

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

VENATOR GROUP, INC.  
(Exact name of Registrant as specified in its charter)

NEW YORK  
(State or other jurisdiction of  
incorporation or organization)

13-3513936  
(I.R.S. Employer Identification No.)

112 W. 34th Street  
New York, New York 10120  
(212) 720-3700  
Fax: (212) 720-3643  
(Address, Including Zip Code, and Telephone Number, Including Area Code,  
of Registrant's Principal Executive Offices)

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Approximate date of commencement of proposed sale to  
the public: From time to time after the effective date of  
this registration statement.

If the only securities being registered on this Form are being  
offered pursuant to dividend or interest reinvestment plans, check the  
following box.

If any of the securities being registered on this Form are to be  
offered on a delayed or continuous basis pursuant to Rule 415 under the  
Securities Act of 1933, other than securities offered only in connection  
with dividend or interest reinvestment plans, check the following box.

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

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Note	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
5.50 % Convertible Subordinated Notes due 2008	\$150,000,000(1)	115%(2)(3)	\$172,500,000(2)(3)	\$43,125
Common stock, par value \$0.01 per share....	9,490,067(4)	--	--	(5)

- (1) Represents the aggregate principal amount at maturity of the notes that were originally issued by the Registrant in June 2001.
- (2) This estimate is made pursuant to Rule 457(c) of the Securities Act of 1933, as amended, solely for purposes of determining the registration fee. The above calculation is based on the average bid and ask prices for the Registrant's notes in secondary market transactions executed by the initial purchasers of the notes on July 9, 2001, as reported to the Registrant by the initial purchasers.
- (3) Exclusive of accrued interest.
- (4) Represents the number of shares of common stock that are currently issuable upon conversion of the notes registered hereby. The number of shares of common stock that may be issued upon conversion of the notes in the future is indeterminate, and the Registrant is also registering this indeterminate amount pursuant to Rule 416 of the Securities Act.
- (5) No separate consideration will be received for the shares of common stock issuable upon conversion of the notes and, therefore, no registration fee is required pursuant to Rule 457(i) under the Securities Act.

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THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

SUBJECT TO COMPLETION, DATED JULY 11, 2001

[VENATOR LOGO]

VENATOR GROUP, INC.

\$150,000,000

5.50% CONVERTIBLE SUBORDINATED NOTES DUE 2008

AND SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION OF THE NOTES

We issued the notes in a private placement in June 2001. Under this prospectus, the selling securityholders named in this prospectus or in prospectus supplements may offer and sell their notes and/or the shares of common stock issuable upon conversion of their notes.

Holder may surrender the notes for conversion into shares of our common stock at a conversion price of \$15.806 per share at any time before the close of business on the maturity date, unless we have previously redeemed or repurchased the notes. The conversion rate may be adjusted as described in this prospectus under "Description of Notes -- Conversion." The notes will mature on June 1, 2008.

We will pay interest on the notes in cash on June 1 and December 1 of each year. The first interest payment will be made on December 1, 2001. The notes will bear interest at a fixed annual rate of 5.50%.

We may redeem all or a portion of the notes at any time on or after June 4, 2004 at the prices set forth in this prospectus under "Description of the Notes -- Optional Redemption by Venator." In addition, upon the occurrence of a change in control, holders of the notes may require us to repurchase all or a portion of their notes at 100% of the principal amount thereof, plus accrued and unpaid interest.

The notes are general unsecured obligations of Venator and are subordinated in right of payment to all of our existing and future senior indebtedness and structurally subordinated to the indebtedness and other liabilities of our subsidiaries.

Shares of our common stock are quoted on the New York Stock Exchange under the symbol "Z." The last reported sale price of our common stock on July 10, 2001 was \$14.65 per share.

INVESTING IN OUR NOTES OR SHARES OF OUR COMMON STOCK INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 7 OF THIS PROSPECTUS.

We will not receive any of the proceeds from the sale of the notes or the shares of common stock by any of the selling securityholders. The notes and the shares of common stock may be offered in negotiated transactions or otherwise, at market prices prevailing at the time of sale or at negotiated prices. The timing and amount of any sale are within the sole discretion of the selling securityholders. In addition, the shares of common stock may be offered from time to time through ordinary brokerage transactions on the New York Stock Exchange. See "Plan of Distribution." The selling securityholders may be deemed to be "underwriters" as defined in the Securities Act of 1933, as amended. Any profits realized by the selling securityholders may be deemed to be underwriting commissions. If the selling securityholders use any broker-dealers, any commission paid to

broker-dealers and, if broker-dealers purchase any notes or shares of common stock as principals, any profits received by such broker-dealers on the resale of the notes or shares of common stock may be deemed to be underwriting discounts or commissions under the Securities Act.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS OR THE ACCOMPANYING PROSPECTUS SUPPLEMENT IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is July 11, 2001.

NO DEALER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS IN CONNECTION WITH THE OFFER CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY VENATOR. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF VENATOR SINCE THE DATE HEREOF. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY SECURITIES OTHER THAN THOSE SPECIFICALLY OFFERED HEREBY OR OF ANY SECURITIES OFFERED HEREBY IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. THE INFORMATION CONTAINED IN THIS PROSPECTUS SPEAKS ONLY AS OF THE DATE OF THIS PROSPECTUS UNLESS THE INFORMATION SPECIFICALLY INDICATES THAT ANOTHER DATE APPLIES.

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#### Special Note Regarding Forward-Looking Statements

This prospectus and the documents incorporated by reference in this prospectus contain "forward-looking statements" within the meaning of the securities laws. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control. All statements other than statements of historical facts included or incorporated by reference in this prospectus, including the statements under "Prospectus Summary - Venator Group, Inc." and elsewhere in this prospectus regarding our strategy, future operations, financial position, estimated revenues, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this prospectus, the words "will," "believe," "anticipate," "intend," "estimate," "expect," "project" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. All forward-looking statements speak only as of the date of this prospectus. We do not undertake any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this prospectus are reasonable, we can give no assurance that such plans, intentions or expectations will be achieved. The cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

#### Incorporation Of Certain Documents By Reference

This prospectus "incorporates by reference" certain of the reports, proxy and information statements and other information that we have filed with the Commission under the Exchange Act. This means that we are disclosing important information to you by referring you to those documents. The information that we file later with the Commission will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings made with the Commission under sections 13(a), 13(c), 14 or 15(d) of the Exchange Act until all of the securities offered by this prospectus are sold.

- o Quarterly Report on Form 10-Q for the quarter ended May 5, 2001, filed on June 13, 2001;
- o Definitive Proxy Statement with respect to the Annual Meeting of Shareholders held on June 14, 2001 filed on May 2, 2001;
- o Annual Report on Form 10-K for the year ended February 3, 2001, filed on April 23, 2001;

- o Current Report on Form 8-K dated June 11, 2001, filed on June 11, 2001;
- o Current Report on Form 8-K dated May 30, 2001, filed on May 30, 2001;
- o Current Report on Form 8-K dated May 24, 2001, filed on May 24, 2001; and
- o Current Report on Form 8-K dated May 17, 2001, filed on May 18, 2001.

All documents that we file with the Commission from the date of this prospectus to the end of the offering of the notes and shares of common stock shall also be deemed to be incorporated herein by reference.

Any statement contained in a document incorporated or considered to be incorporated by reference in this prospectus shall be considered to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or in any subsequently filed document that is or is considered to be incorporated by reference modifies or supersedes such statement. Any statement that is modified or superseded shall not, except as so modified or superseded, constitute a part of this prospectus.

You may request a copy of any of the documents that are incorporated by reference in this prospectus, other than exhibits which are not specifically incorporated by reference into such documents, at no cost by writing or telephoning us at the following:

Venator Group, Inc.  
 112 West 34th Street  
 New York, New York 10120  
 Attention: Investor Relations  
 Telephone: (212) 720-4600

#### Prospectus Summary

This prospectus constitutes part of the Registration Statement on Form S-3 that we filed with the Securities and Exchange Commission (the "SEC") using a "shelf" registration process. Under the shelf process, any selling security holder may sell any combination of the securities described in this prospectus in one or more offerings. This prospectus provides you with a general description of the securities the selling securityholders may offer. When used in this prospectus, unless otherwise indicated, the terms "we," "our" and "us" refer to Venator and its subsidiaries. Our fiscal year ends on the Saturday closest to January 31. Our 1997 and 2000 reporting years included 53 weeks whereas all other reporting years in this prospectus include 52 weeks. All references to years in this prospectus when discussing our financial results relate to fiscal years; all other references to years relate to calendar years. Therefore, references to the year 2000 in this prospectus shall mean the fiscal year ended February 3, 2001.

#### Venator Group, Inc.

We are a leading global specialty retailer of athletic footwear and apparel, offering high quality branded and private label products to men, women and children through our retail stores and direct-to-customers business. We currently operate approximately 3,600 stores through a network of complementary retail store formats under the brand names Foot Locker, Lady Foot Locker, Kids Foot Locker and Champs Sports. Our stores are primarily mall-based and are located in 14 countries in North America, Europe and Australia. Our direct-to-customers business, Footlocker.com, Inc., through its affiliates, is an integrated e-commerce and direct marketing business consisting primarily of websites for each of our store formats and catalogs. We believe that our portfolio strategy is unique in the athletic industry, with specialized retail store formats, catalogs and Internet websites targeted specifically to the men's, women's and children's segments of the market, allowing us to tailor our merchandise assortments more effectively and enhance our customer service to appeal to a broad range of customers.

In 1997, we initiated a strategic plan aimed at building on the core strengths of the Foot Locker business and divesting all non-athletic footwear and apparel operations to establish a foundation for our future growth. We believe that our 2000 financial results continue to affirm the direction of our strategic initiatives. For the fiscal year ended February 3, 2001, sales from our ongoing core athletic businesses grew 11.1 percent, to \$4,232 million, and comparable store sales increased by 11.5 percent. Operating profit from ongoing operations more than doubled to \$270 million in 2000 from \$111 million in 1999, increasing as a percentage of sales to 6.4 percent from 2.9 percent, respectively. Our income from continuing operations before the cumulative effect of accounting changes increased to \$0.77 per share on a diluted basis in 2000 from \$0.43 on a diluted basis in 1999.

#### Competitive Strengths

Our market leadership position provides competitive advantages that we strategically leverage across our operations, resulting in the following key competitive strengths:

- o Strong brand recognition. The Foot Locker brand is one of the most

widely recognized names in the market segments in which we operate, epitomizing high quality for the active lifestyle customer. This brand equity has aided our ability to successfully develop and increase our portfolio of complementary retail store formats, specifically, Lady Foot Locker and Kids Foot Locker, as well as our Footlocker.com, Inc. direct-to-customers business.

- o Key vendor relationships. Our position as a leading global specialty retailer of athletic footwear and apparel has enabled us to build strong relationships with key branded vendors, including Nike, adidas, Reebok, Timberland, New Balance and K-Swiss. From these and other vendors, we enjoy significant allocations of exclusive and limited distribution products.
- o Product sourcing strengths. Our size and purchasing power enable us to source private-label products at competitive prices. Our private-label program provides our customers with athletic footwear and apparel at lower prices than branded products, driving incremental customer traffic and sales to our retail stores and direct-to-customers business.
- o International expertise and presence. Through our presence in international markets, we have established strong brand recognition and an advantage over our domestic competitors contemplating expansion into overseas markets. Operating internationally allows our merchants to share product trend information with our domestic operations. The sharing of information among our various domestic and international businesses enables us to anticipate more rapidly new fashion trends that move from one market to another, often allowing us to be trend-setters in the domestic market.
- o Three synergistic distribution channels. We offer our products through three integrated channels of distribution: our stores, catalogs and websites. We believe that our three sales channels allow us to provide customers with increased shopping flexibility and ease of service, leverage our existing infrastructure and our experience in customer service and order fulfillment and increase the visibility of our brand names.

#### Business Strategies

We are pursuing the following strategies for future growth:

- o Improve productivity of existing stores. We employ a variety of initiatives designed to increase the productivity of our existing athletic store formats, including store renovations, stock keeping unit, or SKU, count reductions and floor space reallocations. As a result of these initiatives, our comparable store sales increased by 11.5 percent and our stores generated sales of nearly \$300 per gross square foot in 2000, an improvement of approximately \$20 from 1999. Our objective is to increase sales productivity to greater than \$350 per gross square foot.
- o Further penetrate European markets. We intend to significantly expand our presence in Europe, where the athletic footwear retail market is fragmented and there is a strong customer interest in American brands, such as Nike. We will continue to identify suitable retail locations in this region and plan to double our current 289 store base in Europe over the next few years. To support this growth, we recently completed the construction of a new distribution center in the Netherlands.
- o Increase our North American store base. Our plan is to open approximately 300 Foot Locker stores in urban markets over the next several years, with 50 scheduled to open in 2001. Since occupancy costs in urban locations are often significantly lower than in mall-based stores, resulting in considerably higher profit margins, we believe our expansion in urban areas will reinforce our brands and generate strong financial performance.
- o Differentiated merchandising strategy. Our objective is to differentiate our merchandise assortments from those of our competitors by offering trend-right products at competitive prices from both branded manufacturers and our own private label program. For example, we maximize exclusive and marquee product offerings from leading vendors as a means of differentiation from most smaller specialty retail chains and department stores.
- o Capitalize on profitable direct-to-customers business. During 2000, we enhanced our websites, which helped drive online sales volume to \$58 million from \$14 million in 1999, positioning us as a leading online athletic footwear and apparel retailer. Additionally, each of our catalog and e-commerce businesses was profitable in 2000. We believe that our integrated operations, combined with the strength of our Foot Locker brand name, will allow us to further develop our presence in this growing market segment. We also plan to develop an international Internet strategy over the next several years.

Our principal executive offices are located at 112 West 34th Street, New York, N.Y. 10120. Our telephone number is (212) 720-3700.

#### The Offering

Notes Offered..... \$150,000,000 aggregate principal amount of 5.50% convertible

	subordinated notes due 2008.
Maturity.....	June 1, 2008.
Interest.....	The notes bear interest at a fixed annual rate of 5.50% to be paid in cash every June 1 and December 1 of each year, beginning on December 1, 2001. The first interest payment will include interest from June 8, 2001.
Conversion.....	The notes are convertible into shares of our common stock at a conversion price of \$15.806 per share. The conversion price may be subject to adjustment under certain circumstances. The notes are convertible at any time prior to the close of business on the business day prior to the date of repurchase, redemption or final maturity of the notes, as appropriate. See "Description of Notes - Conversion of Notes."
Subordination.....	The notes are subordinated to all existing and future senior indebtedness and are effectively subordinated to all of the indebtedness and other liabilities (including trade and other payables) of our subsidiaries. As of February 3, 2001, we had approximately \$290 million of senior indebtedness and we and our subsidiaries had approximately \$929 million of other liabilities reflected on our consolidated balance sheet. In addition, with respect to our continuing operations, we and our subsidiaries had total operating lease commitments of \$1,907 million as of February 3, 2001. Other liabilities on our consolidated balance sheet include our estimate of costs to exit leases of our discontinued operations. The indenture governing the notes does not limit the amount of indebtedness, including senior indebtedness, that we and our subsidiaries may incur. See "Description of Notes -- Subordination of the Notes."
Sinking Fund.....	None.
Optional Redemption.....	At any time on or after June 4, 2004, we may redeem some or all of the notes at the declining redemption prices listed herein, plus accrued interest. See "Description of Notes -- Optional Redemption by Venator."
Repurchase At Holder's Option Upon A Repurchase Event.....	You may require us to repurchase your notes upon a repurchase event in cash or, at our option, in common stock, at 100% of the principal amount of the notes, plus accrued and unpaid interest.
Use Of Proceeds.....	We will not receive any of the proceeds from the sale by any selling securityholder of the notes or shares of common stock offered under this prospectus.

#### Risk Factors

An investment in the notes and shares of common stock involves significant risks. In addition to reviewing other information in this prospectus, you should carefully consider the following factors before deciding to purchase the notes or shares of common stock.

#### Risks Related to Our Business

The industry in which we operate is dependent upon fashion trends, customer preferences and other fashion-related factors.

The athletic footwear and apparel industry is subject to changing fashion trends and customer preferences. We cannot guarantee that our merchandise selection will accurately reflect customer preferences on the date of sale or that we will be able to identify and respond quickly to fashion changes, particularly given the long lead times for ordering much of our merchandise from vendors. For example, like our competitors, we order athletic footwear four to six months prior to delivery to our stores. If we fail to accurately anticipate either the market for the merchandise in our stores or our customers' purchasing habits, we may be required to sell a significant amount of unsold inventory at below average markups or below cost, which would have a material adverse effect on our business, financial condition and results of operations.

A substantial portion of our highest margin sales are to young males (ages 12-25), many of whom we believe purchase athletic footwear and licensed apparel as a fashion statement and are frequent purchasers of athletic footwear. Any shift in fashion trends that would make athletic footwear or licensed apparel less attractive to these customers would have a material adverse effect on our business, financial condition and results of operations.

The businesses in which we operate are highly competitive.

The retail athletic footwear and apparel business is highly competitive with relatively low barriers to entry. Our athletic footwear and apparel operations compete primarily with athletic footwear specialty stores, sporting goods stores and superstores, department stores, discount stores, traditional shoe stores and mass merchandisers, many of which are units of national or regional chains that have significant financial and marketing resources. The principal competitive factors in our markets are price, quality, selection of merchandise, reputation, store location, advertising and customer service. We cannot assure you that we will continue to be able to compete successfully against existing or future competitors. Our expansion into markets served by our competitors and entry of new competitors or expansion of existing competitors into our markets could have a material adverse effect on our business, financial condition and results of operations.

Although we sell merchandise via the Internet through Footlocker.com and its affiliates, a significant shift in customer buying patterns to purchasing athletic footwear, athletic apparel and sporting goods via the Internet could have a material adverse effect on us. In particular, some of the manufacturers of our products distribute products directly through the Internet and others may follow. Should this occur and if our customers decide to purchase directly from our manufacturers, it could have a material adverse effect on our business, financial condition and results of operations.

We depend on mall traffic and our ability to identify suitable store locations.

Our sales, particularly in the United States and Canada, are dependent in part on a high volume of mall traffic. Our stores are located primarily in enclosed regional and neighborhood malls. Mall traffic may be adversely affected by, among other things, economic downturns, the closing of anchor department stores or changes in customer preferences. A decline in the popularity of mall shopping among our target customers could have a material adverse effect on us.

To take advantage of customer traffic and the shopping preferences of our customers, we need to maintain or acquire stores in desirable locations such as in regional and neighborhood malls anchored by major department stores. We cannot assure you that desirable mall locations will continue to be available.

A change in the relationship with any of our key vendors or the unavailability of our key products at competitive prices could affect our financial health.

Our business is dependent to a significant degree upon our ability to purchase brand-name merchandise at competitive prices, including the receipt of volume discounts and cooperative advertising and other allowances from our vendors. For the fiscal year ended February 3, 2001, approximately 71 percent of our merchandise was purchased from five vendors and approximately 49 percent of our merchandise was purchased from Nike, reflecting Nike's overall share of the athletic footwear and apparel market. We have no long-term supply contracts with any of our vendors. Our inability to obtain merchandise in a timely manner from major suppliers (particularly Nike) as a result of any disruption in the supply chain could have a material adverse effect on our business, financial condition and results of operations. Because of our strong dependence on Nike, any adverse development in Nike's financial condition and results of operations or the inability of Nike to develop and manufacture products that appeal to our target customers could also have an adverse effect on our business, financial condition and results of operations. We cannot assure you that we will be able to acquire merchandise at competitive prices or on competitive terms in the future.

Merchandise that is high profile and in high demand is allocated by our vendors based upon their internal criteria. Although we have generally been able to purchase sufficient quantities of this merchandise in the past, we cannot assure you that our vendors will continue to allocate sufficient amounts of such merchandise in the future. In addition, our vendors provide support to us through cooperative advertising allowances and promotional events. We cannot assure you that such assistance from our vendors will continue in the future. These risks could have a material adverse effect on

our business, financial condition and results of operations.

We may experience fluctuations in and cyclicity of our comparable store sales results.

Our comparable store sales have fluctuated significantly in the past, on both an annual and a quarterly basis, and we expect them to continue to fluctuate in the future. A variety of factors affect our comparable store sales results, including, among others, fashion trends, the highly competitive retail store sales environment, economic conditions, timing of promotional events, changes in our merchandise mix, calendar shifts of holiday periods and weather conditions.

Many of our products, particularly high-end athletic footwear and licensed apparel, represent discretionary purchases. Accordingly, customer demand for these products could decline in a recession. These risks could have a material adverse effect on our business, financial condition and results of operations.

Our operations may be adversely affected by economic or political conditions in other countries.

Approximately 10 percent of our sales and a significant portion of our operating profits for 2000 were attributable to our sales in Europe and Australia. As a result, our business is subject to the risks generally associated with doing business outside North America, such as foreign governmental regulations, foreign customer preferences, political unrest, disruptions or delays in shipments and changes in economic conditions in countries in which we operate. Although we enter into forward foreign exchange contracts and option contracts to reduce the effect of foreign currency exchange rate fluctuations, our operations may be adversely affected by significant changes in the value of the U.S. dollar as it relates to certain foreign currencies. In addition, the adoption of a single European currency will lead to greater product pricing transparency and a more competitive environment.

In addition, because we and our suppliers have a substantial amount of our products manufactured in foreign countries, our ability to obtain sufficient quantities of merchandise on favorable terms may be affected by governmental regulations and economic, labor and other conditions in the countries from which our suppliers obtain their product. The People's Republic of China is a significant source of our footwear and apparel merchandise. China's failure to maintain its Normal Trading Status (previously known as "most favored nation" status) could result in a substantial increase in tariff rates on goods imported from China and, therefore, could adversely affect our operations. In addition, trade and other sanctions in the form of retaliatory duties or otherwise, which have and continue to be threatened against China, could restrict or eliminate imports from China and thereby adversely affect our business, financial condition and results of operations.

There are certain risks associated with our businesses currently held for sale.

In January 2001, we announced a plan for the discontinuance of the Northern Group operations, which consist of retail outlets selling private label apparel. The plan provides for the shutdown of 324 U.S. stores and the sale of 370 Canadian stores. We also currently hold two other businesses for sale -- The San Francisco Music Box Company and The Hospitality Group. If we are unable to implement the divestitures of the Northern Group and other businesses held for sale as planned or if we do not realize the planned cash proceeds from those divestitures, we may be required to adjust the reserve already provided for on our balance sheet and our financial position may be adversely affected.

Complications in our distribution centers may affect our business.

We operate four distribution centers worldwide to support our athletic business. If complications arise with any one facility or any facility is severely damaged or destroyed, the other distribution centers may not be able to support the resulting additional distribution demands. This may adversely affect our ability to deliver inventory on a timely basis.

We may not be able to successfully expand and implement our point of sale systems.

Our failure to implement and improve our point of sale systems as required could adversely affect our future operating results. We are continually evaluating the adequacy of our existing point of sale systems. However, our ability to install and operate this point of sale system in each of our stores depends on our ability to replace existing systems without disrupting our operations. In connection with the introduction of a single European currency, we need to modify our point of sale systems in affected countries to accommodate the single currency. We cannot assure you that we will be able to install our point of sale systems successfully. We also cannot assure you that our systems can address all of the changing demands that our expanding operations will impose on them.

Issues of global workplace conditions may impact our business.

If any one of our manufacturers or vendors:

- o fails to operate in compliance with applicable laws and regulations,
- o is perceived by the public as failing to meet certain labor standards that are generally accepted as ethical in the United States or



o employs unfair labor practices,

our business may be adversely affected. Current global workplace concerns of the public include perceived low wages, poor working conditions, age of employees and various other employment standards. These globalization issues may impact the available supply of certain manufacturers' products, which may result in increased costs to us. Furthermore, a negative customer perception of any of our key vendors or their products may result in a lower customer demand for our athletic footwear and apparel.

#### Risks Related to the Notes

Our substantial indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations under these notes.

We have now and, after this offering, will continue to have a significant amount of indebtedness that could have important consequences to you. For example, it could:

- o make it more difficult for us to satisfy our obligations with respect to the notes;
- o increase our vulnerability to general adverse economic and industry conditions;
- o require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- o limit our flexibility in reacting to changes in our business and the industry in which we operate;
- o place us at a competitive disadvantage compared with our competitors that have less debt;
- o limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds; and
- o if we fail to comply with covenants in our indebtedness, result in an event of default that, if not cured or waived, could result in our indebtedness becoming immediately due and payable.

Our amended revolving credit facility contains covenants that, among other things, restrict our ability to incur debt, incur liens and make investments or acquisitions. We also are required to achieve certain financial ratios. See "Description of Revolving Credit Facility." In addition, certain of our other indebtedness contains covenants that, among other things, restrict our business decisions. These risks could have a material adverse effect on us. The indenture does not limit our ability to incur additional indebtedness in the future. If new indebtedness is incurred, the related risks that we now face could intensify. Our ability to make required payments on the notes and to satisfy any other debt obligations will depend upon our future operating performance and our ability to obtain additional debt or equity financing.

If our subsidiaries do not make sufficient distributions to us, we will not be able to make payment on our debt, including the notes.

We are a holding company with no material operations and only limited assets. Because a significant portion of our operations are conducted by our subsidiaries, our cash flow and our ability to service indebtedness, including our ability to pay the interest on and principal of the notes, are dependent to a large extent upon cash dividends and distributions or other transfers from our subsidiaries. In addition, any payment of dividends, distributions, loans or advances by our subsidiaries to us could be subject to restrictions on dividends or repatriation of earnings under applicable local law, monetary transfer restrictions and foreign currency exchange regulations in the jurisdictions in which our subsidiaries operate, and any restrictions imposed by the current and future debt instruments of our subsidiaries. Such payments to us by our subsidiaries are contingent upon our subsidiaries' earnings.

Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due pursuant to the notes or to make any funds available therefor, whether by dividends, loans, distributions or other payments, and do not guarantee the payment of interest on, or principal of, the notes. Any right that we have to receive any assets of any of our subsidiaries upon the liquidation or reorganization of any such subsidiary, and the consequent right of holders of notes to realize proceeds from the sale of their assets, will be effectively subordinated to the claims of subsidiary creditors, including trade creditors and holders of debt issued by the subsidiary.

The notes are subordinated and unsecured.

The notes are subordinated and unsecured in right of payment in full to all of our existing and future senior indebtedness and are effectively subordinated to all of the indebtedness and other liabilities (including trade and other payables) of our subsidiaries. As a result, in the event of our bankruptcy, winding-up, liquidation, reorganization, insolvency or similar proceedings, or upon acceleration of the notes due to an event of default under the indenture, our assets will be available to pay obligations on the notes only after all senior indebtedness and the indebtedness of our subsidiaries have been paid in full. After retiring our senior indebtedness and the indebtedness of our subsidiaries, we may not

have sufficient assets remaining to pay amounts due on any or all of the notes then outstanding.

The notes are not protected by restrictive covenants.

The indenture governing the notes does not contain any financial or operating covenants or restrictions on the payments of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by us or any of our subsidiaries. The indenture contains no covenants or other provisions to afford protection to holders of the notes in the event of a fundamental change involving Venator Group except to the extent described under "Description of Notes -- Repurchase at Option of Holders."

We may be required to repurchase the notes upon a repurchase event.

You may require us to repurchase all or any portion of your notes upon a repurchase event. We may not have sufficient cash funds to repurchase the notes upon a repurchase event. We may elect, subject to certain conditions, to pay the repurchase price in common stock. Although there are currently no restrictions on our ability to pay the repurchase price, future debt agreements may prohibit us from repaying the repurchase price in cash. If we are prohibited from repurchasing the notes, we could seek consent from the lenders under such debt agreements to repurchase the notes. If we were unable to obtain their consent, we could attempt to refinance the notes. If we were unable to obtain a consent or refinance, we would be prohibited from repurchasing the notes other than for common stock. If we were unable to repurchase the notes upon a repurchase event, it would result in an event of default under the indenture. An event of default under the indenture could result in an event of default under our other then-existing debt. In addition, the occurrence of the repurchase event may be an event of default under our other debt. As a result, we would be prohibited from paying amounts due on the notes under the subordination provisions of the indenture.

The trading price of our securities could be subject to significant fluctuations.

The trading price of our common stock has been volatile, and the trading price for the notes and the common stock may be volatile in the future. Factors such as announcements of fluctuations in our or our competitors' operating results, changes in our prospects and market conditions for athletic footwear and apparel stocks in general could have a significant impact on the future trading prices of our common stock and the notes. In particular, the trading price of the common stock of many athletic footwear and apparel companies, including us, has experienced extreme price and volume fluctuations, which have at times been unrelated to the operating performance of such companies whose stocks were affected. Some of the factors that may cause volatility in the price of our securities include:

- o customer demand and fashion trends;
- o competitive market forces;
- o uncertainties related to the effect of competitive products and pricing;
- o customer acceptance of our merchandise mix and retail store locations;
- o economic conditions worldwide;
- o effect of currency fluctuations; and
- o ability to execute our business plans with regard to each of our operating units.

The price of our securities may also be affected by the estimates and projections of the investment community, general economic and market conditions, and the cost of operations in our product markets. While we cannot predict the individual effect that these factors may have on the price of our securities, these factors, either individually or in the aggregate, could result in significant variations in price during any given period of time. We cannot assure you that these factors will not have an adverse effect on the trading prices of our common stock and the notes.

#### Use of Proceeds

We will not receive any of the proceeds from the sale by any selling securityholder of the notes or the shares of common stock offered under this prospectus.

#### Price Range of Common Stock

Our common stock is quoted on the New York Stock Exchange under the symbol "Z." The following table sets forth the range of high and low closing sale prices for our common stock on the New York Stock Exchange for the fiscal quarters indicated since January 31, 1999.

	High	Low
2001		
First Quarter.....	\$13.83	\$10.75
Second Quarter to July 10, 2001.....	\$16.20	12.85
2000		
First Quarter.....	\$12.25	\$5.00
Second Quarter.....	\$14.75	\$9.88
Third Quarter.....	\$16.50	\$11.31

Fourth Quarter.....	\$16.75	\$9.75
1999		
First Quarter.....	\$11.50	\$3.19
Second Quarter.....	\$12.00	\$8.38
Third Quarter.....	\$10.75	\$6.50
Fourth Quarter.....	\$8.19	\$5.88

As of June 2, 2001, we had 31,807 shareholders of record of our common stock. The closing sale price of our common stock on July 10, 2001 was \$14.65 per share.

#### Dividend Policy

We suspended payment of dividends in 1995. We do not expect to declare or pay any dividends on our common stock in the foreseeable future. We intend to retain all earnings, if any, to invest in our operations. The payment of future dividends is within the discretion of our board of directors and will depend upon our future earnings, if any, our capital requirements, financial condition and other relevant factors. Our revolving credit agreement requires that we meet certain financial tests before we may pay dividends on our common stock. We do not meet those tests.

#### Ratio of Earnings to Fixed Charges

The ratios of earnings to fixed charges for the fiscal years indicated are stated below. For purposes of computing the ratios, earnings represent income from continuing operations before fixed charges and taxes, and fixed charges represent gross interest expense, including capitalized interest, and a portion of rental expense, which is deemed to be representative of the interest factor. Earnings were not adequate to cover fixed charges by \$21 million for 1998.

Fiscal Year	Ratio
2000	1.9x
1999	1.4x
1998	0.9x
1997	2.5x
1996	2.6x

For the first quarter ended May 5, 2001, the ratio of earnings to fixed charges was 2.1x.

#### Business

We are a leading global specialty retailer of athletic footwear and apparel offering high quality branded and private label products to men, women and children through our retail stores and direct-to-customers business. We currently operate approximately 3,600 stores through a network of complementary retail store formats under the brand names Foot Locker, Lady Foot Locker, Kids Foot Locker and Champs Sports. Our stores are primarily mall-based and are located in 14 countries in North America, Europe and Australia. Our direct-to-customers business, Footlocker.com, Inc., through its affiliates, is the largest Internet and catalog retailer of athletic footwear, apparel and equipment.

In 1997, we initiated a strategic plan aimed at building on the core strengths of our Foot Locker business and divesting all non-athletic footwear and apparel operations to establish a foundation for our future growth. We believe that our 2000 financial results continue to affirm the direction of our strategic initiatives. For the fiscal year ended February 3, 2001, sales from our ongoing core athletic businesses increased 11.1 percent, to \$4,232 million, and comparable store sales increased by 11.5 percent. Operating profit from ongoing operations more than doubled to \$270 million in 2000 from \$111 million in 1999, increasing as a percentage of sales to 6.4 percent from 2.9 percent, respectively. Our income from continuing operations before the cumulative effect of accounting changes increased to \$0.77 per share on a diluted basis in 2000 from \$0.43 on a diluted basis in 1999.

We believe that our portfolio strategy is unique in the athletic industry, with specialized retail store formats, catalogs and Internet websites targeted specifically to the men's, women's and children's segments of the market, allowing us to tailor our merchandise assortments more effectively and enhance our customer service to appeal to a broad range of customers. Our portfolio of operations is comprised of the following retail store formats and our direct-to-customers businesses:

Foot Locker -- Our primary retail store format, Foot Locker, has become the world's largest athletic specialty retailer, offering an in-depth selection of footwear and apparel. Our target customers at Foot Locker are primarily males between the ages of 12 to 19 years looking to find the latest styles and technologies in the running, basketball, classic, tennis, walking and cross-training categories.

Our 1,936 stores are located in 14 countries, including 1,453 in the United States and Puerto Rico, 129 in Canada, 289 in Europe and 65 in Australia. Our domestic Foot Locker stores have an average of 2,300 selling square feet and our international stores have an average of 1,600 selling square feet.

Lady Foot Locker -- Our Lady Foot Locker format is the only national specialty store chain that specializes in women's

athletic footwear and apparel. Lady Foot Locker offers a large selection of major athletic brands. Lady Foot Locker's exclusive branded product assortments and our private label offerings under the "Actra" and Lady Foot Locker Sport labels provide a key strategic advantage over our competitors.

Lady Foot Locker's primary target customer is the 18 to 29-year-old woman who is active, fashion-conscious and brand-aware. With 662 stores in the United States and Puerto Rico, our Lady Foot Locker stores average 1,300 selling square feet and are designed to facilitate a pleasant and effortless shopping experience.

Kids Foot Locker -- Our Kids Foot Locker format has established a tradition of fitting excellence and a reputation for outstanding customer service. At Kids Foot Locker, parents will find a complete collection of athletic footwear and apparel specifically targeted for children from five to 11 years old. Our core Kids Foot Locker customer is a mother of young children who is also likely to be a primary customer of Lady Foot Locker. Our 398 stores are located in the United States and Puerto Rico and have an average of 1,400 selling square feet.

Champs Sports -- Our Champs Sports format is one of the largest mall-based retailers of sporting goods in the United States and Canada. Each Champs Sports store is designed to provide an in-depth array of products, one-on-one customer service, and a high-end store environment appealing to a target customer ages 12 to 25 years old. Because of the breadth of its product offerings, Champs Sports is able to meet customers' needs for a wide variety of products suiting their active lifestyles. Apparel, equipment and accessory categories provide Champs Sports with a significant point of differentiation compared to other competitors. Our 586 stores are located throughout the United States and Canada and have an average of 4,000 selling square feet.

Footlocker.com, Inc. -- Our direct-to-customers business consists of Footlocker.com, Inc. which sells, through its affiliates, directly to customers through catalogs and its Internet websites. Eastbay, Inc., one of its affiliates, is one of the largest direct marketers in the United States of athletic footwear, apparel and equipment, including licensed and private-label merchandise, through the Eastbay catalogs. In addition, it provides our websites, Footlocker.com, Ladyfootlocker.com, Kidsfootlocker.com, Champssports.com and Eastbay.com, with an integrated fulfillment and distribution platform to conduct e-commerce. Through Footlocker.com, Inc., we also have an agreement with the National Football League to design, merchandise and fulfill the NFL's official catalog (NFLShop) and e-commerce site linked to [www.NFLShop.com](http://www.NFLShop.com).

#### Competitive Strengths

Our market leadership position provides competitive advantages that we strategically leverage across our operations, resulting in the following key competitive strengths:

##### Strong Brand Recognition

The Foot Locker brand is one of the most widely recognized names in the market segments in which we operate, epitomizing high quality for the active lifestyle customer. This brand equity has aided our ability to successfully develop and increase our portfolio of complementary retail store formats, specifically, Lady Foot Locker and Kids Foot Locker, as well as our Footlocker.com, Inc. direct-to-customers business. Through various marketing channels, including television campaigns and sponsorships of various sporting events, we reinforce our image with a consistent message, namely, that we are the destination store for athletic apparel and footwear with a wide selection of merchandise in a full-service environment.

##### Key Vendor Relationships

Our position as a leading global specialty retailer of athletic footwear and apparel has enabled us to build strong relationships with key branded vendors, including Nike, adidas, Reebok, Timberland, New Balance and K-Swiss. We believe that our stores are one of the primary retail distribution alternatives for brand name vendors of athletic footwear and apparel. From these and other vendors, we enjoy significant allocations of exclusive and limited distribution products.

We have worked together with many of our vendors to establish a variety of favorable arrangements. Currently, we benefit from two key vendor initiatives. The first enables us to receive a significant allocation of "marquee" athletic footwear, consisting of limited distribution of higher priced products available only in a small number of stores. Examples of recent marquee products include Jordan Retro shoes from Nike and the Kobe basketball shoe from adidas. The second vendor initiative grants us the exclusive right to sell certain products. Recent examples of such exclusive products include Nike Tuned Air, adidas SL, Reebok Pump and New Balance Trail shoes. We believe these vendor initiatives have allowed us to keep the most popular brands and styles of athletic footwear and apparel in stock with greater frequency than most of our competitors.

##### Product Sourcing Strengths

Our size and purchasing power enable us to source private-label products at competitive prices. We draw on two internal sources for our proprietary

offerings: (1) our Taiwan-based subsidiary, which we have owned and operated since the 1960s, arranges and oversees third-party manufacturing of private-label products, principally in Asia and Central America; and (2) our U.S.-based manufacturing subsidiary, Team Edition, which we have owned and operated since 1990, serves as our principal source of licensed products. Our private-label program provides our customers with athletic footwear and apparel at lower prices than branded products, driving incremental customer traffic and sales to our retail stores and direct-to-customers business.

#### International Expertise and Presence

We currently operate approximately 500 Foot Locker stores in markets outside the United States with 289 in Europe, 129 in Canada and 65 in Australia. Through our presence in international markets, we have established strong brand recognition and an advantage over our domestic competitors contemplating expansion into overseas markets. Operating internationally allows our merchants to share product trend information with our domestic operations. The sharing of information among our various domestic and international businesses therefore enables us to anticipate more rapidly new fashion trends that move from one market to another, often allowing us to be trend-setters in the domestic market.

#### Three Synergistic Distribution Channels

We offer our products through three integrated channels of distribution: our stores, catalogs and websites. We believe that our three sales channels give us the following competitive strengths:

- o our operations allow a customer to identify and purchase a product over the Internet or in our catalog with the confidence of being able to return it to a nearby store of the corresponding format for a refund or credit if desired, and provide our customers with increased breadth of merchandise selection, shopping flexibility and superior customer service;
- o our existing infrastructure and experience in order fulfillment and customer service provide us with an advantage over many other online athletic retailers; and
- o our direct-to-customers operations increase the visibility and exposure of our brands, generate store traffic and provide effective product marketing for our stores.

#### Business Strategies

During the last five years, we have invested approximately \$1 billion in capital for store projects, information systems, logistics and facilities to support our global athletic businesses. We intend to leverage these prior investments to achieve growth and plan to increase profitability by concentrating on the following priorities:

##### Improve Productivity of Existing Stores

We employ a variety of initiatives designed to increase the productivity of our existing athletic store formats. We have renovated approximately one-half of our existing store base over the past five years. Additionally, we have increased the amount of selling space in our stores by eliminating unnecessary backroom space and have reduced our stock keeping unit, or SKU, counts in stores by approximately 50 percent, helping to provide better in-stock positions. As a result, our comparable store sales increased by 11.5 percent and our stores generated sales of nearly \$300 per gross square foot in 2000, an improvement of approximately \$20 from 1999. Our objective is to increase sales productivity to greater than \$350 per gross square foot by continuing these initiatives across our entire store base.

