business Days prior to such date.

Subject to the provisions of Section 9.01 of the Indenture, the Trustee shall be entitled to rely on the delivery to it of a written notice by a Person representing himself to be a holder of Senior Debt (or a trustee therefor or representative thereof) to establish that such notice has been given by a holder of Senior Debt (or a trustee therefor or representative thereof). In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any Person as a holder of Senior Debt to participate in any payment or distribution pursuant to this Article, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Debt held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Article, and if such evidence is not furnished, the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

Section 6.10. Reliance on Judicial Order or Certificate  
of Liquidating Agent.

Upon any payment or distribution of assets of the Company referred to in this Article, the Trustee, subject to the provisions of Section 9.01 of the Indenture, and the Holders of the Securities shall be entitled to rely upon any order or decree entered by any court of competent jurisdiction in which such Proceeding is pending, or a certificate of the trustee in bankruptcy, receiver, liquidating trustee, custodian, assignee for the benefit of creditors, agent or other Person making such payment or distribution, delivered to the Trustee or to the Holders of Securities, for the purpose of ascertaining the Persons entitled to participate in such payment or distribution, the holders of the Senior Debt and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article.

Section 6.11. Trustee Not Fiduciary for Holders of Senior Debt.

The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Debt and shall not be liable to any such holders if it shall in good faith mistakenly pay over or distribute to Holders of Securities or to the Company or to any other Person cash, property or securities to which any holders of Senior Debt shall be entitled by virtue of this Article or otherwise.

With respect to the holders of Senior Debt, the Trustee undertakes to perform or to observe only such of its covenants or obligations as are specifically set forth in this Article and no implied covenants or obligations with respect to holders of Senior Debt shall be read into this Indenture against the Trustee.

Section 6.12. Rights of Trustee as Holder of Senior Debt; Preservation of Trustee's Rights.

The Trustee in its individual capacity shall be entitled to all the rights set forth in this Article with respect to any Senior Debt which may at any time be held by it, to the same extent as any other holder of Senior Debt, and nothing in this Indenture shall deprive the Trustee of any of its rights as such holder.

Section 6.13. Article Applicable to Paying Agents.

In case at any time any Paying Agent other than the Trustee shall have been appointed by the Company and be then acting hereunder, the term "Trustee" as used in this Article shall in such case (unless the context otherwise requires) be construed as extending to and including such Paying Agent within its meaning as fully for all intents and purposes as if such Paying Agent were named in this Article in addition to or in place of the Trustee; provided,

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 however, that Section 6.12 shall not apply to the Company or any Affiliate of  
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 the Company if it or such Affiliate acts as Paying Agent.

Section 6.14. Certain Conversions Deemed Payment.

For the purposes of this Article only, (1) the issuance and delivery of junior securities upon conversion of Securities in accordance with Article V shall not be deemed to constitute a Securities Payment and (2) the payment, issuance or delivery of cash, property or securities (other than junior securities) upon conversion of a Security shall be deemed to constitute a Securities Payment. For the purposes of this Section, the term "junior securities" means shares of any common stock. Nothing contained in this Article or elsewhere in this Fourth Supplemental Indenture or in the Securities is intended to or shall impair, as among the Company, its creditors other than holders of Senior Debt and the Holders of the Securities, the

right, which is absolute and unconditional, of the Holder of any Security to convert such Security in accordance with Article V.

#### ARTICLE VII. REPURCHASE OF SECURITIES AT THE OPTION OF THE HOLDER UPON A CHANGE OF CONTROL.

##### Section 7.1. Right to Require Repurchase.

In the event that a Change of Control (as hereinafter defined) shall occur, then each Holder shall have the right, at the Holder's option, to require the Company to repurchase, and upon the exercise of such right the Company shall repurchase, all of such Holder's Securities, or any portion of the principal amount thereof that is an integral multiple of U.S.\$1,000 (provided that no

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single Security may be repurchased in part unless the portion of the principal amount of such Security to be Outstanding after such repurchase is equal to U.S.\$1,000 or integral multiples of U.S.\$1,000 in excess thereof), on the date (the "Repurchase Date") that is 45 days after the date of the Company Notice (as defined in Section 7.2) for cash in Dollars at a purchase price equal to 100% of the principal amount plus interest accrued to the Repurchase Date (the "Repurchase Price"); provided that installments of interest on Securities whose

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Stated Maturity is on or prior to the Repurchase Date shall be payable to the Holders of such Securities registered as such on the relevant Record Date according to their terms and the provisions of Section 2.09 of the Indenture. Such right to require the repurchase of the Securities shall not continue after a discharge of the Company from its obligations with respect to the Securities in accordance with Article XI of the Indenture, unless a Change of Control shall have occurred prior to such discharge. Whenever in this Indenture there is a reference, in any context, to the principal of any Security as of any time, such reference shall be deemed to include reference to the Repurchase Price payable in respect of such Security to the extent that such Repurchase Price is, was or would be so payable at such time, and express mention of the Repurchase Price in any provision of this Indenture shall not be construed as excluding the Repurchase Price in those provisions of this Indenture when such express mention is not made.

