

Federated Retail Holdings Inc
Form 424B5
March 08, 2007

Table of Contents

Filed pursuant to Rule 424(b)(5)
 Registration No. 333-138376

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee (1)(2)
5.350% Senior Notes due 2012	\$1,100,000,000	99.934%	\$1,099,274,000	\$33,748
6.375% Senior Notes due 2037	\$500,000,000	99.522%	\$497,610,000	\$15,277

- (1) Pursuant to Rule 457(r), the total registration fee for this offering is \$49,025.
- (2) \$214,000 has already been paid with respect to securities that were previously registered pursuant to this registration statement as originally filed on November 2, 2006. After subtracting \$49,025 for this offering and \$117,620 for a prior offering pursuant to this registration statement, \$47,355 remains available for future offerings.

PROSPECTUS SUPPLEMENT

(To Prospectus dated February 28, 2007)

\$1,600,000,000
Federated Retail Holdings, Inc.

\$1,100,000,000 5.350% Senior Notes Due 2012
 \$500,000,000 6.375% Senior Notes Due 2037

Payment of principal and interest unconditionally guaranteed by

Federated Department Stores, Inc.

Federated Retail Holdings, Inc. (Federated Holdings) is offering \$1,100,000,000 aggregate principal amount of its 5.350% Senior Notes due March 15, 2012, which we refer to as the 2012 Notes and \$500,000,000 aggregate principal amount of its 6.375% Senior Notes due March 15, 2037, which we refer to as the 2037 Notes. We refer to the 2012 Notes and the 2037 Notes together as the senior notes.

The 2012 Notes mature on March 15, 2012 and the 2037 Notes mature on March 15, 2037. Federated Holdings will pay interest on the senior notes semi-annually in arrears on each March 15 and September 15. The first interest payment will be made on September 15, 2007. The senior notes will rank equal in right of payment to any other existing or future senior unsecured obligations of Federated Holdings.

Federated Holdings may redeem the senior notes at any time at the redemption prices set forth herein. Upon the occurrence of both (i) a change of control of Federated Department Stores, Inc. (Federated) and (ii) a downgrade of the senior notes below an investment grade rating by each of Fitch Ratings, Moody's Investors Service, Inc. and Standard & Poor's Ratings Services within a specified period, Federated Holdings will be required to make an offer to purchase the senior notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest to the date of repurchase.

Investing in the senior notes involves risks. See the Risk Factors section in our Annual Report on Form 10-K for the year ended January 28, 2006.

	Price to Public(1)	Underwriting Discounts and Commissions	Proceeds to Federated Holdings(1)
Per 2012 Note	99.934%	0.600%	99.334%
Per 2037 Note	99.522%	0.875%	98.647%
Total	\$ 1,596,884,000	\$ 10,975,000	\$ 1,585,909,000

(1) Plus accrued interest, if any, from March 12, 2007.

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

The underwriters expect to deliver the senior notes in book-entry form only through the facilities of The Depository Trust Company for the accounts of its participants, including Clearstream Banking, societe anonyme, and Euroclear Bank S.A./N.V., as operator of the Euroclear System, against payment in New York, New York on March 12, 2007.

Global Coordinator

Credit Suisse

Joint Book-Running Managers

Banc of America Securities LLC

Goldman, Sachs & Co.

JPMorgan

Co-Managers

Citigroup

PNC Capital Markets LLC

Loop Capital Markets, LLC

Wells Fargo Securities

BNY Capital Markets, Inc.

RBS Greenwich Capital

Piper Jaffray

Fifth Third Securities, Inc.

Wachovia Securities

The date of this prospectus supplement is March 7, 2007.