##### Further Penetrate European Markets

We intend to significantly expand our presence in Europe, where the athletic footwear retail market is fragmented and there is a strong customer interest in American brands, such as Nike. Given our strong representation of these brands, our Foot Locker International stores enjoy strong performance and are destination locations for European customers searching for American brands. We will continue to identify suitable retail locations in this region and plan to double our current 289 store base in Europe over the next few years. To support this growth, we recently completed the construction of a new distribution center in the Netherlands. We expect our newly constructed distribution center in the Netherlands to have sufficient capacity to accommodate our planned expansion in Europe.

##### Increase our North American Store Base

We believe that we have a portfolio of retail store formats that can be successfully implemented in multiple retail venues. Our plan is to open approximately 300 Foot Locker stores in urban markets over the next several years, with 50 scheduled to open in 2001. Since occupancy costs in urban locations are often significantly lower than in mall-based stores, resulting in considerably higher profit margins, we believe our expansion in urban areas will reinforce our brands and continue to generate strong financial performance. Similarly, we plan to seek expansion opportunities in those Canadian provinces in which we currently have a small presence or no presence at all.

##### Differentiated Merchandising Strategy

Our objective is to differentiate our merchandise assortments from those of our competitors by offering trend-right products at competitive prices from

both branded manufacturers and our own private label program. We provide a product assortment that emphasizes high, middle and entry level merchandise. We have recently reduced the total SKU counts in our assortments by 50 percent to focus on key items and product categories. We believe this approach has resulted in superior customer service and higher inventory turns.

In footwear, we maximize exclusive and marquee product offerings from leading vendors as a means of differentiation from most smaller specialty retail chains and department stores. Our focus in the apparel category is to provide private label and licensed merchandise to complement our branded assortments. These products provide a stylish, more affordable alternative to our branded offering. We intend to increase our private label product offering in apparel to increase customer traffic, generate incremental sales and enhance our overall gross margins.

#### Capitalize on Profitable Direct-to-Customers Business

Our direct-to-customers business aims to offer our customers an integrated shopping solution with unparalleled customer service. For example, if a special size product is unavailable at the retail store, we are able to meet the customer's needs by fulfilling orders online, thereby reducing our store level inventory requirements while still capturing the sale. In addition, any online or catalog purchase can be returned or exchanged at one of the corresponding retail store formats. With this integrated approach, our level of service is distinct from that of our online competitors, which do not have an extensive offline presence. During 2000, we enhanced our websites, which helped drive online sales volume to \$58 million from \$14 million in 1999, positioning us as a leading online athletic footwear and apparel retailer. Our websites are profitable and enjoy a purchase return rate that is lower than our physical stores. We believe that our fully integrated operations will provide additional cross-marketing opportunities across our three sales channels and, combined with the strength of our Foot Locker brand, will allow us to further develop our presence in this growing market segment. We also plan to develop an international Internet strategy over the next several years.

#### Store Summary

The following table sets forth certain information regarding the 3,582 stores in our core athletic business as of February 3, 2001:

Store Summary	January 29, 2000	Opened	Closed*	Remodeled/ Relocated	February 3, 2001	2001 Planned Openings
Foot Locker.....	1,507	3	57	62	1,453	58
Lady Foot Locker.....	690	2	30	14	662	1
Kids Foot Locker.....	403	1	6	4	398	1
Foot Locker International**.	482	22	21	40	483	35
Champs Sports.....	611	--	25	7	586	5
Total.....	3,693	28	139	127	3,582	100
	=====	==	===	===	=====	===

\* Includes 61 stores from the 1999 accelerated store closing program.

\*\* Foot Locker International includes Foot Locker Canada, Foot Locker Europe and Foot Locker Australia.

Substantially all merchandise decisions with respect to purchase, prices, markdowns and advertising are controlled by management at division headquarters. We have district managers who visit each of our stores on a regular basis to review the implementation of our policies, monitor operations and review inventories and the presentation of merchandise. Accounting and general financial functions for our stores are conducted at the corporate level.

#### Marketing

We attempt to price our merchandise to be competitive with athletic specialty, sporting goods and other stores selling athletic footwear and apparel. While the bulk of our merchandise is sold at our regular retail prices, we also conduct promotions that generally revolve around themes such as back-to-school, holiday seasons and vendor weeks. In addition, we frequently promote individual items to increase store traffic.

We advertise through many different media, including television, radio, newspaper and outdoor advertising. We also contribute to mall merchant association funds that advertise a mall and individual stores within a mall. In-store promotions with point-of-purchase materials are also an important part of our marketing strategy.

We also take advantage of advertising and promotional assistance from many of our suppliers. This assistance takes the form of cooperative advertising programs, in-store sales incentives, point-of-purchase materials, product training for employees and other programs. We believe that we benefit significantly from the advertising campaigns of our key suppliers, such as Nike, adidas, Reebok, Timberland, New Balance and K-Swiss. See "Risk Factors -- A change in the relationship with any of our key vendors or the unavailability of our key products at competitive prices could affect our financial health."

## Management Information Systems

We have a computerized management information system that includes a network of computers at corporate and divisional headquarters to support our decision-making processes. During the past four years, we have invested approximately \$200 million to upgrade and implement a new technology platform to improve information flow and analysis using widely accepted technologies.

We have installed assortment planning and decision support tools to support our merchandising processes. The assortment planning and decision support tools enhance our users' ability to query sales, inventory and on-order by product classification and location, thereby enhancing our analytical capability and improving decisions with respect to product purchases, location and margin management.

We have also enhanced our financial reporting and human resources management systems through the installation of software based on the PeopleSoft platform, a widely recognized leader in enterprise systems. The financial systems provide standard financial reporting and user query capabilities while providing increased financial results accuracy for our retail operations. The human resources system provides traditional payroll and benefits administration functions as well as career planning, position management and succession planning capabilities. Both the financial and human resources systems are tightly integrated, providing a consistent look and feel for all areas of the organization.

We are continuing to enhance our information systems architecture in critical areas such as point of sale, logistics and distribution center management working with leading vendors such as Manhattan Associates and IBM to improve performance while reducing cost in these areas. See "Risk Factors -- We may not be able to successfully expand and implement our point of sale systems."

## Logistics/Distribution

Our logistics department is responsible for planning, coordinating and tracking product flow from our suppliers to the retail stores on a worldwide basis. This includes direct management of all company-operated distribution centers, as well as management of freight, transportation and third-party service centers. Logistics also provides technical expertise and direction for international trade and government compliance, as well as the development and management of vendor compliance programs. We are focused on continually improving flexibility, speed-to-market and efficiencies by increasing the mix of floor-ready merchandise and expanding cross-docking and shipping full caselot merchandise.

We currently operate four distribution facilities worldwide, occupying, in the aggregate, approximately two million square feet. Our primary service center, with an area of 1.3 million square feet, is located in Junction City, Kansas and supports our U.S. store operations. Our facility in Wausau, Wisconsin, with an area of 240,000 square feet, supports our Footlocker.com/Eastbay e-commerce and catalog operations.

In February 1999, we opened a new distribution center in the Netherlands to service Foot Locker's operations across 11 European countries. This center incorporates advanced warehouse management software and new material handling equipment, including mechanized conveyor systems, bar code scanning and radio frequency technology. This warehouse management system allows us to receive and immediately ship full caselot merchandise and has reduced in-transit time in Europe by approximately five days on new product launches. This capability will allow us to speed goods to our stores in a cost-effective manner, thereby ensuring a continuous flow of fresh merchandise to our retail stores.

We believe that our strong distribution support for our domestic and international stores is a critical element of our business strategy and is central to our ability to maintain a low cost operating structure.

## Vendors

Although we purchase merchandise and supplies from hundreds of vendors worldwide, for the year ended February 3, 2001, approximately 71 percent of our merchandise was purchased from five principal vendors, including approximately 49 percent purchased from Nike. We believe our relationships with our key vendors are satisfactory. We have no long-term supply contracts with any of our key vendors. See "Risk Factors -- A change in the relationship with any of our key vendors or the unavailability of our key products at competitive prices could affect our financial health."

## Properties

Our properties consist of stores and administrative and distribution facilities, the vast majority of which are leased. Total selling area at the end of 2000 was approximately 9.4 million square feet, of which approximately 7.9 million square feet related to our core athletic business, approximately 1.3 million square feet related to the Northern Group and approximately 200,000 square feet related to other businesses. These properties are located in the United States, Canada, Australia and Europe.

Virtually all of our store properties are held under operating leases. Some of our store leases contain renewal options with varying terms and conditions. We expect that in the normal course of business, expiring leases will generally be renewed or, upon making a decision to relocate, replaced by leases on other premises. New operating lease periods generally range from five to ten years. Certain leases provide for additional rent

payments based on a percentage of store sales.

In determining new store locations, we evaluate, among other things, market areas, mall locations, anchor stores, customer traffic, mall sales per square foot, competition and occupancy, construction and other costs associated with opening a store. See "Risk Factors -- We depend on mall traffic and our ability to identify suitable store locations."

Intellectual Property and Other Property Rights

We own many trademarks and service marks that are used in our businesses. Our principal marks include Foot Locker, Lady Foot Locker, Kids Foot Locker, Champs Sports and Eastbay. We maintain and enforce appropriate federal and international registrations for our marks. However, effective intellectual property protection may not be available in certain countries in which we currently operate. Our principal trademarks and service marks are pledged as collateral to our banks under our amended revolving credit agreement.

Employees

We had approximately 17,000 full-time employees and 32,000 part-time employees at February 3, 2001. We consider employee relations to be satisfactory.

Legal Proceedings

From time to time, we are involved in routine litigation incident to the conduct of our business, as well as litigation incident to the sale and disposition of businesses that have occurred in the past several years, none of which, we believe, will have a material adverse effect on our financial position or results of operations.

Management

Executive Officers and Directors

Set forth below is certain information regarding our executive officers and directors:

Name	Age	Position
J. Carter Bacot(1),(4),(6).....	68	Chairman of the Board and Director
Matthew D. Serra(1),(5).....	57	President and Chief Executive Officer and Director
Gary M. Bahler.....	49	Senior Vice President, General Counsel and Secretary
Jeffrey L. Berk.....	45	Senior Vice President -- Real Estate
Bruce L. Hartman(5).....	47	Senior Vice President and Chief Financial Officer
Laurie Petrucci(5).....	42	Senior Vice President -- Human Resources
John H. Cannon.....	59	Vice President and Treasurer
Robert W. McHugh.....	43	Vice President and Chief Accounting Officer
Purdy Crawford(1),(2),(3).....	69	Director
Philip H. Geier Jr.(3).....	66	Director
Jarobin Gilbert Jr.(1),(2),(4).....	55	Director
James E. Preston(1),(3),(4),(6).....	68	Director
David Y. Schwartz(2),(6).....	60	Director
Christopher A. Sinclair(1),(3),(6)....	50	Director
Cheryl Turpin(3),(4).....	53	Director
Dona D. Young(2),(4).....	47	Director

- (1) Member of Executive Committee
- (2) Member of Audit Committee
- (3) Member of Compensation and Management Resources Committee
- (4) Member of Nominating and Corporate Governance Committee
- (5) Member of Retirement Plan Committee
- (6) Member of Finance and Strategic Planning Committee

J. Carter Bacot has served as the non-executive Chairman of the Board since March 4, 2001 and as a director of Venator since 1993. He was Chairman of the Board of The Bank of New York Company, Inc. (bank holding company) and The Bank of New York, its wholly owned subsidiary, from 1982 to February 7, 1998, and Chief Executive Officer of The Bank of New York Company, Inc. and The Bank of New York from 1982 to July 1, 1997. He is a director of The Bank of New York Company, Inc. and Phoenix Home Life Mutual Insurance Company. He is a trustee of Atlantic Mutual Insurance Company and a director of its subsidiaries, Atlantic Specialty Insurance Company and Centennial Insurance Company.

Matthew D. Serra has served as President since April 12, 2000 and Chief Executive Officer since March 4, 2001. He served as Chief Operating Officer from February 2000 to March 3, 2001 and as President and Chief Executive Officer of the Foot Locker Worldwide division from September 1998 to February 2000. He previously served as Chairman and Chief Executive Officer of Stern's, a division of Federated Department Stores, Inc., from March 1993 to September 1998.

Gary M. Bahler has served as Senior Vice President since August 1998, General Counsel since February 1993 and Secretary since February 1990. He served as Vice President from February 1993 to August 1998.

Jeffrey L. Berk has served as Senior Vice President-Real Estate since



February 2000. He was President of Venator Group Realty, North America from January 1997 to February 2000. He previously served as Vice President-Real Estate for Barnes & Noble, Inc. from 1994 to 1997.

Bruce L. Hartman has served as Senior Vice President and Chief Financial Officer since February 1999. Mr. Hartman served as Vice President-Corporate Shared Services from September 1998 to February 1999 and as Vice President and Controller from November 1996 to September 1998. He served as the Chief Financial Officer of various divisions of the May Department Stores Company from March 1993 to October 1996.

Laurie Petrucci has served as Senior Vice President-Human Resources since May 2001. She served as Senior Vice President-Human Resources of the Foot Locker Worldwide division from February 2000 to May 2001, as Vice President-Organizational Development and Training of Foot Locker Worldwide from February 1999 to February 2000, and as Vice President-Human Resources-Apparel Group from February 1997 to February 1999. From June 1995 to February 1997, she served as a human resources consultant with Global HR Solutions.

John H. Cannon has served as Vice President and Treasurer since October 1983.

Robert W. McHugh has served as Vice President and Chief Accounting Officer since January 2000 and Vice President-Taxation from November 1997 to January 2000. He was a partner at KPMG LLP from July 1990 to October 1997.

Purdy Crawford has served as a Director since 1995. He has been Chairman of the Board of AT&T Canada since June 1999. From 1987 to February 2000, he served as Chairman of the Board of Inasco Limited (Canada), a consumer products and services company, and was its Chief Executive Officer from 1987 to 1995. Mr. Crawford is a director of Camco Inc., Canadian National Railway Company, Inco Limited, Maple Leaf Foods, Ltd., Petro-Canada and Nova Scotia Power Inc. He is Counsel to the Canadian law firm of Osler, Hoskin & Harcourt.

Philip H. Geier, Jr. has served as a Director since 1994. He was Chairman of the Board and Chief Executive Officer of Interpublic Group of Companies, Inc., an advertising and marketing communications services company, from 1980 to January 2001. He is a director of Fiduciary Trust Company International and AEA Investors, Inc. and the International Tennis Hall of Fame.

Jarobin Gilbert, Jr. has served as a Director since 1981. Mr. Gilbert has been President and Chief Executive Officer of DBSS Group, Inc., a management, planning and trade consulting services company, since 1992. He is a director of PepsiAmericas, Inc. and Midas, Inc. He is also a trustee of Atlantic Mutual Insurance Company and a director of Harlem Partnership, Inc.

James E. Preston has served as a Director since 1983. He was Chairman of the Board of Avon Products, Inc. from 1989 to May 1999 and Chief Executive Officer from 1989 to June 1998. He is a director of ARAMARK Corporation, Reader's Digest Association, Project Hope, The Edna McConnell Clarke Foundation, The New Milford Hospital and the Kent Land Trust.

David Y. Schwartz has been a Director since 2000. He has been an independent business adviser and consultant since July 1997. He was a partner with Arthur Andersen LLP from 1972 until his retirement in 1997. Mr. Schwartz is a director of Walgreen Co.

Christopher A. Sinclair has served as a Director since 1995. Mr. Sinclair has been a Managing Director of Manticore Group, LLC, a venture capital and advisory firm, since February 1, 2001 and Operating Partner of Pegasus Capital Advisors, a private equity firm, since June 1, 2000. He was Chairman of the Board of Caribiner International, a business communications company, from May 1999 to May 2000, Chief Executive Officer from December 1998 to May 2000, and President from December 1998 to May 1999. He was President and Chief Executive Officer of Quality Food Centers, Inc., a supermarket chain, from September 1996 to March 1998. He served as Chairman and Chief Executive Officer of Pepsi-Cola Company, a division of PepsiCo, Inc. from April 1996 to July 1996. He was President and Chief Executive Officer of PepsiCo Foods and Beverages International, a division of PepsiCo, from 1993 to April 1996. He is a director of Mattel, Inc., Merisant, Inc. and the Amos Tuck School of Business Administration at Dartmouth College.

Cheryl Turpin has served as a Director since January 1, 2001. She served as President and Chief Executive Officer of The Limited Stores, Inc. from June 1994 to August 1997. She was President and Chief Executive Officer of Lane Bryant, a subsidiary of The Limited, Inc., from January 1990 to June 1994. Ms. Turpin is a member of the Board of Trustees of the Columbus School for Girls.

Dona D. Young has served as a Director since January 1, 2001. She has been President since February 2000 and Chief Operating Officer since February 2001 of Phoenix Home Life Mutual Insurance Company. She joined Phoenix Home Life Mutual Insurance Company in 1980 and served in various management and legal positions, including Executive Vice President and General Counsel from 1995 to 2000. Ms. Young is a director of Phoenix Home Life Insurance Company, Sonoco Products Company and Wachovia Corporation. She is also a director of Hartford Hospital and The Children's Fund.

#### Description of Notes

We issued the notes under an indenture dated as of June 8, 2001 between Venator Group, Inc. and The Bank of New York, as trustee. The terms of the

notes include those provided in the indenture, the notes and the registration rights agreement dated as of June 8, 2001 between us and J.P. Morgan Securities Inc. The following description is only a summary of the material provisions of the indenture, the notes and the registration rights agreement and is not complete. We urge you to read the indenture, the notes and the registration rights agreement in their entirety because they, and not this description, define your rights as a holder of the notes. A copy of the form of indenture, the form of certificate evidencing the notes and the form of registration rights agreement is available to you upon request. As used in this section, the words "we," "us," "our" or "Venator" refer to Venator Group, Inc. and its successors under the indenture and do not include any current or future subsidiary of Venator Group, Inc.

#### General

The notes are unsecured general obligations of Venator and are subordinate in right of payment as described under "-- Subordination of the Notes." The notes will be convertible into common stock of Venator as described under "-- Conversion of the Notes." The notes are limited to \$150,000,000 aggregate principal amount at maturity. The notes were issued only in denominations of \$1,000 or in integral multiples of \$1,000.

The notes will bear interest at the annual rate of 5.50%. Interest will be payable semi-annually in arrears on June 1 and December 1, commencing on December 1, 2001, to holders of record at the close of business on the preceding May 15 and November 15, respectively, except:

- o that the interest payable upon redemption or repurchase, unless the date of redemption or repurchase is an interest payment date, will be payable to the person to whom principal is payable; and
- o as set forth in the next succeeding paragraph.

In the case of any note, or portion of any note, that is converted into common stock of Venator during the period from, but excluding, a record date for any interest payment date to, but excluding, that interest payment date, either:

- o if the note, or portion of the note, has been called for redemption on a redemption date that occurs during that period, or is to be repurchased on a repurchase date, as defined below, that occurs during that period, then Venator will not be required to pay interest on that interest payment date in respect of any note, or portion of any note, that is so redeemed or repurchased; or
- o if otherwise, any note or portion of any note that is not called for redemption that is submitted for conversion during that period must be accompanied by funds equal to the interest payable on that interest payment date on the principal amount so converted.

See "-- Conversion of the Notes."

Interest will be paid, at Venator's option, either:

- o by check mailed to the address of the person entitled to the interest as it appears in the note register; provided that a holder of notes with an aggregate principal amount in excess of \$10 million will, at the written election of the holder, be paid by wire transfer in immediately available funds; or
- o by transfer to an account maintained by that person located in the United States.

Payments to The Depository Trust Company, New York, New York, or DTC, will be made by wire transfer of immediately available funds to the account of DTC or its nominee. Interest will be computed on the basis of a 360-day year composed of twelve 30-day months.

The notes will mature on June 1, 2008 unless earlier converted, redeemed or repurchased as described below. The indenture does not contain any financial covenants or restrictions on the payment of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by Venator or any of its subsidiaries. The indenture contains no covenants or other provisions to protect holders of the notes in the event of a highly leveraged transaction or a change in control of Venator except to the extent described below under "-- Repurchase at Option of Holders."

#### Conversion of the Notes

Any registered holder of notes may, at any time prior to close of business on the business day prior to the date of repurchase, redemption or final maturity of the notes, as appropriate, convert the principal amount of any notes or portions thereof, in denominations of \$1,000 or integral multiples of \$1,000, into common stock of Venator, at a conversion price of \$15.806 per share, subject to adjustment as described below.

Except as described below, no payment or adjustment will be made on conversion of any notes for interest accrued thereon or for dividends on any common stock issued upon conversion. If any notes not called for redemption are converted between a record date and the next interest payment date, those notes must be accompanied by funds equal to the interest payable on the next interest payment date on the principal amount so converted. Venator is not required to issue fractional shares of common stock upon conversion of the notes and, instead, will pay a cash adjustment

based upon the market price of common stock on the last trading day prior to the date of conversion. In the case of notes called for redemption or tendered for repurchase, conversion rights will expire at the close of business on the business day preceding the day fixed for redemption or repurchase unless Venator defaults in the payment of the redemption or repurchase price. A note that the holder has elected to be repurchased may be converted only if the holder withdraws its election to have its notes repurchased in accordance with the terms of the indenture.

The initial conversion price of \$15.806 per share is subject to adjustment upon specified events, including:

- (1) the issuance of common stock of Venator as a dividend or distribution on the common stock;
- (2) the issuance to all holders of common stock of rights or warrants to purchase common stock;
- (3) specified subdivisions and combinations of the common stock;
- (4) the distribution to all holders of common stock of capital stock, other than common stock, or evidences of indebtedness of Venator or of assets, including securities, but excluding those rights, warrants, dividends and distributions referred to above or paid in cash;
- (5) a dividend or distribution consisting exclusively of cash to all holders of common stock if the aggregate amount of these distributions combined together with (A) all other all-cash distributions made within the preceding 12 months in respect of which no adjustment has been made plus (B) any cash and the fair market value of other consideration payable in any tender offers by Venator or any of its subsidiaries for common stock concluded within the preceding 12 months in respect of which no adjustment has been made, exceeds 10% of Venator's market capitalization; or
- (6) the purchase of common stock pursuant to a tender offer made by Venator or any of its subsidiaries to the extent that the same involves an aggregate consideration that, together with (A) any cash and the fair market value of any other consideration payable in any other tender offer by Venator or any of its subsidiaries for common stock expiring within the 12 months preceding such tender offer in respect of which no adjustment has been made plus (B) the aggregate amount of any such all-cash distributions referred to in (5) above to all holders of common stock within the 12 months preceding the expiration of the tender offer for which no adjustment has been made, exceeds 10% of Venator's market capitalization on the expiration of such tender offer.

In the case of:

- o any reclassification or change of the outstanding shares of the common stock; or
- o a consolidation, merger or combination involving Venator; or
- o a sale or conveyance to another person of the property and assets of Venator as an entirety or substantially as an entirety;

in such case as a result of which holders of common stock would be entitled to receive stock, other securities, other property or assets, including cash, in respect of or in exchange for all shares of common stock, then the holders of the notes then outstanding will generally be entitled thereafter to convert the notes into the same type of consideration that they would have owned or been entitled to receive upon such event had the notes been converted into common stock immediately prior to that event, assuming that a holder of notes would not have exercised any rights of election as to the consideration receivable in connection with that transaction.

If Venator makes a taxable distribution to holders of common stock or in specified other circumstances requiring an adjustment to the conversion price, the holders of notes may, in some circumstances, be deemed to have received a distribution subject to U.S. income tax as a dividend. In some other circumstances, the absence of an adjustment to the conversion price may result in a taxable dividend to the holders of common stock. See "Certain United States Federal Income Tax Consequences."

Venator may from time to time, to the extent permitted by law, reduce the conversion price by any amount for any period of at least 20 days, in which case Venator will give at least 15 days' notice of the reduction. Venator may, at its option, make reductions in the conversion price, in addition to those described above, as Venator's board of directors deems advisable to avoid or diminish any income tax to holders of common stock resulting from any dividend or distribution of stock, or rights to acquire stock, or from any event treated as dividends or distributions of, or rights to acquire, stock for income tax purposes.

No adjustment in the conversion price will be required unless that adjustment would require an increase or decrease of at least 1% in the conversion price then in effect; however, any adjustment that would otherwise be required to be made will be carried forward and taken into account in any subsequent adjustment. Except as stated above, the conversion price will not be adjusted for the issuance of common stock or any securities convertible into or exchangeable for common stock or carrying the right to purchase any of the foregoing.

Optional Redemption by Venator

The notes are not entitled to any sinking fund.

At any time on or after June 4, 2004, Venator may redeem the notes on at least 20 days' notice as a whole or, from time to time, in part at the following prices, expressed as a percentage of the principal amount, together with accrued interest to, but excluding, the date fixed for redemption:

Period	Redemption Price
Beginning June 4, 2004 and ending on May 31, 2005.....	103.1%
Beginning June 1, 2005 and ending on May 31, 2006.....	102.4%
Beginning June 1, 2006 and ending on May 31, 2007.....	101.6%
Beginning June 1, 2007 and ending on May 31, 2008.....	100.8%

Any accrued interest becoming due on the date fixed for redemption will be payable to the holders of record on the relevant record date of the notes being redeemed.

If less than all of the outstanding notes are to be redeemed, the trustee will select the notes to be redeemed in principal amounts of \$1,000 or integral multiples of \$1,000 on a pro rata basis or by lot or such other method as the Trustee shall deem fair and equitable. If a portion of a holder's notes is selected for partial redemption and that holder converts a portion of that holder's notes, the converted portion will be deemed to be of the portion selected for redemption.

#### Repurchase at Option of Holders

You will have the right, at your option, to require us to repurchase all or any portion of your notes 30 business days after the occurrence of a repurchase event.

The repurchase price will be 100% of the principal amount of the notes submitted for repurchase, plus accrued and unpaid interest to, but excluding, the repurchase date. If a repurchase date is an interest payment date, then the interest payable on that date will be paid to the holder of record on the preceding record date.

At our option, instead of paying the repurchase price in cash, we may pay the repurchase price in common stock, valued at 95% of the average of the closing prices for the five trading days immediately before and including the third trading day preceding the repurchase date. The repurchase price may be paid in shares of common stock only if the following conditions are satisfied:

- o such shares have been registered under the Securities Act of 1933 or are freely transferable without such registration;
- o the issuance of such common stock does not require registration with or approval of any governmental authority under any state law or any other federal law, which registration or approval has not been made or obtained;
- o such shares have been approved for quotation on the New York Stock Exchange or listing on a national securities exchange; and
- o such shares will be issued out of our authorized but unissued common stock and, upon issuance, will be duly and validly issued and fully paid and non-assessable and free of any preemptive rights.

A repurchase event will be considered to have occurred if one of the following "change in control" events occurs:

- o any person or group is or becomes the beneficial owner of more than 50% of the voting power of our outstanding securities entitled to generally vote for directors;
- o we consolidate with or merge into any other person or any other person merges into Venator or we convey, transfer or lease all or substantially all of our assets to any person other than our subsidiaries and, as a result, our outstanding common stock is changed or exchanged for other assets or securities, unless our shareholders immediately before the transaction own, directly or indirectly, immediately following the transaction more than 50% of the combined voting power of the person resulting from the transaction or the transferee person; or
- o our liquidation or dissolution.

However, a change in control will not be deemed to have occurred if either:

- o the last sale price of our common stock for any five trading days within
  - o the period of ten consecutive trading days immediately after the later of the change in control or the public announcement of the change in control, in the case of a change in control resulting solely from a change in control under the first bullet point above, or
  - o the period of ten consecutive trading days immediately preceding the change in control, in the case of a change in control under the second and third bullet points above

is at least equal to 105% of the conversion price in effect on such day; or

- o in the case of a merger or consolidation, all of the consideration excluding cash payments for fractional shares in the merger or consolidation constituting the change in control consists of common stock traded on a United States national securities exchange or quoted on the Nasdaq National Market (or which will be so traded or quoted when issued or exchanged in connection with such change in control) and as a result of such transaction or transactions the notes become convertible solely into such common stock.

We will be required to mail you a notice within 10 business days after the occurrence of a repurchase event. The notice must describe, among other things, the repurchase event, your right to elect repurchase of the notes and the repurchase date. We must deliver a copy of the notice to the trustee. You may exercise your repurchase rights by delivering written notice to us and the trustee. The notice must be accompanied by the notes duly endorsed for transfer to Venator. You must deliver the exercise notice on or before the close of business on the business day prior to the repurchase date.

The interpretation of the phrase "all or substantially all" used in the definition of change in control would likely depend on the facts and circumstances existing at such time. As a result, there may be uncertainty as to whether or not a sale or transfer of "all or substantially all" assets has occurred. As a result, we cannot assure you how a court would interpret this phrase under applicable law if you elect to exercise your rights following the occurrence of a transaction which you believe constitutes a transfer of "all or substantially all" of our assets."

We may not have sufficient cash funds to repurchase the notes upon a repurchase event. We may elect, subject to certain conditions, to pay the repurchase price in common stock. Future debt agreements may prohibit us from paying the repurchase price in either cash or common stock. If we are prohibited from repurchasing the notes, we could seek consent from our lenders to repurchase the notes. If we are unable to obtain their consent, we could attempt to refinance the notes. If we were unable to obtain a consent or refinancing, we would be prohibited from repurchasing the notes. If we were unable to repurchase the notes upon a repurchase event, it would result in an event of default under the indenture. An event of default under the indenture could result in a further event of default under our other then-existing debt. In addition, the occurrence of the repurchase event may be an event of default under our other debt. As a result, we could be prohibited from paying amounts due on the notes under the subordination provisions of the indenture.

The change in control feature may not necessarily afford you protection in the event of a highly leveraged transaction, a change in control or similar transactions involving Venator. We could, in the future, enter into transactions, including recapitalizations, that would not constitute a change in control but that would increase the amount of our senior indebtedness or other debt. We are not prohibited from incurring senior indebtedness or debt under the indenture. If we incur significant amounts of additional debt, this could have an adverse effect on our ability to make payments on the notes. In addition, our management could undertake leveraged transactions that could constitute a change in control. The board of directors does not have the right under the indenture to limit or waive the repurchase right in the event of these types of leveraged transaction.

The requirement to repurchase notes upon a repurchase event could delay, defer or prevent a change of control. As a result, the repurchase right may discourage:

- o a merger, consolidation or tender offer;
- o the assumption of control by a holder of a large block of our shares; and
- o the removal of incumbent management.

The repurchase feature was a result of negotiations between Venator and the initial purchasers of the notes. The repurchase feature is not the result of any specific effort to accumulate shares of common stock or to obtain control of Venator by means of a merger, tender offer or solicitation, or part of a plan by Venator to adopt a series of anti-takeover provisions. We have no present intention to engage in a transaction involving a change of control, although it is possible that we may decide to do so in the future.

The Securities Exchange Act of 1934, as amended, and the rules thereunder require the distribution of specific types of information to security holders in the event of issuer tender offers. These rules may apply in the event of a repurchase. We will comply with these rules to the extent applicable.

#### Subordination of the Notes

The indebtedness evidenced by the notes is subordinated to the extent provided in the indenture to the prior payment in full, in cash or other payment satisfactory to holders of senior indebtedness, of all of our existing and future senior indebtedness. Upon any distribution of our assets upon any dissolution, winding-up, liquidation or reorganization, or in bankruptcy, insolvency, receivership or similar proceedings, payment of the principal of, premium, if any, interest and all other obligations in respect of the notes, including by way of redemption, acquisition or other purchase thereof, on the notes is to be subordinated in right of payment to the prior payment in full, in cash or other payment satisfactory to holders

of senior indebtedness, of all of our existing and future senior indebtedness. In addition, the notes are also effectively subordinated to all indebtedness and other liabilities, including trade payables and lease obligations and preferred stock, if any, of our subsidiaries.

In the event of any acceleration of the notes because of an event of default, the holders of any senior indebtedness then outstanding would be entitled to payment in full, in cash or other payment satisfactory to holders of senior indebtedness, of all obligations in respect to such senior indebtedness before the holders of notes are entitled to receive any payment or other distribution. We are required to promptly notify holders of senior indebtedness if payment of the notes is accelerated because of an event of default.

We also may not make any payment upon or redemption of or purchase or otherwise acquire the notes if:

- o a default in the payment of principal, premium, if any, interest or other obligations in respect of designated senior indebtedness occurs and is continuing beyond any applicable period of grace, or
- o any other default occurs and is continuing with respect to designated senior indebtedness that permits holders of the designated senior indebtedness to which such default relates to accelerate its maturity and the trustee receives a notice of such default, which we refer to as a payment blockage notice, from us or any other person permitted to give this notice under the indenture.

Unless the holders of any senior indebtedness have accelerated its maturity, we may and shall resume making payments on the notes:

- o in the case of a payment default, when the default is cured or waived or ceases to exist, and
- o in the case of a nonpayment default, the earlier of when such nonpayment default is cured or waived or ceases to exist or 179 days after receipt of the payment blockage notice.

No new period of payment blockage may be commenced pursuant to a payment blockage notice unless and until 360 days have elapsed since the initial effectiveness of the prior payment blockage notice.

No default that existed or was continuing on the date of delivery of any payment blockage notice to the trustee shall be the basis for a subsequent payment blockage notice, unless the default has been cured or waived for a period of not less than 90 consecutive days.

In the event of our bankruptcy, dissolution or reorganization, holders of senior indebtedness may receive more, ratably, and holders of the notes may receive less, ratably, than our other creditors. Such subordination will not prevent the occurrence of any event of default under the indenture.

A substantial portion of our operations are conducted through our subsidiaries. As a result, our cash flow and our ability to service our debt, including the notes, is dependent upon the earnings of our subsidiaries. In addition, we are dependent on the distribution of earnings, loans or other payments by our subsidiaries to us. See "Risk Factors -- If our subsidiaries do not make sufficient distributions to us, we will not be able to make payment on our debt, including the notes."

Our subsidiaries are separate and distinct legal entities. Our subsidiaries have no obligation to pay any amounts due on the notes or to provide us with funds for our payment obligations, whether by dividends, distributions, loans or other payments. In addition, any payment of dividends, distributions, loans or advances by our subsidiaries to us could be subject to statutory or contractual restrictions. Payments to us by our subsidiaries will also be contingent upon our subsidiaries' earnings and business consideration. There can be no assurance that we will receive adequate funds from our subsidiaries to pay interest due on the notes or to repay the notes when redeemed or upon maturity.

Our right to receive any assets of any of our subsidiaries upon their liquidation or reorganization, and therefore the right of the holders of the notes to participate in those assets, will be effectively subordinated to the claims of that subsidiary's creditors, including trade creditors. In addition, even if we were a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us.

As of February 3, 2001, we had approximately \$290 million of senior indebtedness and we and our subsidiaries had approximately \$929 million of other liabilities reflected on our consolidated balance sheet. In addition, with respect to our continuing operations, we and our subsidiaries had total operating lease commitments of \$1,907 million as of February 3, 2001. Other liabilities on our consolidated balance sheet include our estimate of costs to exit leases of our discontinued operations.

Neither we nor our subsidiaries are limited in or prohibited from incurring senior indebtedness or any other indebtedness or liabilities under the indenture.

#### Certain Definitions

"credit facility" means the credit agreement dated as of April 9, 1997, as amended and restated as of June 8, 2001 among Venator Group, Inc., the lenders and co-agents party thereto and The Bank of New York, as

administrative agent, together with any related documents (including any security documents and guarantee agreements), as such agreement may be amended, modified, supplemented, extended, renewed, refinanced or replaced or substituted from time to time.

"designated senior indebtedness" means (i) all indebtedness under the credit facility, and (ii) after payment in full in cash of all senior indebtedness under the credit facility, any particular senior indebtedness in which the instrument creating or evidencing the senior indebtedness or the assumption of guarantee thereof (or related documents or agreements to which we are a party) expressly provides that such indebtedness shall be "designated senior indebtedness" (provided that such instrument may place limitations and conditions on the right of such senior indebtedness to exercise the rights of designated senior indebtedness), the aggregate principal amount of which is equal to or greater than \$50 million.

"indebtedness" means:

- (1) all of our indebtedness, obligations and other liabilities, contingent or otherwise, for borrowed money, including obligations:
  - o in respect of overdrafts, foreign exchange contracts, currency exchange agreements, interest rate protection agreements and any loans or advance from banks, whether or not evidenced by notes or similar instruments, or
  - o evidenced by bonds, debentures, notes or similar instruments, whether or not the recourse of the lender is to all of our assets or to only a portion thereof, other than any account payable or other secured current liability or obligation incurred in the ordinary course of business in connection with the obtaining of materials or services,
- (2) all of our reimbursement obligations and other liabilities, contingent or otherwise, with respect to letters of credit, bank guarantees or bankers' acceptances,
- (3) all of our obligations and liabilities, contingent or otherwise, in respect of leases required, in conformity with generally accepted accounting principles, to be accounted for as capitalized lease obligations on our balance sheet,
- (4) all of our obligations and other liabilities, contingent or otherwise, under any lease or related document, including a purchase agreement, in connection with the lease of real property or improvements thereon (or any personal property included as part of any such lease) which provides that we are contractually obligated to purchase or cause a third party to purchase the leased property and thereby guarantee a residual value of leased property to the lessor and all of our obligations under such lease or related documents to purchase the leased property (whether or not such lease transaction is characterized as an operating lease or a capitalized lease in accordance with generally accepted accounting principles),
- (5) all of our obligations, contingent or otherwise, with respect to an interest rate, currency or other swap, cap, floor or collar agreement, hedge agreement, forward contract, or other similar instrument or agreement or foreign currency hedge, exchange, purchase or similar instrument or agreement,
- (6) all of our direct or indirect guarantees or similar agreements to purchase or otherwise acquire or otherwise assure a creditor against loss in respect of indebtedness, obligations or liabilities of another person of the kind described in clauses (1) through (5) above,
- (7) any indebtedness or other obligations described in clauses (1) through (6) above secured by any mortgage, pledge, lien or other encumbrance existing on property which owned or held by us, regardless of whether the indebtedness or other obligation secured thereby has been assumed by us, and
- (8) any and all deferrals, renewals, extensions and refundings of, or amendments, modifications supplements to, any indebtedness, obligation or liability of the kind described in clauses (1) through (7) above.

"obligations" means with respect to any indebtedness, all obligations (whether in existence on June 8, 2001 or arising afterwards, absolute or contingent, direct or indirect) for or in respect of principal (when due, upon acceleration, upon redemption, upon mandatory repayment or repurchase pursuant to a mandatory offer to purchase, or otherwise), premium, interest, penalties, fees, indemnification, reimbursement and other amounts payable and liabilities with respect to such indebtedness, including, without limitation, all interest accrued or accruing after, or which would accrue but for, the commencement of any bankruptcy, insolvency or reorganization or similar case or proceeding at the contract rate (including, without limitation, any contract rate applicable upon default) specified in the relevant documentation, whether or not the claim for such interest is allowed as a claim in such case or proceeding.

"senior indebtedness" means all obligations with respect to indebtedness of Venator whether outstanding on the date of the indenture or thereafter created, incurred, assumed guaranteed, or in effect guaranteed, by Venator, including, without limitation, all deferrals, renewals, extensions or refundings of, or amendments, modifications or supplements to, the

foregoing, unless in the case of any particular indebtedness the instrument creating or evidencing the same or the assumption or guarantee thereof expressly provides that such indebtedness shall not be senior in right of payment to the notes or expressly provides that such indebtedness ranks equally in right of payment or junior to the notes.

Senior indebtedness does not include any indebtedness of Venator to any subsidiary of Venator, any obligation for federal, state, local or other taxes or any trade accounts payable arising in the ordinary course of business.

We are obligated to pay compensation to the trustee and to indemnify the trustee against certain losses, liabilities or expenses incurred by it in connection with its duties relating to the notes. The trustee's claims for such payments will generally be senior to those of the holders of the notes in respect to all funds collected and held by the trustee.

#### Satisfaction and Discharge

We may be discharged from our obligations on the notes if they mature within one year or will be redeemed within one year and we deposit with the trustee enough cash and/or U.S. government obligations to pay all the principal, premium, if any, and interest due to the stated maturity date or redemption date of the notes.

#### Defeasance

The indenture also contains a provision that permits us to elect:

- o to be discharged from all of our obligations, subject to limited exceptions, with respect to the notes then outstanding; and/or
- o to be released from our obligations under the covenants relating to the required offer to repurchase upon a repurchase event, maintenance of our corporate existence and reports to holders.