##### Section 7.2. Notices; Method of Exercising Repurchase Right, Etc.

(a) Unless the Company shall have theretofore called for redemption all of the Outstanding Securities, on or before the 30th day after the occurrence of a Change in Control, the Company or, at the request of the Company on or before the 15th day after such occurrence, the Trustee, shall give to all Holders of Securities, in the manner provided in Section 13.03 of the Indenture notice (the "Company Notice") of the occurrence of the Change in Control and of the repurchase right set forth herein arising as a result thereof. The Company shall also deliver a copy of such notice of a repurchase right to the Trustee.

Each notice of a repurchase right shall state:

- (1) the Repurchase Date,
- (2) the date by which the repurchase right must be exercised,
- (3) the Repurchase Price, and the amount of accrued and unpaid interest to the Repurchase Date, if any,
- (4) a description of the procedure which a Holder must follow to exercise a repurchase right,
- (5) that on the Repurchase Date the Repurchase Price, and the amount of accrued and unpaid interest to the Repurchase Date, if any, will become due and payable upon each such Security designated by the Holder to be repurchased, and that interest thereon shall cease to accrue on and after said date,
- (6) the Conversion Rate, the date on which the right to convert the Securities to be repurchased will terminate and the places where such Securities may be surrendered for conversion, and
- (7) the place or places where such Securities are to be surrendered for payment of the Repurchase Price and accrued interest, if any.

No failure of the Company to give the foregoing notices or defect therein shall limit any Holder's right to exercise a repurchase right or affect the validity of the proceedings for the repurchase of Securities.

If any of the foregoing provisions or other provisions of this Article are inconsistent with applicable law, such law shall govern.

(b) To exercise a repurchase right, a Holder shall deliver to the Trustee or any Paying Agent on or before the 30th day after the date of the Company Notice (i) written notice of the Holder's exercise of such right, which notice shall set forth the name of the Holder, the principal amount of the Securities to be repurchased (and, if any Security is to be repurchased in part, the serial number thereof, the portion of the principal amount thereof to be repurchased and the name of the Person in which the portion thereof to remain Outstanding after such repurchase is to be registered) and a statement that an election to exercise the repurchase right is being made thereby, and (ii) the

Securities with respect to which the repurchase right is being exercised.

(c) In the event a repurchase right shall be exercised in accordance with the terms hereof, the Company shall pay or cause to be paid to the Trustee or the Paying Agent the Repurchase Price in cash, for payment to the Holder on the Repurchase Date, together with accrued and unpaid interest to the

Repurchase Date payable with respect to the Securities as to which the purchase right has been exercised (subject to the provisions of Section 7.1).

(d) If any Security (or portion thereof) surrendered for repurchase shall not be so paid on the Repurchase Date, the principal amount of such Security (or portion thereof, as the case may be) shall, until paid, bear interest from the Repurchase Date at the rate of 5% per annum, and each Security shall remain convertible into Common Stock until the principal of such Security (or portion thereof, as the case may be) shall have been paid or duly provided for.

(e) Any Security which is to be repurchased only in part shall be surrendered to the Trustee (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), and the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Security without service charge, a new Security or Securities, containing identical terms and conditions, each in an authorized denomination in aggregate principal amount equal to and in exchange for the unreurchased portion of the principal of the Security so surrendered.