TABLE OF CONTENTS

Prospectus Supplement

	<u>Page</u>
<u>Summary</u>	S-1
<u>Recent Developments</u>	S-3
<u>Use of Proceeds</u>	S-5
<u>Description of Notes</u>	S-6
<u>Certain U.S. Federal Income Tax Considerations</u>	S-21
<u>Underwriting</u>	S-25
<u>Experts</u>	S-28
<u>Legal Matters</u>	S-28

Prospectus

	<u>Page</u>
<u>About This Prospectus</u>	2
<u>Where You Can Find More Information</u>	2
<u>Incorporation by Reference</u>	3
<u>Forward-Looking Statements</u>	4
<u>Description of Debt Securities</u>	5
<u>Description of Federated Capital Stock</u>	14
<u>Description of Depositary Shares</u>	16
<u>Description of Warrants</u>	16
<u>Description of Purchase Contracts</u>	17
<u>Description of Units</u>	17
<u>Ratio of Earnings to Fixed Charges</u>	18
<u>Use of Proceeds</u>	18
<u>Certain Legal Matters</u>	18
<u>Experts</u>	18

You should rely only on the information contained in this document or to which Federated or Federated Holdings has referred you. None of Federated, Federated Holdings or any underwriter has authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell the securities. The information in this document may be accurate only on the date of this document.

Table of Contents

SUMMARY

The following summary contains basic information about the senior notes and is not intended to be complete. For a more complete discussion of the senior notes, please refer to the section entitled "Description of Notes" in this prospectus supplement. You should read the entire prospectus supplement and the accompanying prospectus, as well as the documents incorporated by reference into them, before making an investment decision.

Issuer	Federated Retail Holdings, Inc.
Guarantor	Federated Department Stores, Inc.
Securities Offered	\$1,100,000,000 aggregate principal amount of 5.350% Senior Notes due 2012 (the "2012 Notes") and \$500,000,000 aggregate principal amount of 6.375% Senior Notes due 2037 (the "2037 Notes" and, together with the 2012 Notes, the "senior notes")
2012 Notes Maturity Date	March 15, 2012
2037 Notes Maturity Date	March 15, 2037
Interest Payment Dates	Semi-annually in arrears on each March 15 and September 15, commencing September 15, 2007. Interest on the senior notes being offered by this prospectus supplement will accrue from March 12, 2007.
Ranking	The senior notes will rank equal in right of payment to any other existing or future senior unsecured obligations of Federated Holdings.
Guarantee	The obligations of Federated Holdings under the senior notes will be fully and unconditionally guaranteed on a senior unsecured basis by Federated. The guarantee will rank equal in right of payment to all other existing and future senior unsecured obligations of Federated.
Optional Redemption	Federated Holdings may, at its option, at any time or from time to time in whole or in part, redeem the senior notes at the redemption prices described in this prospectus supplement, plus accrued interest to the date of redemption.
Change of Control	Upon the occurrence of both (i) a change of control of Federated and (ii) a downgrade of the senior notes below an investment grade rating by each of Fitch Ratings, Moody's Investors Service, Inc. and Standard & Poor's Ratings Services within a specified period, Federated Holdings will be required to make an offer to purchase the senior notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest to the date of repurchase. See "Description of Notes" Change of Control.

Table of Contents

Certain Covenants

The indenture, pursuant to which the senior notes will be issued, contains covenants that, among other things, limit the ability of Federated Holdings to:

incur certain liens;

enter into sale and leaseback transactions; or

consolidate, merge or transfer all or substantially all of its assets.

These covenants will be subject to important exceptions and qualifications, which are described in Description of Notes Certain Restrictive Covenants.

Denominations

Minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

Use of Proceeds

Federated Holdings will use approximately \$640 million of the net proceeds from this offering to repay borrowings incurred under its commercial paper facility to finance the purchase by Federated of outstanding shares of its common stock pursuant to an accelerated share repurchase program, and will use the balance of such net proceeds for general corporate purposes.

Trustee, Registrar and Paying Agent

U.S. Bank National Association.