To make either of the above elections, we must deposit in trust with the trustee enough money to pay in full the principal, premium, if any, and interest on the notes. This amount may be made in cash and/or U.S. government obligations. As a condition to either of the above elections, we must deliver to the trustee an opinion of counsel that the holders of the notes will not recognize income, gain or loss for Federal income tax purposes as a result of the action. If we elect to be discharged from all of our obligations as outlined above in the first bullet point in this section, the holders of the notes will not be entitled to the benefits of the indenture, except for registration of transfer and exchange of notes and replacement of lost, stolen or mutilated notes.

#### Exchange and Transfer

Notes may be transferred or exchanged at the office of the security registrar. We will not impose a service charge for any transfer or exchange, but we may require holders to pay any tax or other governmental charges associated with any transfer or exchange. In the event of any potential redemption of the notes, we will not be required to:

- o issue, authenticate or register the transfer of or exchange any note during a period beginning at the opening of business 10 business days before the mailing of a notice of redemption and ending at the close of business on the day of the mailing, or
- o register the transfer of or exchange any note selected for redemption, in whole or in part, except the unredeemed portion of notes being redeemed in part.

We have initially appointed the trustee as the security registrar, paying agent and conversion agent. We may designate additional registrars, paying or conversion agents or change registrars, paying or conversion agents. However, we will be required to maintain a paying agent in the place of payment for the notes.

#### Consolidation, Merger and Sale of Assets

We may not consolidate with or merge into any other person, in a transaction in which we are not the surviving corporation, or convey, transfer or lease our properties and assets substantially as an entirety to, any person, unless:

- o the successor, if any, is a U.S. or a District of Columbia corporation, limited liability company, partnership, trust or other business entity,
- o the successor assumes our obligations under the notes, the indenture and the registration rights agreement, and
- o immediately after giving effect to the transaction, no default or event of default shall have occurred and be continuing, and certain other conditions are met.

#### Events of Default

The indenture defines an event of default with respect to the notes as one or more of the following events:



- (1) our failure to pay principal of or any premium on the notes when due (whether or not prohibited by the subordination provisions of the indenture),
- (2) our failure to pay any interest on the notes when due, if such failure continues for 30 days (whether or not prohibited by the subordination provisions of the indenture),
- (3) our failure to perform any other covenant in the indenture, if such failure continues for 90 days after the notice required in the indenture, and
- (4) our bankruptcy, insolvency or reorganization.

If an event of default, other than an event of default described in clause (4) above, occurs and continues, either the trustee or the holders of at least 25% in aggregate principal amount of the outstanding notes may declare the principal amount including any accrued and unpaid interest on the notes to be due and payable upon the earlier to occur of (x) the 5th day after notice thereof has been given to holders of designated senior indebtedness and (y) the date on which all of the designated senior indebtedness has been accelerated. If an event of default described in clause (4) above occurs, the principal amount of all the notes will automatically become immediately due and payable. Any payment by us on the notes following any acceleration will be subject to the subordination provisions described above under "-- Subordination of the Notes."

After acceleration but before a judgment or decree of the money due in respect of the notes has been obtained, the holders of a majority in aggregate principal amount of the outstanding notes may rescind such acceleration and its consequences if all events of default, other than the non-payment of accelerated principal, or other specified amount, have been cured or waived.

Other than the duty to act with the required care during an event of default, the trustee will not be obligated to exercise any of its rights or powers at the request of the holders unless the holders offer the trustee reasonable indemnity. Generally, the holders of a majority in aggregate principal amount of the notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee.

A holder will have the right to begin a proceeding under the indenture, or for the appointment of a receiver or a trustee, or for any other remedy under the indenture only if:

- (1) the holder gives to the trustee written notice of a continuing event of default,
- (2) holders of at least 25% in aggregate principal amount of notes then outstanding made a written request to the trustee to pursue the remedy,
- (3) such holder or holders offer to the trustee indemnity satisfactory to the trustee against any loss, liability or expense,
- (4) the trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity and
- (5) during such 60-day period the holders of a majority in aggregate principal amount of the notes then outstanding do not give the trustee a direction inconsistent with the request. Holders may, however, sue to enforce the payment of principal, premium or interest on or after the due date or their right to convert without following the procedures listed in (1) through (5) above.

We will furnish the trustee an annual statement by our officers as to whether or not, to the officer's knowledge, we are in default in the performance of the indenture and, if so, specifying all known defaults.

#### Modification and Waiver

We may make modifications and amendments to the indenture with the consent of the holders of a majority in aggregate principal amount of the outstanding notes affected by the modification or amendment. However, we may not make any modification or amendment without the consent of the holder of each outstanding note affected by the modification or amendment if such modification or amendment would:

- o change the stated maturity of the notes,
- o reduce the principal, premium, if any, or interest on the notes,
- o change the place of payment from New York, New York or the currency in which the notes are payable, o waive a default in payment of the principal of or interest on any note,
- o impair the right to sue for any payment after the stated maturity or redemption date,
- o modify the subordination provisions in a materially adverse manner to the holders,
- o adversely affect the right to convert the notes other than as provided in or under the indenture, or
- o change the provisions in the indenture that relate to modifying or amending the indenture.

Holders of a majority in aggregate principal amount of the outstanding notes may waive, on behalf of the holders of all of the notes, compliance

by us with respect to certain restrictive provisions of the indenture.

Generally, the holders of not less than a majority of the aggregate principal amount of the outstanding notes may, on behalf of all holders of the notes, waive any past default or event of default unless:

- o we fail to pay principal, premium or interest on any note when due;
- o we fail to convert any note into common stock; or
- o we fail to comply with any of the provisions of the indenture that would require the consent of the holder of each outstanding note affected.

An amendment may not effect any change that adversely affects the rights of any holder of senior indebtedness then outstanding under the subordination provisions unless such holder of senior indebtedness, or a representative for such holder, consents to such change.

Any notes held by us or by any persons directly or indirectly controlling or controlled by or under direct or indirect common control with us shall be disregarded (from both the numerator and denominator) for purposes of determining whether the holders of a majority in principal amount of the outstanding notes have consented to a modification, amendment or waiver of the terms of the indenture.

#### Notices

Notices to holders will be given by mail to the addresses of the holders in the security register.

#### Governing Law

The indenture and the notes will be governed by, and construed under, the law of the State of New York, without regard to conflicts of laws principles.

#### Regarding the Trustee

The Bank of New York has agreed to serve as the trustee under the indenture. The trustee will be permitted to deal with us and any affiliate of ours with the same rights as if it were not trustee. However, under the Trust Indenture Act, if the trustee acquires any conflicting interest and there exists a default with respect to the notes, the trustee must eliminate such conflicts or resign.

The holders of a majority in principal amount of all outstanding notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy or power available to the trustee. However, any such direction may not conflict with any law or the indenture, may not be unduly prejudicial to the rights of another holder or the trustee and may not involve the trustee in personal liability.

J. Carter Bacot, Chairman of the Board and a director of Venator, is a director of The Bank of New York Company, Inc., parent of the trustee under the indenture.

#### Registration Rights

We entered into a registration rights agreement with the initial purchasers of the notes. If you sell the notes or shares of common stock issued upon conversion of the notes under this registration statement, you generally will be required to be named as a selling securityholder in this prospectus, deliver this prospectus to purchasers and be bound by applicable provisions of the registration rights agreement, including some indemnification provisions.

In the registration rights agreement, we agreed to file a registration statement that includes this prospectus with the SEC by September 6, 2001. We agreed to use all reasonable best efforts to cause this registration statement to become effective as promptly as practicable, but before December 5, 2001. We agreed to keep this registration statement effective until the earliest of (i) June 8, 2003, (ii) the date when all registrable securities shall have been registered under the Securities Act of 1933 and disposed of or (iii) the date on which all registrable securities are eligible to be sold to the public pursuant to Rule 144(k) under the Securities Act of 1933 (such shortest time period referred to as the effectiveness period). We may suspend the use of this prospectus under limited circumstances, including pending corporate developments or public filings with the SEC, for a period not to exceed 45 days in any 90-day period and 90 days in any 360-day period. We also agreed to pay liquidated damages to holders of the notes and shares of common stock issued upon conversion of the notes if the registration statement is not timely filed or made effective or if the prospectus is unavailable for periods in excess of those permitted above. You should refer to the registration rights agreement for a description of these liquidated damages.

#### Book-Entry System

The notes were originally issued in the form of a global security issued in reliance on Rule 144A and a global security issued in reliance on Regulation S. Upon the issuance of a global security, DTC (referred to as the depository) or its nominee credited the accounts of persons holding through it with the respective principal amounts of the notes represented by such global security. Such accounts were designated by the initial purchasers with respect to notes placed by the initial purchasers for us.

The notes that are sold under this prospectus will be represented by a new unrestricted global security. Upon issuance of this new global security, the depository or its nominee will credit the accounts of persons holding through it with the respective principal amounts of the notes represented by the new unrestricted global security. Ownership of beneficial interests in a global security is limited to persons that have accounts with the depository ("participants") or persons that may hold interests through participants. Ownership of beneficial interests by participants in a global security is shown on, and the transfer of that ownership interest will be effected only through, records maintained by the depository for such global security. Ownership of beneficial interests in such global security by persons that hold through participants will be shown on, and the transfer of those ownership interests through such participant will be effected only through, records maintained by such participant. The foregoing may impair the ability to transfer beneficial interests in a global security.

We will make payment of principal, premium, if any, and interest on notes represented by any such global security to the depository or its nominee, as the case may be, as the sole holder of the notes represented thereby for all purposes under the indenture. None of Venator, the trustee, any agent of Venator, or the trustee or the initial purchasers will have any responsibility or liability for any aspect of the depository's records relating to or payments made on account of beneficial ownership interests in global security representing any notes or for maintaining, supervising or reviewing any of the depository's records relating to such beneficial ownership interests. We have been advised by the depository that, upon receipt of any payment of principal, premium, if any, or interest on any global security, the depository will immediately credit, on its book-entry registration and transfer system, the accounts of participants with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global security as shown on the records of the depository. Payments by participants to owners of beneficial interests in a global security held through such participants will be governed by standing instructions and customary practices as is now the case with securities held for customer accounts registered in "street name," and will be the sole responsibility of such participants.

A global security may not be transferred except as a whole by the depository for such global security to a nominee of such depository or by a nominee of such depository to such depository or another nominee of such depository or by such depository or any such nominee to a successor of such depository or a nominee of such successor. If the depository is at any time unwilling or unable to continue as depository and a successor depository is not appointed by us or the depository within 90 days, we will issue notes in definitive form in exchange for the global security. In either instance, an owner of a beneficial interest in the global security will be entitled to have notes equal in principal amount to such beneficial interest registered in its name and will be entitled to physical delivery of such notes in definitive form. Notes so issued in definitive form will be issued in denominations of \$1,000 and integral multiples thereof and will be issued in registered form only, without coupons. We will pay principal, premium, if any, and interest on the notes and the notes may be presented for registration of transfer or exchange, at the offices of the trustee.

So long as the depository for a global security, or its nominee, is the registered owner of such global security, such depository or such nominee, as the case may be, will be considered the sole holder of the notes represented by such global security for the purposes of receiving payment on the notes, receiving notices and for all other purposes under the indenture and the notes. Beneficial interests in notes will be evidenced only by, and transfers thereof will be effected only through, records maintained by the depository and its participants. The depository has nominated Cede & Co. as the nominee. Except as provided above, owners of beneficial interests in a global security will not be entitled to have the notes represented by the global security registered in their name, will not be entitled to receive physical delivery of certificated notes and will not be considered the holders thereof for any purposes under the indenture. Accordingly any such person owning a beneficial interest in such a global security must rely on the procedures of the depository, and, if any such person is not a participant, on the procedures the participant through which such person owns its interest, to exercise any rights of a holder under the indenture. The indenture provides that the depository may grant proxies and otherwise authorize participants to give or take any request, demand, authorization, direction, notice, consent, waiver or other action which a holder is entitled to give or take under the indenture. We understand that under existing industry practices, in the event that we request any action of holders or that an owner of a beneficial interest in such a global security desires to give or take any action which a holder is entitled to give or take under the indenture, the depository would authorize the participants holding the relevant beneficial interest to give or take such action and such participants would authorize beneficial owners owning through such participants to give or take such action or would otherwise act upon the instructions of beneficial owners owning through them.

The depository has advised us that the depository is a limited-purpose trust company organized under the laws 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. The depository 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. The depository's participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations, some of whom (and/or their representatives)

own the depository. Access to the depository'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.

#### Description of Revolving Credit Facility

On June 8, 2001, Venator Group, Inc. and certain of our wholly owned subsidiaries, collectively, the Borrowers, entered into an amended and restated senior secured credit facility, amending and restating the existing senior secured credit facility dated as of April 9, 1997, as amended and restated, with a syndicate of banks and other lenders arranged by J.P. Morgan Securities Inc. and BNY Capital Markets, Inc., providing for \$190 million of revolving credit facilities. The senior credit facility shall mature in June 2004 and may be used to finance capital expenditures, to provide working capital and for other general corporate purposes of the borrowers. Below is a summary of certain terms and provisions of the senior secured credit facility:

**Interest Rates.** The loans under the senior credit facility bear interest at a rate equal to a base rate, either LIBOR or prime, at the Borrowers' option, plus a margin specified in the senior credit facility. The margins for each interest rate are determined by reference to a pricing schedule set forth in the senior credit facility, which is based upon a fixed charge coverage ratio test. When, on any date of determination, we use more than 50 percent of the commitments under the senior credit facility, the margins shall be adjusted upwards as set forth on the pricing schedule.

**Guaranty.** Each Borrower is severally obligated with respect to all amounts owing under the senior credit facility. In addition, all obligations under the senior credit facility are jointly and severally guaranteed by each material domestic subsidiary of Venator Group, Inc.

**Security.** The senior credit facility is secured by a lien on certain real property held by the Borrowers and the subsidiary guarantors valued in excess of \$2 million and, subject to certain exceptions, all patents, trademarks and other intellectual property owned by the Borrowers and the subsidiary guarantors and 65 percent of the shares of stock of all first-tier foreign subsidiaries, excluding those in Germany and Canada.

**Financial Covenants.** The senior credit facility requires the Borrowers to meet certain financial tests, including without limitation, maximum leverage ratio, minimum consolidated tangible net worth and minimum fixed charge coverage ratio tests, and limitations on capital expenditures. There is also a limit on subsidiary debt.

**Other Covenants.** The senior credit facility contains certain other negative covenants that limit, among other things, additional liens, indebtedness, transactions with affiliates, mergers and consolidations, liquidations and dissolutions, sales of assets, dividends, stock repurchases, investments, loans and advances, prepayments and modifications of debt instruments and other matters customarily restricted in such agreements.

**Events of Default.** The senior credit facility contains events of default typical for these types of facilities, subject in each case to mutually agreeable grace periods and materiality thresholds, including, without limitation, (i) non-payment amounts under the senior credit facility, (ii) material misrepresentations, (iii) covenant defaults, (iv) cross-defaults to other indebtedness, (v) judgment defaults, (vi) bankruptcy and (vii) change of control.

#### Description of Capital Stock

Our authorized capital stock consists of 500,000,000 shares of common stock, \$0.01 par value, and 7,000,000 shares of preferred stock, par value \$1.00 per share. As of June 2, 2001, there were:

- o 139,471,607 shares of our common stock outstanding;
- o no shares of preferred stock issued or outstanding; and
- o options to purchase 8,656,018 shares of common stock.

#### Common Stock

The holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote by shareholders. Subject to preferences that may be applicable to any holders of outstanding preferred stock, holders of common stock are entitled to receive ratably such dividends as may be declared by our board of directors out of funds legally available therefor. In the event of a liquidation or dissolution of Venator, holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preference of any outstanding preferred stock.

Holders of common stock have no preemptive rights and have no rights to convert their common stock into any other securities. All of the outstanding shares of common stock are, and the shares of common stock to be issued upon conversion of the notes will be, duly authorized, validly issued, fully paid and nonassessable.

## Preferred Stock

Our board of directors is authorized to designate any series of preferred stock and the powers, preferences and rights of the shares of such series and the qualifications, limitations or restrictions thereof without further action by the holders of common stock. As of the record date, no shares of preferred stock were issued or outstanding.

## Anti-Takeover Provisions

We have adopted certain anti-takeover provisions, which may have the effect of discouraging, delaying or preventing a merger or acquisition of the company.

## Authorized Shares

Our shareholders have currently authorized the issuance of 500 million shares of common stock. As of June 2, 2001, 139,471,607 shares of common stock were outstanding and 45,771,428 shares were reserved for issuance. In addition, our board of directors may create and issue series of preferred stock with rights, privileges or restrictions, having the effect of discriminating against an existing or prospective holder of such securities as a result of such security holder beneficially owning or commencing a tender offer for a substantial amount of common stock. One of the effects of authorized but unissued and unreserved shares of capital stock may be to render more difficult or discourage an attempt by a potential acquiror to obtain control of Venator by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of Venator's management.

## Shareholder Rights Plan

Effective April 14, 1998, our board of directors adopted a shareholder rights plan under which we issued one right for each outstanding share of common stock. Each right entitles a shareholder to purchase one two-hundredth of a share of Series B Participating Preferred Stock at an exercise price of \$100, subject to adjustment. Generally, the rights become exercisable only if a person or group of affiliated or associated persons (i) becomes an "Interested Shareholder" as defined in Section 912 of the New York Business Corporation Law (an "Acquiring Person") or (ii) announces a tender or exchange offer that results in that person or group becoming an Acquiring Person, other than pursuant to an offer for all of our outstanding shares of common stock which the board of directors determines not to be inadequate and to otherwise be in our best interests and in the best interests for our shareholders. We will be able to redeem the rights at \$0.01 per right at any time during the period prior to the 10th business day following the date a person or group becomes an Acquiring Person. The plan is subject to a qualifying offer provision, which makes the Rights Plan inapplicable to certain kinds of offers to purchase all of our common stock.

Upon exercise of the right, each holder of a right will be entitled to receive common stock (or, in certain circumstances, cash, property or other securities of Venator) having a value equal to two times the exercise price of the right. The rights, which cannot vote and cannot be transferred separately from the shares of common stock to which they are presently attached, expire on April 14, 2008 unless extended prior thereto by the board, or earlier redeemed or exchanged by us.

## Other Provisions of the Certificate of Incorporation and By-laws

Set forth below is a description of certain present provisions of our certificate of incorporation and by-laws and New York law, which may be deemed to have an anti-takeover effect.

### Classified Board

Our certificate of incorporation provides for a "classified" board of directors pursuant to which the composition of the board of directors is divided into three classes of directors serving staggered three-year terms. Only one class is elected each year, and it is elected for a three-year term. The provision for a classified board could prevent a party who acquires control of a majority of the outstanding voting stock from obtaining control of the board until the second annual shareholders meeting following the date the acquiror obtains the controlling stock interest.

### Anti-greenmail

Our certificate of incorporation includes an "anti-greenmail" provision that prohibits us from repurchasing any shares of our capital stock at a price above the fair market value of such shares at the time of such repurchase from an Interested Shareholder (any person, with certain exceptions, who is or who has announced or publicly disclosed a plan or intention to become, a beneficial owner of five percent or more of our voting stock) or certain related parties who have not beneficially owned all of their shares for at least two years, unless such repurchase is approved by a majority vote of shareholders other than such Interested Shareholder and related parties.

### Power of Shareholders to Call Special Shareholders' Meeting

Our by-laws provide that special meetings of shareholders may be called only by the Chairman of our board of directors, the Chief Executive Officer, a Vice Chairman of the board, the president, or our board of directors pursuant to a resolution adopted by a majority of the total number of authorized directors.

### Advance Notice By-Law

Our by-laws establish an advance notice procedure for shareholder proposals to be brought before an annual meeting of our shareholders, including proposed nominations of persons for election to the board. Shareholders at an annual meeting may only consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of the board or by a shareholder who was a shareholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has given to our secretary timely written notice, in proper form, of such shareholder's intention to bring that business before the meeting. Although our by-laws do not give our board the power to approve or disapprove shareholder nominations of candidates or proposals regarding other business to be conducted at a special or annual meeting, our by-laws may have the effect of precluding the conduct of business at a meeting if the proper procedures are not followed or may discourage or defer a potential acquiror from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempting to obtain control of us.

#### Provisions of New York Law Governing Business Combinations

Pursuant to Section 912 of the New York Business Corporation Law (the "BCL"), a New York "domestic corporation" may not engage in certain business combinations (including among other things, mergers and consolidations, certain sales or dispositions of assets, liquidations and recapitalizations) with interested shareholders (beneficial owners of 20 percent or more of the corporation's voting power). We believe that we are a domestic corporation within the meaning of the BCL. Section 912 would prohibit an interested shareholder from effecting any business combination with us for a period of five years following the date that such person first becomes an interested shareholder, unless there was approval by the board of directors of either the purchase of the 20 percent or greater interest or of the proposed business combination prior to the 20 percent acquisition. Section 912 further provides that, at the expiration of the five-year period the interested shareholder could engage in a business combination with us only if such transaction is approved by a majority of the disinterested shareholders or if the price paid meets a statutory formula.

Section 513(c) of the BCL prohibits a domestic corporation from purchasing more than 10 percent of its stock from a shareholder for more than market value, unless the transaction is approved by a majority of the shareholders, the offer is made to all shareholders or the selling shareholder has been the beneficial owner of the stock for more than two years.

Section 717(b) of the BCL entitles a director in taking action, including which may involve potential change in control of the corporation to consider both the long-term and the short-term interests of the corporation and its shareholders, and the effects of the corporation's actions on prospects for potential growth, current and retired employees, customers and creditors, and the communities in which the corporation does business.

#### Transfer Agent and Registrar

The transfer agent and registrar for common stock is EquiServe Trust Company N.A.

#### Selling Securityholders

The notes were originally issued by us and sold by J.P. Morgan Securities Inc., Banc of America Securities LLC, BNY Capital Markets, Inc., First Union Securities, Inc., Scotia Capital (USA) Inc. and Fleet Securities, Inc. (the "initial purchasers") in transactions exempt from the registration requirements of the Securities Act to persons reasonably believed by the initial purchasers to be "qualified institutional buyers" as defined by Rule 144A under the Securities Act. The selling securityholders may from time to time offer and sell pursuant to this prospectus any or all of the notes listed below and the shares of common stock issued upon conversion of such notes. When we refer to the "selling securityholders" in this prospectus, we mean those persons listed in the table below, as well as the pledgees, donees, assignees, transferees, successors and others who later hold any of the selling securityholders' interests.

The table below sets forth the name of each selling securityholder, the principal amount at maturity of notes that each selling securityholder may offer pursuant to this prospectus and the number of shares of common stock into which such notes are convertible. Unless set forth below, to our knowledge, none of the selling securityholders has, or within the past three years has had, any material relationship with us or any of our predecessors or affiliates or beneficially owns in excess of 1% of the outstanding common stock.

The principal amounts of the notes provided in the table below is based on information provided to us by each of the selling securityholders as of July \_\_, 2001, and the percentages are based on \$150,000,000 principal amount at maturity of notes outstanding. The number of shares of common stock that may be sold is calculated based on the current conversion price of \$15.806 per share.

Since the date on which each selling securityholder provided this information, each selling securityholder identified below may have sold, transferred or otherwise disposed of all or a portion of its notes in a transaction exempt from the registration requirements of the Securities Act. Information concerning the selling securityholders may change from time to time and any changed information will be set forth in supplements to this prospectus to the extent required. In addition, the conversion

ratio, and therefore the number of shares of our common stock issuable upon conversion of the notes, is subject to adjustment. Accordingly, the number of shares of common stock issuable upon conversion of the notes may increase or decrease.

The selling securityholders may from time to time offer and sell any or all of the securities under this prospectus. Because the selling securityholders are not obligated to sell the notes or the shares of common stock issuable upon conversion of the notes, we cannot estimate the amount of the notes or how many shares of common stock that the selling securityholders will hold upon consummation of any such sales.

AGGREGATE PRINCIPAL AMOUNT AT MATURITY OF NOTES NAME	PERCENTAGE OF NOTES OUTSTANDING	NUMBER OF SHARES OF COMMON STOCK THAT MAY BE SOLD (1)	PERCENTAGE OF SHARES OF COMMON STOCK OUTSTANDING (2)
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\* Less than one percent (1%).

#### Plan of Distribution

The selling securityholders will be offering and selling all of the securities offered and sold under this prospectus. We will not receive any of the proceeds from the offering of the notes or the shares of common stock by the selling securityholders. In connection with the initial offering of the notes, we entered into a registration rights agreement dated June 8, 2001 with the initial purchasers of the notes. Securities may only be offered or sold under this prospectus pursuant to the terms of the registration rights agreement. However, selling securityholders may resell all or a portion of the securities in open market transactions in reliance upon Rule 144 or Rule 144A under the Securities Act, provided they meet the criteria and conform to the requirements of one of these rules. We are registering the notes and shares of common stock covered by this prospectus to permit holders to conduct public secondary trading of these securities from time to time after the date of this prospectus. We have agreed, among other things, to bear all expenses, other than underwriting discounts and selling commissions, in connection with the registration and sale of the notes and the shares of common stock covered by this prospectus.

The selling securityholders may sell all or a portion of the notes and shares of common stock beneficially owned by them and offered hereby from time to time:

- o directly; or
- o through underwriters, broker-dealers or agents, who may receive compensation in the form of discounts, commissions or concessions from the selling securityholders and/or from the purchasers of the notes and shares of common stock for whom they may act as agent.

The notes and the shares of common stock may be sold from time to time in one or more transactions at:

- o fixed prices, which may be changed;
- o prevailing market prices at the time of sale;
- o varying prices determined at the time of sale; or
- o negotiated prices.

These prices will be determined by the holders of the securities or by agreement between these holders and underwriters or dealers who may receive fees or commissions in connection with the sale. The aggregate proceeds to the selling securityholders from the sale of the notes or shares of common stock offered by them hereby will be the purchase price of the notes or shares of common stock less discounts and commissions, if any.

The sales described in the preceding paragraph may be effected in transactions:

- o on any national securities exchange or quotation service on which the notes or shares of common stock may be listed or quoted at the time of sale, including the Nasdaq National Market in the case of the shares of common stock;
- o in the over-the-counter market;
- o in transactions otherwise than on such exchanges or services or in the over-the-counter market; or
- o through the writing of options.

These transactions may include block transactions or crosses. Crosses are transactions in which the same broker acts as an agent on both sides of the trade.

In connection with sales of the notes and shares of common stock or otherwise, the selling securityholders may enter into hedging transactions with broker-dealers. These broker-dealers may in turn engage in short sales of the notes and shares of common stock in the course of hedging their positions. The selling securityholders may also sell the notes and shares of common stock short and deliver the notes and shares of common stock to close out short positions, or loan or pledge notes and shares of common stock to broker-dealers that in turn may sell the notes and shares of common stock.

To our knowledge, there are currently no plans, arrangements or understandings between any selling securityholders and any underwriter, broker-dealer or agent regarding the sale of the notes and the shares of common stock by the selling securityholders. Selling securityholders may not sell any, or may not sell all, of the notes and the shares of common stock offered by them pursuant to this prospectus. In addition, we cannot assure you that a selling securityholder will not transfer, devise or gift the notes and the shares of common stock by other means not described in this prospectus. In addition, any securities covered by this prospectus which qualify for sale pursuant to Rule 144 or Rule 144A of the Securities Act may be sold under Rule 144 or Rule 144A rather than pursuant to this prospectus.

The notes were issued and sold in June 2001 in transactions exempt from the registration requirements of the Securities Act to persons reasonably believed by the initial purchasers to be "qualified institutional buyers," as defined in Rule 144A under the Securities Act. Pursuant to the registration rights agreement, we have agreed to indemnify the initial purchasers and each selling securityholder, and each selling securityholder has agreed to indemnify us against specified liabilities arising under the Securities Act. The selling securityholders may also agree to indemnify any broker-dealer or agent that participates in transactions involving sales of the securities against some liabilities, including liabilities that arise under the Securities Act.

The selling securityholders and any other person participating in such distribution will be subject to the Exchange Act. The Exchange Act rules include, without limitation, Regulation M, which may limit the timing of purchases and sales of any of the notes and the underlying shares of common stock by the selling securityholders and any such other person. In addition, Regulation M of the Exchange Act may restrict the ability of any person engaged in the distribution of the notes and the underlying shares of common stock to engage in market-making activities with respect to the particular notes and the underlying shares of common stock being distributed for a period of up to five business days prior to the commencement of distribution. This may affect the marketability of the notes and the underlying shares of common stock and the ability of any person or entity to engage in market-making activities with respect to the notes and the underlying shares of common stock.

Under the registration rights agreement, we are obligated to use our reasonable best efforts to keep the registration statement of which this prospectus is a part effective until the earlier of:

- o two years after the last date of original issuance of any of the notes;
- o the date when the notes and the shares of common stock issuable upon conversion of the notes (i) may be resold immediately without restriction pursuant to the volume limitation provisions of Rule 144(k) under the Securities Act or (ii) cease to be outstanding; and
- o the sale, pursuant to the registration statement to which this prospectus relates, of all the securities registered thereunder.

Our obligation to keep the registration statement to which this prospectus relates effective is subject to specified, permitted exceptions set forth in the registration rights agreement. In these cases, we may prohibit offers and sales of the notes and shares of common stock pursuant to the registration statement to which this prospectus relates.

We may suspend the use of this prospectus if we learn of any event that causes this prospectus to include an untrue statement of a material fact required to be stated in the prospectus or necessary to make the statements in the prospectus not misleading in light of the circumstances then existing. If this type of event occurs, a prospectus supplement or post-effective amendment, if required, will be distributed to each selling securityholder. Each selling securityholder has agreed not to trade securities from the time the selling securityholder receives notice from us of this type of event until the selling securityholder receives a prospectus supplement or amendment. This time period will not exceed 45 days in any 90-day period or 90 days in a 360-day period.

#### Legal Matters

Certain legal matters in connection with the notes offered hereby and the shares of our common stock into which those notes are convertible will be passed upon for us by our counsel Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York.

#### Experts

Our consolidated financial statements, as of February 3, 2001 and January 29, 2000 and for each of the years in the three-year period ended February



3, 2001 included in our annual report on Form 10-K for the year ended February 3, 2001 have been incorporated by reference herein in reliance upon the report of KPMG LLP, independent certified public accountants, incorporated by reference herein and upon the authority of said firm as experts in accounting and auditing. The report of KPMG LLP refers to changes in the method of accounting for sales under our layaway program in 2000 and in the method of calculating the market-related value of our U.S. pension plan assets in 1999.

Where You Can Find More Information

We file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information filed by us at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our filings with the SEC are also available to the public from commercial document retrieval services and at the SEC's website at [www.sec.gov](http://www.sec.gov).

PART II  
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

We are paying all of the selling securityholders' expenses related to this offering, except the selling securityholders will pay any applicable broker's commissions and expenses. The following table sets forth the approximate amount of fees and expenses payable by us in connection with this Registration Statement and the distribution of the notes and the shares of common stock registered hereby. All of the amounts shown are estimates except the Securities and Exchange Commission registration fee.

Securities and Exchange Commission Registration Fee.....	\$43,125
Transfer Agent's, Trustees' and Depositary's Fees and Expenses.....	**
Printing and Engraving Fees and Expenses.....	**
Accounting Fees and Expenses.....	**
Legal Fees.....	**
Miscellaneous Expenses.....	**
Total.....	\$ **

\*\* To be filed by amendment.

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Sections 722 through 726 of the New York Business Corporation Law (the "BCL") grant New York corporations broad powers to indemnify their present and former directors and officers and those of affiliated corporations against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with threatened, pending or completed actions, suits or proceedings to which they are parties or are threatened to be made parties by reason of being or having been such directors or officers, subject to specified conditions and exclusions; give a director or officer who successfully defends an action the right to be so indemnified; and permit a corporation to buy directors' and officers' liability insurance. Such indemnification is not exclusive of any other rights to which those indemnified may be entitled under any by-laws, agreement, vote of shareholders or otherwise.

Section 402(b) of the BCL permits a New York corporation to include in its certificate of incorporation a provision eliminating the potential monetary liability of a director to the corporation or its stockholders for breach of fiduciary duty as a director, provided that such provision shall not eliminate the liability of a director (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for improper payment of dividends, improper purchase of the shares of the corporation, improper distribution of assets to shareholders after dissolution of the corporation and improper making of any loan, or (iv) for any transaction from which the director receives an improper personal benefit or other advantage.

Our Certificate of Incorporation, as amended, includes the provision permitted by Section 402(b) of the BCL.

Our By-laws provide that we shall indemnify our present or future directors and officers from and against any and all liabilities and expenses to the maximum extent permitted by the BCL as the same presently exists or to the greater extent permitted by any amendment hereafter adopted.

We have entered into indemnification agreements with each of our officers and directors. The indemnification agreements provide for indemnification of our directors and officers to the fullest extent permitted by the BCL.

ITEM 16. EXHIBITS

The following is a list of all exhibits filed as a part of this registration statement on Form S-3, including those incorporated in this registration statement by reference.

EXHIBIT NUMBER	DESCRIPTION OF EXHIBITS
-------------------	-------------------------

- 3.1(a) Certificate of Incorporation of the Registrant, as filed by the Department of State of the State of New York on April 7, 1989 (incorporated by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1997, Commission File No. 001-10299).
- 3.1(b) Certificates of Amendment of the Certificate of Incorporation of the Registrant, as filed by the Department of State of the State of New York on (a) July 20, 1989, (b) July 24, 1990, (c) July 9, 1997 (incorporated by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1997, Commission File No. 001-10299).
- 3.2 By-laws of the Registrant, as amended (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended May 5, 2001, Commission File No. 001-10299).
- 3.3 Specimen of Common Stock Certificate.
- 4.1 Indenture dated as of June 8, 2001 between Venator Group, Inc. and The Bank of New York, as trustee.
- 4.2 Form of 5.50% Convertible Subordinated Note (included in Exhibit 4.1).
- 4.3 Registration Rights Agreement dated as of June 8, 2001, between Venator Group, Inc. J.P. Morgan Securities Inc., Banc of America Securities LLC, BNY Capital Markets, Inc., First Union Securities, Inc., Scotia Capital (USA) Inc. and Fleet Securities, Inc.
- 5.1 Opinion of Skadden, Arps, Slate, Meagher & Flom LLP
- 12.1 Statement re: Computation of Ratio of Earnings to Fixed Charges.
- 15.1 Accountants' Acknowledgement.
- 23.1 Consent of KPMG LLP, Independent Accountants.
- 23.2 Consent of Skadden, Arps, Slate, Meagher & Flom LLP (included in Exhibit 5.1).
- 24.1 Powers of Attorney (included in signature page to this Registration Statement)
- 25.1 A Statement of Eligibility on Form T-1 under the Trust Indenture Act of 1939, as amended, of The Bank of New York, trustee under the Indenture.

ITEM 17. UNDERTAKINGS

The undersigned Registrant hereby undertakes:

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

- (a) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, as amended;
- (b) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Securities and Exchange Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective Registration Statement; and
- (c) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

provided, however, that paragraphs (1)(a) and (1)(b) shall not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Securities and Exchange Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Registration Statement.

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

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

The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, as amended, each filing of the Registrant's annual report pursuant to Section 13(a) or

Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant, Venator Group, Inc., certifies that it has reasonable grounds to believe that it meets all the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on July 11, 2001.

VENATOR GROUP, INC.

By /s/ Bruce L. Hartman  
 -----  
 Bruce L. Hartman  
 Senior Vice President and Chief Financial  
 Officer

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints each of Matthew D. Serra, Gary M. Bahler and Bruce L. Hartman his true and lawful attorneys-in-fact with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement as well as any new registration statement filed to register additional securities pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and to cause the same to be filed, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby granting to said attorneys-in-fact and agent, full power and authority to do and perform each and every act and thing whatsoever requisite or desirable to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all acts and things that said attorneys-in-fact and agents, or their substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

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

SIGNATURE	TITLE	DATE
/s/ Matthew D. Serra ----- Matthew D. Serra	President, Chief Executive Officer and Director (Principal Executive Officer)	July 11, 2001
/s/ Bruce L. Hartman ----- Bruce L. Hartman	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	July 11, 2001
/s/ Robert W. McHugh ----- Robert W. McHugh	Vice President and Chief Accounting Officer (Principal Accounting Officer)	July 11, 2001
/s/ J. Carter Bacot ----- J. Carter Bacot	Chairman of the Board	July 11, 2001
/s/ Purdy Crawford ----- Purdy Crawford	Director	July 11, 2001

/s/ Phillip H. Geier, Jr.	Director	July 11, 2001
----- Philip H. Geier, Jr.		
/s/ Jarobin Gilbert, Jr.	Director	July 11, 2001
----- Jarobin Gilbert, Jr.		
/s/ James E. Preston	Director	July 11, 2001
----- James E. Preston		
/s/ David Y. Schwartz	Director	July 11, 2001
----- David Y. Schwartz		
/s/ Christopher A. Sinclair	Director	July 11, 2001
----- Christopher A. Sinclair		
/s/ Cheryl Turpin	Director	July 11, 2001
----- Cheryl Turpin		
/s/ Dona D. Young	Director	July 11, 2001
----- Dona D. Young		

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION OF EXHIBITS
-----	-----
3.1(a)	Certificate of Incorporation of the Registrant, as filed by the Department of State of the State of New York on April 7, 1989 (incorporated by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1997, Commission File No. 001-10299).
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3.3	Specimen of Common Stock Certificate.
4.1	Indenture dated as of June 8, 2001 between Venator Group, Inc. and The Bank of New York, as trustee.
4.2	Form of 5.50% Convertible Subordinated Note (included in Exhibit 4.1).
4.3	Registration Rights Agreement dated as of June 8, 2001, between Venator Group, Inc. J.P. Morgan Securities Inc., Banc of America Securities LLC, BNY Capital Markets, Inc., First Union Securities, Inc., Scotia Capital (USA) Inc. and Fleet Securities, Inc.
5.1	Opinion of Skadden, Arps, Slate, Meagher & Flom LLP
12.1	Statement re: Computation of Ratio of Earnings to Fixed Charges.
15.1	Accountants' Acknowledgement.
23.1	Consent of KPMG LLP, Independent Accountants.
23.2	Consent of Skadden, Arps, Slate, Meagher & Flom LLP (included in Exhibit 5.1).
24.1	Powers of Attorney (included in signature page to this Registration Statement)
25.1	A Statement of Eligibility on Form T-1 under the Trust Indenture Act of 1939, as amended, of The Bank of New York, trustee under the Indenture.

Venator Group, Inc.

THIS CERTIFICATE IS TRANSFERABLE  
IN NEW YORK, NEW YORK

COMMON STOCK  
INCORPORATED UNDER THE LAWS OF THE STATE OF NEW YORK

CUSIP 922944 10 3  
SEE REVERSE FOR CERTAIN DEFINITIONS

This certifies that

Is the owner of

FULLY PAID AND NONASSESSABLE SHARES OF COMMON STOCK OF

Venator Group, Inc. transferable in person or by attorney, and in the manner provided by law and in the by-laws of Venator Group, Inc., upon surrender of this certificate properly endorsed. This certificate is not valid until countersigned by the Transfer Agent and registered by the Registrar.

Witness the seal of Venator Group, Inc. and the signatures of its duly authorized officers.

Dated:

CHAIRMAN OF THE BOARD  
AND CHIEF EXECUTIVE OFFICER

SECRETARY

Countersigned and Registered:  
FIRST CHICAGO TRUST COMPANY OF NEW YORK

By: Transfer Agent  
and Registrar

Authorized Signature

VENATOR GROUP, INC.

-----  
Authorized Shares

Venator Group, Inc. (the "Corporation") will furnish to any shareholder, without charge, upon request addressed to the Corporate Secretary, at the headquarters of the Corporation, a full statement of the designation, relative rights, preferences and limitations of the shares of each authorized class and of each series of preferred shares authorized to be issued, so far as the same may have been fixed, and a statement of the authority of the board of directors to designate and fix the relative rights, preferences and limitations of other series.

