

F208800

821208

✓ SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

EXECUTED COPY

FORM 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For the fiscal year ended February 3, 1990

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from _____ to _____

RECD S.E.C

Commission File Number 1-163

MAY 4 1990

FEE 6

Federated Department Stores, Inc.

(Exact name of registrant as specified in its charter)

✓ 23

Delaware

31-0513863

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

7 West Seventh Street
Cincinnati, Ohio

45202

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (513) 579-7000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange
on which registered

None

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of class)

TOTAL OF DOCUMENTS IN THIS REPORT
EXCLUDING INDEX OR SCHEDULES AND NUMBERED PAGE

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

As of April 3, 1990, none of the voting stock was held by nonaffiliates of the registrant and 1,000 shares of the Common Stock of the registrant were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

001

PART I

Item 1. Business

Introduction

General. Federated Department Stores, Inc. (the "Company"), is a retail organization operating department stores through divisions and subsidiaries that sell a wide range of merchandise including women's, men's and children's apparel, cosmetics, home furnishings and other consumer goods. As of February 3, 1990, the Company's three general merchandise operating subsidiaries (Bloomingdale's, Burdines and Rich's (which includes the Company's former Goldsmith's division)) and two unincorporated divisions (Abraham and Straus and Lazarus) operated 132 stores in 19 states.

The Company is a Delaware corporation, which was incorporated in 1929, and has its principal office at 7 West Seventh Street, Cincinnati, Ohio. References to the "Operating Divisions" of the Company are to Bloomingdale's, Burdines, Rich's (which includes the Company's former Goldsmith's division), Abraham and Straus and Lazarus, collectively.

The Company's operations are diversified by size of store, merchandising character and character of community serviced. The stores are located at urban or suburban sites, principally in densely populated areas in the northeast, mid-Atlantic, midwest and southeast regions of the United States. The stores in the Operating Divisions, which are among the leading retailers in their geographic areas, generally carry a wide range of merchandise, both branded and private label, including clothing and accessories for women, men and children and home furnishings, including home textiles, table top and furniture.

Shareholders. The Company is an indirect subsidiary of Campeau Corporation ("Campeau"), an Ontario corporation, as a result of the merger on July 29, 1988, of CRTF Corporation ("CRTF"), an indirect Campeau subsidiary, with the Company (the "Merger") following a cash tender offer by CRTF (the "Tender Offer"). 100% of the Company's common stock is owned by Federated Holdings, Inc., a Delaware corporation ("Holdings"). 50% of the common stock of Holdings is owned by Allied Stores Corporation ("Allied"), an indirect subsidiary of Campeau acquired in late 1986. Allied initially purchased 13.8% of the common stock of Holdings in May 1988 in connection with Campeau's acquisition of the Company. On April 7, 1989, Allied purchased from Federated Holdings II, Inc. ("Holdings II"), an additional 36.2% interest in Holdings, causing Allied to own 50% of the common stock of Holdings. Allied also purchased an option that may be exercisable under certain circumstances to purchase from Holdings II, at fair market value, an additional 1% of the outstanding shares of common stock of Holdings.

7.5% of the Company's common stock is indirectly owned by The Edward J. DeBartolo Corporation ("DeBartolo") through its indirect 7.5% interest in Holdings. Campeau Properties, Inc. ("CPI"), an indirect wholly owned subsidiary of Campeau, also owns 7.5% of the common stock of Holdings and 6.96% of the common stock of Holdings is owned by the holders of the Company's 13.75% Series II Exchange Notes due 1994. See Item 1. "Business — Refinancing of Bridge Facility." The remaining 28.04% of the capital stock of Holdings is owned by Holdings II.

Chapter 11 Proceedings

Commencement of Chapter 11 Proceedings. On January 15, 1990 (the "Petition Date"), the Company, Allied and 65 of their respective subsidiaries commenced separate reorganization cases by filing voluntary petitions for relief under chapter 11 of the Bankruptcy Code, 11 U.S.C. §§101-1330 (the "Bankruptcy Code"), in the United States Bankruptcy Court for the Southern District of Ohio, Western Division (the "Bankruptcy Court").

The chapter 11 filings by the Company and certain of its subsidiaries (the "Debtor Corporations") were precipitated by cash flow and liquidity problems in the third and fourth quarters of 1989, due in part to the highly leveraged capital structure of the Company subsequent to the Merger. In addition, significant portions of the Company's indebtedness were scheduled to mature in the first half of Fiscal 1990. These factors, coupled with general speculation regarding the Company's ability to continue to meet its obligations as they became due, had a material adverse impact on the availability to the Company of trade credit and other

financing. On January 14, 1990, the Company's management concluded that the sources of liquidity and other financing alternatives necessary to enable the Company to meet both the near- and long-term cash requirements of its businesses would not be available absent the protection afforded post-petition lenders and creditors under chapter 11.

The separate chapter 11 cases of the Debtor Corporations, Allied and certain of Allied's subsidiaries have been consolidated for procedural purposes only and are being jointly administered pursuant to an order of the Bankruptcy Court.

Significant Post-Petition Events. Since the Petition Date, the Debtor Corporations have continued in possession of their respective properties and are operating and managing their respective businesses as debtors-in-possession, pursuant to Sections 1107 and 1108 of the Bankruptcy Code. The Debtor Corporations have sought and obtained numerous orders from the Bankruptcy Court intended to stabilize their respective businesses, including orders (i) approving a new key employee performance/retention program, (ii) authorizing the Debtor Corporations to operate their cash management systems substantially as they were operated prior to commencement of the chapter 11 proceedings, (iii) approving \$400.0 million of post-petition working capital financing and \$1.0 billion in continued receivables financing, as more fully described below at Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and at Item 8. "Financial Statements and Supplementary Data," (iv) approving a vendor return policy to resolve various vendor disputes and (v) approving certain capital expenditures.