Table of Contents**RECENT DEVELOPMENTS**

The following tables present Federated's unaudited results of operations data for the 14 weeks ended February 3, 2007, the 13 weeks ended January 28, 2006, and the 53 weeks ended February 3, 2007, and audited results of operations data for the 52 weeks ended January 28, 2006. The data for the 14 weeks and 53 weeks ended February 3, 2007, including Federated's ratio of earnings to fixed charges set forth below, are subject to adjustment in connection with Federated's year-end audit process. All of this data should be read in conjunction with the consolidated financial statements (including the notes thereto) and the other information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. The May Department Stores Company (May) was acquired August 30, 2005. The results of operations of May have been included in results of operations from the date of acquisition. Certain reclassifications were made to prior period amounts to conform to the classifications of such amounts for the most recent period.

Federated's ratio of earnings to fixed charges for the 53 weeks ended February 3, 2007 is 3.3x. For purposes of determining the ratio of earnings to fixed charges, earnings consist of income from continuing operations before income taxes plus fixed charges (excluding interest capitalized). Fixed charges represent interest incurred, amortization of debt expenses, and that portion of rental expenses on operating leases deemed to be the equivalent of interest.

	14 Weeks Ended February 3, 2007	13 Weeks Ended January 28, 2006	53 Weeks Ended February 3, 2007	52 Weeks Ended January 28, 2006
	(Millions)			
Net sales	\$ 9,159	\$ 9,571	\$ 26,970	\$ 22,390
Cost of sales recurring (Note 1)	5,409	5,658	16,019	13,272
Gross margin recurring	3,750	3,913	10,951	9,118
Inventory valuation adjustments				
May integration (Note 2)	(10)	(25)	(178)	(25)
Gross margin	3,740	3,888	10,773	9,093
Selling, general and administrative expenses	(2,313)	(2,588)	(8,678)	(6,980)
May integration costs (Note 3)	(167)	(106)	(450)	(169)
Gains on sale of accounts receivable (Note 4)			191	480
Operating income	1,260	1,194	1,836	2,424
Interest expense net (Note 5)	(49)	(127)	(390)	(380)
Income from continuing operations before income taxes	1,211	1,067	1,446	2,044
Federal, state and local income tax expense (Note 6)	(451)	(389)	(458)	(671)

Edgar Filing: Federated Retail Holdings Inc - Form 424B5

Income from continuing operations	760	678	988	1,373
Discontinued operations, net of income taxes (Note 7)	(27)	21	7	33
Net income (loss)	\$ 733	\$ 699	\$ 995	\$ 1,406

- (1) Merchandise inventories are primarily valued at the lower of cost or market using the last-in, first-out (LIFO) retail inventory method. Application of this method did not impact cost of sales for any of the periods presented.
- (2) Represents inventory valuation adjustments associated with the combination and integration of Federated and May merchandise assortments.

S-3

Table of Contents

- (3) Represents costs and expenses associated with the integration and consolidation of May's operations into Federated's operations, primarily related to store and distribution center closings, system conversions and other operational consolidations. The May integration costs for the 53 weeks ended February 3, 2007 were partially offset by gains from the sale of Federated locations.
- (4) Represents the gains recognized on the sale of proprietary and non-proprietary credit card accounts and related receivables.
- (5) Interest expense net for the 14 and 53 weeks ended February 3, 2007 includes a gain of approximately \$54 million related to the completion of a debt tender offer. Interest expense net for the 53 weeks ended February 3, 2007 also includes approximately \$17 million of interest income related to the settlement of various tax examinations. Interest expense net for the 13 and 52 weeks ended January 28, 2006 includes approximately \$17 million of interest income related to the settlement of various tax examinations.
- (6) Income tax expense for the 53 weeks ended February 3, 2007 reflects approximately \$80 million of tax benefits related to the settlement of various tax examinations, primarily attributable to losses related to the disposition of a former subsidiary. Income tax expense for the 13 and 52 weeks ended January 28, 2006 was reduced by \$10 million related to the settlement of various tax examinations. For the 52 weeks ended January 28, 2006, income tax expense was also reduced by approximately \$85 million to recognize capital loss carryforwards realized as a result of the sale of certain credit card accounts receivable.
- (7) Represents the results of operations of the acquired businesses of Lord & Taylor and the Bridal Group, including David's Bridal, After Hours Formalwear and Priscilla of Boston. For the 14 weeks and 53 weeks ended February 3, 2007, discontinued operations includes the loss on disposal of David's Bridal and Priscilla of Boston of \$22 million on a pre-tax basis, or \$18 million after income taxes. For the 53 weeks ended February 3, 2007, discontinued operations also includes the loss on disposal of the Lord & Taylor division of \$63 million on a pre-tax basis, or \$38 million after income taxes. The losses on disposal reflect reductions to the fair value of the assets sold based on the actual purchase agreements.