This certificate also evidences and entitles the holder hereof to certain Rights as set forth in the Rights Agreement between the Corporation and First Chicago Trust Company of New York (the "Rights Agent") dated as of March 11, 1998 (the "Rights Agreement"), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal office of the Corporation. Under certain circumstances, as set forth in the Rights Agreement, such Rights will be evidenced by separate certificates and will no longer be evidenced by this certificate. The Corporation will mail to the holder of this certificate a copy of the Rights Agreement, as in effect on the date of mailing, without charge, promptly after receipt of a written request therefor. Under certain circumstances set forth in the Rights Agreement, Rights issued to, or held by, any Person who is, was or becomes an Acquiring Person or any Affiliate or Associate thereof (as such terms are defined in the Rights Agreement), whether currently held by or on behalf of such Person or by any subsequent holder, may become null and void.

-----  
The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common  
TEN ENT - as tenants by the entireties  
JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT- \_\_\_\_\_ Custodian, \_\_\_\_\_  
(Cust) (Minor)

under Uniform Gifts/Transfers to Minors

Additional abbreviations may also be used though not in the above list

-----  
For value received, \_\_\_\_\_ hereby sell, assign and transfer  
unto

PLEASE INSERT SOCIAL SECURITY OR OTHER  
IDENTIFYING NUMBER OF ASSIGNEE

-----  
-----  
-----  
(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF ASSIGNEE)  
-----  
-----

-----  
Shares of the capital stock represented by the within Certificate, and do  
hereby irrevocably constitute and appoint

-----  
Attorney to transfer the said stock on the books of the within-named  
Corporation with full power of substitution in the premises.

Dated, \_\_\_\_\_

-----  
NOTICE: THE SIGNATURE TO THIS  
ASSIGNMENT MUST  
CORRESPOND WITH THE  
NAME AS WRITTEN UPON  
THE FACE OF THIS  
CERTIFICATE IN EVERY  
PARTICULAR, WITHOUT  
ALTERATION OR  
ENLARGEMENT OR ANY  
CHANGE WHATEVER.

SIGNATURE(S) GUARANTEED:  
----- THE SIGNATURE(S)  
SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS,  
STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH  
MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT  
TO S.E.C. RULE 17Ad-15.

VENATOR GROUP, INC.

and

THE BANK OF NEW YORK  
as  
Trustee

INDENTURE

Dated as of June 8, 2001

\$125,000,000 Principal Amount(1)

5.50% CONVERTIBLE SUBORDINATED NOTES DUE 2008

(1) Plus an additional \$25,000,000 issuable at the option of the Initial Purchasers as described herein.

CROSS-REFERENCE TABLE

TIA Section	Indenture Section
310(a)(1)	7.10
(a)(2)	7.10
(a)(3)	N.A.
(a)(4)	N.A.
(a)(5)	N.A.
(b)	7.08; 7.10; 13.02
(c)	N.A.
311(a)	7.11
(b)	7.11
(c)	N.A.
312(a)	2.05
(b)	13.03
(c)	13.03
313(a)	7.06
(b)(1)	N.A.
(b)(2)	7.06
(c)	7.06; 13.02
(d)	7.06
314(a)	4.02
(b)	N.A.
(c)(1)	13.04
(c)(2)	13.04
(c)(3)	N.A.
(d)	N.A.
(e)	13.05
(f)	N.A.
315(a)	7.01(b)
(b)	7.05; 13.02
(c)	7.01(a)
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(a)(2)	N.A.
(b)	6.07
317(a)(1)	6.08
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(b)	2.04
318(a)	13.01

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- Exhibit C - Form of Certificate to Be Delivered in Connection with

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Exhibit D - Form of Notice of Transfer Pursuant to Registration Statement  
Exhibit E - Form of Opinion of Counsel in Connection with Registration  
of Securities

INDENTURE dated as of June 8, 2001 between VENATOR GROUP, INC., a New York corporation (the "Company"), and THE BANK OF NEW YORK, a New York banking corporation, as trustee (the "Trustee").

Each party agrees as follows for the benefit of the other party and for the equal and ratable benefit of the Holders of the Company's 5.50% Convertible Subordinated Notes Due 2008:

#### ARTICLE ONE

##### DEFINITIONS AND INCORPORATION BY REFERENCE

###### SECTION 1.01. Definitions. -----

"Affiliate" means any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company. For this purpose, "control" shall mean the power to direct the management and policies of a Person through the ownership of securities, by contract or otherwise.

"Agent" means any Registrar, Paying Agent, Conversion Agent or co-registrar.

"Board of Directors" means the Board of Directors of the Company or any committee of the Board authorized to act for it hereunder.

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

"Capital Stock" means any and all shares, interests, participations or other equivalents (however designated) of capital stock of the Company and all warrants or options to acquire such capital stock.

"Common Stock" means the common stock, par value \$.01 per share, of the Company.

"Company" means the party named as such above until a successor replaces it pursuant to the applicable provision hereof and thereafter means the successor.

"Company Request" or "Company Order" means a written request or order signed on behalf of the Company by its Chairman of the Board, its President or any Senior Vice President or Vice President and by its Treasurer or an Assistant Treasurer, its Secretary or an Assistant Secretary, and delivered to the Trustee.

"Conversion Price" means \$15.806 per share of Common Stock, as adjusted pursuant to Article Ten.

"Corporate Trust Office of the Trustee" shall be at the address of the Trustee specified in Section 13.02 or such other address as the Trustee may give notice of to the Company.

"Credit Facility" means the credit agreement dated as of April 9, 1997, as amended and restated on or about the date hereof among the Company, the lenders and co-agents party thereto and The Bank of New York, as administrative agent, together with any related documents (including any security documents and guarantee agreements), as such agreement may be amended, modified, supplemented, extended, renewed, refinanced or replaced or substituted from time to time.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Depository" means The Depository Trust Company, its nominees and successors.

"Designated Senior Indebtedness" means (i) all Indebtedness under the Credit Facility, and (ii) after payment in full in cash of all Senior Indebtedness under the Credit Facility, any particular Senior Indebtedness in which the instrument creating or evidencing the Senior Indebtedness or the assumption or guarantee thereof (or related documents or agreements to which the Company is a party) expressly provides that such Indebtedness shall be "Designated Senior Indebtedness" (provided that such instrument may place limitations and conditions on the right of such Senior Indebtedness to exercise the rights of Designated Senior Indebtedness), the aggregate principal amount of which is equal to or greater than \$50.0 million.

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

"Holder" means a Person in whose name a Security is registered on the Registrar's books.

"Indebtedness" means, with respect to the Company:

- (1) all indebtedness, obligations and other liabilities, contingent or otherwise, for borrowed money, including obligations
  - (a) in respect of overdrafts , foreign exchange contracts, currency exchange agreements, interest rate protection agreements and any loans or advance from banks, whether or not evidenced by notes or similar instruments, or
  - (b) evidenced by bonds, debentures, notes or similar instruments, whether or not the recourse of the lender is to all assets or to only a portion thereof, other than any account payable or other secured current liability or obligation incurred in the ordinary course of business in connection with the obtaining of materials or services,
- (2) all reimbursement obligations and other liabilities, contingent or otherwise, with respect to letters of credit, bank guarantees or bankers' acceptances,
- (3) all obligations and liabilities, contingent or otherwise, in respect of leases required, in conformity with generally accepted accounting principles, to be accounted for as capitalized lease obligations on the balance sheet,
- (4) all obligations and other liabilities, contingent or otherwise, under any lease or related document, including a purchase agreement, in connection with the lease of real property or improvements thereon (or any personal property included as part of any such lease) which provides for a contractual obligation to purchase or cause a third party to purchase the leased property and thereby guarantee the residual value of leased property to the lessor and all of the obligations under such lease or related documents to purchase the leased property (whether or not such lease transaction is characterized as an operating lease or a capitalized lease in accordance with generally accepted accounting principles),
- (5) all obligations, contingent or otherwise, with respect to an interest rate, currency or other swap, cap, floor or collar agreement, hedge agreement, forward contract, or other similar instrument or agreement or foreign currency hedge, exchange, purchase or similar instrument or agreement,
- (6) all direct or indirect guarantees or similar agreements to purchase or otherwise acquire or otherwise assure a creditor against loss in respect of indebtedness, obligations or liabilities or another person of the kind described in clauses (1) through (5) above,
- (7) any indebtedness or other obligations described in clauses (1) through (6) above secured by any mortgage, pledge, lien or other encumbrance existing on property which owned or held, regardless of whether the indebtedness or other obligation secured thereby has been assumed, and
- (8) any and all deferrals, renewals, extensions and refundings of, or amendments, modifications supplements to, any indebtedness, obligation or liability of the kind described in clauses (1) through (7) above.

"Indenture" means this Indenture as amended or supplemented from time to time.

"interest" means, with respect to any Security, interest on the Security plus liquidated damages, if any.

"Issue Date" means (i) June 8, 2001 with respect to the \$125,000,000 aggregate principal amount of Securities issued on such date, and (ii) with respect to any of up to \$25,000,000 aggregate principal amount of Securities that may be issued after June [ ], 2001 pursuant to the option described in Section 2.02, the respective issue date of such Securities.

"liquidated damages" has the meaning provided in the Registration Rights Agreement.

"Maturity Date" means June 1, 2008.

"Non-U.S. Person" means a Person who is not a U.S. Person, as defined in Regulation S under the Securities Act.

"obligations" means with respect to any Indebtedness, all obligations (whether in existence on the date hereof or arising afterwards, absolute or contingent, direct or indirect) for or in respect of principal (when due, upon acceleration, upon redemption, upon mandatory repayment or repurchase pursuant to a mandatory offer to purchase, or otherwise), premium, interest, penalties, fees, indemnification, reimbursement and other amounts payable and liabilities with respect to such Indebtedness, including, without limitation, all interest accrued or accruing after, or which would accrue but for, the commencement of any bankruptcy, insolvency or reorganization or similar case or proceeding at the contract rate (including, without limitation, any contract rate applicable upon default) specified in the relevant documentation, whether or not the claim for such interest is allowed as a claim in such case or proceeding.

"Officer" means the Chairman of the Board, the President, any Senior Vice President, any Vice President, the Chief Financial Officer, the Treasurer or the Secretary of the Company.

"Officers' Certificate" means a certificate signed by two Officers or by an Officer and an Assistant Treasurer or an Assistant Secretary of the Company.

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

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

"principal" of a debt security means the principal of the security plus the premium, if any, on the security.

"QIB" means a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act.

"Registration Rights Agreement" means the Registration Rights Agreement dated as of June 8, 2001 by and among the Company and the Initial Purchasers.

"Regulation S" means Regulation S under the Securities Act.

"Regulation S Global Security" means a permanent Global Security in registered form representing the aggregate principal amount of Securities sold in reliance on Regulation S.

"Restricted Security" means a Security that constitutes a "Restricted Security" within the meaning of Rule 144(a)(3) under the Securities Act; provided, however, that the Trustee shall be entitled to request and conclusively rely on an Opinion of Counsel with respect to whether any Security constitutes a Restricted Security.

"Rule 144A Global Security" means a permanent Global Security in registered form representing the aggregate principal amount of Securities sold in reliance on Rule 144A.

"SEC" means the Securities and Exchange Commission.

"Securities" means the 5.50% Convertible Subordinated Notes Due 2008 issued by the Company pursuant to this Indenture.

"Securities Act" means the Securities Act of 1933, as amended.

"Senior Indebtedness" means all obligations with respect to Indebtedness of the Company whether outstanding on the date hereof or thereafter created, incurred, assumed guaranteed, or in effect guaranteed, by the Company, including, without limitation, all deferrals, renewals, extensions or refundings of, or amendments, modifications or supplements to, the foregoing, unless in the case of any particular Indebtedness the instrument creating or evidencing the same or the assumption or guarantee thereof expressly provides that such Indebtedness shall not be senior in right of payment to the Securities or expressly provides that such Indebtedness ranks equal in right of payment or junior to, the Securities; provided, however, that Senior Indebtedness does not include (i) Indebtedness evidenced by the Securities, (ii) Indebtedness of the Company to any subsidiary of the Company, (iii) any obligations for federal, state, local or other taxes and (iv) accounts payable of the Company to trade creditors arising in the ordinary course of business.

"subsidiary" means (i) a corporation a majority of whose capital stock with voting power, under ordinary circumstances, to elect directors is at the time, directly or indirectly, owned by the Company, by one or more subsidiaries of the Company or by the Company and one or more subsidiaries thereof or (ii) any other Person (other than a corporation) in which the Company, one or more subsidiaries thereof or the Company and one or more subsidiaries thereof, directly or indirectly, at the date of determination thereof, have at least majority ownership interest.

"TIA" means the Trust Indenture Act of 1939 (15 U.S. Code ss.ss. 77aaa-77bbb) as in effect on the date of this Indenture, except as provided in Section 9.03.

"Trust Officer" means any officer of the Trustee assigned by the Trustee to administer this Indenture.

"Trustee" means the party named as such in this Indenture until a successor replaces it in accordance with the provisions hereof and thereafter means the successor.

SECTION 1.02. Other Definitions.

Term	Defined in Section
"Bankruptcy Law".....	6.01
"Business Day".....	13.07
"Change in Control".....	3.07(1)
"Closing Price".....	10.06(g)
"Common Dividend Amount".....	10.06(e)
"Company Notice".....	3.07(b)
"Conversion Agent".....	2.03
"Current Market Price".....	10.06(g)
"Custodian".....	6.01
"Event of Default".....	6.01
"Fair market value".....	10.06(g)
"Global Security".....	2.01
"Initial Purchasers".....	2.02
"Legal Holiday".....	13.07
"Market Capitalization".....	10.06(e)
"Participants".....	2.15(a)
"Paying Agent".....	2.03
"Payment Blockage Notice".....	12.01(b)
"Payment Blockage Period".....	12.01(b)
"Payment Default".....	12.01(b)
"Physical Securities".....	2.15(b)
"Private Placement Legend".....	2.17
"Record Date".....	10.06(g)
"Registrar".....	2.03
"Repurchase Date".....	3.07(a)
"Repurchase Event".....	3.07(1)
"Repurchase Price".....	3.07(a)
"Subject Securities".....	10.06(d)
"Trading Day".....	10.06(g)
"Trigger Event".....	10.06(d)
"U.S. Government Obligations".....	8.01

SECTION 1.03. Incorporation by Reference of Trust Indenture Act.

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture.

The following TIA terms used in this Indenture have the following meanings:

- "Commission" means the SEC;
- "indenture securities" means the Securities;
- "indenture security holder" means a Holder;
- "indenture to be qualified" means this Indenture;
- "indenture trustee" or "institutional trustee" means the Trustee; and
- "obligor" on the indenture securities means the Company.

All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule under the TIA and not otherwise defined herein have the meanings so assigned to them.

SECTION 1.04. Rules of Construction.

Unless the context otherwise requires:

- (1) a term has the meaning assigned to it;
- (2) an accounting term not otherwise defined has the meaning assigned to it in accordance with generally accepted accounting principles in effect on the date hereof;
- (3) "or" is not exclusive;
- (4) words in the singular include the plural and in the plural include the singular;
- (5) provisions apply to successive events and transactions; and
- (6) "herein", "hereof" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

SECTION 2.01. Form and Dating.  
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The Securities and the Trustee's certificate of authentication shall be substantially in the form set forth in Exhibit A, which is incorporated in and forms a part of this Indenture. The Securities may have notations, legends or endorsements required by law, stock exchange rule or usage. Each Security shall be dated the date of its authentication.

Securities offered and sold in reliance on Rule 144A, Securities offered and sold in reliance on Regulation S and Securities subsequently transferred to Institutional Accredited Investors shall be issued initially in the form of one or more Global Securities, substantially in the form set forth in Exhibit A (the "Global Security"). The aggregate principal amount of the Global Security may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for the Depositary, as hereinafter provided.

SECTION 2.02. Execution and Authentication.  
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Two Officers shall sign the Securities for the Company by manual or facsimile signature.

If an Officer whose signature is on a Security no longer holds that office at the time the Security is authenticated, the Security shall nevertheless be valid.

A Security shall not be valid until authenticated by the manual signature of the Trustee. The signature shall be conclusive evidence that the Security has been authenticated under this Indenture.

Upon a written order of the Company signed by two Officers or by an Officer and an Assistant Treasurer of the Company, the Trustee shall authenticate Securities for original issue in the principal amount of \$125,000,000 and such additional principal amounts, if any, as shall be determined pursuant to the next sentence of this Section 2.02. Upon receipt by the Trustee of an Officers' Certificate stating that the Initial Purchasers have elected to purchase from the Company a specified principal amount of additional Securities, not to exceed \$25,000,000, pursuant to Section 1 of the Purchase Agreement dated June 4, 2001 by and among the Company, as issuer, and J.P. Morgan Securities Inc., Banc of America Securities LLC, BNY Capital Markets, Inc., First Union Securities, Inc., Fleet Securities, Inc. and Scotia Capital (USA) Inc., as initial purchasers (the "Initial Purchasers"), the Trustee shall authenticate and deliver such specified principal amount of additional Securities to or upon the written order of the Company signed as provided in the immediately preceding sentence. Such Officers' Certificate must be received by the Trustee at least two full Business Days prior to the proposed date for delivery of such additional Securities, but, in any case, not later than July [ ], 2001. The aggregate principal amount of Securities outstanding at any time may not exceed \$150,000,000 except as provided in Section 2.07.

Upon a written order of the Company signed by two Officers or by an Officer and an Assistant Treasurer of the Company, the Trustee shall authenticate Securities not bearing the Private Placement Legend to be issued to the transferee when sold pursuant to an effective registration statement under the Securities Act.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Securities. An authenticating agent may authenticate Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such Agent. An authenticating agent has the same rights as an Agent to deal with the Company or an Affiliate.

The Securities shall be issuable only in registered form without coupons and only in denominations of \$1,000 principal amount and any integral multiple thereof. The Securities shall bear interest at the rate, calculated and paid, as provided in the form of Security set forth in Exhibit A.

SECTION 2.03. Registrar, Paying Agent and Conversion Agent.  
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The Company shall maintain an office or agency where Securities may be presented for registration of transfer or for exchange ("Registrar"), an office or agency where Securities may be presented for payment ("Paying Agent") and an office or agency where Securities may be presented for conversion ("Conversion Agent"). The Registrar shall keep a register of the Securities and of their transfer and exchange. The Company may appoint or change one or more co-registrars, one or more additional paying agents and one or more additional conversion agents without notice and may act in any such capacity on its own behalf. The term "Registrar" includes any co-registrar; the term "Paying Agent" includes any additional paying agent; the term "Conversion Agent" includes any additional conversion agent.

The Company shall enter into an appropriate agency agreement with any Agent not a party to this Indenture. The agreement shall implement the provisions of this Indenture that relate to such Agent. The Company shall notify the Trustee of the name and address of any Agent not a party to this Indenture. If the Company fails to maintain a Registrar, Paying Agent or Conversion Agent, the Trustee shall act as such.

The Company initially appoints the Trustee as Paying Agent, Registrar and Conversion Agent.

SECTION 2.04. Paying Agent to Hold Money in Trust.  
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Each Paying Agent shall hold in trust for the benefit of the Holders or the Trustee all moneys held by the Paying Agent for the payment of principal of or interest on the Securities, and shall notify the Trustee of any default by the Company in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent shall have no further liability for the money. If the Company acts as Paying Agent, it shall segregate and hold as a separate trust fund all money held by it as Paying Agent.

SECTION 2.05. Securityholder Lists.  
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The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders. If the Trustee is not the Registrar, the Company shall furnish to the Trustee on or before each interest payment date and at such other times as the Trustee may request in writing a list, in such form and as of such date as the Trustee may reasonably require, of the names and addresses of Holders.

SECTION 2.06. Transfer and Exchange.  
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Where Securities are presented to the Registrar with a request to register their transfer or to exchange them for an equal principal amount of Securities of other authorized denominations, the Registrar shall register the transfer or make the exchange if its requirements for such transaction are met. To permit registrations of transfer and exchanges, the Company shall execute and the Trustee shall authenticate Securities at the Registrar's request. The Company or the Trustee, as the case may be, shall not be required (a) to issue or authenticate, register the transfer of or exchange any Security during a period beginning at the opening of business 10 Business Days before the mailing of a notice of redemption of the Securities selected for redemption under Section 3.03 and ending at the close of business on the day of such mailing, or (b) to register the transfer of or exchange any Security so selected for redemption in whole or in part, except the unredeemed portion of Securities being redeemed in part.

No service charge shall be made for any registration of transfer, exchange or conversion of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer, registration of transfer or exchange of Securities, other than exchanges pursuant to Sections 2.10, 3.06, 9.05 or 10.02 not involving any transfer.

SECTION 2.07. Replacement Securities.  
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If the Holder of a Security claims that the Security has been mutilated, lost, destroyed or wrongfully taken, the Company shall issue and the Trustee shall authenticate a replacement Security if the Trustee's requirements are met and, in the case of a mutilated Security, such mutilated Security is surrendered to the Trustee. In the case of lost, destroyed or wrongfully taken Securities, if required by the Trustee or the Company, an indemnity bond must be provided by the Holder that is sufficient in the judgment of both to protect the Company, the Trustee or any Agent from any loss that any of them may suffer if a Security is replaced. The Company or the Trustee may charge for its expenses in replacing a Security.

In case any such mutilated, lost, destroyed or wrongfully taken Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security when due.

Every replacement Security is an additional obligation of the Company.

SECTION 2.08. Outstanding Securities.  
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Securities outstanding at any time are all the Securities authenticated by the Trustee except for those converted, those cancelled by it, those delivered to it for cancellation and those described in this Section as not outstanding. A Security does not cease to be outstanding because the Company or one of its subsidiaries or Affiliates holds the Security.

If a Security is replaced pursuant to Section 2.07, it ceases to be outstanding unless the Trustee receives proof satisfactory to it, or a court holds, that the replaced Security is held by a protected purchaser.

If the Paying Agent (other than the Company) holds on a redemption date or the Maturity Date money sufficient to pay Securities payable on that date, then on and after that date, such Securities shall be deemed to be no longer outstanding and interest on them shall cease to accrue.



SECTION 2.09. Securities Held by the Company or an Affiliate.  
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In determining whether the Holders of the required aggregate principal amount of Securities have concurred in any direction, waiver or consent, Securities owned by the Company or a subsidiary or an Affiliate shall be disregarded, except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Securities that a Trust Officer actually knows are so owned shall be so disregarded.

SECTION 2.10. Temporary Securities.  
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Until definitive Securities are ready for delivery, the Company may prepare and the Trustee shall authenticate temporary Securities. Temporary Securities shall be substantially in the form of definitive Securities but may have variations that the Company considers appropriate for temporary Securities. Without unreasonable delay, the Company shall prepare and the Trustee shall authenticate definitive Securities in exchange for temporary Securities.

SECTION 2.11. Cancellation.  
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The Company at any time may deliver Securities to the Trustee for cancellation. The Registrar, Paying Agent and Conversion Agent shall forward to the Trustee any Securities surrendered to them for registration of transfer, exchange, payment or conversion. The Trustee shall cancel all Securities surrendered for registration of transfer, exchange, payment, conversion or cancellation and the Trustee shall dispose of such cancelled Securities in its customary manner. The Company may not issue new Securities to replace Securities that it has paid or delivered to the Trustee for cancellation or that any Holder has converted pursuant to Article Ten.

SECTION 2.12. Defaulted Interest.  
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If and to the extent the Company defaults in a payment of interest on the Securities, it shall pay the defaulted interest in any lawful manner plus, to the extent not prohibited by applicable statute or case law, interest payable on the defaulted interest. It may pay the defaulted interest to the Persons who are Holders on a subsequent special record date. The Company shall fix such record date and payment date. At least 15 days before a special record date, the Company shall mail to Holders a notice that states the record date, payment date and amount of interest to be paid.

SECTION 2.13. CUSIP Numbers.  
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The Company in issuing the Securities may use one or more "CUSIP" numbers, and if so, the Trustee shall use the CUSIP numbers in notices of redemption or exchange as a convenience to Holders; provided, however, that no representation is hereby deemed to be made by the Trustee as to the correctness or accuracy of the CUSIP numbers printed in the notice or on the Securities, and that reliance may be placed only on the other identification numbers printed on the Securities. The Company shall promptly notify the Trustee of any change in the CUSIP number.

SECTION 2.14. Deposit of Moneys.  
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Prior to 10:00 a.m., New York City time, on each interest payment date, redemption date, Repurchase Date and the Maturity Date, the Company shall have deposited with the Paying Agent in immediately available funds money sufficient to make cash payments, if any, due on such interest payment date, redemption date, Repurchase Date and the Maturity Date, as the case may be, in a timely manner which permits the Paying Agent to remit payment to the Holders on such interest payment date, maturity date, redemption date and Repurchase Date, as the case may be.

SECTION 2.15. Book-Entry Provisions for Global Securities.  
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(a) The Global Securities initially shall (i) be registered in the name of the Depositary or the nominee of such Depositary, (ii) be delivered to the Trustee as custodian for such Depositary and (iii) bear the legend for Global Securities as set forth in Exhibit B(II).

Members of, or participants in, the Depositary ("Participants") shall have no rights under this Indenture with respect to any Global Security held on their behalf by the Depositary, or the Trustee as its custodian, or under the Global Security, and the Depositary may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner of the Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depositary or impair, as between the Depositary and Participants, the operation of customary practices governing the exercise of the rights of a Holder of any Security.

(b) Transfers of Global Securities shall be limited to transfers in whole, but not in part, to the Depositary, its successors or

their respective nominees. In addition, permanent certificated Securities in registered form, in the form set forth in Exhibit A (the "Physical Securities"), shall be transferred to all beneficial owners in exchange for their beneficial interests in Global Securities if (i) the Depository notifies the Company that it is unwilling or unable to continue as Depository for any Global Security and a successor Depository is not appointed by the Company within 90 days of such notice or (ii) an Event of Default has occurred and is continuing and the Registrar has received a written request from the Depository to issue Physical Securities.

(c) In connection with any transfer or exchange of a portion of the beneficial interest in a Global Security to beneficial owners pursuant to paragraph (b), the Registrar shall (if one or more Physical Securities are to be issued) reflect on its books and records the date and a decrease in the aggregate principal amount of such Global Security in an amount equal to the aggregate initial aggregate principal amount of the beneficial interest in the Global Security to be transferred, and the Company shall execute and the Trustee shall authenticate and deliver one or more Physical Securities of authorized denominations in an aggregate principal amount equal to the aggregate principal amount of the beneficial interest in the Global Security so transferred.

(d) In connection with the transfer of a Global Security in its entirety to beneficial owners pursuant to paragraph (b) of this Section 2.15, such Global Security shall be deemed to be surrendered to the Trustee for cancellation, and the Company shall execute, and the Trustee shall upon written instructions from the Company authenticate and deliver, to each beneficial owner identified by the Depository in exchange for its beneficial interest in such Global Security, an equal aggregate principal amount of Physical Securities of authorized denominations.

(e) Any Physical Security constituting a Restricted Security delivered in exchange for an interest in a Global Security pursuant to paragraph (b) or (c) of this Section 2.15 shall, except as otherwise provided by Section 2.16, bear the Private Placement Legend.

(f) The Holder of any Global Security may grant proxies and otherwise authorize any Person, including Participants and Persons that may hold interests through Participants, to take any action which a Holder is entitled to take under this Indenture or the Securities.

SECTION 2.16. Special Transfer Provisions.  
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(a) Transfers to Non-U.S. Persons. The following provisions shall apply with respect to the registration of any proposed transfer of a Restricted Security to any Non-U.S. Person:

(i) the Registrar shall register the transfer of any Restricted Security, whether or not such Security bears the Private Placement Legend, if (x) the requested transfer is after the second anniversary of the Issue Date for such Security; provided, however, that the transferor shall represent to the Registrar that, to the transferor's knowledge, neither the Company nor any Affiliate of the Company has held any beneficial interest in such Security, or portion thereof, at any time on or prior to the second anniversary of the Issue Date for such Security or (y) in the case of a transfer to a Non-U.S. Person, the proposed transferee has delivered to the Registrar a certificate substantially in the form of Exhibit C hereto;

(ii) if the proposed transferee is a Participant and the Securities to be transferred consist of Physical Securities that after transfer are to be evidenced by an interest in the Global Security, upon receipt by the Registrar of (x) written instructions given in accordance with the Depository's and the Registrar's procedures and (y) the appropriate certificate, if any, required by clause (y) of paragraph (i) above, the Registrar shall register the transfer and reflect on its books and records the date and an increase in the aggregate principal amount of the Global Security in an amount equal to the aggregate principal amount of Physical Securities to be transferred, and the Trustee shall cancel the Physical Securities so transferred; and

(iii) if the proposed transferor is a Participant seeking to transfer an interest in the Rule 144A Global Security, upon receipt by the Registrar of (x) written instructions given in accordance with the Depository's and the Registrar's procedures and (y) the appropriate certificate, if any, required by clause (y) of paragraph (i) above, the Registrar shall register the transfer and reflect on its books and records the date and (A) a decrease in the aggregate principal amount of the Rule 144A Global Security in an amount equal to the aggregate principal amount of the Securities to be transferred and (B) an increase in the aggregate principal amount of the Regulation S Global Security, in an amount equal to the aggregate principal amount of the Securities to be transferred.

(b) Transfers to QIBs. The following provisions shall apply with respect to the registration of any proposed transfer of a Restricted Security to a QIB:

(i) the Registrar shall register the transfer of any Restricted Security, whether or not such Security bears the Private Placement Legend, if (x) the requested transfer is after the second anniversary of the Issue Date for such Security; provided, however, that the transferor shall represent to the

Registrar that, to the transferor's knowledge, neither the Company nor any Affiliate of the Company has held any beneficial interest in such Security, or portion thereof, at any time on or prior to the second anniversary of the Issue Date for such Security or (y) such transfer is being made by a proposed transferor who has checked the box provided for on the form of Security stating, or has otherwise advised the Company and the Registrar in writing, that the sale has been made in compliance with the provisions of Rule 144A to a transferee who has signed the certification provided for on the form of Security stating, or has otherwise advised the Company and the Registrar in writing, that it is purchasing the Security for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a QIB within the meaning of Rule 144A, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as it has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon its foregoing representations in order to claim the exemption from registration provided by Rule 144A;

(ii) if the proposed transferee is a Participant and the Securities to be transferred consist of Physical Securities which after transfer are to be evidenced by an interest in the Global Security, upon receipt by the Registrar of written instructions given in accordance with the Depositary's and Registrar's procedures, the Registrar shall register the transfer and reflect on its books and records the date and an increase in the principal amount of the Global Security in an amount equal to the principal amount of Physical Securities to be transferred, and the Trustee shall cancel the Physical Security so transferred; and

(iii) if the proposed transferor is a Participant seeking to transfer an interest in the Regulation S Global Security upon receipt by the Registrar of written instructions given in accordance with the Depositary's and the Registrar's procedures, the Registrar shall register the transfer and reflect on its books and records the date and (A) a decrease in the aggregate principal amount of the Regulation S Global Security in an amount equal to the aggregate principal amount of the Securities to be transferred and (B) an increase in the aggregate principal amount of the Rule 144A Global Security in an amount equal to the aggregate principal amount of the Securities to be transferred.

(c) Restrictions on Transfer and Exchange of Global Securities. Notwithstanding any other provisions of this Indenture, a Global Security may not be transferred as a whole except by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary.

(d) Private Placement Legend. Upon the registration of transfer, exchange or replacement of Securities not bearing the Private Placement Legend, the Registrar or co-Registrar shall deliver Securities that do not bear the Private Placement Legend. Upon the registration of transfer, exchange or replacement of Securities bearing the Private Placement Legend, the Registrar or co-Registrar shall deliver only Securities that bear the Private Placement Legend unless (i) the requested transfer is after the second anniversary of the Issue Date for such Security (provided, however, that neither the Company nor any Affiliate of the Company has held any beneficial interest in such Security, or portion thereof, at any time prior to or on the second anniversary of the Issue Date for such Security), (ii) there is delivered to the Trustee an Opinion of Counsel reasonably satisfactory to the Company to the effect that neither such legend nor the related restrictions on transfer are required in order to maintain compliance with the provisions of the Securities Act or (iii) such Security has been sold pursuant to an effective registration statement under the Securities Act and the Holder selling such Securities has delivered to the Registrar or co-Registrar a notice in the form of Exhibit D hereto. Upon the effectiveness of the Shelf Registration Statement (as defined in the Registration Rights Agreement) the Company shall deliver to the Trustee a notice of effectiveness, a Security or Securities, an authentication order in accordance with Section 2.02 and an Opinion of Counsel in the form of Exhibit E hereto and, if required by the Depositary, the Company shall deliver to the Depositary a letter of representations in a form reasonably acceptable to the Depositary.

(e) General. By its acceptance of any Security bearing the Private Placement Legend, each Holder of such a Security acknowledges the restrictions on transfer of such Security set forth in this Indenture and in the Private Placement Legend and agrees that it will transfer such Security only as provided in this Indenture.

The Registrar shall retain, in accordance with its customary procedures, copies of all letters, notices and other written communications received pursuant to Section 2.15 or this Section 2.16. The Company shall have the right to inspect and make copies of all such letters, notices or other written communications at any reasonable time upon the giving of reasonable notice to the Registrar.

(f) Transfers of Securities Held by Affiliates. Any certificate (i) evidencing a Security that has been transferred to an Affiliate of the Company within two years after the Issue Date for such Security, as evidenced by a notation on the Assignment Form for such transfer or in the representation letter delivered in respect thereof or

(ii) evidencing a Security that has been acquired from an Affiliate (other than by an Affiliate) in a transaction or a chain of transactions not involving any public offering, shall, until two years after the last date on which either the Company or any Affiliate of the Company was an owner of such Security, in each case, bear the Private Placement Legend, unless otherwise agreed by the Company (with written notice thereof to the Trustee).

SECTION 2.17. Restrictive Legends.  
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Each Global Security and Physical Security that constitutes a Restricted Security shall bear the private placement legend (the "Private Placement Legend") as set forth in Exhibit B(I) on the face thereof until after the second anniversary of the later of the Issue Date for such Securities and the last date on which the Company or any Affiliate of the Company was the owner of such Security (or any predecessor security) (or such shorter period of time as permitted by Rule 144(k) under the Securities Act or any successor provision thereunder) (or such longer period of time as may be required under the Securities Act or applicable state securities laws in the opinion of counsel for the Company, unless otherwise agreed by the Company and the Holder thereof).

ARTICLE THREE

REDEMPTION; REPURCHASE

SECTION 3.01. Notices to Trustee.  
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If the Company wants to redeem Securities pursuant to paragraph 6 of the Securities, it shall notify the Trustee at least 45 days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Trustee) of the redemption date and the aggregate principal amount of Securities to be redeemed. If the Company wants to credit against any such redemption Securities it has not previously delivered to the Trustee for cancellation (other than Securities repurchased pursuant to Section 3.07), it shall deliver the Securities with the notice.

SECTION 3.02. Selection of Securities to Be Redeemed.  
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If less than all the outstanding Securities are to be redeemed, the Trustee shall select the Securities to be redeemed on either a pro rata basis or by lot or such other method as the Trustee shall deem fair and equitable. The Trustee shall make the selection from Securities outstanding not previously called for redemption. The Trustee may select for redemption portions of the principal of Securities that have denominations larger than \$1,000 principal amount. Securities and portions of them it selects shall be in amounts of \$1,000 principal amount or integral multiples of \$1,000 principal amount. Provisions of this Indenture that apply to Securities called for redemption also apply to portions of Securities called for redemption.

The Registrar need not register the transfer of or exchange any Securities selected for redemption. Also, the Registrar need not transfer or exchange any Securities for a period of 10 days before selecting Securities to be redeemed.

SECTION 3.03. Notice of Redemption.  
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At least 20 days but not more than 60 days before a redemption date, the Company shall mail by first-class mail or cause to be mailed a notice of redemption to each Holder whose Securities are to be redeemed.

The notice shall identify the Securities and the aggregate principal amount thereof to be redeemed and shall state:

(1) the redemption date;

(2) the redemption price, plus the amount of accrued and unpaid interest to be paid on the Securities called for redemption;

(3) the then current conversion rate;

(4) the name and address of the Paying Agent and Conversion Agent;

(5) the date on which the right to convert the principal of the Securities called for redemption will terminate and the place or places where such Securities may be surrendered for conversion;

(6) that Holders who want to convert Securities must satisfy the requirements in Article Ten;

(7) that Securities called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(8) that interest on Securities called for redemption ceases to accrue on and after the redemption date; and

(9) the CUSIP number of the Securities.

The date on which the right to convert the principal of the Securities called for redemption will terminate shall be at the close of business on the date prior to the redemption date, or, if the day before the redemption date is a Legal Holiday, the close of business on the next preceding day which is not a Legal Holiday.

At the Company's request (which request shall be furnished to the Trustee at least 40 days prior to the redemption date (unless a shorter period shall be acceptable to the Trustee)), the Trustee shall give the notice of redemption in the Company's name and at the Company's expense; provided that the form and content of such notice shall be prepared by the Company.

SECTION 3.04. Effect of Notice of Redemption.  
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Once notice of redemption is mailed, Securities called for redemption become due and payable on the redemption date at the redemption price plus accrued and unpaid interest to, but excluding, the date of redemption, and, on and after such date (unless the Company shall default in the payment of the redemption price), such Securities shall cease to bear interest. Upon surrender to the Paying Agent, such Securities shall be paid at the redemption price plus accrued interest to the redemption date, unless the redemption date is an interest payment date, in which case the accrued interest will be paid in the ordinary course.

SECTION 3.05. Deposit of Redemption Price.  
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On or before the redemption date, the Company shall deposit with the Paying Agent pursuant to Section 2.14 money in funds immediately available on the redemption date sufficient to pay the redemption price of and accrued interest on all Securities to be redeemed on that date. The Paying Agent shall return to the Company, as soon as practicable, any money not required for that purpose because of conversion of Securities.

SECTION 3.06. Securities Redeemed in Part.  
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Upon surrender of a Security that is redeemed in part, the Company shall execute and the Trustee shall authenticate for the Holder a new Security equal in principal amount to the unredeemed portion of the Security surrendered.

If a portion of a Holder's Securities is selected for partial redemption and that Holder converts a portion of that Holder's Securities, the converted portion shall be deemed (as far as may be) to be the portion selected for redemption.

SECTION 3.07. Repurchase at Option of Holder upon a Repurchase Event.  
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(a) If there shall occur a Repurchase Event, then each Holder shall have the right, at such Holder's option, to require the Company to repurchase all of such Holder's Securities, or any portion thereof (in principal amounts of \$1,000 or integral multiples thereof), on the date (the "Repurchase Date") that is thirty (30) Business Days after the date of such Repurchase Event. Such repurchase shall be made in cash at a price equal to 100% of the principal amount of Securities such Holder elects to require the Company to repurchase, together with accrued interest, if any, to but excluding the Repurchase Date (the "Repurchase Price") (or, at the option of the Company, by delivery of Common Stock in accordance with the provisions of Section 3.07(k)); provided, however, that if such Repurchase Date is an interest payment date, then the interest payable on such date shall be paid to the holder of record of the Security on the preceding record date for the payment of interest. No Securities may be repurchased at the option of Holders upon a Repurchase Event if there has occurred and is continuing an Event of Default, other than a default in the payment of the Repurchase Price with respect to such Securities on the Repurchase Date.

(b) Unless the Company shall have theretofore called for redemption all of the outstanding Securities, on or before the tenth (10th) Business Day after the occurrence of a Repurchase Event, the Company or, at the written request of the Company, the Trustee shall mail to all holders of record of the Securities a notice (the "Company Notice") in the form prepared by the Company of the occurrence of the Repurchase Event and of the repurchase right set forth herein arising as a result thereof. The Company shall also deliver a copy of such Company Notice to the Trustee. The Company Notice shall contain the following information:

(1) the Repurchase Date;

(2) the date by which the repurchase right must be exercised;

(3) the last date by which the election to require repurchase, if submitted, must be revoked;

(4) the Repurchase Price and whether the Repurchase Price shall be payable in cash or Common Stock and, if payable in Common Stock, the method of calculating the amount of the Common Stock to be delivered upon the repurchase as provided in Section 3.07(k);

(5) a description of the procedure that a Holder must follow to exercise a repurchase right;

(6) the Conversion Price then in effect, the date on which the right to convert the principal amount of the Securities to be repurchased will terminate and the place or places where Securities may be surrendered for conversion; and

(7) the CUSIP numbers of the Securities.