#### Section 7.3. Certain Definitions.

For purposes of this Article VII,

(a) the term "beneficial owner" shall be determined in accordance with Rule 13d-3 promulgated by the Commission pursuant to the Exchange Act, as in effect on the date of the execution of this Fourth Supplemental Indenture;

(b) the term "Person" shall include any syndicate or group which would be deemed to be a "person" under Section 13(d)(3) of the Exchange Act, as in effect on the date of the original execution of this Fourth Supplemental Indenture;

(c) the term "Quoted Price" of the Common Stock on any Trading Day shall mean the Closing Price Per Share of the Common Stock on such Trading Day;

(d) a "Change of Control" shall be deemed to have occurred at such time as:

- (i) any Person (other than the Company, any Subsidiary of the Company or any employee benefit plan of the Company or any such Subsidiary) is or becomes the beneficial owner, directly or indirectly, through a purchase, merger or other acquisition transaction or series of transactions, of shares of capital stock of the Company entitling such Person to exercise 50% or more of the total voting power of all shares of capital stock of the

Company entitled to vote generally in the elections of directors;  
or

- (ii) there occurs any consolidation of the Company with, or merger of the Company into, any other Person, any merger of another Person into the Company, or any sale or transfer of all or substantially all of the assets of the Company to another Person (other than (a) any such transaction pursuant to which the holders of the Common Stock immediately prior to such transaction have, directly or indirectly, at least a majority of the common equity of the continuing or surviving corporation immediately after such transaction and (b) any merger (x) which does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock or (y) which is effected solely to change the jurisdiction of incorporation of the Company and results in a reclassification, conversion or exchange of outstanding shares of Common Stock into solely shares of Common

Stock;

provided, however, that a Change of Control with respect to the Securities shall

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not be deemed to have occurred if either (A) the Quoted Price on any five Trading Days during the 10 Trading Day period immediately preceding the date of the Change of Control shall equal or exceed 105% of the Conversion Price in effect on each such Trading Day or (B) with respect to clause (ii) above, all the consideration (excluding cash payments for fractional shares) in the transaction or transactions constituting the Change of Control consists of shares of common stock traded on a national securities exchange or quoted on the Nasdaq National Market and as a result of such transaction or transactions the Securities become convertible solely into such common stock. The "Conversion Price" shall equal U.S.\$1,000 divided by the Conversion Rate.

#### ARTICLE VIII. MISCELLANEOUS.

##### Section 8.1. Reference to and Effect on the Indenture.

This Fourth Supplemental Indenture shall be construed as supplemental to the Indenture and all the terms and conditions of this Fourth Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture. Except as set forth herein, the Indenture heretofore executed and delivered is hereby (i) incorporated by reference in this Fourth Supplemental Indenture and (ii) ratified, approved and confirmed.

##### Section 8.2. Waiver of Certain Covenants.

The Company may omit in any particular instance to comply with any term, provision, or condition set forth in Article III hereof if the Holders of a majority in principal

amount of the Outstanding Notes shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such term, provision or condition, but no such waiver shall extend to or affect such term, provision, or condition except to the extent so expressly waived, and, until

such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such term, provision, or condition shall remain in full force and effect.

Section 8.3. Fourth Supplemental Indenture May be Executed In Counterparts.

This instrument may be executed in any number of counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.



Section 8.4. Effect of Headings.

The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

In Witness Whereof, the parties hereto have caused this Fourth Supplemental Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

[Seal]                      Federated Department Stores, Inc.

By: \_\_\_\_\_  
Name:  
Title:

Attest:

-----  
Name:  
Title:

The First National Bank of Boston,  
as Trustee

By: \_\_\_\_\_  
Name:  
Title:

Attest:

-----  
Name:  
Title:

STATE OF OHIO     )  
                              ) ss.:  
COUNTY OF HAMILTON )

On this 27th day of September, 1995, before me personally came  
, to me known, who, being by me duly sworn, did depose and say that he/she  
is a                   of Federated Department Stores, Inc., one of the entities  
described in and which executed the above instrument; that he/she knows the seal  
of said entity; that the seal or a facsimile thereof affixed to said instrument  
is such seal; that it was so affixed by authority of the Board of Directors of  
said entity, and that he/she signed his/her name thereto by like authority.

In Witness Whereof, I have hereunto set my hand and affixed my  
official seal the day and year in this certificate first above written.

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Notary Public

) ss.:  
COUNTY OF NORFOLK )

In Witness Whereof, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

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Notary Public

## Schedule I

### Particular Terms of Notes

Maturity: The Notes will mature on October 1, 2003.

Interest: The interest rate per annum on the Notes shall be 5%.

Redemption: The Notes will be redeemable at the option of the Company prior to maturity at the Redemption Prices (expressed as a percentage of the principal amount) for the 12-month period beginning on October 1 of the following years:

Year	Redemption Price
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1998 . . . . .	103.125%
1999 . . . . .	102.500%

2000 .....	101.875%
2001 .....	101.250%
2002 .....	100.625%

In each case together with accrued and unpaid interest to the date of redemption.