Table of Contents

USE OF PROCEEDS

Federated Holdings will use approximately \$640 million of the net proceeds from the sale of the senior notes offered hereby to repay borrowings incurred under its commercial paper facility to finance the purchase by Federated of outstanding shares of its common stock pursuant to an accelerated share repurchase program, and will use the balance of such net proceeds for general corporate purposes. As of March 7, 2007, the borrowings under Federated Holdings commercial paper facility to be repaid totaled \$639.7 million with a weighted average interest rate of 5.353% and maturities ranging from March 8, 2007 to March 13, 2007.

S-5

Table of Contents

DESCRIPTION OF NOTES

The senior notes will be issued under an indenture, dated as of November 2, 2006 (the **Base Indenture**), among Federated Holdings, as issuer, Federated, as guarantor, and U.S. Bank National Association, as Trustee (the **Trustee**), as supplemented by a First Supplemental Indenture, a Second Supplemental Indenture and a Third Supplemental Indenture (collectively, the **Supplemental Indentures** and together with the Base Indenture, the **Indenture**) relating to the senior notes. The following discussion includes a summary description of certain material terms of the Indenture. Because this is a summary, it does not include all of the information that is included in the Indenture, including the definitions of certain terms used below. You should read the Indenture carefully and in its entirety. You may request a copy of the Indenture at Federated's address set forth under the caption **Where You Can Find More Information** in the accompanying prospectus.

General

The senior notes are senior unsecured obligations of Federated Holdings. The 2012 Notes constitute a series of notes that will initially be limited to \$1,100,000,000 aggregate principal amount and will mature on March 15, 2012. The 2037 Notes constitute a series of notes that will initially be limited to \$500,000,000 aggregate principal amount and will mature on March 15, 2037. Federated Holdings will issue the senior notes in minimum denominations of \$2,000 and integral multiples of \$1,000. The senior notes will bear interest at the applicable rate per year shown on the cover page of this prospectus supplement from March 12, 2007. Federated Holdings will pay interest semi-annually in arrears on March 15 and September 15 of each year commencing September 15, 2007 to the Person in whose name such senior notes (or any predecessor note) is registered at the close of business on March 1 or September 1, respectively, preceding such interest payment date. Interest on the senior notes will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each.

The senior notes will be exchangeable and transfers thereof will be registrable, at an office or agency of Federated Holdings, one of which will be maintained for such purpose in New York, New York (which initially will be the corporate trust office of the Trustee) or such other office or agency permitted under the Indenture.

The senior notes will rank equal in right of payment to any other existing or future senior unsecured obligations of Federated Holdings. The senior notes will not be subject to any sinking fund.

Federated Holdings does not intend to list the senior notes on a national securities exchange.

The Indenture does not contain any provisions that would limit the ability of Federated Holdings to incur indebtedness or require the maintenance of financial ratios or specified levels of net worth or liquidity. However, the Indenture does:

provide that, subject to certain exceptions, neither Federated Holdings nor any Restricted Subsidiary will subject its property or assets to any mortgage or other encumbrance unless the senior notes are secured equally and ratably with such other indebtedness thereby secured; and

contain certain limitations on the ability of Federated Holdings and its Restricted Subsidiaries to enter into certain sale and leaseback arrangements.

Guarantee

The obligations of Federated Holdings under the senior notes will be fully and unconditionally guaranteed (the Guarantee) on a senior unsecured basis by Federated. The Guarantee will rank equal in right of payment to all other existing and future senior unsecured obligations of Federated.