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 are inconsistent with applicable law, such law shall govern.

(c) To exercise a repurchase right, a Holder shall deliver to the Trustee on or before the close of business on the Business Day preceding the Repurchase Date (i) written notice to the Company (or agent designated by the Company for such purpose) 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, a statement that an election to exercise the repurchase right is being made thereby, and, in the event that the Repurchase Price shall be paid in shares of Common Stock, the name or names (with addresses) in which the certificate or certificates for shares of Common Stock shall be issued, and (ii) the Securities with respect to which the repurchase right is being exercised, duly endorsed for transfer to the Company. Election of repurchase by a Holder shall be revocable at any time prior to, but excluding, the Repurchase Date, by delivering written notice to that effect to the Trustee prior to the close of business on the Business Day prior to the Repurchase Date.

(d) If the Company fails to repurchase on the Repurchase Date any Securities (or portions thereof) as to which the repurchase right has been properly exercised, then the principal of such Securities shall, until paid, bear interest to the extent permitted by applicable law from the Repurchase Date at the rate borne by the Securities and each such Security shall be convertible into Common Stock in accordance with this Indenture until the principal of such Security shall have been paid or duly provided for.

(e) Any Security that is to be repurchased only in part shall be surrendered to the Trustee duly endorsed for transfer to the Company and accompanied by appropriate evidence of genuineness and authority 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, of any authorized denomination as requested by such Holder in aggregate principal amount equal to and in exchange for the unrepurchased portion of the principal of the Security so surrendered.

(f) On or prior to the Repurchase Date, the Company shall deposit with the Trustee or with a Paying Agent, pursuant to Section 2.14, the Repurchase Price in cash for payment to the Holder on the Repurchase Date; provided that if payment is to be made in cash and such cash payment is made on the Repurchase Date it must be received by the Trustee or paying agent, as the case may be, by 10:00 a.m., New York City time, on such date; provided, further, that if the Repurchase Price is to be paid in shares of Common Stock, such shares of Common Stock are to be paid as promptly after the Repurchase Date as practicable.

(g) Any issuance of shares of Common Stock in respect of the Repurchase Price shall be deemed to have been effected immediately prior to the close of business on the Repurchase Date and the Person or Persons in whose name or names any certificate or certificates for shares of Common Stock shall be issuable upon such repurchase shall be deemed to have become on the Repurchase Date the holder or holders of record of the shares represented thereby; provided, however, that any surrender for repurchase on a date when the stock transfer books of the Company shall be closed shall constitute the Person or Persons in whose name or names the certificate or certificates for such shares are to be issued as the record holder or holders thereof for all purposes at the opening of business on the next succeeding day on which such stock transfer books are open. No payment or adjustment shall be made for dividends or distributions on any Common Stock issued upon repurchase of any Security declared prior to the Repurchase Date.

(h) No fractions of shares shall be issued upon repurchase of Securities. If more than one Security shall be repurchased from the same Holder and the Repurchase Price shall be payable in shares of Common Stock, the number of full shares which shall be issuable upon such repurchase shall be computed on the basis of the aggregate principal amount of the Securities so repurchased. Instead of any fractional share of Common Stock otherwise issuable on the repurchase of any Security or Securities, the Company will deliver to the applicable Holder its check for the current market value of such fractional share. The current market value of a fraction of a share is determined by multiplying the current market price of a full share by the fraction, and rounding the result to the nearest cent. For purposes of this Section, the current market price of a share of Common Stock is the Closing Price of the Common Stock on the Trading Day immediately preceding the Repurchase Date.

(i) Any issuance and delivery of certificates for shares of Common Stock on repurchase of Securities shall be made without charge to the Holder of Securities being repurchased for such certificates or for any tax or duty in respect of the issuance or delivery of such certificates or the securities represented thereby; provided, however, that the Company shall not be required to pay any tax or duty which may be payable in respect of (i) income of the Holder or (ii) any transfer involved in the issuance or delivery of certificates for shares of Common Stock in a name other than that of the Holder of the Securities being repurchased, and no such issuance or delivery shall be made unless and until the Person requesting such issuance or delivery 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.

(j) All Securities delivered for repurchase shall be delivered to the Trustee to be canceled in accordance with the provisions of Section 2.11.

(k) The Company may elect to pay the Repurchase Price by delivery of shares of Common Stock if and only if the following conditions shall have been satisfied:

(i) the shares of Common Stock deliverable in payment of the Repurchase Price shall have a fair market value as of the Repurchase Date of not less than the Repurchase Price. For purposes of this Section 3.07, the fair market value of shares of Common Stock shall be determined by the Company and shall be equal to 95% of the average of the Closing Prices of the Common Stock for the five consecutive Trading Days immediately preceding and including the third Trading Day prior to the Repurchase Date;

(ii) such shares have been registered under the Securities Act or are freely transferable without such registration;

(iii) the issuance of such Common Stock does not require registration with or approval of any governmental authority under any state law or any other federal law, which registration or approval has not been made or obtained;

(iv) such shares have been approved for quotation on the New York Stock Exchange or listing on a national securities exchange; and

(v) such shares will be issued out of the Company's authorized but unissued stock and, upon issuance, will be duly and validly and fully paid and non-assessable and free of any preemptive rights.

(l) For purposes of this Section 3.07:

(i) the term "beneficial owner" shall be determined in accordance with Rule 13d-3 and 13d-5, as in effect on the date of the original execution of this Indenture, promulgated by the SEC pursuant to the Exchange Act;

(ii) the term "Person" or "group" shall include any syndicate or group which would be deemed to be a "person" under Section 13(d) and 14(d) of the Exchange Act as in effect on the date of this Indenture;

(iii) the term "Repurchase Event" means a Change in Control defined as follows:

A "Change in Control" shall be deemed to have occurred when (i) any "person" or "group" is or becomes the "beneficial owner" of shares representing more than 50% of the combined voting power of the then outstanding securities entitled to vote generally in elections of directors of the Company (the "Voting Stock"); (ii) there shall occur the liquidation or dissolution of the Company; or (iii) the Company consolidates with or merges into any other Person or any other Person merges into the Company or conveys, transfers or leases all or substantially all of its assets to any Person other than a subsidiary or subsidiaries, and in the case of any such transaction, the outstanding Common Stock of the Company is changed or exchanged into other assets or securities as a result, unless the shareholders of the Company immediately before such transaction own, directly or indirectly immediately following such transaction, more than 50% of the combined voting power of the outstanding voting securities of the Person resulting from such transaction or the transferee Person; provided that a Change in Control shall not be deemed to have occurred if either (x) the Closing Price of the Common Stock for any five (5) Trading Days (1) in the case of a Change in Control described in clause (i) above, during the ten (10) consecutive Trading Days after the later of the Change in Control or the public announcement of the Change in Control or (2) in the case of a Change of Control described in clause (ii) or (iii) above, during the ten (10) Trading Days immediately preceding the Change in Control, in each such case, is at least equal to 105% of the Conversion Price in effect on the date on which the Change in Control occurs or (y) in the case of a merger or consolidation otherwise constituting a Change

in Control, all of the consideration (excluding cash payments for fractional shares) in such merger or consolidation constituting the Change in Control consists of common stock traded on a United States national securities exchange or quoted on the Nasdaq National Market (or which will be so traded or quoted when issued or exchanged in connection with such Change in Control) and as a result of such transaction or transactions the Securities become convertible solely into such common stock.

#### ARTICLE FOUR

##### COVENANTS

#### SECTION 4.01. Payment of Securities.

The Company shall pay the principal amount, premium, if any, of and any accrued and unpaid interest on the Securities on the dates and in the manner provided in the Securities. The principal, premium, if any, and any accrued and unpaid interest thereon shall be considered paid on the date due if the Paying Agent holds (or, if the Company is acting as Paying Agent, if the Company has segregated and holds in trust in accordance with Section 2.04) on that date money sufficient to pay the principal, premium, if any, and any accrued and unpaid interest thereon.

The Company shall pay interest on any overdue principal at the rate borne by the Securities. The Company shall pay interest on overdue installments of interest at the same rate to the extent not prohibited by applicable law.

#### SECTION 4.02. Maintenance of Office or Agency.

The Company will maintain in the Borough of Manhattan, The City of New York, an office or agency where Securities may be surrendered for registration of transfer or exchange or conversion and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

The Company may also from time to time designate one or more other offices or agencies where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, The City of New York for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Company hereby designates the Corporate Trust Office of the Trustee as an agency of the Company in accordance with Section 2.03.

The Company also shall comply with the provisions of TIA ss. 314(a).

#### SECTION 4.03. Reports to Holders.

(a) The Company (at its own expense) will deliver to the Trustee within 15 days after the filing of the same with the SEC, copies of the quarterly and annual reports and of the information, documents and other reports, if any, the Company is required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act.

(b) Notwithstanding that the Company may not be subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company will promptly provide the information required by Rule 144A(d)(4) to any Holder that so requests.

(c) In addition, if and when this Indenture becomes subject to the TIA, the Company will file a copy of all such information with the SEC for public availability (unless the Commission will not accept such a filing) and make such information available to investors who request it in writing. The Company will also comply with the other provisions of TIA ss. 314(a).

Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

#### SECTION 4.04. Compliance Certificate.

The Company shall deliver to the Trustee within 120 days after the end of each fiscal year of the Company an Officers' Certificate



stating whether or not the signers know of any Default or Event of Default by the Company in performing any of its obligations under this Indenture or the Securities. If they do know of any such Default or Event of Default, the certificate shall describe the Default or Event of Default and its status.

SECTION 4.05. Stay, Extension and Usury Laws.  
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The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law has been enacted.

SECTION 4.06. Corporate Existence.  
-----

Subject to Article Five, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and the corporate existence of each subsidiary in accordance with the respective organizational documents of each subsidiary and the rights (charter and statutory), licenses and franchises of the Company and its subsidiaries; provided, however, that the Company shall not be required to preserve any such right, license or franchise, or the corporate existence of any subsidiary, if in the judgment of the Company, (i) such preservation or existence is not material to the conduct of business of the Company and (ii) the loss of such right, license or franchise or the dissolution of such subsidiary does not have a material adverse impact on the Holders.

SECTION 4.07. Notice of Default.  
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In the event that any Default under Section 6.01 hereof shall occur the Company will give prompt written notice of such Default to the Trustee.

ARTICLE FIVE

CONSOLIDATION, MERGER AND SALE OF ASSETS

SECTION 5.01. When Company May Merge, etc.  
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The Company shall not consolidate with or merge into, or transfer or lease all or substantially all of its assets to, another Person unless such other Person is a corporation, limited liability company, partnership, trust or other business entity organized under the laws of the United States, any State thereof or the District of Columbia and such Person assumes by supplemental indenture all the obligations of the Company under the Securities, this Indenture and the Registration Rights Agreement, and immediately after giving effect to the transaction, no Default or Event of Default has occurred and is continuing.

The Company shall deliver to the Trustee prior to the consummation of the proposed transaction an Officers' Certificate to the foregoing effect and an Opinion of Counsel stating that the proposed transaction and such supplemental indenture will, upon consummation of the proposed transaction, comply with this Indenture.

Notwithstanding the foregoing, any subsidiary may consolidate with, merge into or transfer all or part of its properties and assets to the Company or any other subsidiary or subsidiaries.

SECTION 5.02. Successor Substituted.  
-----

Upon any consolidation or merger or transfer or lease of all or substantially all of the assets of the Company in accordance with Section 5.01, the successor Person formed by such consolidation or into which the Company is merged or to which such transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, and shall assume every duty and obligation of, the Company under this Indenture with the same effect as if such successor corporation had been named as the Company herein. When the successor corporation assumes all obligations of the Company hereunder, all obligations of the predecessor corporation shall terminate.

ARTICLE SIX

DEFAULTS AND REMEDIES

SECTION 6.01. Events of Default.  
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An "Event of Default" occurs if:

(1) the Company fails to pay the principal of or any premium on the Securities when due (whether or not prohibited by the provisions set forth in Article Twelve hereof);

(2) the Company fails to pay any interest on the Securities when due, if such failure continues for 30 days (whether or not prohibited by the provisions set forth in Article Twelve hereof);

(3) the Company fails to perform any other covenant in this Indenture for the period and after the notice specified in the last paragraph of this Section 6.01;

(4) the Company pursuant to or within the meaning of any Bankruptcy Law:

(A) commences a voluntary case,

(B) consents to the entry of an order for relief against it in an involuntary case,

(C) consents to the appointment of a Custodian of it or for all or substantially all of its property, or

(D) makes a general assignment for the benefit of its creditors; or

(5) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Company in an involuntary case,

(B) appoints a Custodian of the Company for all or substantially all of its property, or

(C) orders the liquidation of the Company,

and the order or decree remains unstayed and in effect for 90 consecutive days.

The term "Bankruptcy Law" means Title 11, U.S. Code or any similar Federal or State law for the relief of debtors. The term "Custodian" means any receiver trustee, assignee, liquidator or similar official under any Bankruptcy Law.

A default under clause (3) is not an Event of Default until the Holders of at least 25% in aggregate principal amount of the Securities then outstanding notify the Company and the Trustee of the default and the Company does not cure the default within 90 days after receipt of the notice of such default. The notice must specify the default, demand that it be remedied and state that the notice is a "Notice of Default." If the Holders of 25% in aggregate principal amount of the outstanding Securities request the Trustee to give such notice on their behalf, the Trustee shall do so. When a default is cured, it ceases.

SECTION 6.02. Acceleration.  
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If an Event of Default (other than an Event of Default specified in Section 6.01(4) or (5)) occurs and is continuing, the Trustee by notice to the Company, or the Holders of at least 25% in principal amount of the Securities then outstanding by notice to the Company and the Trustee, may declare the principal amount including any accrued and unpaid interest on the Securities due and payable upon the earlier of (x) the fifth (5th) day after notice thereof has been given to holders of Designated Senior Indebtedness and (y) the date on which all of the Designated Senior Indebtedness has been accelerated. If an Event of Default under clause Section 6.01(4) or (5) occurs, the principal amount of all the Securities will automatically become due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Company shall promptly notify holders of Designated Senior Indebtedness if payment of the Securities is accelerated because of an Event of Default.

After a declaration of acceleration, but before a judgment or decree of the money due in respect of the Securities has been obtained, the Holders of not less than a majority in aggregate principal amount of the Securities then outstanding by written notice to the Trustee may rescind an acceleration and its consequences if (i) all existing Events of Default (other than the nonpayment of principal of and interest on the Securities which has become due solely by virtue of such acceleration) have been cured or waived, (ii) the rescission would not conflict with any judgment or decree and (iii) the Company shall have paid all amounts due pursuant to Section 7.07.

SECTION 6.03. Other Remedies.  
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Notwithstanding any other provision of this Indenture, if an Event of Default occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the payment of the principal of, premium, if any, and interest on the Securities or to enforce the performance of any provision of the Securities or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative.

SECTION 6.04. Waiver of Past Defaults.  
-----

Subject to Sections 6.02, 6.07 and 9.02, the Holders of a majority in aggregate principal amount of the Securities then outstanding by notice to the Trustee may waive any past Default or Event of Default and its consequences, except a Default or Event of Default in the payment of the principal of or interest on any Security, a failure by the Company to convert any Securities into Common Stock or any Default or Event of Default in respect of any provision of this Indenture or the Securities that, under Section 9.02, cannot be modified or amended without the consent of the Holder of each Security affected. When a Default or an Event of Default is waived, it is cured and ceases.

SECTION 6.05. Control by Majority.  
-----

The Holders of a majority in aggregate principal amount of the Securities then outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture, is unduly prejudicial to the rights of other Holders or would involve the Trustee in personal liability; provided that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

SECTION 6.06. Limitation on Suits.  
-----

Except as provided in Section 6.07, a Holder may pursue a remedy with respect to this Indenture or the Securities only if:

- (1) the Holder gives to the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of the Securities then outstanding make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense;
- (4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and
- (5) during such 60-day period the Holders of a majority in aggregate principal amount of the Securities then outstanding do not give the Trustee a direction inconsistent with the request.

A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over another Holder.

SECTION 6.07. Rights of Holders to Receive Payment or Convert.  
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Notwithstanding any other provision of this Indenture, (i) the right of any Holder to receive payment of the principal of and interest on the Security, on or after the respective due dates expressed in the Security, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of the Holder and (ii) the right of any Holder to bring suit for the enforcement of the right to convert the Security shall not be impaired or affected without the consent of the Holder.

SECTION 6.08. Collection Suit by Trustee.  
-----

If an Event of Default specified in Section 6.01(1) or (2) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount of principal and interest remaining unpaid and amounts due to the Trustee under Section 7.07.

SECTION 6.09. Trustee May File Proofs of Claim.  
-----

The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee, any predecessor Trustee and the Holders allowed in any judicial proceedings relative to the Company, its creditors or its property.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to

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

SECTION 6.10.           Priorities.  
-----

If the Trustee collects any money pursuant to this Article, it shall pay out the money in the following order:

First: to the Trustee for amounts due under Section 7.07;

Second: to holders of Senior Indebtedness to the extent required by Article Twelve;

Third: to Holders for amounts due and unpaid on the Securities for principal, premium, if any, and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Securities for principal, premium, if any, and interest, respectively, and

Fourth: to the Company.

The Trustee, upon prior written notice to the Company, may fix a record date and payment date for any payment by it to Holders pursuant to this Section 6.10.

SECTION 6.11.           Undertaking for Costs.  
-----

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit other than the Trustee of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 shall not apply to a suit by the Trustee, a suit by a Holder or group of Holders of more than 10% in aggregate principal amount of the outstanding Securities, or to any suit instituted by any Holder for the enforcement or the payment of the principal or interest on any Securities on or after the respective due dates for such Securities.

ARTICLE SEVEN

TRUSTEE

SECTION 7.01.           Duties of Trustee.  
-----

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) Except during the continuance of an Event of Default:

(1) the Trustee need perform only those duties that are specifically set forth in this Indenture and no others shall be inferred or implied; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture, but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of any mathematical calculations or other facts stated therein).

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(1) this paragraph does not limit the effect of paragraph (b) of this Section 7.01;

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

(3) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05.

(d) The Trustee may refuse to perform any duty or exercise any right or power unless it receives indemnity satisfactory to it against any loss, liability or expense.

(e) The Trustee shall not be liable for interest on any

money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

SECTION 7.02. Rights of Trustee.  
-----

(a) The Trustee may conclusively rely on any document believed by it to be genuine and to have been signed or presented by the proper person. The Trustee need not investigate any fact or matter stated in the document; if, however, the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney at the expense of the Company and shall incur no liability or additional liability of any kind by reason of such inquiry or investigation.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate and/or an Opinion of Counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel.

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

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

(e) The Trustee may act through agents or attorneys and shall not be responsible for the misconduct or negligence of any agent or attorney appointed with due care.

(f) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its discretion, rights or powers hereunder.

(g) Whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee may, in absence of bad faith on its part, rely upon an Officers' Certificate.

(h) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders, unless such Holders shall have offered to the Trustee reasonable security or indemnity satisfactory to it against costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

(i) The Trustee shall not be charged with knowledge of any Default or Event of Default with respect to the Securities unless either (1) a Trust Officer shall have actual knowledge of such Default or Event of Default or (2) written notice of such Default or Event of Default shall have been given to the Trustee by the Company or by any Holder.

(j) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(k) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each agent, custodian and other Person employed to act hereunder.

SECTION 7.03. Individual Rights of Trustee.  
-----

The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or an Affiliate thereof with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights. The Trustee, however, must comply with Sections 7.10 and 7.11.

SECTION 7.04. Trustee's Disclaimer.  
-----

The Trustee makes no representation as to the validity or adequacy of this Indenture or the Securities; it shall not be accountable for the Company's use of the proceeds from the Securities; and it shall not be responsible for any statement in the Securities other than its certificate of authentication.

SECTION 7.05. Notice of Defaults.  
-----

If a Default or Event of Default occurs and is continuing and if it is actually known to a Trust Officer of the Trustee, the Trustee shall mail to each Holder a notice of the Default or Event of Default within 30 days after it occurs unless such Default or Event of Default has been cured or waived. Except in the case of a Default or Event of Default

in payment of the principal of, premium, if any, and interest on any Security, the Trustee may withhold the notice if and so long as it in good faith determines that withholding the notice is in the interests of Holders.

SECTION 7.06. Reports by Trustee to Holders.  
-----

Within 60 days after each May 1 beginning with May 1, 2002, the Trustee shall mail to each Holder, to the extent required by TIA ss. 313(c), a brief report dated as of such reporting date that complies with TIA ss. 313(a). In such event, the Trustee also shall comply with TIA ss. 313(b).

A copy of each report at the time of its mailing to Holders shall be mailed to the Company and filed by the Trustee with the SEC and each stock exchange, if any, on which the Securities are listed. The Company shall promptly notify the Trustee when the Securities are listed on any stock exchange or delisted therefrom.

SECTION 7.07. Compensation and Indemnity.  
-----

The Company shall pay to the Trustee from time to time such compensation for its services as shall be agreed upon in writing from time to time. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all out-of-pocket expenses incurred by it. Such expenses shall include the reasonable compensation and out-of-pocket expenses of the Trustee's agents and counsel.

The Company shall fully indemnify the Trustee against any and all loss, claim, damage or liability or expense (including the reasonable fees and expenses of counsel) incurred by it in connection with the acceptance or administration of this trust and the performance of its duties hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers and duties hereunder. The Company need not pay for any settlement made without its consent. The Trustee shall notify the Company promptly of any claim for which it may seek indemnification. The Company need not reimburse any expense or indemnify against any loss or liability determined by a court of competent jurisdiction to have been caused by the Trustee's own negligence or bad faith.

To secure the Company's payment obligations in this Section 7.07, the Trustee shall have a lien prior to the Securities on all money or property held or collected by the Trustee, except that held in trust to pay the principal of, premium, if any, and interest on particular Securities.

The indemnity obligations of the Company with respect to the Trustee provided for in this Section 7.07 shall survive any resignation or removal of the Trustee and the termination of this Indenture.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(4) or (5) occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any Bankruptcy Law.

SECTION 7.08. Replacement of Trustee.  
-----

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.08.

The Trustee may resign by so notifying the Company in writing 30 days prior to such resignation. The Holders of a majority in aggregate principal amount of the Securities then outstanding may remove the Trustee by so notifying the Trustee and the Company in writing and may appoint a successor Trustee with the Company's consent. The Company may remove the Trustee if:

- (1) the Trustee fails to comply with Section 7.10;
- (2) the Trustee is adjudged a bankrupt or an insolvent;
- (3) a receiver or other public officer takes charge of the Trustee or its property; or
- (4) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in aggregate principal amount of the Securities then outstanding may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

If a successor Trustee does not take office within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of at least 10% in aggregate principal amount of the outstanding Securities may petition at the expense of the company any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 7.10, any

Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders. The retiring Trustee shall upon payment of all amounts due it hereunder promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.07.

SECTION 7.09. Successor Trustee by Merger, etc.  
-----

If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee, if such successor corporation is otherwise eligible hereunder.

SECTION 7.10. Eligibility; Disqualification.  
-----

This Indenture shall always have a Trustee who satisfies the requirements of TIA ss. 310(a)(1). The Trustee shall always have a combined capital and surplus of at least \$50,000,000 as set forth in its most recent published annual report of condition. The Trustee shall comply with TIA ss. 310(b).

SECTION 7.11. Preferential Collection of Claims Against Company.  
-----

The Trustee shall comply with TIA ss. 311(a), excluding any creditor relationship listed in TIA ss. 311(b). A Trustee who has resigned or been removed shall be subject to TIA ss. 311(a) to the extent indicated.

ARTICLE EIGHT

SATISFACTION AND DISCHARGE; DEFEASANCE

SECTION 8.01. Termination of Company's Obligations.  
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The Company may terminate its substantive obligations in respect of the Securities if the Securities mature within one (1) year, or all of them are to be called for redemption within one year under arrangements satisfactory to the Trustee for giving notice of redemption, by delivering all outstanding Securities to the Trustee for cancellation and paying all sums payable by it on account of principal of, premium, if any, and interest on all Securities or otherwise. In addition to the foregoing, the Company may terminate its obligations under Sections 3.07, 4.03 and 4.06 (other than with respect to the corporate existence of the Company), and no Default or Event of Default under Section 6.01(3) shall thereafter apply, by (i) depositing with the Trustee, under the terms of an irrevocable trust agreement, money or direct non-callable obligations of the United States of America for the payment of which the full faith and credit of the United States is pledged ("U. S. Government Obligations") sufficient (without reinvestment), in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay the principal of, premium, if any, and interest on the Securities at maturity or an earlier redemption, (ii) delivering to the Trustee either an Opinion of Counsel or a ruling directed to the Trustee from the Internal Revenue Service to the effect that the Holders of the Securities will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and termination of obligations and (iii) delivering to the Trustee an Officers' Certificate and an Opinion of Counsel each stating compliance with all conditions precedent provided for herein. In addition, the Company may, provided that no Default or Event of Default has occurred and is continuing or would arise therefrom (or, with respect to a Default or Event of Default specified in Section 6.01(4), occurs at any time on or prior to the 91st calendar day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until after such 91st day)), terminate all of its substantive obligations in respect of the Securities (including its obligations to pay the principal of, premium, if any, and interest on the Securities) by (i) depositing with the Trustee, under the terms of an irrevocable trust agreement, money or United States Government Obligations sufficient (without reinvestment) to pay the principal of, premium, if any, and interest on the Securities at maturity or on earlier redemption, (ii) delivering to the Trustee either a ruling directed to the Trustee from the Internal Revenue Service to the effect that the Holders of the Securities will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and termination of obligations or an Opinion of Counsel addressed to the Trustee based upon such a ruling or based on a change in the applicable Federal tax law since the date of this Indenture to such effect and (iii) delivering to the Trustee an Officers' Certificate and an Opinion of Counsel each stating compliance with all conditions precedent provided for herein.

Notwithstanding the foregoing paragraph, the Company's obligations in Article Ten and Sections 2.02, 2.03, 2.04, 2.05, 2.06, 2.07, 2.10, 2.12, 2.13 and 4.01 (but not with respect to termination of

substantive obligations pursuant to the third sentence of the foregoing paragraph), 4.02, 7.07, 7.08, 8.03 and 8.04 shall survive until the Securities are no longer outstanding. Thereafter the Company's obligations in Sections 7.07, 8.03 and 8.04 shall survive such satisfaction and discharge.

After such delivery or irrevocable deposit and delivery of an Officers' Certificate and Opinion of Counsel, the Trustee upon request shall acknowledge in writing the discharge of the Company's obligations under the Securities and this Indenture except for those surviving obligations specified above.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the United States Government Obligations deposited pursuant to this Section 8.01 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of outstanding Securities.

SECTION 8.02. Application of Trust Money.  
-----

Subject to the provisions of Section 8.03, the Trustee shall hold in trust money or U.S. Government Obligations deposited with it pursuant to Section 8.01. It shall apply the deposited money and the money from U.S. Government obligations through the Paying Agent and in accordance with this Indenture to the payment of the principal of, premium, if any, and interest on the Securities. Money and securities so held in trust are not subject to the subordination provisions of Article Twelve.

SECTION 8.03. Repayment to Company.  
-----

The Trustee and the Paying Agent shall promptly pay to the Company upon request any excess money or securities held by them at any time. The Trustee and the Paying Agent shall pay to the Company upon request any money held by them for the payment of the principal of, premium, if any, and interest that remains unclaimed for two years; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may, at the expense of the Company, cause to be mailed to each Holder, notice stating that such money remains and that, after a date specified therein, which shall not be less than 30 days from the date of such mailing, any unclaimed balance of such money then remaining will be repaid to the Company. After payment to the Company, Holders entitled to the money must look to the Company for payment as general creditors unless an applicable abandoned property law designates another Person.

SECTION 8.04. Reinstatement.  
-----

If the Trustee or Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with Section 8.01 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture and the Securities shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.01 until such time as the Trustee or Paying Agent is permitted to apply all such money or U.S. Government Obligations in accordance with Section 8.01; provided, however, that to the extent the Company makes any payment of the principal of, premium, if any, and interest on any Securities because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive such payment from the money or U.S. Government Obligations held by the Trustee or Paying Agent.

ARTICLE NINE

AMENDMENTS

SECTION 9.01. Without Consent of Holders.  
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The Company, when authorized by a Board Resolution, may modify, amend or supplement this Indenture or the Securities without notice to or the consent of any Holder:

- (1) to cure any ambiguity, omission, defect or inconsistency;
- (2) to comply with Sections 5.01 and 10.07;
- (3) to provide for uncertificated Securities in addition to certificated Securities; or
- (4) to make any change that does not adversely affect the rights of any Holder.

SECTION 9.02. With Consent of Holders.  
-----

The Company, when authorized by a Board Resolution, may modify, amend or supplement this Indenture or the Securities without notice to any Holder but with the written consent of the Holders of at least a majority in aggregate principal amount of the outstanding Securities.



Subject to Section 6.07, the Holders of a majority in aggregate principal amount of the outstanding Securities may waive compliance by the Company with any provision of this Indenture or the Securities without notice to any other Holder. However, without the consent of each Holder affected, an amendment, supplement or waiver, including a waiver pursuant to Section 6.04, may not:

- (1) change the stated maturity of the Securities;
- (2) reduce the principal, premium, if any, or interest on the Securities;
- (3) change the place of payment from New York, New York or change the currency in which the Securities are payable;
- (4) waive a default in the payment of the principal of, premium, if any, or interest on any Security;
- (5) make any change in Section 6.04, Section 6.07 or this Section 9.02;
- (6) modify the provisions of Article Twelve in a materially adverse manner to the Holders; or
- (7) make any change that adversely affects the right to convert any Security.

Furthermore, an amendment under this Article Nine may not make any change that adversely affects the rights of any holder of Senior Indebtedness under Article Twelve unless the holders of such Senior Indebtedness consent to such change pursuant to the terms governing such Senior Indebtedness.

It shall not be necessary for the consent of the Holders under this Section 9.02 to approve the particular form of any proposed amendment or supplement, but it shall be sufficient if such consent approves the substance thereof.

Promptly after an amendment under this Section 9.02 becomes effective, the Company shall mail to Holders a notice briefly describing the amendment.

SECTION 9.03. Compliance with Trust Indenture Act.  
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Every amendment, waiver or supplement to this Indenture or the Securities shall comply with the TIA as then in effect.

SECTION 9.04. Revocation and Effect of Consents.  
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Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder is a continuing consent by the Holder and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security, even if notation of the consent is not made on any Security. However, any such Holder or subsequent Holder may revoke the consent as to its Security or portion of a Security if the Trustee receives the notice of revocation before the date the amendment, supplement or waiver becomes effective. An amendment, supplement or waiver becomes effective in accordance with its terms and thereafter binds every Holder.

After an amendment, supplement or waiver becomes effective with respect to the Securities, it shall bind every Holder unless it makes a change described in any of clauses (1) through (7) of Section 9.02. In that case the amendment, supplement or waiver shall bind each Holder of a Security who has consented to it and, provided that notice of such amendment, supplement or waiver is reflected on a Security that evidences the same debt as the consenting Holder's Security, every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security.

SECTION 9.05. Notation on or Exchange of Securities.  
-----

If an amendment, supplement or waiver changes the terms of a Security, the Trustee may require the Holder of the Security to deliver it to the Trustee. The Trustee may place an appropriate notation on the Security as directed and prepared by the Company about the changed terms and return it to the Holder. Alternatively, if the Company so determines, the Company in exchange for the Security shall issue and the Trustee shall authenticate a new Security that reflects the changed terms.

SECTION 9.06. Trustee Protected.  
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The Trustee may, but shall not be obligated to, sign any amendment, supplement or waiver authorized pursuant to this Article that affects the Trustee's rights, duties or obligations. The Trustee shall be entitled to receive and may conclusively rely upon, in addition to the documents required by Section 13.04, an Opinion of Counsel and an Officers' Certificate that any supplemental indenture, modification, amendment or waiver complies with the Indenture.

SECTION 10.01. Conversion Privilege; Restrictive Legends.  
-----

A Holder of a Security may convert the principal of such Security into Common Stock at any time during the period stated in paragraph 9 of the Securities. The number of shares issuable upon conversion of a Security is determined as follows: divide each \$1,000 of the principal amount to be converted by the Conversion Price in effect on the conversion date and round the result to the nearest 1/100th of a share. The Conversion Price is subject to adjustment in accordance with Section 10.06.

A Holder may convert a portion of the principal of such Security if the portion is at least \$1,000 principal amount or an integral multiple of \$1,000 principal amount. Provisions of this Indenture that apply to conversion of all of a Security also apply to conversion of a portion of it.

Any shares issued upon conversion of a Security shall bear the Private Placement Legend set forth in Exhibit B(I) until after the second anniversary of the later of the Issue Date for such Security and the last date on which the Company or any Affiliate of the Company was the owner of such shares or the Security (or any predecessor security) from which such shares were converted (or such shorter period of time as permitted by Rule 144(k) under the Securities Act or any successor provision thereunder or such longer period of time as may be required under the Securities Act or applicable state securities laws unless otherwise agreed by the Company and the Holder thereof).

SECTION 10.02. Conversion Procedure.  
-----

To convert a Security a Holder must satisfy the requirements in paragraph 9 of the Securities. The date on which the Holder satisfies all those requirements is the conversion date. As soon as practicable, the Company shall deliver to the Holder through the Conversion Agent a certificate for the number of full shares of Common Stock issuable upon the conversion and a check in lieu of any fractional share. The Person in whose name the certificate is registered shall be treated as a shareholder of record on and after the conversion date.

Except as described below, no payment or adjustment will be made for accrued interest on, or liquidated damages with respect to, a converted Security or for dividends on any Common Stock issued on conversion. If any Security is converted during the period from but excluding, a record date for the payment of interest to, but excluding, the next succeeding interest payment date, unless such Security has been called for redemption on a redemption date between such dates, such Security must be accompanied by funds equal to the interest payable to the registered Holder on such interest payment date on the principal amount so converted. A Security converted on an interest payment date need not be accompanied by any payment, and the interest on the principal amount of the Security being converted will be paid on such interest payment date to the registered Holder of such Security on the applicable record date.

If a Holder converts more than one Security at the same time, the number of full shares issuable upon the conversion shall be based on the total principal amount of the Securities converted.

Upon surrender of a Security that is converted in part the Trustee shall authenticate for the Holder a new Security equal in principal amount to the unconverted portion of the Security surrendered.

If the last day on which a Security may be converted is a Legal Holiday in a place where a Conversion Agent is located, the Security may be surrendered to that Conversion Agent on the next succeeding day that is not a Legal Holiday.

SECTION 10.03. Fractional Shares.  
-----

The Company will not issue fractional shares of Common Stock upon conversion of Securities and instead will deliver a cash adjustment in lieu of the fractional share based upon the current market value of the Common Stock. The current market value of a fraction of a share is determined by multiplying the current market price of a full share by the fraction, and rounding the result to the nearest cent. For purposes of this Section, the current market price of a share of Common Stock is the Closing Price of the Common Stock on the Trading Day immediately preceding the conversion date.

SECTION 10.04. Taxes on Conversion.  
-----

If a Holder converts its Security, the Company shall pay any documentary, stamp or similar issue or transfer tax due on the issue of shares of Common Stock upon the conversion. However, the Holder shall pay any such tax which is due because the shares are issued in a name other than the Holder's name.

SECTION 10.05. Company to Provide Stock.  
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The Company shall reserve out of its authorized but

unissued Common Stock or its Common Stock held in treasury enough shares of Common Stock to permit the conversion of all of the Securities, including such greater number of shares of Common Stock into which such Securities shall be convertible into as a result of a Conversion Price adjustment contemplated by Section 10.06 hereof.

All shares of Common Stock which may be issued upon conversion of the Securities shall be validly issued, fully paid and non-assessable.

The Company will endeavor to comply with all securities laws regulating the offer and delivery of shares of Common Stock upon conversion of Securities and will endeavor to list such shares on each national securities exchange on which the Common Stock is listed.

SECTION 10.06. Adjustment of Conversion Price.  
-----

The Conversion Price shall be adjusted from time to time by the Company as follows:

(a) In case the Company shall hereafter pay a dividend or make a distribution to all holders of the outstanding Common Stock in shares of Common Stock, the Conversion Price in effect at the opening of business on the date following the Record Date with respect to shareholders entitled to receive such dividend or other distribution shall be reduced by multiplying such Conversion Price by a fraction of which the numerator shall be the number of shares of Common Stock outstanding at the close of business on the Record 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 reduction to become effective immediately after the opening of business on the day following the Record Date. If any dividend or distribution of the type described in this Section 10.06(a) is declared but not so paid or made, the Conversion Price shall again be adjusted to the Conversion Price which would then be in effect if such dividend or distribution had not been declared.

(b) In case the Company shall issue rights or warrants to all holders of its outstanding shares of Common Stock entitling them to subscribe for or purchase shares of Common Stock at a price per share less than the Current Market Price on the Record Date fixed for the determination of shareholders entitled to receive such rights or warrants, the Conversion Price shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect at the opening of business on the date after such Record Date by a fraction of which the numerator shall be the number of shares of Common Stock outstanding at the close of business on the Record Date plus the number of shares which the aggregate offering price of the total number of shares so offered for subscription or purchase would purchase at such Current Market Price, and of which the denominator shall be the number of shares of Common Stock outstanding on the close of business on the Record Date plus the total number of additional shares of Common Stock so offered for subscription or purchase. Such adjustment shall become effective immediately after the opening of business on the day following the Record Date fixed for determination of shareholders entitled to receive such rights or warrants. To the extent that shares of Common Stock are not delivered pursuant to such rights or warrants, upon the expiration or termination of such rights or warrants the Conversion Price shall be readjusted to the Conversion Price that would then be in effect had the adjustments made upon the issuance of such rights or warrants been made on the basis of delivery of only the number of shares of Common Stock actually delivered. In the event that such rights or warrants are not so issued, the Conversion Price shall again be adjusted to be the Conversion Price that would then be in effect if such date fixed for the determination of shareholders entitled to receive such rights or warrants had not been fixed. In determining whether any rights or warrants entitle the holders to subscribe for or purchase shares of Common Stock at less than such Current Market Price, and in determining the aggregate offering price of such shares of Common Stock, there shall be taken into account any consideration received for such rights or warrants, the value of such consideration, if other than cash, to be determined in good faith by the Board of Directors.

(c) In case the outstanding shares of Common Stock shall be split or subdivided into a greater number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately reduced, and conversely, in case outstanding shares of Common Stock shall be combined into a smaller number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately increased, such reduction or increase, 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.

(d) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock shares of any class of capital stock of the Company (other than any dividends or distributions to which Section 10.06(a) applies) or evidences of

its indebtedness, cash or other assets (including securities, but excluding (1) any rights or warrants referred to in Section 10.06(b), (2) dividends and distributions paid exclusively in cash and (3) any capital stock, evidences of indebtedness, cash or assets distributed upon a merger or consolidation to which Section 10.07 applies) (the foregoing hereinafter in this Section 10.06(d) called the "Subject Securities"), unless the Company elects to reserve such Subject Securities for distribution to the Holders upon conversion of the Securities so that any such Holder converting Securities will receive upon such conversion, in addition to the shares of Common Stock to which such Holder is entitled, the amount and kind of such Subject Securities which such Holder would have received if such Holder had converted its Securities into Common Stock immediately prior to the Record Date for such distribution of the Subject Securities, then, in each such case, the Conversion Price shall be reduced so that the same shall be equal to the price determined by multiplying the Conversion Price in effect immediately prior to the close of business on the Record Date with respect to such distribution by a fraction of which the numerator shall be the Current Market Price on such date less the fair market value on such date of the portion of the Subject Securities so distributed applicable to one share of Common Stock and the denominator shall be such Current Market Price, such reduction to become effective immediately prior to the opening of business on the day following the Record Date; provided, however, that in the event the then fair market value of the portion of the Subject Securities so distributed applicable to one share of Common Stock is equal to or greater than the Current Market Price on the Record Date, then in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder shall have the right to receive upon conversion of a Security (or any portion thereof) the amount of Subject Securities such Holder would have received had such Holder converted such Security (or portion thereof) immediately prior to such Record Date. In the event that such dividend or distribution is not so paid or made, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such dividend or distribution had not been declared.

For purposes of this Section 10.06(d), rights or warrants distributed by the Company to all holders of Common Stock entitling the holders thereof to subscribe for or purchase shares of the Company's capital stock (either initially or under certain circumstances) that are (i) deemed to be transferred with such shares of Common Stock; (ii) not exercisable; and (iii) issued in respect of future issuances of Common Stock, until the occurrence of a specified event or events ("Trigger Event") shall be deemed not to have been distributed and no adjustment to the Conversion Price with respect thereto shall be made until the occurrence of the earliest Trigger Event. If any such right or warrant is subject to subsequent events, upon the occurrence of which such right or warrant shall become exercisable to purchase different securities, evidences of indebtedness or other assets or entitle the holder to purchase a different number or amount of the foregoing or to purchase any of the foregoing at a different purchase price, then the occurrence of each such event shall be deemed to be the date of issuance and record date with respect to a new right or warrant (and a termination or expiration of the existing right or warrant without exercise by the holder thereof). In addition, in the event of any distribution (or deemed distribution) of rights or warrants, or any Trigger Event or other event (of the type described in the preceding sentence) with respect thereto, that resulted in an adjustment to the Conversion Price under this Section 10.06(d), (1) in the case of any such rights or warrants which shall all have been redeemed or repurchased without exercise by any holders thereof, the Conversion Price shall be readjusted upon such final redemption or repurchase to give effect to such distribution or Trigger Event, as the case may be, as though it were a cash distribution, equal to the per share redemption or repurchase price received by a holder of Common Stock with respect to such rights or warrants (assuming such holder had retained such rights or warrants), made to all holders of Common Stock as of the date of such redemption or repurchase, and (2) in the case of such rights or warrants all of which shall have expired or been terminated without exercise, the Conversion Price shall be readjusted as if such rights and warrants had never been issued.

For purposes of this Section 10.06(d) and Sections 10.06(a) and (b), any dividend or distribution to which this Section 10.06(d) is otherwise applicable that also includes shares of Common Stock, or rights or warrants to subscribe for or purchase shares of Common Stock applies (or both), shall be deemed instead to be (1) a dividend or distribution of the evidences of indebtedness, assets, shares of capital stock, rights or warrants (other than such shares of Common Stock or rights or warrants) (and any Conversion Price reduction required by this Section 10.06(d) with respect to such dividend or distribution shall then be made) immediately followed by (2) a dividend or distribution of such shares of Common Stock or such rights or warrants (and any further Conversion Price reduction required by Sections 10.06(a) and (b) with respect to such dividend or distribution shall then be made), except (A) the Record Date of such dividend or distribution shall be substituted as "the date fixed for the determination of shareholders entitled to receive such dividend or other distribution", "Record Date fixed for such determination" and "Record Date" within the meaning of Section 10.06(a) and as

"the date fixed for the determination of shareholders entitled to receive such rights or warrants", "the Record Date fixed for the determination of the shareholders entitled to receive such rights or warrants" and "such Record Date" within the meaning of Section 10.06(b) and (B) any shares of Common Stock included in such dividend or distribution shall not be deemed "outstanding at the close of business on the Record Date fixed for such determination" within the meaning of Section 10.06(a).

With respect to any shareholder rights plan existing on the date hereof or in the event that the Company implements any other shareholder rights plan, upon conversion of the Securities the Holders will receive, in addition to the Common Stock issuable upon such conversion, the rights issued under such rights plan (notwithstanding the occurrence of an event causing such rights to separate from the Common Stock at or prior to the time of conversion); provided, a Holder who is a holder of Common Stock (or direct or indirect interests therein) at the time of conversion, but who is not entitled as such a holder to such rights pursuant to the terms of any such plan, shall not be eligible to receive any such rights hereunder. Any distribution of rights or warrants pursuant to a shareholder rights plan complying with the requirements set forth in the immediately preceding sentence of this paragraph shall not constitute a distribution of rights or warrants for the purposes of the other provisions of this Section 10.06(d).

(e) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock cash (excluding any cash that is distributed upon a merger or consolidation to which Section 10.07 applies or as part of a distribution referred to in Section 10.06(d)), in an aggregate amount that, combined together with (1) the aggregate amount of all other such all-cash distributions to all holders of its Common Stock within the twelve (12) months preceding the date of payment of such distribution, and in respect of which no adjustment pursuant to this Section 10.06(e) has been made, and (2) the aggregate of any cash plus the fair market value of consideration payable in respect of any tender offer by the Company or any subsidiary for all or any portion of the Common Stock concluded within the twelve (12) months preceding the date of payment of such distribution, and in respect of which no adjustment pursuant to Section 10.06(f) has been made (such aggregate amount, the "Common Dividend Amount"), exceeds 10% of the product of the Current Market Price on the Record Date with respect to such distribution times the number of shares of Common Stock outstanding on such date (the "Market Capitalization"), then, and in each such case, immediately after the close of business on such date, the Conversion Price shall be reduced so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the close of business on such Record Date by a fraction (i) the numerator of which shall be equal to the Current Market Price on the Record Date less an amount equal to the quotient of (x) the amount by which the Common Dividend Amount exceeds 10% of the Market Capitalization and (y) the number of shares of Common Stock outstanding on the Record Date and (ii) the denominator of which shall be equal to the Current Market Price on such date; provided, however, that in the event the portion of the cash so distributed applicable to one share of Common Stock is equal to or greater than the Current Market Price of the Common Stock on the Record Date, in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder shall have the right to receive upon conversion of a Security (or any portion thereof) the amount of cash such Holder would have received had such holder converted such Security (or portion thereof) immediately prior to such Record Date. In the event that such dividend or distribution is not so paid or made, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such dividend or distribution had not been declared.

(f) In case a tender offer made by the Company or any subsidiary for all or any portion of the Common Stock shall expire and such tender offer shall require the payment to holders of Common Stock of an aggregate consideration that together with

(1) the aggregate of the cash plus the fair market value of consideration payable in respect of any other tender offers by the Company or any of its subsidiaries for all or any portion of the Common Stock expiring within the twelve (12) months preceding the expiration of such tender offer and in respect of which no adjustment pursuant to this Section 10.06(f) has been made, and

(2) the aggregate amount of any all-cash distributions to all holders of the Company's Common Stock made within twelve (12) months preceding the expiration of such tender offer and in respect of which no adjustment pursuant to Section 10.06(e) has been made,

exceeds 10% of the product of the Current Market Price as of the time of expiration of such tender offer times the number of shares of Common Stock outstanding at such time, then, and in each such case, immediately prior to the opening of business on the day after the expiration of such tender offer, the Conversion Price shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect

immediately prior to the close of business on the date of the expiration of such tender offer by a fraction of which the numerator shall be the number of shares of Common Stock outstanding on the date of expiration of the tender offer multiplied by the Current Market Price of the Common Stock on the Trading Day next succeeding the date of expiration of the tender offer and the denominator shall be the sum of (x) the fair market value of the aggregate consideration payable for all shares of Common Stock validly tendered and not withdrawn as of the date of expiration of the tender offer and (y) the product of the number of shares of Common Stock outstanding less all shares validly tendered and not withdrawn as of the date of expiration of the tender offer and the Current Market Price of the Common Stock on the Trading Day next succeeding the date of expiration of the tender offer, such reduction (if any) to become effective immediately prior to the opening of business on the day following the date of expiration of the tender offer. In the event the Company is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such tender offer had not been made. If the application of this Section 10.06(f) to any tender offer would result in an increase in the Conversion Price, no adjustment shall be made for such tender offer under this Section 10.06(f).

(g) For purposes of this Section 10.06, the following terms have the meanings indicated:

(1) "Closing Price" with respect to any securities on any day shall mean the closing sale price regular way on such day or, in case no such sale takes place on such day, the average of the reported closing bid and asked prices, regular way, in each case on the Nasdaq National Market or New York Stock Exchange, as applicable, or, if such security is not listed or admitted to trading on such Nasdaq National Market or New York Stock Exchange, on the principal national security exchange or quotation system on which such security is quoted or listed or admitted to trading, or, if not quoted or listed or admitted to trading on any national securities exchange or quotation system, the average of the closing bid and asked prices of such security on the over-the-counter market on the day in question as reported by the National Quotation Bureau Incorporated, or a similar generally accepted reporting service, or if not so available, in such manner as furnished by any New York Stock Exchange member firm selected from time to time by the Board of Directors for that purpose, or a price determined in good faith by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution.

(2) "Current Market Price" shall mean the average of the Closing Prices per share of Common Stock for the ten (10) consecutive Trading Days immediately prior to the date for which a Current Market Price is required; provided, however, that:

(1) if the "ex" date (as hereinafter defined) for any event (other than the issuance or distribution requiring such computation) that requires an adjustment to the Conversion Price pursuant to Section 10.06(a), (b), (c), (d), (e), (f) or (g) occurs during such ten consecutive Trading Days, then the Closing Price for each Trading Day prior to the "ex" date for such other event shall be adjusted by multiplying such Closing Price by the same fraction by which the Conversion Price is so required to be adjusted as a result of such other event,

(2) if the "ex" date for any event (other than the issuance or distribution requiring such computation) that requires an adjustment to the Conversion Price pursuant to Section 10.06(a), (b), (c), (d), (e), (f) or (g) occurs on or after the "ex" date for the issuance or distribution requiring such computation and prior to the day in question, then the Closing Price for each Trading Day on and after the "ex" date for such other event shall be adjusted by multiplying such Closing Price by the reciprocal of the fraction by which the Conversion Price is so required to be adjusted as a result of such other event, and

(3) if the "ex" date for the issuance or distribution requiring such computation is prior to the day in question, after taking into account any adjustment required pursuant to clause (1) or (2) of this proviso, the Closing Price for each Trading Day on or after such "ex" date shall be adjusted by adding thereto the amount of any cash and the fair market value of the evidences of indebtedness, shares of capital

stock or assets being distributed applicable to one share of Common Stock as of the close of business on the day before such "ex" date.

For purposes of any computation under Sections 10.06(f) or (g), the Current Market Price of the Common Stock on any date shall be deemed to be the average of the daily Closing Prices per share of Common Stock for such day and the next two succeeding Trading Days; provided, however, that if the "ex" date for any event (other than the tender offer requiring such computation) that requires an adjustment to the Conversion Price pursuant to Section 10.06(a), (b), (c), (d), (e), (f) and (g) occurs on or after the date of expiration of the tender or exchange offer requiring such computation and prior to the day in question, the Closing Price for each Trading Day on and after the "ex" date for such other event shall be adjusted by multiplying such Closing Price by the reciprocal of the fraction by which the Conversion Price is so required to be adjusted as a result of such other event.

For purposes of this definition, the term "ex" date, (1) when used with respect to any issuance or distribution, means the first date on which the Common Stock trades regular way on the relevant exchange or in the relevant market from which the Closing Price was obtained without the right to receive such issuance or distribution, (2) when used with respect to any subdivision or combination of shares of Common Stock, means the first date on which the Common Stock trades regular way on such exchange or in such market after the time at which such subdivision or combination becomes effective, and (3) when used with respect to any tender or exchange offer means the first date on which the Common Stock trades regular way on such exchange or in such market after the Expiration Time of such offer.

(3) "fair market value" shall mean the amount which a willing buyer would pay a willing seller in an arm's length transaction determined in good faith by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution.

(4) "Record Date" shall mean, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of shareholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

(5) "Trading Day" shall mean (x) if the applicable security is listed or admitted for trading on the New York Stock Exchange or another national security exchange, a day on which the New York Stock Exchange or such other national security exchange, as the case may be, is open for business, (y) if the applicable security is quoted on the Nasdaq National Market, a day on which trades may be made thereon or (z) if the applicable security is not so listed, admitted for trading or quoted, any day other than a Saturday or Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

(h) The Company may make such reductions in the Conversion Price, in addition to those required by Sections 10.06(a), (b), (c), (d), (e) and (f), as the Board of Directors considers to be advisable to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

To the extent permitted by applicable law, the Company from time to time may reduce the Conversion Price by any amount for any period of time if the period is at least twenty (20) days and the reduction is irrevocable during the period. Whenever the Conversion Price is reduced pursuant to the preceding sentence, the Company shall mail to the Holder of each Security at his last address appearing on the register maintained by the Registrar a notice of the reduction at least fifteen (15) days prior to the date the reduced Conversion Price takes effect, and such notice shall state the reduced Conversion Price and the period during which it will be in effect.

(i) No adjustment in the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in such price; provided, however, that any adjustment that would otherwise be required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Article Ten shall be made

by the Company and shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be. No adjustment need be made for a change in the par value or no par value of the Common Stock.

(j) Whenever the Conversion Price is adjusted as herein provided, the Company shall promptly file with the Trustee, and any Conversion Agent other than the Trustee, an Officers' Certificate setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment. Unless and until a Trust Officer of the Trustee shall have received such Officers' Certificate, the Trustee shall not be deemed to have knowledge of any adjustment of the Conversion Price and may assume without inquiry that the last Conversion Price of which it has knowledge remains in effect. Promptly after delivery of such certificate, the Company shall prepare a notice of such adjustment of the Conversion Price setting forth the adjusted Conversion Price and the date on which each adjustment becomes effective and shall mail such notice of such adjustment of the Conversion Price to the Holder of each Security at his last address appearing on the register maintained by the Registrar, within twenty (20) days of the effective date of such adjustment. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

(k) In any case in which this Section 10.06 provides that an adjustment shall become effective immediately after a Record Date for an event, the Company may defer until the occurrence of such event (i) issuing to the Holder of any Security converted after such Record Date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment and (ii) paying to such Holder any amount in cash in lieu of any fraction pursuant to Section 10.03.

(l) For purposes of this Section 10.06, 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. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.

SECTION 10.07. Effect of Reclassification, Consolidation, Merger or Sale.  
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In the case of (i) any reclassification or change of the outstanding shares of Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), (ii) any consolidation, merger or combination of the Company with another corporation as a result of which holders of Common Stock shall be entitled to receive stock, securities or other property or assets (including cash) with respect to or in exchange for such Common Stock or (iii) any sale or conveyance of the properties and assets of the Company as, or substantially as, an entirety to any other corporation as a result of which holders of Common Stock shall be entitled to receive stock, securities or other property or assets (including cash) with respect to or in exchange for such Common Stock, then, unless an adjustment with respect thereto shall be made pursuant to Section 10.06, the Company or the successor or purchasing corporation, as the case may be, shall execute with the Trustee a supplemental indenture providing that the Securities shall be convertible into the kind and amount of shares of stock and other securities or property or assets (including cash) receivable upon such reclassification, change, consolidation, merger, combination, sale or conveyance by a holder of a number of shares of Common Stock issuable upon conversion of such Securities immediately prior to such reclassification, change, consolidation, merger, combination, sale or conveyance assuming such holder of Common Stock did not exercise rights of election, if any, as to the kind or amount of securities, cash or other property receivable upon such consolidation, merger, statutory exchange, sale or conveyance. Such supplemental indenture shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article Ten. If, in the case of any such reclassification, change, consolidation, merger, combination, sale or conveyance, the stock or other securities and assets receivable thereupon by a holder of shares of Common Stock include shares of stock or other securities and assets of a Person other than the successor or purchasing corporation, as the case may be, in such reclassification, change, consolidation, merger, combination, sale or conveyance, then such supplemental indenture shall also be executed by such other Person and shall contain such additional provisions to protect the interests of the Holders as the Board of Directors shall reasonably consider necessary by reason of the foregoing.

The Company shall cause notice of the execution of such supplemental indenture to be mailed to each Holder of Securities, at its address appearing on the register maintained by the Registrar, within twenty (20) days after execution thereof. Failure to deliver such notice shall not affect the legality or validity of such supplemental indenture.

SECTION 10.08. Notice of Certain Transactions.  
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If:

(1) the Company proposes to take any action that would require an adjustment in the conversion rate;



(2) the Company proposes to take any action that would require a supplemental indenture pursuant to Section 10.07; or

(3) there is a proposed liquidation, winding up or dissolution of the Company,

the Company shall mail to Holders a notice stating the proposed record date for a dividend or distribution or the proposed effective date of a subdivision, combination, reclassification, consolidation, merger, transfer, lease, liquidation or dissolution. The Company shall mail the notice at least 10 days before such date. Failure to mail the notice or any defect in it shall not affect the validity of the transaction.

SECTION 10.09. Company Determination Final.  
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Any determination that the Board of Directors makes pursuant to this Article Ten is conclusive, absent manifest error.

SECTION 10.10. Trustee's Disclaimer.  
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The Trustee has no duty to determine when an adjustment under this Article or under the terms of the Securities should be made, how it should be made or what it should be. Such information shall be timely provided to the Trustee in an Officers' Certificate. The Trustee has no duty to determine whether any provisions of a supplemental indenture under Section 10.07 are correct. The Trustee makes no representation as to the validity or value of any securities or assets issued upon conversion of Securities. The Trustee shall not be responsible for the Company's failure to comply with this Article. Each Conversion Agent other than the Company shall have the same protection under this Section 10.10 as the Trustee.

ARTICLE ELEVEN

[RESERVED]

ARTICLE TWELVE

SUBORDINATION

SECTION 12.01. Securities Subordinated to Senior Indebtedness.  
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The Company covenants and agrees, and each Holder of a Security, by his acceptance thereof, likewise covenants and agrees, that the indebtedness represented by the Securities and the payment of the principal of (and premium, if any) and interest on each and all of the Securities is hereby expressly subordinate and junior, to the extent and in the manner hereinafter set forth, in right of payment to the prior payment in full of all Senior Indebtedness.

(a) Upon any distribution of assets of the Company, upon any dissolution, winding-up, liquidation or reorganization of the Company, whether in bankruptcy, insolvency, reorganization or receivership proceedings or upon an assignment for the benefit of creditors or any other marshaling of the assets and liabilities of the Company or otherwise, then the holders of all Senior Indebtedness shall first be entitled to receive payment of the full amount due thereon in cash or other consideration satisfactory to the holders of Senior Indebtedness in respect of principal (and premium, if any) and interest, or provision shall be made for such amount in cash or other consideration satisfactory to the holders of Senior Indebtedness, before the Holders of any of the Securities are entitled to receive any payment or distribution of any character, whether in cash, securities or other property, on account of the principal of (or premium, if any) or interest on the indebtedness evidenced by the Securities.

For purposes of this Article Twelve, the words, "cash, securities or other property" shall not be deemed to include shares of stock of the Company as reorganized or readjusted, or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment, the payment of which is subordinated at least to the extent provided in this Article Twelve with respect to the Securities to the payment of all Senior Indebtedness which may at the time be outstanding; provided that (i) the Senior Indebtedness is assumed by the new corporation, if any, resulting from any reorganization or readjustment, and (ii) the rights of the holders of Senior Indebtedness (other than leases which are not assumed by the Company or the new corporation, as the case may be) are not, without the consent of such holders, altered by such reorganization or readjustment. 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 or transfer of its property as an entirety, or substantially as an entirety, to another Person upon the terms and conditions provided for in Article Five shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this Section 12.01(a) if such other Person shall, as a part of such consolidation, merger, conveyance or transfer, comply with the conditions stated in Article Five.

(b) No payment shall be made by the Company with respect to the principal of, premium, if any, or interest on the Securities or to acquire any of the Securities, if (i) any default in payment of the principal of or premium, if any, or interest on, or any other obligation

under any Designated Senior Indebtedness occurs and is continuing (a "Payment Default") beyond any applicable grace period with respect thereto, unless and until all such payments due in respect of such Designated Senior Indebtedness have been paid in full in cash or other consideration satisfactory to holders of Senior Indebtedness or such default shall have been cured or waived or shall have ceased to exist, (ii) any event of default, other than a Payment Default, with respect to any Designated Senior Indebtedness occurs and is continuing permitting the holders of such Designated Senior Indebtedness (or a trustee or other representative on behalf of the holders thereof) to declare such Designated Senior Indebtedness due and payable prior to the date on which it would otherwise have become due and payable, and the Trustee receives notice thereof from the Company or by any holders of such Designated Senior Indebtedness (or a trustee or other representative on behalf of the holders thereof) (the "Payment Blockage Notice"), for a period (the "Payment Blockage Period") ending on the earlier of the date on which such event of default shall have been cured or waived or shall have ceased to exist or 179 days after receipt of the Payment Blockage Notice, or (iii) any judicial proceeding shall be pending with respect to any such default in payment or event of default; provided, further, any number of additional Payment Blockage Periods may be commenced during an existing Payment Blockage Period; provided, however, that no such additional Payment Blockage Period shall extend beyond the initial Payment Blockage Period. Notwithstanding anything in the subordination provisions of this Indenture or the Securities to the contrary, (x) in no event will a Payment Blockage Period extend beyond 179 days from the date of the Payment Blockage Notice in respect thereof was given and (y) there shall be no new Payment Blockage Period unless and until 360 days have elapsed since the initial effectiveness of the prior Payment Blockage Period. No nonpayment default that existed or was continuing on the date of delivery of any Payment Blockage Notice to the Trustee shall be the basis for a subsequent payment blockage notice, unless the default has been cured or waived for a period of not less than 90 days.

(c) If the maturity of the Securities is accelerated, no payment may be made on the Securities until all amounts due or to become due on Senior Indebtedness have been paid in full in cash or other consideration satisfactory to holders of Senior Indebtedness or until such acceleration has been cured or waived.

(d) In the event that, notwithstanding the foregoing provisions of Sections 12.01(a), (b) and (c), any payment on account of principal of or interest on the Securities shall be made by or on behalf of the Company and received by the Trustee, by any Holder or by any Paying Agent (or, if the Company is acting as its own Paying Agent, money for any such payment shall be segregated and held in trust), at a time when such payment is not permitted by any of such provisions, then, unless and until all Senior Indebtedness (or Designated Senior Indebtedness, in the case of Section 12.01(b)) is paid in full in cash or other consideration satisfactory to the holders thereof, or such payment is otherwise permitted to be made by the provisions of each of Sections 12.01(a), 12.01(b) and 12.01(c) (subject, in each case, to the provisions of Section 12.07), such payment on account of principal of or interest on the Securities shall be held in trust for the benefit of, and shall be immediately paid over to, the holders of Senior Indebtedness (or Designated Senior Indebtedness, in the case of Section 12.01(b)) or their representative or representatives or the trustee or trustees under any indenture under which any instruments evidencing any of the Senior Indebtedness (or Designated Senior Indebtedness, in the case of Section 12.01(b)) may have been issued, as their interests may appear.

Regardless of anything to the contrary herein, nothing shall prevent (A) any payment by the Company or the Trustee to Holders of amounts in connection with a redemption of Securities if (i) notice of such redemption has been given pursuant to Section 3.01 prior to the receipt by the Trustee of a Payment Blockage Notice, and (ii) such notice of redemption is given not earlier than 75 days before the Redemption Date, or (B) any payment by the Trustee to the Holders of amounts deposited with it pursuant to Section 8.01.

SECTION 12.02. Subrogation.  
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Subject to the payment in full of all Senior Indebtedness to which the indebtedness evidenced by the Securities is in the circumstances subordinated as provided in Section 12.01, the Holders of the Securities (together with the holders of any other indebtedness of the Company which is subordinate in right of payment to the payment in full of all Senior Indebtedness, which is not subordinate in right of payment to the Securities and which by its terms grants such right of subrogation to the holders thereof) shall be subrogated to the rights of the holders of such Senior Indebtedness to receive payments or distributions of cash, property or securities of the Company applicable to such Senior Indebtedness until all amounts owing on the Securities shall be paid in full, and, as between the Company, its creditors other than holders of such Senior Indebtedness, and the Holders of the Securities, no such payment or distribution made to the holders of Senior Indebtedness by virtue of this Article which otherwise would have been made to the Holders of the Securities shall be deemed to be a payment by the Company on account of such Senior Indebtedness, it being understood that the provisions of this Article are and are intended solely for the purpose of defining the relative rights of the Holders of the Securities, on the one hand, and the holders of Senior Indebtedness, on the other hand.

SECTION 12.03. Obligation of Company Unconditional.  
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Nothing contained in this Article or elsewhere in this

Indenture or in the Securities is intended to or shall impair, as between the Company, its creditors other than the holders of Senior Indebtedness, and the Holders of the Securities, the obligation of the Company, which is absolute and unconditional, to pay to the Holders of the Securities the principal of (and premium, if any) and interest on the Securities as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the Holders of the Securities and creditors of the Company other than the holders of Senior Indebtedness, nor shall anything herein or therein 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 Indebtedness in respect of cash, property or securities of the Company received upon the exercise of any such remedy.

SECTION 12.04. Modification of Terms of Senior Indebtedness.  
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Any renewal or extension of the time of payment of any Senior Indebtedness or the exercise by the holders of Senior Indebtedness of any of their rights under any instrument creating or evidencing Senior Indebtedness, including without limitation the waiver of default thereunder, may be made or done without notice to or assent from the Holders of the Securities or the Trustee.

No compromise, alteration, amendment, modification, extension, renewal or other change of, or waiver, consent or other action in respect of, any liability or obligation under or in respect of, or of any of the terms, covenants or conditions of any indenture or other instrument under which any Senior Indebtedness is outstanding or of such Senior Indebtedness, whether or not such release is in accordance with the provisions of any applicable document, shall in any way alter or affect any of the provisions of this Article or of the Securities relating to the subordination thereof.

SECTION 12.05. [Reserved]  
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SECTION 12.06. Effectuation of Subordination by Trustee.  
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Each Holder of Securities, by his acceptance thereof, authorizes and directs the Trustee in his or her behalf to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article and appoints the Trustee his or attorney-in-fact for any and all such purposes.

Upon any payment or distribution of assets of the Company referred to in this Article, the Trustee and the Holders of the Securities shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which any such dissolution, winding up, liquidation or reorganization proceeding affecting the affairs of the Company is pending or upon a certificate of the trustee in bankruptcy, receiver, assignee for the benefit of creditors, liquidating trustee or agent or other Person making any payment or distribution, delivered to the Trustee or to the Holders of the Securities, for the purpose of ascertaining the Persons entitled to participate in such payment or distribution, and as to other facts pertinent to the right of such Persons under this Article, and if such evidence is not furnished, the Trustee may defer any payment to such Persons pending judicial determination as to the right of such Persons to receive such payment.

SECTION 12.07. Knowledge of Trustee.  
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Notwithstanding the provisions of this Article or any other provisions of this Indenture, the Trustee shall not be charged with knowledge of the existence of any Senior Indebtedness, of any default in payment of principal, premium (if any) or interest on any Senior Indebtedness, or of any facts which would prohibit the making of any payment of moneys to or by the Trustee, or the taking of any other action by the Trustee, unless and until a Trust Officer of the Trustee having responsibility for the administration of the trust established by this Indenture shall have received written notice thereof from the Company, any Holder of Securities, any Paying or Conversion Agent of the Company or the holder or representative of any class of Senior Indebtedness, and, prior to the receipt of any such written notice, the Trustee shall be entitled in all respects to assume that no such default or facts exist; provided, however, that unless on the third Business Day prior to the date upon which by the terms hereof any such moneys may become payable for any purpose the Trustee shall have received the notice provided for in this Section 12.07, then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to receive such moneys and apply the same to the purpose for which they were received, and shall not be affected by any notice to the contrary which may be received by it on or after such date.

SECTION 12.08. Trustee's Relation to Senior Indebtedness.  
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The Trustee shall be entitled to all the rights set forth in this Article with respect to any Senior Indebtedness at the time held by it, to the same extent as any other holder of Senior Indebtedness and nothing in this Indenture shall deprive the Trustee of any of its rights as such holder.

Nothing in this Article shall apply to claims of or

payments to the Trustee under or pursuant to Section 7.07.

With respect to the holders of Senior Indebtedness, the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article, and no implied covenants or obligations with respect to the holders of Senior Indebtedness shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Indebtedness and the Trustee shall not be liable to any holder of Senior Indebtedness if it shall pay over or deliver to Holders, the Company or any other Person moneys or assets to which any holder of Senior Indebtedness shall be entitled by virtue of this Article or otherwise.

SECTION 12.09. Rights of Holders of Senior Indebtedness Not Impaired.  
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No right of any present or future holder of any Senior Indebtedness to enforce the subordination herein shall at any time or in any way be prejudiced or impaired by any act or failure to act on the part of the Company 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.

SECTION 12.10. Certain Conversions Not Deemed Payment.  
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For the purposes of Article Ten only, (1) the issuance and delivery of junior securities upon conversion of Securities in accordance with Article Ten shall not be deemed to constitute a payment or distribution on account of the principal of, premium, if any, or interest on Securities or on account of the purchase or other acquisition of Securities, and (2) the payment, issuance or delivery of cash (except in satisfaction of fractional shares pursuant to Section 10.03), property or securities (other than junior securities) upon conversion of a Security shall be deemed to constitute payment on account of the principal of, premium, if any, or interest on such Security. For the purposes of this Section 12.10, the term "junior securities" means (a) shares of any stock of any class of the Company or (b) securities of the Company that are subordinated in right of payment to all Senior Indebtedness to substantially the same extent as, or to a greater extent than, the Securities are so subordinated as provided in this Article. Nothing contained in this Article Twelve or elsewhere in this Indenture or in the Securities is intended to or shall impair, as among the Company, its creditors (other than holders of Senior Indebtedness) and the Holders, the right, which is absolute and unconditional, of the Holder of any Security to convert such note in accordance with Article Ten.

ARTICLE THIRTEEN

MISCELLANEOUS

SECTION 13.01. Trust Indenture Act Controls.  
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If any provision of this Indenture limits, qualifies or conflicts with another provision which is required to be included in this Indenture by the TIA, the required provision shall control.

SECTION 13.02. Notices.  
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Any notice, request or communication by the Company or the Trustee to the other is duly given if in writing and delivered in person, mailed by first-class mail or by express delivery to the other's address stated in this Section 13.02. The Company or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

Any notice or communication to a Holder shall be mailed by first-class mail to its address shown on the register kept by the Registrar. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

If the Company mails a notice or communication to Holders, it shall mail a copy to the Trustee and each Agent at the same time.

All notices or communications shall be in writing.

The Company's address is:

Venator Group, Inc.  
112 West 34th street  
New York, New York 10120

Attention: General Counsel

The Trustee's address is:

The Bank of New York  
101 Barclay Street, Floor 21 West

Attention: Corporate Trust Department

SECTION 13.03. Communication by Holders with Other Holders.  
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Holders may communicate pursuant to TIA ss. 312(b) with other Holders with respect to their rights under this Indenture or the Securities. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA ss. 312(c).

SECTION 13.04. Certificate and Opinion as to Conditions Precedent.  
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Upon any request or application by the Company to the Trustee to take any action under this Indenture the Company shall furnish to the Trustee:

(1) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

Each signer of an Officers' Certificate or an Opinion of Counsel may (if so stated) rely, effectively, upon an Opinion of Counsel as to legal matters and an Officers' Certificate as to factual matters if such signer reasonably and in good faith believes in the accuracy of the document relied upon.

SECTION 13.05. Statements Required in Certificate or Opinion.  
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Each Officers' Certificate or Opinion of Counsel with respect to compliance with a condition or covenant provided for in this Indenture shall include:

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

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

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

(4) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been complied with.

SECTION 13.06. Rules by Trustee and Agents.  
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The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar, Paying Agent or Conversion Agent may make reasonable rules and set reasonable requirements for their respective functions.

SECTION 13.07. Legal Holidays.  
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A "Legal Holiday" is a Saturday, a Sunday or a day on which banking institutions are not required to be open in The City of New York, in the State of New York or in the city in which the Trustee administers its corporate trust business. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue on that payment for the intervening period.

A "Business Day" is a day other than a Legal Holiday.

SECTION 13.08. No Recourse Against Others.  
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All liability described in the Securities of any director, officer, employee or shareholder, as such, of the Company is waived and released.

SECTION 13.09. Duplicate Originals.  
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The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

SECTION 13.10. Governing Law.  
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The laws of the State of New York, without regard to principles of conflicts of law, shall govern this Indenture and the Securities.

SECTION 13.11. No Adverse Interpretation of Other Agreements.  
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This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company or a subsidiary. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

SECTION 13.12. Successors.  
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All agreements of the Company in this Indenture and the Securities shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

SECTION 13.13. Separability.  
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In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and a Holder shall have no claim therefor against any party hereto.

SECTION 13.14. Table of Contents, Headings, etc.  
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The Table of Contents, Cross-Reference Table and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof and shall in no way modify or restrict any of the terms or provisions hereof.

SIGNATURES

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

VENATOR GROUP, INC.

By: /s/ John Cannon  
-----  
Name: John Cannon  
Title: Vice President and Treasurer

THE BANK OF NEW YORK  
as Trustee

By: /s/ Julie Salovitch-Miller  
-----  
Name: Julie Salovitch-Miller  
Title: Vice President

EXHIBIT A

REGISTERED [Face of Security] DOLLARS  
NUMBER

CUSIP \_\_\_\_\_ VENATOR GROUP, INC.

5.50% CONVERTIBLE SUBORDINATED NOTE DUE 2008

VENATOR GROUP, INC., a New York corporation (herein called the "Company"), for value received, hereby promises to pay to Cede & Co. or registered assigns, the principal sum of \$125,000,000 Dollars on June 1, 2008, and to pay interest thereon as provided on the reverse hereof on the principal sum, until the principal hereof and any unpaid and accrued interest is paid or duly provided for. The right to payment of principal, premium, if any, and interest is subordinated to the rights of Senior Indebtedness as set forth in the Indenture referred to on the reverse side hereof.

Interest Payment Dates: June 1 and December 1, with the first payment to be made on December 1, 2001.

Record Dates: May 15 and November 15.

IN WITNESS WHEREOF, VENATOR GROUP, INC. has caused this instrument to be duly signed.

VENATOR GROUP, INC.

By:

-----  
Name:  
Title:

By:

-----  
Name:  
Title:

Dated:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

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

THE BANK OF NEW YORK, as Trustee

By: -----

Authorized Officer

[REVERSE OF SECURITY]

VENATOR GROUP, INC.

5.50% CONVERTIBLE SUBORDINATED NOTE DUE 2008

1. Interest. Venator Group, Inc., a New York corporation (the "Company"), promises to pay interest on the principal amount of this Security at the rate per annum shown above. The Company will pay interest semi-annually in arrears on June 1 and December 1 of each year, with the first payment to be made on December 1, 2001. Interest on the Securities will accrue on the principal amount from the most recent date to which interest has been paid or duly provided for or, if no interest has been paid, from June 8, 2001. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. Maturity. The Securities will mature on June 1, 2008 unless earlier converted, redeemed or repurchased pursuant to the terms hereof and the Indenture.

3. Method of Payment. The Company will pay interest on the Securities (except defaulted interest) to the Persons who are registered Holders of Securities at the close of business on the record date set forth on the face of this Security next preceding the applicable interest payment date except that (i) interest payable upon redemption or repurchase, unless the date of redemption or repurchase is an interest payment date, will be payable to the Person to whom the principal is payable and (ii) in the case of any Security or portion of any Security that is converted into Common Stock during the period from, but excluding, a record date for any interest payment date to, but excluding, that interest payment date either (A) if the Security, or portion of the Security, has been called for redemption on a redemption date that occurs during that period, or is to be repurchased on a Repurchase Date that occurs during that period, the Company will not be required to pay interest on that interest payment date in respect of any Security, or portion of any Security, that is so redeemed or repurchased; or (B) if otherwise, any Security or portion of any Security that is not called for redemption but is submitted for conversion during that period must be accompanied by funds equal to the interest payable on that interest payment date on the principal amount so converted. Holders must surrender Securities to a Paying Agent to collect the principal payments. The Company will pay the principal, premium, if any, and interest in money of the United States that at the time of payment is legal tender. Principal and interest may, at the Company's option, be paid either (i) by check mailed to the address of the Person entitled to the interest as it appears in the register kept by the Registrar (provided (a) payments to the Depository will be made by wire transfer of immediately available funds to the account of the Depository or its nominee and (b) a Holder with an aggregate principal amount of Securities in excess of \$10 million will, at the written election of the Holder, filed on or before the relevant record date with the Trustee, be paid by wire transfer in immediately available funds); or (ii) by transfer to an account maintained by that Person located in the U.S.

4. Paying Agent, Registrar, Conversion Agent. Initially, The Bank of New York (the "Trustee") will act as Paying Agent, Registrar and Conversion Agent. The Company may change any Paying Agent, Registrar or Conversion Agent without notice. The Company may act in any such capacity.

5. Indenture. The Company issued the Securities under an Indenture dated as of June 8, 2001 (the "Indenture") between the Company and the Trustee. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust

Indenture Act of 1939 (15 U.S. Code ss.ss. 77aaa-77bbb) (the "Act") as in effect on the date of the Indenture. The Securities are subject to all such terms, and Holders are referred to the Indenture and the Act for a statement of such terms. The Securities are general unsecured subordinated obligations of the Company limited to a maximum of \$125,000,000 aggregate principal amount (plus such additional amount (up to an aggregate of \$150,000,000) purchased by the Initial Purchasers pursuant to the option described in Section 2.02), except as otherwise provided in the Indenture (except for Securities issued in substitution for destroyed, mutilated, lost or stolen Securities). Terms used herein which are defined in the Indenture have the meanings assigned to them in the Indenture.

6. Optional Redemption by the Company. At any time on or after June 4, 2004, the Company may redeem the Securities on at least 20 days' notice as a whole or, from time to time, in part at the following prices, expressed as a percentage of the principal amount, together with accrued interest to, but excluding, the date fixed for redemption:

Period	Redemption Price
Beginning June 4, 2004 and ending on May 31, 2005.....	103.1%
Beginning June 1, 2005 and ending on May 31, 2006.....	102.4%
Beginning June 1, 2006 and ending on May 31, 2007.....	101.6%
Beginning June 1, 2007 and ending on May 31, 2008.....	100.8%

Any accrued interest becoming due on the date fixed for redemption will be payable to the holders of record on the relevant record date of the Securities being redeemed.

7. Notice of Redemption. Notice of redemption pursuant to paragraph 6 will be mailed at least 20 days before the redemption date to each Holder of Securities to be redeemed at its registered address. Securities in denominations larger than \$1,000 principal amount may be redeemed in part but only in whole multiples of \$1,000 principal amount. On and after the redemption date interest ceases to accrue on Securities or portions of them called for redemption.

8. Repurchase at Option of Holder. Pursuant to Section 3.07 of the Indenture within 10 days after a Repurchase Event occurs, the Company is required to give notice of the Repurchase Event to the Holders. Each Holder has the right, at its option, to require the Company to repurchase all or any portion of the Securities 30 days after the notice of repurchase event is mailed. The Repurchase Price will be 100% of the principal amount of the Securities submitted for repurchase, plus accrued and unpaid interest to, but excluding, the Repurchase Date. If a Repurchase Date is an interest payment date, then the interest payable on that date will be paid to the holder of record on the relevant record date. Subject to the conditions of Section 3.07 of the Indenture, the Company, at its option, instead of paying the Repurchase Price in cash, may pay the Repurchase Price in Common Stock, valued at 95% of the average of the Closing Prices for the five Trading Days immediately before and including the third Trading Day preceding the Repurchase Date.

9. Conversion. A Holder of a Security may convert the principal of such Security into Common Stock at any time after the date of original issuance of the Security to the close of business on the business day prior to June 1, 2008, or (x) if the Security is called for redemption by the Company, the Holder may convert it at any time before the close of business on the date that is one business day before the date fixed for such redemption, or (y) if the Security is to be repurchased by the Company pursuant to paragraph 8 hereof, the Holder may convert it at any time before the close of business on the date that is one business day before the date fixed for such repurchase. The initial Conversion Price is \$15.806 per share of Common Stock, subject to adjustment in certain circumstances as set forth in Section 10.06 of the Indenture. To determine the number of shares issuable upon conversion of a Security, divide each \$1,00 of the principal amount to be converted by the Conversion Price in effect on the conversion date and round the result to the nearest 1/100th share. The Company is not required to issue fractional shares of Common Stock upon conversion and, instead, will pay a cash amount as provided in Section 10.03 of the Indenture. Except as provided in Article Ten of the Indenture, no payment or adjustment for the principal of, premium, if any, interest on or liquidated damages with respect to, the Securities or for dividends on any Common Stock will be made. If a Holder surrenders a Security for conversion between the record date for the payment of interest and the next interest payment date, such Security, when surrendered for conversion, must be accompanied by payment of an amount equal to the interest thereon which the registered Holder on such record date is to receive. A Security which the Holder has elected to be repurchased may be converted only if the Holder withdraws its election to have such Security repurchased in accordance with the terms of the Indenture before the close of business on the business day prior to the Repurchase Date.