Further Issuances

Federated Holdings may, from time to time, without notice to or the consent of the holders of the senior notes of either series, increase the principal amount of the 2012 Notes and/or the 2037 Notes under the Indenture and issue such increased principal amount (or any portion thereof), in which case any additional

Table of Contents

notes so issued will have the same form and terms (other than the date of issuance and, under certain circumstances, the date from which interest thereon will begin to accrue), and will carry the same right to receive accrued and unpaid interest, as the senior notes of such series previously issued, and such additional notes will form a single series with the senior notes of such series.

Redemption

Federated Holdings may, at its option, at any time or from time to time in whole or in part, redeem the senior notes of each series on not less than 30 nor more than 60 days prior notice mailed to the holders of senior notes of such series to be redeemed. The senior notes of such series will be redeemable at a redemption price, plus accrued interest to the date of redemption, equal to the greater of (1) 100% of the principal amount of the senior notes of such series to be redeemed and (2) the sum of the remaining scheduled payments of principal and interest on the senior notes of such series to be redeemed that would be due after the related redemption date but for such redemption (except that, if such redemption date is not an interest payment date with respect to the senior notes of such series, the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued thereon to the redemption date), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 15 basis points in the case of the 2012 Notes and 30 basis points in the case of the 2037 Notes.

Comparable Treasury Issue means the United States Treasury security selected by an Independent Investment Banker that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the applicable senior notes.

Independent Investment Banker means one of the Reference Treasury Dealers appointed by Federated Holdings.

Comparable Treasury Price means, with respect to any redemption date, (1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding such redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated Composite 3:30 p.m. Quotations for U.S. Government Securities or (2) if such release (or any successor release) is not published or does not contain such prices on such business day, (a) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (b) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such Quotations.

Reference Treasury Dealer means Credit Suisse Securities (USA) LLC and its successors and one other nationally recognized investment banking firm that is a primary U.S. Government securities dealer in New York City (a Primary Treasury Dealer) specified from time to time by Federated Holdings, except that if any of the foregoing ceases to be a Primary Treasury Dealer, Federated Holdings is required to designate as a substitute another nationally recognized investment banking firm that is a Primary Treasury Dealer.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer as of 3:30 p.m., New York City time, on the third business day preceding such redemption date.

Treasury Rate means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity (computed as of the second business day immediately preceding such redemption date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

On and after any redemption date, interest will cease to accrue on the senior notes of such series called for redemption. On or prior to any redemption date, Federated Holdings is required to deposit with a paying agent money sufficient to pay the redemption price of and accrued interest on the senior notes of such series

S-7

Table of Contents

to be redeemed on such date. If Federated Holdings is going to redeem less than all the senior notes of such series, the Trustee must select the senior notes of such series to be redeemed by such method as the Trustee deems fair and appropriate in accordance with methods generally used at the time of selection by fiduciaries in similar circumstances.

Change of Control

If a Change of Control Triggering Event occurs, unless Federated Holdings has exercised its right to redeem the senior notes as described above, holders of senior notes will have the right to require Federated Holdings to repurchase all or any part (equal to \$2,000 or an integral multiple of \$1,000 in excess thereof) of their senior notes pursuant to the offer described below (the *Change of Control Offer*) on the terms set forth in the Indenture. In the Change of Control Offer, Federated Holdings will be required to offer payment in cash equal to 101% of the aggregate principal amount of senior notes repurchased plus accrued and unpaid interest, if any, on the senior notes repurchased, to the date of purchase (the *Change of Control Payment*). Within 30 days following any Change of Control Triggering Event, Federated Holdings will be required to mail a notice to holders of senior notes describing the transaction or transactions that constitute the Change of Control Triggering Event and offering to repurchase the senior notes on the date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed (the *Change of Control Payment Date*), pursuant to the procedures required by the Indenture and described in such notice. Federated Holdings must comply with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as amended (the *Exchange Act*) and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the senior notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Indenture, Federated Holdings will be required to comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such conflicts.

On the Change of Control Payment Date, Federated Holdings will be required, to the extent lawful, to:

accept for payment all senior notes or portions of senior notes properly tendered pursuant to the Change of Control Offer;

deposit with the paying agent an amount equal to the Change of Control Payment in respect of all senior notes or portions of senior notes properly tendered; and

deliver or cause to be delivered to the Trustee the senior notes properly accepted together with an officers certificate stating the aggregate principal amount of senior notes or portions of senior notes being purchased.

For purposes of the foregoing discussion of a repurchase at the option of holders, the following definitions are applicable:

Below Investment Grade Rating Event means the senior notes are rated below an Investment Grade Rating by each of the Rating Agencies (as defined below) on any date from the date of the public notice of an arrangement that could result in a Change of Control until the end of the 60-day period following public notice of the occurrence of the Change of Control (which 60-day period shall be extended so long as the rating of the senior notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies).

Change of Control means the occurrence of any of the following: (1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of Federated and its subsidiaries taken as a whole to any Person other than Federated or one of its subsidiaries; (2) the consummation of any transaction (including, without limitation, any

merger or consolidation) the result of which is that any Person becomes the beneficial owner, directly or indirectly, of more than 50% of the

S-8

Table of Contents

then outstanding number of shares of Federated's voting stock; or (3) the first day on which a majority of the members of Federated's Board of Directors are not Continuing Directors.

Change of Control Triggering Event means the occurrence of both a Change of Control and a Below Investment Grade Rating Event.

Continuing Directors means, as of any date of determination, any member of the Board of Directors of Federated who (1) was a member of such Board of Directors on the date of the applicable Supplemental Indenture; or (2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election (either by a specific vote or by approval of Federated's proxy statement in which such member was named as a nominee for election as a director, without objection to such nomination).

Fitch means Fitch Ratings.

Investment Grade Rating means a rating equal to or higher than BBB- (or the equivalent) by Fitch, Baa3 (or the equivalent) by Moody's and BBB- (or the equivalent) by S&P.

Moody's means Moody's Investors Service, Inc.

Rating Agencies means (1) each of Fitch, Moody's and S&P; and (2) if any of Fitch, Moody's or S&P ceases to rate the senior notes or fails to make a rating of the senior notes publicly available for reasons outside of Federated Holdings control, a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act, selected by Federated Holdings (as certified by a resolution of its Board of Directors) as a replacement agency for Fitch, Moody's or S&P, or all of them, as the case may be.

S&P means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

Book-Entry System

Each series of senior notes will initially be issued in the form of a global security held in book-entry form. Accordingly, The Depository Trust Company (DTC) or its nominee will be the sole registered holder of the senior notes for all purposes under the Indenture. DTC has advised Federated Holdings that DTC is a limited-purpose trust company organized under the Banking Law of the State of New York, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code, and a clearing agency registered under the Exchange Act.

DTC was created to hold the securities of its participants and to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. DTC's participants include securities brokers and dealers (including the underwriters), banks, trust companies, clearing corporations, and certain other organizations some of whom (and/or their representatives) own DTC. Access to DTC's book-entry system is also available to others such as banks, brokers, dealers, and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. See "Description of Debt Securities - Global Securities" in the accompanying prospectus.

Clearstream is incorporated under the laws of Luxembourg as a professional depository. Clearstream holds securities for its participating organizations (Clearstream Participants) and facilitates the clearance and settlement of securities transactions between Clearstream Participants through electronic book-entry changes in accounts of Clearstream

Participants, thereby eliminating the need for physical movement of certificates. Clearstream provides Clearstream Participants with, among other things, services for safekeeping, administration, clearance and establishment of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. As a professional depository, Clearstream is subject to regulation by the Luxembourg Monetary Institute. Clearstream Participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations, and may include the underwriters. Indirect access to

S-9

Table of Contents

Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream Participant either directly or indirectly.