To convert a Security a Holder must (1) complete and sign the Conversion Notice, with appropriate signature guarantee, on the back of the Security, (2) surrender the Security to a Conversion Agent, (3) furnish appropriate endorsements and transfer documents if required by the Registrar or Conversion Agent, (4) pay the amount of interest, if any, the Holder may be paid as provided in the last sentence of the above paragraph and (5) pay any transfer or similar tax if required. A Holder may convert a portion of a Security if the portion is \$1,000 principal amount or an integral multiple of \$1,000 principal amount.

Any shares issued upon conversion of a Security shall bear the Private Placement Legend until after the second anniversary of the later of the issue date for the Securities and the last date on which the Company or any Affiliate of the Company was the owner of such shares or the



Security (or any predecessor security) from which such shares were converted (or such shorter period of time as permitted by Rule 144(k) under the Securities Act or any successor provision thereunder) (or such longer period of time as may be required under the Securities Act or applicable state securities laws as set forth in the Opinion of Counsel delivered to the Conversion Agent, unless otherwise agreed by the Company and the Holder thereof).

10. Subordination. The Securities are subordinated in right of payment, in the manner and to the extent set forth in the Indenture, to the prior payment in full of all Senior Indebtedness. Each Holder by accepting a Security agrees to such subordination and authorizes the Trustee to give it effect.

11. Denominations, Transfer, Exchange. The Securities are in registered form without coupons in denominations of \$1,000 principal amount and whole multiples of \$1,000 principal amount. The transfer of Securities may be registered and Securities may be exchanged as provided in the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents. 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. The Registrar need not exchange or register the transfer of any Security selected for redemption in whole or in part. Also, it need not exchange or register the transfer of any Securities for a period of 15 days before the mailing of a notice of redemption of the Securities selected to be redeemed.

12. Persons Deemed Owners. The registered Holder of a Security may be treated as the owner of such Security for all purposes.

13. Merger or Consolidation. The Company shall not consolidate with, or merge into, or transfer or lease all or substantially all of its assets to, any Person unless, among other things, the Person is organized under the laws of the United States, any State thereof or the District of Columbia and such Person assumes by supplemental indenture all the obligations of the Company under the Securities, the Indenture and the Registration Rights Agreement and after giving effect to the transaction no Default or Event of Default exists.

Notwithstanding the foregoing, any subsidiary of the Company may consolidate with, merge into or transfer all or part of its properties and assets to the Company or any other subsidiary or subsidiaries of the Company.

14. Amendments, Supplements and Waivers. Subject to certain exceptions, the Indenture or the Securities may be amended or supplemented with the consent of the Holders of at least a majority in aggregate principal amount of the Securities then outstanding, and any existing Default or Event of Default may be waived with the consent of the Holders of a majority in aggregate principal amount of the Securities then outstanding. Without notice to or the consent of any Holder, the Indenture or the Securities may be amended or supplemented to cure any ambiguity, omission, defect or inconsistency, to provide for uncertificated Securities in addition to certificated Securities, to comply with Sections 5.01 and 10.07 of the Indenture or to make any change that does not adversely affect the rights of any Holder.

15. Defaults and Remedies. An Event of Default includes the occurrence of any or the following: default in payment of the principal of or any premium on the Securities; default for 30 days in payment of interest; failure by the Company for 90 days after notice to it to comply with any of its other agreements in the Indenture or the Securities; and certain events of bankruptcy or insolvency. If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the Securities then outstanding may declare all the Securities to be due and payable, subject to certain limitations contained in the Indenture. Holders may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may require indemnity satisfactory to it before it enforces the Indenture or the Securities. Subject to certain limitations, Holders of a majority in principal amount of the Securities then outstanding may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders notice of any continuing Default or Event of Default (except a Default or Event of Default in payment of principal or interest) if it determines that withholding notice is in their interests. The Company must furnish an annual compliance certificate to the Trustee.

16. Registration Rights. The Holders are entitled to shelf registration rights as set forth in the Registration Rights Agreement. The Holders shall be entitled to receive liquidated damages in certain circumstances, all as set forth in the Registration Rights Agreement.

17. Trustee Dealings with Company. The Trustee under the Indenture, or any banking institution serving as successor Trustee thereunder, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not Trustee.

18. No Recourse Against Others. No past, present or future director, officer, employee or shareholder, as such, of the Company shall have any liability for any obligations of the Company under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Holder by accepting a Security waives and releases all such liability. The waiver and release are

part of the consideration for the issue of the Securities.

19. Authentication. This Security shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

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

THE COMPANY WILL FURNISH TO ANY SECURITYHOLDER UPON WRITTEN REQUEST AND WITHOUT CHARGE A COPY OF THE INDENTURE. REQUESTS MAY BE MADE TO:

VENATOR GROUP, INC.  
112 West 34th Street  
New York, New York 10120

ATTENTION: Treasurer

[FORM OF ASSIGNMENT]

I or we assign to  
PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER

-----  
-----  
(please print or type name and address)

-----  
the within Security and all rights thereunder, and hereby irrevocably  
-----  
constitutes and appoints attorney to transfer the Security on the books of  
-----  
the Company with full power of substitution in the premises.

Dated: \_\_\_\_\_  
NOTICE: The signature on this assignment must correspond with the name as it appears upon the face of the within Security in every particular without alteration or enlargement or any change whatsoever and be guaranteed by the endorser's bank or broker.

Signature Guarantee: \_\_\_\_\_

(Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)

In connection with any transfer of this Security occurring prior to the date which is the earlier of (i) the date of the declaration by the Commission of the effectiveness of a registration statement under the Securities Act of 1933, as amended (the "Securities Act") covering resales of this Security (which effectiveness shall have been suspended or terminated at the date of the transfer) and (ii) June 8, 2003 the undersigned confirms that it has not utilized any general solicitation or general advertising in connection with transfer:

[Check One]

- (1)  to the Company or a subsidiary thereof; or
- (2)  pursuant to and in compliance with Rule 144A under the Securities Act of 1933, as amended; or
- (3)  to an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act of 1933, as amended) that has furnished to the Trustee a signed letter containing certain representations and agreements (the form of which letter can be obtained from the Trustee); or
- (4)  outside the United States to a "foreign purchaser" in compliance with Rule 904 of Regulation S under the Securities Act of 1933, as amended; or
- (5)  pursuant to the exemption from registration provided by Rule 144 under the Securities Act of 1933, as amended; or
- (6)  pursuant to an effective registration statement under the Securities Act of 1933, as amended; or
- (7)  pursuant to another available exemption from the registration statement requirements of the Securities Act of 1933,

as amended.

and unless the box below is checked, the undersigned confirms that such Security is not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act of 1933, as amended (an "Affiliate"):

The transferee is an Affiliate of the Company. (If the Security is transferred to an Affiliate, the restrictive legend must remain on the Security for two years following the date of the transfer).

Unless one of the items is checked, the Trustee will refuse to register any of the Securities evidenced by this certificate in the name of any Person other than the registered Holder thereof; provided, however, that if item (3),(4),(5) or (7) is checked, the Company or the Trustee may require, prior to registering any such transfer of the Securities, in their sole discretion, such written legal opinions, certifications (including an investment letter in the case of box (3) or (4)) and other information as the Trustee or the Company have reasonably requested to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933, as amended.

If none of the foregoing items are checked, the Trustee or Registrar shall not be obligated to register this Security in the name of any Person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in Section 2.16 of the Indenture shall have been satisfied.

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

Signature Guarantee: \_\_\_\_\_

TO BE COMPLETED BY PURCHASER IF (2) ABOVE IS CHECKED

The undersigned represents and warrants that it is purchasing this Security for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act of 1933, as amended, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Dated: \_\_\_\_\_  
NOTICE: To be executed by an executive officer

CONVERSION NOTICE

To convert this Security into Common Stock of the Company, check the box:

To convert only part of this Security, state the principal amount to be converted (must be in multiples of \$1,000):

\$ \_\_\_\_\_

If you want the stock certificate made out in another person's name, fill in the form below:

\_\_\_\_\_  
(Insert other person's soc. sec. or tax I.D. no.)

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(Print or type other person's name, address and zip code)

\_\_\_\_\_

Date: \_\_\_\_\_ Signature(s): \_\_\_\_\_

(Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)

Signature(s) guaranteed by:

-----  
(Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)

OPTION OF HOLDER TO ELECT PURCHASE NOTICE

If you want to elect to have this Security purchased by the Company pursuant to Section 3.07 of the Indenture, check the box: |\_|

If you want to elect to have only part of this Security purchased by the Company pursuant to Section 3.07 of the Indenture, state the principal amount:

\$ -----  
(in an integral multiple of \$1,000)

Date: \_\_\_\_\_

Signature(s):

(Sign exactly as your name(s) appear(s) on the other side of this Security)

Signature(s) guaranteed by:

\_\_\_\_\_  
(Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)

EXHIBIT B

FORM OF LEGENDS

I. PRIVATE PLACEMENT LEGEND

Each Security issued under the Indenture shall bear a legend (and any common stock issued upon conversion of such Security shall bear a comparable legend) substantially in the following form:

THIS SECURITY (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND THIS SECURITY

AND THE SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION HEREOF MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THIS SECURITY (OR ITS PREDECESSOR) MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT AS SET FORTH BELOW. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (2) AGREES THAT IT WILL NOT WITHIN TWO YEARS AFTER THE ORIGINAL ISSUANCE OF THIS SECURITY RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) INSIDE THE UNITED STATES TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (D) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (E) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND IN CONNECTION WITH ANY TRANSFER OF THIS SECURITY WITHIN TWO YEARS AFTER THE ORIGINAL ISSUANCE OF THIS SECURITY. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANING GIVEN TO THEM BY REGULATIONS UNDER THE SECURITIES ACT. THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS SECURITY IN VIOLATION OF THE FOREGOING RESTRICTIONS.

## II. GLOBAL SECURITY LEGEND

Any Global Security authenticated and delivered hereunder shall bear a legend (which would be in addition to any other legends required in the case of a Restricted Security) in substantially the following form:

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 OF A DEPOSITARY OR A SUCCESSOR DEPOSITARY. THIS SECURITY IS NOT EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITARY OR ITS NOMINEE EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE, AND NO TRANSFER OF THIS SECURITY (OTHER THAN A TRANSFER OF THIS SECURITY AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY) MAY BE REGISTERED EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF CEDE & CO. OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN SECTION 2.16 OF THE INDENTURE.

EXHIBIT C

Form of Certificate To Be Delivered  
in Connection with Transfers  
Pursuant to Regulation S

[Date]

The Bank of New York  
101 Barclay Street, Floor 21 West  
New York, New York 10286

Attention: Corporate Trust Department

Re: Venator Group, Inc. (the "Company")  
5.50% Convertible Subordinated Notes  
due 2008 (the "Securities")

Ladies and Gentlemen:

In connection with our proposed purchase of \$\_\_\_\_\_ aggregate principal amount of the Securities, we confirm that such purchase has been effected pursuant to and in accordance with Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, we represent that:

(1)(2) [We are not a U.S. person and are not acquiring the Securities for the account or benefit of any U.S. person]. [We are a U.S. person who purchased securities in a transaction that did not require registration under the Act.]

(2) We agree to resell the Securities only in accordance with the provisions of Regulation S, pursuant to registration under the Securities Act, or pursuant to an available exemption from registration; and we agree not to engage in hedging transactions with regard to such securities unless in compliance with the Securities Act.

(2) One of the two following sentences must be used.

You, the Company and counsel for the Company are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby. Terms used in this certificate have the meanings set forth in Regulation S.

Very truly yours,

[Name of Transferor]

By:

-----

Authorized Signature

EXHIBIT D

Form of Notice of Transfer Pursuant to Registration Statement

[Date]

Venator Group, Inc.  
112 West 34th Street  
New York, New York 10120

The Bank of New York  
101 Barclay Street, Floor 21 West  
New York, New York 10286

Attention: Corporate Trust Department

Re: Venator Group, Inc. (the "Company")  
5.50% Convertible Subordinated Notes Due 2008  
(the "Securities")

Ladies and Gentlemen:

Please be advised that \_\_\_\_\_ has transferred \$\_\_\_\_\_ aggregate principal amount of the Securities or \_\_\_ shares of the Company's common stock, \$.001 par value per share, issuable on conversion of the Securities ("Stock") pursuant to an effective Shelf Registration Statement on Form S-3 (File No. 333- ) filed by the Company.

We hereby certify that the prospectus delivery requirements, if any, of the Securities Act of 1933 as amended, have been satisfied with respect to the transfer described above and that the above-named beneficial owner of the Securities or Stock is named as a "Selling Security Holder" in the Prospectus dated \_\_\_\_\_ or in amendments or supplements thereto, and that the aggregate principal amount of the Securities, or number of shares of Stock transferred are [a portion of] the Securities or Stock listed in such Prospectus, as amended or supplemented, opposite such owner's name.

Very truly yours,

\_\_\_\_\_  
(Name)

Form of Opinion of Counsel in Connection with Registration of Securities  
-----

[Date]

The Bank of New York  
101 Barclay Street, Floor 21 West  
New York New York 10286

Attention: Corporate Trust Department

Re: Venator Group, Inc. (the "Company")  
5.50% Subordinated Convertible Notes Due 2008  
(the "Securities")

Ladies and Gentlemen:

Reference is made to the Securities issued pursuant to a certain indenture dated as of June 8, 2001 by and between the Company and The Bank of New York, as trustee (the "Trustee"). The Securities were issued in transactions exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"). The Company has filed with the Securities and Exchange Commission (the "SEC") a registration statement on Form S-3 (number 333-\_\_\_\_) (the "Registration Statement") relating to the registration under the Securities Act of \$[ ] principal amount of the Securities and the shares of Common Stock of the Company (the "Shares") issuable upon conversion of the Securities being registered. The Registration Statement was declared effective by order of the SEC dated [\_\_\_\_\_].

We have acted as counsel for the Company in connection with the issuance of the Securities and the preparation and filing of the Registration Statement and are familiar with the Securities, the Indenture, the Registration Statement, the above-mentioned SEC order and such other documents as are necessary to render this opinion.

We have been orally advised by the SEC that the Indenture has been qualified under the Trust Indenture Act of 1939, as amended, and that the Registration Statement was declared effective under the Securities Act at \_\_\_\_\_, on \_\_\_\_\_, 200\_, and we have been orally advised by the SEC that no stop order suspending the effectiveness of the Registration Statement has been issued and, to the best of our knowledge, no proceedings for that purpose have been instituted or are pending or threatened by the SEC.

This opinion is being furnished only to you in connection with the Indenture and is solely for your benefit and is not to be used, circulated, quoted or otherwise referred to for any other purpose or relied upon by any other person for any other purpose without our prior written consent.

Yours truly,

REGISTRATION RIGHTS AGREEMENT

Dated as of June 8, 2001

By and Among

VENATOR GROUP, INC.,

as Issuer

and

J.P. MORGAN SECURITIES INC.,  
BANC OF AMERICA SECURITIES LLC,  
BNY CAPITAL MARKETS, INC.,  
FIRST UNION SECURITIES, INC.  
SCOTIA CAPITAL (USA) INC.,  
and  
FLEET SECURITIES, INC.,

as Initial Purchasers

5.50% Convertible Subordinated Notes Due 2008

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REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (the "Agreement") is dated as of June 8, 2001, by and among VENATOR GROUP, INC., a New York corporation (the "Company"), J.P. MORGAN SECURITIES INC., BANC OF AMERICA SECURITIES LLC, BNY CAPITAL MARKETS, INC., FIRST UNION SECURITIES, INC., SCOTIA CAPITAL (USA) INC. and FLEET SECURITIES, INC. (individually, an "Initial Purchaser" and, together, the "Initial Purchasers").

This Agreement is entered into in connection with the Purchase Agreement, dated June 4, 2001 (the "Purchase Agreement"), by and among the Company and the Initial Purchasers, which provides for the sale by the Company to the Initial Purchasers of \$125,000,000 aggregate principal amount of the Company's 5.50% Convertible Subordinated Notes Due 2008 (the "Firm Notes"), which are convertible into Common Stock of the Company, par value \$.01 per share (the "Underlying Shares"), plus up to an additional \$25,000,000 aggregate principal amount of the same that the Initial Purchasers may subsequently elect to purchase pursuant to the terms of the Purchase Agreement (the "Additional Notes" and, together with the Firm Notes, the "Convertible Notes"). The Convertible Notes are being issued pursuant to an indenture dated as of the date hereof (the "Indenture") between the Company and The Bank of New York, as Trustee.

In order to induce the Initial Purchasers to enter into the Purchase Agreement, the Company has agreed to provide the registration rights set forth in this Agreement for the benefit of the Initial Purchasers and any subsequent holder or holders of the Convertible Notes or Underlying Shares. The execution and delivery of this Agreement is a condition to the Initial Purchasers' obligation to purchase the Firm Notes under the Purchase Agreement.

The parties hereby agree as follows:

1. Definitions.



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

Agreement: See the first introductory paragraph hereto.

Amount of Registrable Securities: (a) With respect to Convertible Notes constituting Registrable Securities, the aggregate principal amount of all such Convertible Notes outstanding, (b) with respect to Underlying Shares constituting Registrable Securities, the aggregate number of such Underlying Shares outstanding multiplied by the Conversion Price (as defined in the Indenture relating to the Convertible Notes upon the conversion of which such Underlying Shares were issued) in effect at the time of computing the Amount of Registrable Securities or, if no such Convertible Notes are then outstanding, the last Conversion Price that was in effect under such Indenture when any such Convertible Notes were last outstanding, and (c) with respect to combinations thereof, the sum of (a) and (b) for the relevant Registrable Securities.

Business Day: Any day that is not a Saturday, Sunday or a day on which banking institutions in New York are authorized or required by law to be closed.

Closing Date: June 8, 2001.

Company: See the first introductory paragraph hereto.

Convertible Notes: See the second introductory paragraph hereto.

Damages Payment Date: See Section 3(c) hereof.

Depository: The Depository Trust Company until a successor is appointed by the Company.

Effectiveness Date: The 180th day after the Closing Date.

Effectiveness Period: See Section 2 hereof.

Exchange Act: The Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

Filing Date: The 90th day after the Closing Date.

Holder: Any holder of Registrable Securities.

Indemnified Holder: See Section 6 hereof.

Indemnified Person: See Section 6 hereof.

Indemnifying Person: See Section 6 hereof.

Indenture: See the second introductory paragraph hereto.

Initial Purchasers: See the first introductory paragraph hereto.

Initial Shelf Registration: See Section 2(a) hereof.

Inspectors: See Section 4(n) hereof.

Liquidated Damages: See Section 3(a) hereof.

NASD: See Section 4(q) hereof.

Person: An individual, partnership, corporation, limited liability company, unincorporated association, trust or joint venture, or a governmental agency or political subdivision thereof.

Prospectus: The prospectus included in any Registration Statement (including, without limitation, any prospectus subject to completion and a prospectus that includes any information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A promulgated under the Securities Act), as amended or supplemented by any prospectus supplement, and all other amendments and supplements to the Prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such Prospectus.

Purchase Agreement: See the second introductory paragraph hereto.

QIU: See Section 4(q) hereof.

Questionnaire Deadline: See Section 2(d) hereof.

Records: See Section 4(n) hereof.

Registrable Securities: All Convertible Notes and all Underlying Shares upon original issuance thereof and at all times subsequent thereto until the earliest to occur of (i) a Registration Statement covering such Convertible Notes and Underlying Shares having been declared effective by the SEC and such Convertible Notes and Underlying Shares have been disposed of in accordance with such effective Registration Statement, (ii) such Convertible Notes and Underlying Shares having been sold in compliance with Rule 144 or could (except with respect to affiliates of the Company within the meaning of the Securities Act) be sold in compliance with Rule 144(k) and (iii) such Convertible Notes and any Underlying Shares cease to be outstanding.

Registration Default: See Section 3(a) hereof.

Registration Statement: Any registration statement of the Company filed with the SEC pursuant to the provisions of this Agreement, including the Prospectus, amendments and supplements to such registration statement, including post-effective amendments, all exhibits and all material incorporated by reference or deemed to be incorporated by reference in such registration statement.

Rule 144: Rule 144 promulgated under the Securities Act, as such Rule may be amended from time to time, or any similar rule (other than Rule 144A) or regulation hereafter adopted by the SEC providing for offers and sales of securities made in compliance therewith resulting in offers and sales by subsequent holders that are not affiliates of an issuer of such securities being free of the registration and prospectus delivery requirements of the Securities Act.

Rule 144A: Rule 144A promulgated under the Securities Act, as such Rule may be amended from time to time, or any similar rule (other than Rule 144) or regulation hereafter adopted by the SEC.

Rule 415: Rule 415 promulgated under the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC.

SEC: The Securities and Exchange Commission.

Securities Act: The Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

Shelf Registration: See Section 2(b) hereof.

Shelf Registration Statement: See Section 2(b) hereof.

Subsequent Shelf Registration: See Section 2(b) hereof.

TIA: The Trust Indenture Act of 1939, as amended, and the rules and regulations of the SEC promulgated thereunder.

Trustee: The Trustee under the Indenture.

Underlying Shares: See the second introductory paragraph hereto.

Underwritten registration or underwritten offering: A registration in which securities of the Company are sold to an underwriter for reoffering to the public.

## 2. Shelf Registration.

(a) Shelf Registration. The Company shall file with the SEC a Registration Statement for an offering to be made on a continuous basis pursuant to Rule 415 covering all of the Registrable Securities (the "Initial Shelf Registration") on or prior to the Filing Date. The Initial Shelf Registration shall be on Form S-3 or another appropriate form permitting registration of such Registrable Securities for resale by Holders in the manner or manners designated by them (including, without limitation, one or more underwritten offerings). The Company shall not permit any securities other than the Registrable Securities to be included in the Initial Shelf Registration or any Subsequent Shelf Registration (as defined below).

The Company shall use its reasonable best efforts to cause the Initial Shelf Registration to be declared effective under the Securities Act on or prior to the Effectiveness Date and to keep such Initial Shelf Registration continuously effective under the Securities Act until the date that is two years from the Closing Date (as it may be shortened pursuant to clause (i) or clause (ii) immediately following, the "Effectiveness Period"), or such shorter period ending when (i) all the Registrable Securities covered by the Initial Shelf Registration have been sold in the manner set forth and as contemplated in the Initial Shelf Registration, (ii) the date on which all the Registrable Securities (x) held by Persons who are not affiliates of the Company may be resold pursuant to Rule 144(k) under the Securities Act or (y) cease to be outstanding or (iii) a Subsequent Shelf Registration covering all of the Registrable Securities has been declared effective under the Securities Act.

(b) Subsequent Shelf Registrations. If the Initial Shelf Registration or any Subsequent Shelf Registration ceases to be effective for any reason at any time during the Effectiveness Period (other than because of the sale of all of the securities registered thereunder), the Company shall use its reasonable best efforts to obtain the prompt withdrawal of any order suspending the effectiveness thereof, and in any event shall within 45 days of such cessation of effectiveness amend the Initial Shelf Registration or any subsequent Shelf Registration, as the case may be, in a manner to obtain the withdrawal of the order suspending the effectiveness thereof, or file an additional "shelf" Registration Statement pursuant to Rule 415 covering all of the Registrable Securities (a "Subsequent Shelf Registration"). If a Subsequent Shelf Registration is filed, the Company shall use its reasonable best efforts to cause the Subsequent Shelf Registration to be declared effective under the Securities Act as soon as practicable after such filing and to keep such Registration Statement continuously effective for a period equal to the number of days in the Effectiveness Period less the aggregate number of days during which the Initial Shelf Registration or any Subsequent Shelf Registration was previously continuously effective. As used herein the term "Shelf Registration" means the Initial Shelf Registration and any Subsequent Shelf

Registration and the term "Shelf Registration Statement" means any Registration Statement filed in connection with a Shelf Registration.

(c) Supplements and Amendments. The Company shall promptly supplement and amend the Shelf Registration if required by the rules, regulations or instructions applicable to the registration form used for such Shelf Registration, if required by the Securities Act, or if reasonably requested by the Holders of the majority in Amount of Registrable Securities covered by such Registration Statement or by any underwriter of such Registrable Securities.

(d) Information from Holders. No Holder of Registrable Securities may include any of its Registrable Securities in the Shelf Registration Statement pursuant to this Agreement unless such Holder furnishes to the Company in writing, prior to or on the 25th Business Day after receipt of a request therefor (the "Questionnaire Deadline"), such information as the Company may reasonably request for use in connection with the Shelf Registration Statement or Prospectus or preliminary Prospectus included therein and in any application to be filed with or under state securities laws. In connection with all such requests for information from Holders of Registrable Securities, the Company shall notify such Holders of the requirements set forth in the preceding sentence. No Holder of Registrable Securities shall be entitled to Liquidated Damages pursuant to Section 3 hereof unless such Holder shall have provided all such reasonably requested information prior to or on the Questionnaire Deadline. Each Holder as to which the Shelf Registration Statement is being effected agrees to furnish promptly to the Company all information required to be disclosed in order to make information previously furnished to the Company by such Holder not materially misleading.

### 3. Liquidated Damages.

(a) The Company and the Initial Purchasers agree that the Holders of Registrable Securities will suffer damages if the Company fails to fulfill its obligations under Section 2 hereof and that it would not be feasible to ascertain the extent of such damages with precision. Accordingly, the Company agrees to pay liquidated damages on the Registrable Securities ("Liquidated Damages") under the circumstances and to the extent set forth below (each of which shall be given independent effect; each a "Registration Default"):

(i) if the Initial Shelf Registration is not filed on or prior to the Filing Date, then commencing on the day after the Filing Date, Liquidated Damages shall accrue on the Registrable Securities at a rate of 0.25% per annum on the Amount of Registrable Securities for the first 90 days immediately following the Filing Date, such Liquidated Damages increasing by an additional 0.25% per annum at the beginning of each subsequent 90-day period;

(ii) if the Initial Shelf Registration is not declared effective by the SEC on or prior to the Effectiveness Date, then commencing on day after the Effectiveness Date, Liquidated Damages shall accrue on the Registrable Securities at a rate of 0.25% per annum on the Amount of Registrable Securities for the first 90 days immediately following the day after such Effectiveness Date, such Liquidated Damages increasing by an additional 0.25% per annum at the beginning of each subsequent 90-day period; and

(iii) if a Shelf Registration has been declared effective and such Shelf Registration ceases to be effective at any time during the Effectiveness Period (other than as permitted under Section 3(b)), Liquidated Damages shall accrue on the Registrable Securities at a rate of 0.25% per annum on the Amount of Registrable Securities for the first 90 days commencing on the day such Shelf Registration ceases to be effective, such Liquidated Damages increasing by an additional 0.25% per annum at the beginning of each such subsequent 90-day period;

provided, however, that Liquidated Damages on the Registrable Securities may not accrue under more than one of the foregoing clauses (i), (ii) or (iii) at any one time and at no time shall the aggregate amount of Liquidated Damages accruing exceed in the aggregate 0.50% per annum of the Amount of Registrable Securities; provided, further, however, that (1) upon the filing of the Shelf Registration as required hereunder (in the case of clause (a)(i) of this Section 3), (2) upon the effectiveness of the Shelf Registration as required hereunder (in the case of clause (a)(ii) of this Section 3) or (3) upon the effectiveness of a Shelf Registration which had ceased to remain effective (in the case of (a)(iii) of this Section 3), Liquidated Damages on the Registrable Securities as a result of such clause (or the relevant subclause thereof), as the case may be, shall cease to accrue. It is understood and agreed that, notwithstanding any provision to the contrary, (i) so long as any Registrable Security is then covered by an effective Shelf Registration Statement, no Liquidated Damages shall accrue on such Registrable Security.

(b) Notwithstanding paragraph (a) of this Section 3, the Company shall be permitted to suspend the effectiveness of a Shelf Registration for up to 45 consecutive days in any 90-day period, for a total of not more than 90 days in any 365-day period, without paying Liquidated Damages.

(c) So long as Convertible Notes remain outstanding, the Company shall notify the Trustee within two Business Days after each and every date on which an event occurs in respect of which Liquidated Damages is required to be paid. Any amounts of Liquidated Damages due pursuant to (a)(i), (a)(ii) or (a)(iii) of this Section 3 will be payable in cash semi-annually on each June 1 and December 1 (each a "Damages Payment Date"), commencing with the first such date occurring after any such Liquidated Damages

commences to accrue, to Holders to whom regular interest is payable on such Damages Payment Date with respect to Convertible Notes that are Registrable Securities and to Persons that are registered Holders 15 days prior to such Damages Payment Date with respect to Underlying Shares that are Registrable Securities. The amount of Liquidated Damages for Registrable Securities will be determined by multiplying the applicable rate of Liquidated Damages by the Amount of Registrable Securities outstanding on the Damages Payment Date following such Registration Default in the case of the first such payment of Liquidated Damages with respect to a Registration Default (and thereafter at the next succeeding Damages Payment Date until the cure of such Registration Default), multiplied by a fraction, the numerator of which is the number of days such Liquidated Damages rate was applicable during such period (determined on the basis of a 360-day year comprised of twelve 30-day months and, in the case of a partial month, the actual number of days elapsed), and the denominator of which is 360.

#### 4. Registration Procedures.

In connection with the filing of any Registration Statement pursuant to Section 2 hereof, the Company shall effect such registrations to permit the resale of the securities covered thereby in accordance with the intended method or methods of disposition thereof, and pursuant thereto and in connection with any Registration Statement filed by the Company hereunder the Company shall:

(a) Prepare and file with the SEC prior to the Filing Date, a Registration Statement or Registration Statements as prescribed by Section 2 hereof, and use its reasonable best efforts to cause each such Registration Statement to become effective and remain effective as provided herein; provided, however, that before filing any Registration Statement or Prospectus or any amendments or supplements thereto, the Company shall furnish to and afford the Holders of the Registrable Securities covered by such Registration Statement, a single counsel to such Holders (chosen in accordance with Section 5(b)) and the managing underwriters, if any, a reasonable opportunity to review copies of all such documents proposed to be filed (in each case, where possible, at least four Business Days prior to such filing, or such date as is reasonable under the circumstances). The Company shall not file any Registration Statement or Prospectus or any amendments or supplements thereto if the Holders of a majority in Amount of Registrable Securities covered by such Registration Statement, their counsel or the managing underwriters, if any, shall reasonably object.

(b) Prepare and file with the SEC such amendments and post-effective amendments to each Shelf Registration as may be necessary to keep such Registration Statement continuously effective for the Effectiveness Period; cause the related Prospectus to be supplemented by any Prospectus supplement required by applicable law, and as so supplemented to be filed pursuant to Rule 424 (or any similar provisions then in force) promulgated under the Securities Act; and use all reasonable best efforts to comply with the provisions of the Securities Act and the Exchange Act applicable to it with respect to the disposition of all securities covered by such Registration Statement as so amended or in such Prospectus as so supplemented. The Company shall be deemed not to have used its reasonable best efforts to keep a Registration Statement effective during the Effectiveness Period if it voluntarily takes any action that would result in selling Holders of the Registrable Securities covered thereby not being able to sell such Registrable Securities during that period unless such action is required by applicable law or unless the Company complies with this Agreement, including, without limitation, the provisions of Sections 3(b) and 4(k) hereof.

(c) Notify the selling Holders of Registrable Securities, a single counsel to such Holders (chosen in accordance with Section 5(b)) and the managing underwriters, if any, promptly (but in any event within two Business Days) and, confirm such notice in writing, (i) when a Prospectus or any prospectus supplement or post-effective amendment has been filed, and, with respect to a Registration Statement or any post-effective amendment, when the same has become effective under the Securities Act (including in such notice a written statement that any Holder may, upon request, obtain, at the sole expense of the Company, one conformed copy of such Registration Statement or post-effective amendment including financial statements and schedules, documents incorporated or deemed to be incorporated by reference and exhibits), (ii) of the issuance by the SEC of any stop order suspending the effectiveness of a Registration Statement or of any order preventing or suspending the use of any preliminary prospectus or the initiation of any proceedings for that purpose, (iii) of the happening of any event, the existence of any condition or any information becoming known that makes any statement made in such Registration Statement or related Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires the making of any changes in or amendments or supplements to such Registration Statement, Prospectus or documents so that, in the case of the Registration Statement, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and that in the case of the Prospectus, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and (iv) of the Company's determination that a post-effective amendment to a Registration Statement would be appropriate.

(d) Use its reasonable best efforts to prevent the issuance of any order suspending the effectiveness of a Registration Statement or of any order preventing or suspending the use of a Prospectus and, if any such order is issued, to use its reasonable best efforts to obtain the withdrawal of any such order at the earliest possible moment.

(e) If requested by the managing underwriter or underwriters, if any, or the Holders of the majority in Amount of Registrable Securities being sold in connection with an underwritten offering (i) promptly incorporate in a prospectus supplement or post-effective amendment such information as the managing underwriter or underwriters, if any, such Holders or counsel for any of them reasonably determine is necessary to be included therein, (ii) make all required filings of such prospectus supplement of such post-effective amendment as soon as reasonably practicable after the Company has received notification of the matters to be incorporated in such prospectus supplement or post-effective amendment and (iii) supplement or make amendment to such Registration Statement.

(f) Furnish to each selling Holder of Registrable Securities, a single counsel to such Holders (chosen in accordance with Section 5(b)) and each managing underwriter, if any, at the sole expense of the Company, one conformed copy of the Registration Statement or Registration Statements and each post-effective amendment thereto, including financial statements but excluding schedules, all documents incorporated or deemed to be incorporated therein by reference and all exhibits (unless requested in writing to the Company by such Holder of Registrable Securities or managing underwriter, as the case may be).

(g) Deliver to each selling Holder of Registrable Securities, a single counsel to such Holders (chosen in accordance with Section 5(b)) and the underwriters, if any, at the sole expense of the Company, as many copies of the Prospectus (including each form of preliminary prospectus) and each amendment or supplement thereto and any documents incorporated by reference therein as such Persons may reasonably request; and, subject to the second paragraph of Section 4(s) hereof, the Company hereby consents to the use of such Prospectus and each amendment or supplement thereto by each of the selling Holders of Registrable Securities and the underwriters or agents, if any, and dealers (if any), in connection with the offering and sale of the Registrable Securities covered by such Prospectus and any amendment or supplement thereto.

(h) Prior to any public offering of Registrable Securities, to use its reasonable best efforts to register or qualify, to the extent required by applicable law, and to cooperate with the selling Holders of Registrable Securities, the managing underwriter or underwriters, if any, and their respective counsel in connection with the registration or qualification (or exemption from such registration or qualification) of such Registrable Securities or offer and sale under the securities or Blue Sky laws of such jurisdictions within the United States as any selling Holder, or the managing underwriter or underwriters, if any, reasonably request; provided, however, that where Registrable Securities are offered other than through an underwritten offering, the Company agrees to cause the Company's counsel to perform Blue Sky investigations and file registrations and qualifications required to be filed pursuant to this Section 4(h); keep each such registration or qualification (or exemption therefrom) effective during the period such Registration Statement is required to be kept effective and do any and all other acts or things reasonably necessary or advisable to enable the disposition in such jurisdictions of the Registrable Securities covered by the applicable Registration Statement; provided, however, that the Company shall not be required to (A) qualify generally to do business in any jurisdiction where it is not then so qualified, (B) take any action that would subject it to general service of process in any such where it is not then so subject or (C) subject itself to taxation in excess of a nominal dollar amount in any such jurisdiction where it is not then so subject.

(i) Cooperate with the selling Holders of Registrable Securities and the managing underwriter or underwriters, if any, to facilitate the timely preparation and delivery of certificates representing shares of Registrable Securities to be sold, which certificates shall not bear any restrictive legends and shall be in a form eligible for deposit with The Depository Trust Company; and enable such shares of Registrable Securities to be in such denominations and registered in such names as the managing underwriter or underwriters, if any, or Holders may reasonably request.

(j) Use its reasonable best efforts to cause the Registrable Securities covered by any Shelf Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be reasonably necessary to enable the seller or sellers thereof or the underwriter or underwriters, if any, to consummate the disposition of such Registrable Securities, except as may be required solely as a consequence of the nature of such selling Holder's business, in which case the Company will cooperate in all reasonable respects with the filing of such Registration Statement and the granting of such approvals.

(k) Upon the occurrence of any event contemplated by paragraph 4(c)(ii), 4(c)(iii) or 4(c)(iv) hereof, as promptly as practicable prepare and (subject to Section 4(a) hereof) file with the SEC, at the sole expense of the Company, a supplement or post-effective amendment to the Registration Statement or a supplement to the related Prospectus or any document incorporated or deemed to be incorporated therein by reference, or file any other required document so that, as

thereafter delivered to the purchasers of the Registrable Securities being sold hereunder, any such Prospectus 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, in the light of the circumstances under which they were made, not misleading.

(l) Prior to the effective date of the first Registration Statement relating to the Registrable Securities, (i) provide the Trustee with certificates for the Registrable Securities in a form eligible for deposit with The Depository Trust Company and (ii) provide required CUSIP numbers for the Registrable Securities.

(m) In connection with any underwritten offering of Registrable Securities pursuant to a Shelf Registration, enter into an underwriting agreement as is customary in underwritten offerings of securities similar to the Registrable Securities and take all such other actions as are reasonably requested by the managing underwriter or underwriters in order to expedite or facilitate the registration or the disposition of such Registrable Securities and, in such connection, (i) make such representations and warranties to, and covenants with, the underwriters with respect to the business of the Company and its subsidiaries (including any acquired business, properties or entity, if applicable) and the Registration Statement, Prospectus and documents, if any, incorporated or deemed to be incorporated by reference therein, in each case, as are customarily made by issuers to underwriters in underwritten offerings of securities similar to the Registrable Securities and confirm the same in writing if and when requested; (ii) obtain the written opinion of counsel to the Company and written updates thereof in form, scope and substance reasonably satisfactory to the managing underwriter or underwriters, addressed to the underwriters covering the matters customarily covered in opinions requested in underwritten offerings of securities similar to the Registrable Securities and such other matters as may be reasonably requested by the managing underwriter or underwriters; and (iii) obtain "cold comfort" letters and updates thereof in form, scope and substance reasonably satisfactory to the managing underwriter or underwriters from the independent certified public accountants of the Company (and, if necessary, any other independent certified public accountants of any subsidiary of the Company or of any business acquired by the Company for which financial statements and financial data are, or are required to be, included or incorporated by reference in the Registration Statement), addressed to each of the underwriters, such letters to be in customary form and covering matters of the type customarily covered in "cold comfort" letters in connection with underwritten offerings of securities similar to the Registrable Securities and such other matters as reasonably requested by the managing underwriter or underwriters as permitted by the Statement on Auditing Standards No. 72. The above shall be done as and to the extent required by such underwriting agreement.

(n) Make available for inspection by any selling Holder of such Registrable Securities being sold, any underwriter participating in any such disposition of Registrable Securities, if any, and any attorney, accountant or other agent retained by any such selling Holder, or underwriter (collectively, the "Inspectors"), at the offices where normally kept, during reasonable business hours at such time or times as shall be mutually convenient for the Company and the Inspectors as a group, all financial and other records, pertinent corporate documents and instruments of the Company and its subsidiaries (collectively, the "Records") as shall be reasonably necessary to enable them to exercise any applicable due diligence responsibilities, and cause the officers, directors and employees of the Company and its subsidiaries to supply all information reasonably requested by any such Inspector in connection with such Registration Statement. Records that the Company determines, in good faith, to be confidential and any Records that it notifies the Inspectors are confidential shall not be disclosed by any Inspector unless (i) the disclosure of such Records is necessary to avoid or correct a material misstatement or material omission in such Registration Statement, (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction, (iii) disclosure of such information is, in the opinion of counsel for any Inspector, necessary or advisable in connection with any action, claim, suit or proceeding directly involving or potentially involving such Inspector and arising out of, based upon, relating to, or involving this Agreement or any transactions contemplated hereby or arising hereunder, (iv) the information in such Records has been made generally available to the public other than through the acts of such Inspector; provided, however, that prior notice shall be provided as soon as practicable to the Company of the potential disclosure of any information by such Inspector pursuant to clause (ii) or (iii) of this sentence to permit the Company to obtain a protective order (or waive the provisions of this paragraph (n)) and that such Inspector shall take such actions as are reasonably necessary to protect the confidentiality of such information (if practicable) to the extent such action is otherwise not inconsistent with, an impairment of or in derogation of the rights and interests of any Holder or Inspector or (v) the information in such Records has been made generally available to the public other than as a result of a breach of this Agreement.