Distributions with respect to senior notes held beneficially through Clearstream will be credited to cash accounts of Clearstream Participants in accordance with its rules and procedures to the extent received by DTC for Clearstream.

Euroclear was created in 1968 to hold securities for participants of Euroclear (Euroclear Participants) and to clear and settle transactions between Euroclear Participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear includes various other services, including securities lending and borrowing and interfaces with domestic markets in several markets in several countries. Euroclear is operated by Euroclear Bank S.A./N.V. (the Euroclear Operator), under contract with Euro-clear Clearance Systems S.C., a Belgian cooperative corporation (the Cooperative). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for Euroclear on behalf of Euroclear Participants. Euroclear Participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the underwriters. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear Participant, either directly or indirectly.

The Euroclear Operator is regulated and examined by the Belgian Banking Commission.

Links have been established among DTC, Clearstream and Euroclear to facilitate the initial issuance of the senior notes sold outside of the United States and cross-market transfers of the senior notes associated with secondary market trading.

Although DTC, Clearstream and Euroclear have agreed to the procedures provided below in order to facilitate transfers, they are under no obligation to perform these procedures, and these procedures may be modified or discontinued at any time.

Clearstream and Euroclear will record the ownership interests of their participants in much the same way as DTC, and DTC will record the total ownership of each of the U.S. agents of Clearstream and Euroclear, as participants in DTC. When senior notes are to be transferred from the account of a DTC participant to the account of a Clearstream participant or a Euroclear participant, the purchaser must send instructions to Clearstream or Euroclear through a participant at least one day prior to settlement. Clearstream or Euroclear, as the case may be, will instruct its U.S. agent to receive senior notes against payment. After settlement, Clearstream or Euroclear will credit its participant's account. Credit for the senior notes will appear on the next day (European time).

Because settlement is taking place during New York business hours, DTC participants will be able to employ their usual procedures for sending senior notes to the relevant U.S. agent acting for the benefit of Clearstream or Euroclear participants. The sale proceeds will be available to the DTC seller on the settlement date. As a result, to the DTC participant, a cross-market transaction will settle no differently than a trade between two DTC participants.

When a Clearstream or Euroclear participant wishes to transfer senior notes to a DTC participant, the seller will be required to send instructions to Clearstream or Euroclear through a participant at least one business day prior to settlement. In these cases, Clearstream or Euroclear will instruct its U.S. agent to transfer these senior notes against payment for them. The payment will then be reflected in the account of the Clearstream or Euroclear participant the following day, with the proceeds back valued to the value date, which would be the preceding day, when settlement occurs in New York, if settlement is not completed on the intended value date, that is, the trade fails, proceeds credited to the Clearstream or Euroclear participant's account will instead be valued as of the actual settlement date.

You should be aware that you will only be able to make and receive deliveries, payments and other communications involving the senior notes through Clearstream and Euroclear on the days when those clearing

S-10

Table of Contents

systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States. In addition, because of time zone differences there may be problems with completing transactions involving Clearstream and Euroclear on the same business day as in the United States.

Payment

The payment of principal of and interest on each series of senior notes represented by a global security will be made in accordance with the applicable requirements of the depositary for the global security. The payment of principal of and interest on any other senior note will be made at the office or agency of Federated Holdings maintained for that purpose or, at Federated Holdings' option, by mailing a check to such holder's registered address.

Certain Restrictive Covenants

The Indenture will contain the following restrictive covenants.

Limitation on Liens. Federated Holdings and the Restricted Subsidiaries will not be permitted to create, incur, assume or suffer to exist any liens upon any of their respective assets, other than Permitted Liens, unless the senior notes are secured by an equal and ratable lien on the same assets. The terms of other existing and future indebtedness of Federated Holdings may require that such other indebtedness be similarly secured by an equal and ratable lien on such assets.

Limitation on Sale and Leaseback. Federated Holdings and the Restricted Subsidiaries may not enter into any sale and leaseback transaction unless the net cash proceeds therefrom are applied as follows: to the extent that the aggregate amount of net cash proc