(o) Provide (i) the Holders of the Registrable Securities to be included in such Registration Statement and not more than one counsel for all the Holders of such Registrable Securities, (ii) the underwriters (which term, for purposes of this Registration Rights Agreement, shall include a Person deemed to be an underwriter within

the meaning of Section 2(11) of the Securities Act), if any, thereof, (iii) the sales or placement agent, if any, thereof, and (iv) one counsel for such underwriters or agents, reasonable opportunity to participate in the preparation of such Registration Statement, each prospectus included therein or filed with the SEC, and each amendment or supplement thereto.

(p) Comply with all applicable rules and regulations of the SEC and make generally available to its securityholders earning statements satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder (or any similar rule promulgated under the Securities Act) no later than 45 days after the end of any 12-month period (or 90 days after the end of any 12-month period if such period is a fiscal year) (i) commencing at the end of any fiscal quarter in which Registrable Securities are sold to underwriters in a firm commitment or best efforts underwritten offering and (ii) if not sold to underwriters in such an offering, commencing on the first day of the first fiscal quarter of the Company after the effective date of a Registration Statement, which statements shall cover said 12-month periods.

(q) Cooperate with each seller of Registrable Securities covered by any Registration Statement and each underwriter, if any, participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings required to be made with the National Association of Securities Dealers, Inc. (the "NASD"), including, if the Conduct Rules of the NASD or any successor thereto as amended from time to time so require, engaging a "qualified independent underwriter" ("QIU") as contemplated therein and making Records available to such QIU as though it were a participating underwriter for the purposes of Section 4(n) and otherwise applying the provisions of this Agreement to such QIU (including indemnification) as though it were a participating underwriter.

(r) Cause the Indenture to be qualified under the TIA not later than the effective date of the first Registration Statement relating to the Registrable Securities; and in connection therewith, cooperate with the Trustee and the Holders of the Registrable Securities to effect such changes to the Indenture as may be required for the Indenture to be so qualified in accordance with the terms of the TIA; and execute, and use its reasonable best efforts to cause the Trustee to execute, all documents as may be required to effect such changes and all other forms and documents required to be filed with the SEC to enable the Indenture to be so qualified in a timely manner.

(s) Use its reasonable best efforts to take all other steps necessary or advisable to effect the registration of the Registrable Securities covered by a Registration Statement contemplated hereby.

Each Holder who intends to be named as a selling Holder in the Shelf Registration Statement shall furnish to the Company in writing, within 25 Business Days after receipt of a request therefor as set forth in a questionnaire in the form attached hereto as Annex A, such information regarding such Holder and the proposed distribution by such Holder of its Registrable Securities as the Company may reasonably request for use in connection with the Shelf Registration Statement or Prospectus or preliminary Prospectus included therein. Holders that do not complete the questionnaire and deliver it to the Company shall not be named as selling securityholders in the Prospectus or preliminary Prospectus included in the Shelf Registration Statement and therefore shall not be permitted to sell any Registrable Securities pursuant to the Shelf Registration Statement. Each Holder who intends to be named as a selling Holder in the Shelf Registration Statement shall promptly furnish to the Company in writing such other information as the Issuer may from time to time reasonably request in writing. Each seller as to which any Shelf Registration is being effected agrees to furnish promptly to the Company all information required to be disclosed so that the information previously furnished to the Company by such seller is not materially misleading and does not omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances under which they were made.

Each Holder of Registrable Securities agrees by acquisition of such Registrable Securities that, upon actual receipt of any notice from the Company of the happening of any event of the kind described in Section 4(c)(ii), 4(c)(iii) or 4(c)(iv) hereof, such Holder will forthwith discontinue disposition of such Registrable Securities covered by such Registration Statement or Prospectus until such Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 4(k) hereof, or until it is advised in writing by the Company that the use of the applicable Prospectus may be resumed, and has received copies of any amendments or supplements thereto.

## 5. Registration Expenses.

(a) All fees and expenses incident to the performance of or compliance with this Agreement by the Company shall be borne by the Company, including, without limitation, (i) all registration and filing fees (including, without limitation, (A) fees with respect to filings required to be made with the NASD in connection with an underwritten offering and (B) fees and expenses of compliance with state securities or Blue Sky laws (including, without limitation, reasonable fees and disbursements of counsel in connection with Blue Sky qualifications of the Registrable Securities and determination of the eligibility of the Registrable Securities for investment under the laws of such jurisdictions as provided in Section 4(h) hereof), (ii) printing expenses, including, without limitation, expenses of printing certificates for Registrable

Securities in a form eligible for deposit with The Depository Trust Company and of printing prospectuses if the printing of prospectuses is requested by the managing underwriter or underwriters, if any, or by the Holders of the majority in Amount of Registrable Securities included in any Registration Statement, (iii) messenger, telephone and delivery expenses, (iv) fees and disbursements of counsel for the Company and reasonable fees and disbursements of a single counsel (chosen in accordance with Section 5(b)) for the sellers of Registrable Securities (subject to the provisions of Section 5(b) hereof), (v) fees and disbursements of all independent certified public accountants referred to in Section 4(m)(iii) hereof (including, without limitation, the expenses of any special audit and "cold comfort" letters required by or incident to such performance), (vi) Securities Act liability insurance, if the Company desires such insurance, (vii) fees and expenses of all other Persons retained by the Company, (viii) internal expenses of the Company (including, without limitation, all salaries and expenses of officers and employees of the Company performing legal or accounting duties), (ix) the expense of any annual audit, (x) the fees and expenses incurred in connection with the listing of the securities to be registered on any securities exchange, if applicable, and (xi) the expenses relating to printing, word processing and distributing all Registration Statements, underwriting agreements, securities sales agreements and any other documents necessary in order to comply with this Agreement. Notwithstanding anything in this Agreement to the contrary, each Holder shall pay all underwriting discounts and brokerage commissions with respect to any Registrable Securities sold by it.

(b) The Company shall reimburse the Holders of the Registrable Securities being registered in a Shelf Registration for the reasonable fees and disbursements of not more than one counsel chosen by the Holders of a majority in Amount of Registrable Securities to be included in such Registration Statement.

#### 6. Indemnification.

The Company agrees to indemnify and hold harmless (i) each Initial Purchaser, (ii) each Holder, (iii) each Person, if any, who controls (within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act) any of the foregoing (any of the Persons referred to in this clause (iii) being hereinafter referred to as a "controlling person"), (iv) the respective officers, directors, partners, employees, representatives and agents of the Initial Purchasers, the Holders (including predecessor Holders) or any controlling person (any person referred to in clause (i), (ii), (iii) or (iv) may hereinafter be referred to as an "Indemnified Holder"), from and against any and all losses, claims, damages, liabilities and judgments (including, without limitation, reasonable legal fees and other expenses incurred in connection with any suit, action or proceeding or any claim asserted) caused by any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement or Prospectus, or any amendment or supplement thereto or any related preliminary prospectus, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with information relating to any Holder furnished to the Company in writing by such Holder expressly for use in therein; provided, however, that the Company shall not be liable to any Indemnified Holder under the indemnity agreement of this paragraph with respect to any preliminary prospectus to the extent that any such loss, claim, damage, liability, judgment or expense of such Indemnified Holder results from the fact that such Indemnified Holder sold Registrable Securities under a Registration Statement to a Person as to whom it shall be established that there was not sent or given, at or prior to the written confirmation of such sale, a copy of the Prospectus (or of the preliminary prospectus as then amended or supplemented if the Company shall have furnished such Indemnified Holder with such amendment or supplement thereto on a timely basis) and the loss, claim, damage, liability or expense of such Indemnified Holder results from an untrue statement or omission of a material fact contained in the preliminary prospectus which was corrected in the Prospectus (or in the preliminary prospectus as then amended or supplemented if the Company shall have furnished such Indemnified Holder with such amendment or supplement thereto, as the case may be, on a timely basis). The Company shall notify Indemnified Holder promptly of the institution, threat or assertion of any claim, proceeding (including any governmental investigation) or litigation in connection with the matters addressed by this Agreement which involves the Company or such Indemnified Holder.

Each Holder agrees, severally and not jointly, to indemnify and hold harmless the Company, its directors, officers and each Person who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to each Holder, but only with reference to such losses, claims, damages or liabilities which are caused by any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with information relating to a Holder furnished to the Company in writing by such Holder expressly for use in any Registration Statement or Prospectus, or any amendment or supplement thereto or any related preliminary prospectus.

If any suit, action, proceeding (including any governmental or regulatory investigation), claim or demand shall be brought or asserted against any Person in respect of which indemnity may be sought pursuant to either of the two preceding paragraphs, such Person (the "Indemnified Person") shall promptly notify the Person or Persons against whom such indemnity may be sought (each an "Indemnifying Person") in writing, and such Indemnifying Person, upon request of the Indemnified



Person, shall retain counsel reasonably satisfactory to the Indemnified Person to represent the Indemnified Person and any others entitled to indemnification pursuant to this Section 6 that the Indemnifying Person may designate in such proceeding and shall pay the fees and expenses of such counsel related to such proceeding. In any such proceeding, any Indemnified Person shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Person unless (i) such Indemnifying Person and the Indemnified Person shall have mutually agreed to the contrary, (ii) such Indemnifying Person has failed within a reasonable time to retain counsel reasonably satisfactory to such Indemnified Person or (iii) the named parties in any such proceeding (including any impleaded parties) include an Indemnifying Person and an Indemnified Person and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that an Indemnifying Person shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all Indemnified Persons, and that all such fees and expenses shall be reimbursed as they are incurred. Any such separate firm for the Indemnified Holders shall be designated in writing by the Holders of the majority in Amount of Registrable Securities, and any such separate firm for the Company, its directors, respective officers and such control Persons of the Company shall be designated in writing by the Company. The Indemnifying Person shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, such Indemnifying Person agrees to indemnify any Indemnified Person from and against any loss or liability by reason of such settlement or judgment. No Indemnifying Person shall, without the prior written consent of the Indemnified Person, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Person is or could have been a party and indemnity could have been sought hereunder by such Indemnified Person, unless such settlement (i) includes an unconditional release of such Indemnified Person from all liability on claims that are the subject matter of such proceeding 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 Person.

If the indemnification provided for in the first and second paragraphs of this Section 6 is unavailable to an Indemnified Person or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each Indemnifying Person under such paragraph, in lieu of indemnifying such Indemnified Person thereunder, shall contribute to the amount paid or payable by such Indemnified Person as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Indemnifying Person on the one hand, and the Indemnified Person on the other hand, pursuant to the Purchase Agreement or from the offering of the Registrable Securities pursuant to any Shelf Registration or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Indemnifying Person on the one hand, and the Indemnified Person on the other, in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand, and any Indemnified Holder on the other, shall be deemed to be in the same proportion as the total net proceeds from the initial offering and sale of Convertible Notes (before deducting expenses) received by the Company bear to the total net proceeds received by such Indemnified Holder from sales of Registrable Securities giving rise to such obligations. The relative fault of the parties shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or such Indemnified Holder and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

Each of the Company and the Initial Purchasers agrees that it would not be just and equitable if contribution pursuant to this Section 6 were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an Indemnified Person as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses incurred by such Indemnified Person in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 6, in no event shall any Holder be required to contribute any amount in excess of the amount by which the net proceeds received by such Holder from the sale of the Registrable Securities pursuant to a Shelf Registration Statement exceeds the amount of damages which such Holder would have 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 Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

The remedies provided for in this Section 6 are not exclusive and shall not limit any rights or remedies that may otherwise be available to any indemnified party at law or in equity.

The indemnity and contribution agreements contained in this Section 6 shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Holder or any Person controlling any Holder or

by or on behalf of the Company, its officers or directors or any other Person controlling any of the Company and (iii) acceptance of and payment for any of the Registrable Securities.

7. Rules 144 and 144A.

The Company covenants that it will file the reports required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations adopted by the SEC thereunder in a timely manner in accordance with the requirements of the Securities Act and the Exchange Act and, for so long as any Registrable Securities remain outstanding, if at any time the Company is not required to file such reports, it will, upon the request of any Holder or beneficial owner of Registrable Securities, make available such information necessary to permit sales pursuant to Rule 144A under the Securities Act. The Company further covenants that, for so long as any Registrable Securities remain outstanding, it will use its reasonable best efforts to take such further action as any Holder of Registrable Securities may reasonably request, all to the extent required from time to time to enable such holder to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by (a) Rule 144(k) and Rule 144A under the Securities Act, as such rules may be amended from time to time, or (b) any similar rule or regulation hereafter adopted by the SEC. Notwithstanding the foregoing, nothing in this Section 7 shall be deemed to require the Company to register any of its securities pursuant to the Exchange Act.

8. Underwritten Registrations.

If any of the Registrable Securities covered by any Shelf Registration are to be sold in an underwritten offering, the investment banker or investment bankers and manager or managers that will manage the offering will be selected by the Holders of the majority in Amount of Registrable Securities to be included in such offering and will be reasonably acceptable to the Company.

No Holder of Registrable Securities may participate in any underwritten registration hereunder unless such Holder (a) agrees to sell such Holder's Registrable Securities on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements.

9. Miscellaneous.

(a) No Inconsistent Agreements. The Company has not, as of the date hereof, and the Company shall not, after the date of this Agreement, enter into any agreement with respect to any of its securities that is inconsistent with the rights granted to the Holders of Registrable Securities in this Agreement or otherwise conflicts with the provisions hereof. The Company has not entered and will not enter into any agreement with respect to any of its securities that will grant to any Person piggyback registration rights with respect to a Registration Statement, except to the extent any existing right has heretofore been waived.

(b) Adjustments Affecting Registrable Securities. The Company shall not, directly or indirectly, take any action with respect to the Registrable Securities as a class that would adversely affect the ability of the Holders of Registrable Securities to include such Registrable Securities in a registration undertaken pursuant to this Agreement.

(c) Amendments and Waivers. The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, otherwise than with the prior written consent of the Company and the Holders of not less than the majority in Amount of Registrable Securities; provided, however, that Section 6 and this Section 9(c) may not be amended, modified or supplemented without the prior written consent of the Company and each Holder (including, in the case of an amendment, modification or supplement of Section 6, any Person who was a Holder of Registrable Securities disposed of pursuant to any Registration Statement). Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of Holders of Registrable Securities whose securities are being sold pursuant to a Registration Statement and that does not directly or indirectly affect, impair, limit or compromise the rights of other Holders of Registrable Securities may be given by Holders of at least a majority in Amount of the Registrable Securities being sold by such Holders pursuant to such Registration Statement.

(d) Notices. All notices and other communications (including, without limitation, any notices or other communications to the Trustee) provided for or permitted hereunder shall be made in writing by hand-delivery, registered first-class mail, next-day air courier or facsimile:

- (1) if to a Holder of the Registrable Securities, at the most current address of such Holder set forth on the records of the registrar under the Indenture, in the case of Holders of Convertible Notes, and the stock ledger of the Company, in the case of Holders of common stock of the Company.
- (2) if to the Initial Purchasers:

BANC OF AMERICA SECURITIES LLC  
BNY CAPITAL MARKETS, INC.  
FIRST UNION SECURITIES, INC.  
SCOTIA CAPITAL (USA) INC.  
FLEET SECURITIES, INC.  
c/o J.P. Morgan Securities Inc.  
60 Wall Street  
New York, New York 10260  
Attention: Syndicate Department

with copies to:

Cahill Gordon & Reindel  
80 Pine Street  
New York, New York 10005  
Facsimile No.: (212) 269-5420  
Attention: Gerald Tanenbaum, Esq.

(3) if to the Company, at the addresses as follows:

Venator Group, Inc.  
112 West 34th Street  
New York, New York 10120  
Facsimile No.: (212) 720-3643  
Attention: Gary Bahler, General Counsel

with copies to:

Skadden, Arps, Slate, Meagher & Flom LLP  
Four Times Square  
New York, New York 10036  
Facsimile No.: (212) 735-2000  
Attention: David Goldschmidt, Esq.

All such notices and communications shall be deemed to have been duly given: when delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; one Business Day after being timely delivered to a next-day air courier; and when receipt is acknowledged by the addressee, if sent by facsimile.

(e) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties hereto, including the Holders; provided, however, that this Agreement shall not inure to the benefit of or be binding upon a successor or assign of a Holder unless and except to the extent such successor or assign holds Registrable Securities.

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

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

(h) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS MADE AND PERFORMED WHOLLY WITHIN THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. EACH OF THE PARTIES HERETO AGREES TO SUBMIT TO THE JURISDICTION OF THE FEDERAL AND NEW YORK STATE COURTS SITTING IN MANHATTAN, NEW YORK CITY, THE STATE OF NEW YORK, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT.

(i) Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their best efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

(j) Securities Held by the Company or Its Affiliates. Whenever the consent or approval of Holders of a specified percentage in Amount of Registrable Securities is required hereunder, Registrable Securities held by the Company or its affiliates (as such term is defined in Rule 405 under the Securities Act) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

(k) Third Party Beneficiaries. Holders of Registrable Securities are intended third party beneficiaries of this Agreement and this Agreement may be enforced by such Persons.

(l) Entire Agreement. This Agreement, together with the Purchase Agreement and the Indenture, is intended by the parties as a final and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein and therein and any and all prior oral or written agreements, representations, or warranties, contracts, understandings, correspondence, conversations and memoranda between the Initial Purchasers on the one hand, and the Company on the other, or between or among any agents, representatives, parents,

subsidiaries, affiliates, predecessors in interest or successors in interest with respect to the subject matter hereof and thereof are merged herein and replaced hereby.

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

VENATOR GROUP, INC.

By: /s/ John Cannon

-----  
Name: John Cannon  
Title: Vice President and Treasurer

J.P. MORGAN SECURITIES INC.  
BANC OF AMERICA SECURITIES LLC  
BNY CAPITAL MARKETS, INC.  
FIRST UNION SECURITIES, INC.  
SCOTIA CAPITAL (USA) INC.  
FLEET SECURITIES, INC.

By: J.P. MORGAN SECURITIES INC.

By: /s/ Paul A. O'Hearn

-----  
Name: Paul A. O'Hearn  
Title: Vice President

ANNEX A

VENATOR GROUP, INC.  
NOTICE OF REGISTRATION STATEMENT AND  
SELLING SECURITYHOLDER ELECTION AND QUESTIONNAIRE

NOTICE

Venator Group, Inc. (the "Company") has filed, or intends shortly to file, with the Securities and Exchange Commission (the "Commission"), a registration statement on Form S-3 or such other Form as may be available (the "Shelf Registration Statement") for the registration and resale under Rule 415 of the Securities Act of 1933, as amended (the "Securities Act"), of the Company's Convertible Subordinated Notes due 2008 (CUSIP No. ) (the "Notes"), and common stock, par value \$0.01 per share, issuable upon conversion thereof (the "Shares" and, together with the Notes, the "Transfer Restricted Securities") in accordance with the terms of the Registration Rights Agreement, dated as of June 8, 2001 (the "Registration Rights Agreement"), between the Company and J.P. MORGAN SECURITIES INC., BANC OF AMERICA SECURITIES LLC, BNY CAPITAL MARKETS, INC., FIRST UNION SECURITIES, INC., SCOTIA CAPITAL (USA) INC. and FLEET SECURITIES, INC. A copy of the Registration Rights Agreement is available from the Company. All capitalized terms not otherwise defined herein have the meaning ascribed thereto in the Registration Rights Agreement.

To sell or otherwise dispose of any Transfer Restricted Securities pursuant to the Shelf Registration Statement, a beneficial owner of Transfer Restricted Securities generally will be required to be named as a selling securityholder in the related Prospectus, deliver a Prospectus to purchasers of Transfer Restricted Securities, be subject to certain civil liability provisions of the Securities Act and be bound by those provisions of the Registration Rights Agreement applicable to such beneficial owner (including certain indemnification rights and obligations, as described below). To be included in the Shelf Registration Statement, this Election and Questionnaire must be completed, executed and delivered to the Company at the address set forth herein for receipt PRIOR TO OR ON [insert date that is 25 business days from the notice date] (the "Election and Questionnaire Deadline"). Beneficial owners that do not complete and return this Election and Questionnaire prior to the Election and Questionnaire Deadline and deliver it to the Company as provided below will not be named as selling securityholders in the prospectus and therefore will not be permitted to sell any Transfer Restricted Securities pursuant to the Shelf Registration Statement.

Certain legal consequences arise from being named as a selling securityholder in the Shelf Registration Statement and the related Prospectus. Accordingly, holders and beneficial owners of Transfer Restricted Securities are advised to consult their own securities law counsel regarding the consequences of being named or not being named as a selling securityholder in the Shelf Registration Statement and the related Prospectus.

ELECTION

The undersigned holder (the "Selling Securityholder") of Transfer Restricted Securities hereby elects to include in the Shelf Registration Statement the Transfer Restricted Securities beneficially owned by it and listed below in Item 3 (unless otherwise specified under Item 3). The undersigned, by signing and returning this Election and Questionnaire, understands that it will be bound with respect to such Transfer Restricted Securities by the terms and conditions of this Election

and Questionnaire and the Registration Rights Agreement.

Pursuant to the Registration Rights Agreement, the Selling Securityholder has agreed to indemnify and hold harmless the Company, the Company's directors, the Company's officers, employees, representatives and agents and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against certain losses arising in connection with statements concerning the Selling Securityholder made in the Shelf Registration Statement or the related Prospectus in reliance upon the information provided in this Election and Questionnaire.

The Selling Securityholder hereby provides the following information to the Company and represents and warrants that such information is accurate and complete:

QUESTIONNAIRE

1. (a) Full legal name of Selling Securityholder:

\_\_\_\_\_

(b) Full legal name of registered holder (if not the same as (a) above) through which Transfer Restricted Securities listed in (3) below are held:

\_\_\_\_\_

(c) Full legal name of DTC participant (if applicable and if not the same as (b) above) through which Transfer Restricted Securities listed in (3) are held:

\_\_\_\_\_

2. Address for notices to Selling Securityholders:

Telephone: \_\_\_\_\_

Fax: \_\_\_\_\_

Contact Person: \_\_\_\_\_

3. Beneficial ownership of Transfer Restricted Securities:

(a) Type of Transfer Restricted Securities beneficially owned, and principal amount of Notes or number of shares of Common Stock, as the case may be, beneficially owned:

\_\_\_\_\_

(b) CUSIP No(s). of such Transfer Restricted Securities beneficially owned:

\_\_\_\_\_

4. Beneficial ownership of the Company's securities owned by the Selling Securityholder:

Except as set forth below in this Item (4), the undersigned is not the beneficial or registered owner of any securities of the Company other than the Transfer Restricted Securities listed above in Item (3) ("Other Securities").

(a) Type and amount of Other Securities beneficially owned by the Selling Securityholder:

\_\_\_\_\_

(b) CUSIP No(s). of such Other Securities beneficially owned:

\_\_\_\_\_

5. Relationship with the Company:

Except as set forth below, neither the undersigned nor any of its affiliates, officers, directors or principal equity holders (5% or more) has held any position or office or has had any other material relationship with the Company) (or their predecessors or affiliates) during the past three years.

State any exceptions here:

\_\_\_\_\_  
\_\_\_\_\_

6. Plan of Distribution:

Except as set forth below, the undersigned (including its donees or pledgees) intends to distribute the Transfer Restricted Securities listed above in Item (3) pursuant to the Shelf Registration Statement only as follows (if at all). Such Transfer Restricted Securities may be sold from time to time directly by the undersigned or, alternatively, through underwriters, broker-dealers or agents. If the Transfer Restricted Securities are sold through underwriters or broker-dealers, the Selling

Securityholder will be responsible for underwriting discounts or commissions or agent's commissions. Such Transfer Restricted Securities may be sold in one or more transactions at fixed prices, at prevailing market prices at the time of sale, at varying prices determined at the time of sale, or at negotiated prices. Such sales may be effected in transactions (which may involve crosses or block transactions):

(i) on any national securities exchange or quotation service on which the Transfer Restricted Securities may be listed or quoted at the time of sale;

(ii) in the over-the-counter market;

(iii) in transactions otherwise than on such exchanges or services or in the over-the-counter market;  
or

(iv) through the writing of options.

In connection with sales of the Transfer Restricted Securities or otherwise, the undersigned may enter into hedging transactions with broker-dealers, which may in turn engage in short sales of the Transfer Restricted Securities and deliver Transfer Restricted Securities to close out such short positions, or loan or pledge Transfer Restricted Securities to broker-dealers that in turn may sell such securities.

State any exceptions here:

---

Note: In no event will such method(s) of distribution take the form of an underwritten offering of the Transfer Restricted Securities without the prior agreement of the Company.

By signing below, the Selling Securityholder acknowledges that it understands its obligation to comply, and agrees it will comply, with the provisions of the prospectus delivery and other provisions of the Securities Act and Exchange Act and the respective rules and regulations promulgated thereunder, particularly Regulation M thereunder (or any successor rules or regulations), in connection with any offering of Transfer Restricted Securities pursuant to the Shelf Registration Statement.

If the Selling Securityholder transfers all or any portion of the Transfer Restricted Securities listed in Item (3) above after the date on which such information is provided to the Company, the Selling Securityholder agrees to notify the transferee(s) at the time of the transfer of its rights and obligations under this Election and Questionnaire and the Registration Rights Agreement.

By signing below, the Selling Securityholder consents to the disclosure of the information contained herein in its answers to Items (1) through (6) above and the inclusion of such information in the Shelf Registration Statement and the related Prospectus. The Selling Securityholder understands that such information will be relied upon by the Company in connection with the preparation or amendment of the Shelf Registration Statement and the related Prospectus.

In accordance with the Selling Securityholder's obligation under the Registration Rights Agreement to provide such information as may be required by law for inclusion in the Shelf Registration Statement, the Selling Securityholder agrees to promptly notify the Company of any inaccuracies or changes in the information provided herein that may occur subsequent to the date hereof at any time while the Shelf Registration Statement remains effective. All notices hereunder and pursuant to the Registration Rights Agreement shall be made in writing at the address set forth below.

Once this Election and Questionnaire is executed by the Selling Securityholders and received by the Company, the terms of this Election and Questionnaire and the representations and warranties contained herein shall be binding on, shall inure to the benefit of and shall be enforceable by the respective successors, heirs, personal representatives and assigns of the Company and the Selling Securityholder with respect to the Transfer Restricted Securities beneficially owned by such Selling Securityholder and listed in Item (3) above. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the undersigned, by authority duly given, has caused this Election and Questionnaire to be executed and delivered either in person or by its authorized agent.

Dated:

Beneficial Owner

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

Name:

Title:

Please return the completed and executed Election and Questionnaire for receipt

prior to or on [deadline for response] to Venator Group, Inc. at:

Venator Group, Inc.  
112 W. 34th Street  
New York, NY 10120  
Attention: Treasurer

EXHIBIT 1 TO ANNEX A

NOTICE TO TRANSFER PURSUANT  
TO REGISTRATION STATEMENT

Venator Group, Inc.  
112 W. 34th Street  
New York, NY 10120  
Attention: Treasurer

The Bank of New York  
101 Barclay Street  
New York, NY 10286

Attention: \_\_\_\_\_

Re: Venator Group, Inc.'s  
5.50% Convertible Subordinated  
Notes due 2008 (the "Notes")

Dear Sirs:

Please be advised that has transferred \$ aggregate principal amount of the above-referenced Notes or shares of the Company's Common Stock issued on conversion or repurchase of the Notes, pursuant to the Registration Statement on Form S-3 (File No. 333- ) filed by the Company.

We hereby certify that the prospectus delivery requirements, if any, of the Securities Act of 1933, as amended, have been satisfied with respect to the transfer described above and that the above-named beneficial owner of the Notes or Common Stock is named as a selling securityholder in the Prospectus dated , or in amendments or supplements thereto, and that the aggregate principal amount of the Notes or number of shares of Common Stock transferred are [all or a portion of] the Notes or Common Stock listed in such Prospectus, as amended or supplemented, opposite such owner's name.

Very truly yours,

[NAME]

By: \_\_\_\_\_  
(Authorized Signature)

Dated:

[LETTERHEAD OF SKADDEN, ARPS, SLATE, MEAGHER &amp; FLOM LLP]

July 11, 2001

Venator Group, Inc.  
 112 West 34th Street  
 New York, New York 10120

Re: Venator Group Inc.'s Registration Statement on Form S-3  
 -----

Ladies and Gentlemen:

We have acted as special counsel to Venator Group, Inc., a New York corporation (the "Company"), in connection with its filing with the Securities and Exchange Commission (the "Commission") of a registration statement on Form S-3 on July 11, 2001 (the "Registration Statement") with respect to the registration under the Securities Act of 1933, as amended (the "Securities Act"), of \$125,000,000 aggregate principal amount at maturity of its 5.50% Convertible Subordinated Notes due 2008 (the "Securities"), and shares of the Company's common stock (the "Common Stock"), par value \$0.01 per share (the "Shares"), issuable upon conversion of the Securities, as contemplated by the Registration Rights Agreement, dated as of June 8, 2001 (the "Registration Rights Agreement"), by and among the Company, J.P. Morgan Securities Inc., Banc of America Securities LLC, BNY Capital Markets, Inc., First Union Securities, Inc., Scotia Capital (USA) Inc., and Fleet Securities, Inc. (collectively, the "Initial Purchasers"). The Company issued the Securities pursuant to a purchase agreement, dated as of June 4, 2001, by and among the Company and the Initial Purchasers (the "Purchase Agreement"). The Securities and the Shares are to be offered and sold by certain securityholders of the Company.

This opinion is being furnished in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the Securities Act.

In connection with this opinion, we have examined originals or copies, certified or otherwise identified to our satisfaction, of (i) the Registration Statement; (ii) an executed copy of the Registration Rights Agreement; (iii) an executed copy of the indenture, dated as of June 8, 2001 (the "Indenture"), between the Company and The Bank of New York, as trustee; (iv) the Certificate of Incorporation of the Company, as amended to date; (v) the By-laws of the Company, as amended to date; (vi) certain resolutions of the Company's Board of Directors adopted by unanimous written consent on May 23, 2001 relating to the issuance and sale of securities, execution of a registration rights agreement and filing of a registration statement and related matters; (vii) the Form T-1 of the Trustee filed as an exhibit to the Registration Statement; (viii) the form of note representing the Securities; and (ix) a specimen certificate representing the Common Stock. We have also examined originals or copies, certified or otherwise identified to our satisfaction, of such records of the Company and such agreements, certificates of public officials, certificates of officers or other representatives of the Company and others, and such other documents, certificates and records as we have deemed necessary or appropriate as a basis for the opinions set forth herein.

In our examination, we have assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified, conformed or photostatic copies and the authenticity of the originals of such latter documents. In making our examination of executed documents, we have assumed that the parties thereto, other than the Company, had or will have the power, corporate or other, to enter into and perform all obligations thereunder and have also assumed the due authorization by all requisite action, corporate or other, and execution and delivery by such parties of such documents and the validity and binding effect on such parties. As to any facts material to the opinions expressed herein which we have not independently established or verified, we have relied upon oral or written statements and representations of officers and other representatives of the Company and others. In rendering the opinion set forth in paragraph 2 below, we have assumed that the certificates evidencing the Shares will be manually signed by one of the authorized officers of the transfer agent and registrar for the Common Stock and registered by such transfer agent and registrar and will conform to the specimen certificate examined by us evidencing the Common Stock.

Our opinions set forth herein are limited to the laws of the State of New York which, in our experience, are normally applicable to transactions of the type contemplated by the Registration Statement and Registration Rights Agreement and to the extent that judicial or regulatory orders or decrees or consents, approvals, licenses, authorizations, validations, filings, recordings or registrations with governmental authorities are relevant, to those required under such laws (all of the foregoing being referred to as "Opined on Law"). We do not express any opinion with respect to the law of any jurisdiction other than Opined on Law or as to the effect of any such non opined on law on the opinions herein stated.



Based upon and subject to the foregoing and the limitations, qualifications, exceptions and assumptions set forth herein, we are of the opinion that:

1. The Securities have been duly authorized and are valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, except to the extent that enforcement thereof may be limited by (i) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws now or hereafter in effect relating to creditors' rights generally, and (ii) general principles of equity (regardless of whether enforceability is considered in a proceeding at law or equity).

2. The Shares initially issuable upon conversion of the Securities have been duly authorized and reserved for issuance and, when issued and delivered upon such conversion pursuant to the terms of the Indenture, will be validly issued, fully paid and, except as provided in section 630 of the New York Business Corporation Law (the "BCL"), non-assessable.

In rendering the opinion set forth above in paragraph 1, we have assumed that the execution and delivery by the Company of the Indenture and the Securities and the performance by the Company of its obligations thereunder do not violate, conflict with or constitute a default under any agreement or instrument to which the Company or its properties is subject, except for those agreements and instruments which have been identified to us by the Company as being material to it and which are listed in Part 2 of the Registration Statement or the Company's Annual Report on Form 10-K.

We hereby consent to the filing of this opinion with the Commission as an exhibit to the Registration Statement. We also consent to the reference to our firm under the caption "Legal Matters" in the Registration Statement. In giving this consent, we do not thereby admit that we are included in the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission.

Very truly yours,

## VENATOR GROUP, INC.

## COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Unaudited)  
(\$ in millions)

	Thirteen weeks ended		Fiscal Year Ended				
	May 5 2001	April 29, 2000	Feb. 3, 2001	Jan 29, 2000	Jan. 30, 1999	Jan 31, 1998	Jan.25, 1997
NET EARNINGS							
Income from continuing operations	\$ 32	\$ 23	\$ 107	\$ 59	\$ 14	\$185	\$185
Income tax expense (benefit)	21	15	69	38	(28)	104	124
Interest expense, excluding capitalized interest	8	11	41	65	57	41	53
Portion of rents deemed representative of the interest factor (1/3)	39	43	155	170	161	146	140
	-----	-----	-----	-----	-----	-----	-----
	\$ 100	\$ 92	\$372	\$ 332	\$204	\$476	\$ 502
	=====	=====	=====	=====	=====	=====	=====
FIXED CHARGES							
Gross interest expense	\$ 8	\$ 11	\$ 42	\$ 67	\$ 64	\$ 41	\$ 53
Portion of rents deemed representative of the interest factor (1/3)	39	43	155	170	161	146	140
	-----	-----	-----	-----	-----	-----	-----
	\$ 47	\$ 54	\$ 197	\$ 237	\$225	\$187	\$ 193
	=====	=====	=====	=====	=====	=====	=====
RATIO OF EARNINGS TO FIXED CHARGES							
	2.1	1.7	1.9	1.4	0.9	2.5	2.6

Earnings were not adequate to cover fixed charges by \$21 million for the fiscal year ended January 30, 1999.

Accountants' Acknowledgment

The Board of Directors  
Venator Group, Inc.:

Re: Registration statement No. 333-xxxx

With respect to the subject registration statement, we acknowledge our awareness of the use therein of our report dated May 17, 2001 related to our review of interim financial information.

Pursuant to Rule 436(c) under the Securities Act of 1933, such report is not considered part of a registration statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of sections 7 and 11 of the Act.

/s/ KPMG LLP  
New York, New York  
July 11, 2001

## CONSENT OF INDEPENDENT AUDITORS

The Board of Directors  
Venator Group, Inc.:

We consent to the use of our audit report dated March 7, 2001 on the consolidated financial statements of Venator Group, Inc. and subsidiaries as of February 3, 2001 and January 29, 2000, and for each of the years in the three-year period then ended, incorporated by reference herein and to the reference to our firm under the heading "Experts" in the prospectus. Our report dated March 7, 2001 refers to a change in the method of accounting for sales under the Registrant's layaway program in 2000 and a change in the method of calculating the market-related value of its United States pension plan assets in 1999.

/s/ KPMG LLP  
New York, New York  
July 11, 2001

FORM T-1

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939 OF A  
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE  
ELIGIBILITY OF A TRUSTEE PURSUANT TO  
SECTION 305(b)(2)

THE BANK OF NEW YORK  
(Exact name of trustee as specified in its charter)

New York (State of incorporation if not a U.S. national bank)	13-5160382 (I.R.S. employer identification no.)
One Wall Street, New York, N.Y. (Address of principal executive offices)	10286 (Zip code)

VENATOR GROUP, INC.  
(Exact name of obligor as specified in its charter)

New York (State or other jurisdiction of incorporation or organization)	13-3513936 (I.R.S. employer identification no.)
112 W. 34th Street New York, New York (Address of principal executive offices)	10120 (Zip code)

5.50% Convertible Subordinated Notes due 2008  
(Title of the indenture securities)

1. General information. Furnish the following information as to the Trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

Name	Address
Superintendent of Banks of the State of New York	2 Rector Street, New York, N.Y. 10006, and Albany, N.Y. 12203
Federal Reserve Bank of New York	33 Liberty Plaza, New York, N.Y. 10045
Federal Deposit Insurance Corporation	Washington, D.C. 20429
New York Clearing House Association	New York, New York 10005

(b) Whether it is authorized to exercise corporate trust powers.  
Yes.

2. Affiliations with Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None.

16. List of Exhibits.

Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and 17 C.F.R. 229.10(d).

1. A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to

4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)
6. The consent of the Trustee required by Section 321(b) of the Act. (Exhibit 6 to Form T-1 filed with Registration Statement No. 33-44051.)
7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 19th day of June, 2001.

THE BANK OF NEW YORK

By: /s/ THOMAS E. TABOR

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 Name: THOMAS E. TABOR  
 Title: ASSISTANT VICE PRESIDENT

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 Consolidated Report of Condition of

THE BANK OF NEW YORK

of One Wall Street, New York, N.Y. 10286  
 And Foreign and Domestic Subsidiaries,  
 a member of the Federal Reserve System, at the close of business December 31, 2000, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

	Dollar Amounts
ASSETS In Thousands Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin..	\$3,083,720
Interest-bearing balances.....	4,949,333
Securities:	
Held-to-maturity securities.....	740,315
Available-for-sale securities.....	5,328,981
Federal funds sold and Securities purchased under agreements to resell.....	5,695,708
Loans and lease financing receivables:	
Loans and leases, net of unearned income.....	36,590,456
LESS: Allowance for loan and lease losses.....	598,536
LESS: Allocated transfer risk reserve.....	12,575
Loans and leases, net of unearned income, allowance, and reserve.....	35,979,345
Trading Assets.....	11,912,448
Premises and fixed assets (including capitalized leases).....	763,241
Other real estate owned.....	2,925
Investments in unconsolidated subsidiaries and associated companies.....	183,836
Customers' liability to this bank on acceptances outstanding.....	424,303
Intangible assets.....	1,378,477
Other assets.....	3,823,797
Total assets.....	\$74,266,429
LIABILITIES	
Deposits:	
In domestic offices.....	\$28,328,548
Noninterest-bearing.....	12,637,384
Interest-bearing.....	15,691,164
In foreign offices, Edge and Agreement subsidiaries, and IBFs.....	27,920,690
Noninterest-bearing.....	470,130
Interest-bearing.....	27,450,560
Federal funds purchased and Securities sold under agreements to repurchase.....	1,437,916
Demand notes issued to the U.S.Treasury.....	100,000
Trading liabilities.....	2,049,818
Other borrowed money:	

With remaining maturity of one year or less.....	1,279,125
With remaining maturity of more than one year through three years.....	0
With remaining maturity of more than three years....	31,080
Bank's liability on acceptances executed and outstanding.....	427,110
Subordinated notes and debentures.....	1,646,000
Other liabilities.....	4,604,478
Total liabilities.....	\$67,824,765
EQUITY CAPITAL	
Common stock.....	1,135,285
Surplus.....	1,008,775
Undivided profits and capital reserves.....	4,308,492
Net unrealized holding gains (losses) on available-for-sale securities.....	27,768
Accumulated net gains (losses) on cash flow hedges	0
Cumulative foreign currency translation adjustments....	(38,656)
Total equity capital.....	6,441,664
Total liabilities and equity capital.....	\$74,266,429

I, Thomas J. Mastro, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Thomas J. Mastro

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

Thomas A. Renyi  
Alan R. Griffith  
Gerald L. Hassell

Directors

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