On February 2, 1990, Allen I. Questrom was elected Chairman of the Board and Chief Executive Officer of both the Company and Allied. Mr. Questrom, 50, had previously served as a Vice Chairman of the Company, a position he held from January 1988 until his resignation upon the effectiveness of the Company's acquisition by Campeau in May 1988. Prior to his appointment as Vice Chairman, Mr. Questrom had held a number of significant positions with the Company since first joining the Company in 1965. For further information see Item 10. "Directors and Executive Officers of the Registrant" and Item . "Executive Compensation."

Post-Petition Financing. On February 12, 1990, the Bankruptcy Court entered an order approving the Post-Petition Credit Agreement, dated as of January 18, 1990 (the "Post-Petition Credit Agreement"), among the Company, each of the Company's subsidiaries that is a debtor-in-possession under chapter 11 of the Bankruptcy Code (such subsidiaries, together with the Company, are collectively referred to in this paragraph as the "Borrowers"), the financial institutions named therein (collectively, the "Post-Petition Lenders") and Citibank, N.A., as agent (in such capacity, the "Agent"). The Post-Petition Credit Agreement enables the Borrowers to finance general working capital requirements including purchases of inventory and other expenditures permitted thereunder. Under the Post-Petition Credit Agreement, the Post-Petition Lenders severally agreed to make revolving loans to and to issue letters of credit for the account of the Borrowers in an aggregate principal amount not to exceed at any time the lesser of the "Borrowing Base" (as defined in the Post-Petition Credit Agreement) or \$400.0 million. The Borrowers' obligations under the Post-Petition Credit Agreement are secured by first priority security interests in and first priority liens on all of the properties and assets of the Borrowers (excluding, in the case of the Company, the capital stock of certain subsidiaries) including, without limitation, all of the Borrowers' interests in their inventory and real property. The Post-Petition Credit Agreement also provides for the granting of liens by Federated Real Estate, Inc. and certain designated "Real Estate Subsidiaries" in all of their respective interests in real property as adequate protection for their obligations under the Pre-Petition Credit Agreement (as defined below) under which Citibank, N.A. also acted as agent. These adequate protection real estate liens also secure the Company's obligations to the holders of certain indebtedness of the Company issued prior to the Tender Offer. The Post-Petition Credit Agreement expires on the earlier of February 4, 1991 or the entry of an order by the Bankruptcy Court confirming a plan of reorganization.

The Post-Petition Credit Agreement provides that interest on the Company's outstanding indebtedness under the Credit Agreement dated as of July 28, 1988 (as amended, the "Pre-Petition Credit Agreement") among the Company, Federated Real Estate, Inc., the lenders named therein (collectively, the "Pre-Petition Lenders"), Bank of America National Trust and Savings Association and The Sanwa Bank Limited, New York Branch, as co-managers, The Sumitomo Bank, Limited, New York Branch, as co-agent and Citibank,

N.A., as agent, will accrue at the applicable rate set forth in the Pre-Petition Credit Agreement until the existing Interest Periods (as defined in the Pre-Petition Credit Agreement) expire, and thereafter at the rate prescribed for Base Rate Advances under the Pre-Petition Credit Agreement, without regard to any default rate of interest. Under the Post-Petition Credit Agreement, this interest is payable by the Borrowers as follows. Within 45 days after the end of each of the first three fiscal quarters of the Company's 1990 fiscal year, the Borrowers will make a nonrefundable payment to the Agent for the account of the Pre-Petition Lenders with respect to such pre-petition interest in an amount not to exceed 50% of Consolidated Excess Cash Flow (as defined in the Post-Petition Credit Agreement) as at the end of such fiscal quarter, determined on a cumulative basis. Within ten days after the Termination Date (as defined in the Post-Petition Credit Agreement), if such date is not the last day of the Company's 1990 fiscal year, or within 90 days after the end of the Company's 1990 fiscal year, whichever first occurs, the Borrowers will pay to the Agent for the account of the Pre-Petition Lenders all accrued and unpaid interest under the Pre-Petition Credit Agreement to the extent of Consolidated Excess Cash Flow for the period from January 15, 1990 through the end of the earlier of (i) the end of the Company's 1990 fiscal year or (ii) the Termination Date, less any quarterly pre-petition interest payments previously paid by the Borrowers under the Post-Petition Credit Agreement. If the amount of accrued and unpaid pre-petition interest exceeds Consolidated Excess Cash Flow for the period described in the preceding sentence, then interest on the Company's unpaid indebtedness under the Pre-Petition Credit Agreement will continue to accrue pursuant to the terms of such agreement and the Borrowers will remain liable for the payment thereof.

An additional component of the Company's post-petition financing is the Amended and Restated Credit Agreement dated as of January 18, 1990 (the "Receivables Credit Agreement") among Federated Credit Corporation ("Credit Corp."), the financial institutions named therein, Bank of America National Trust and Savings Association, The Sanwa Bank, Limited, New York Branch, and The Long-Term Credit Bank of Japan, Limited, New York Branch, as Co-Managers, The Sumitomo Bank, Limited, as Co-Agent and Citibank, N.A., as Agent. The Receivables Credit Agreement provides for loans to Credit Corp. up to a maximum aggregate principal amount of the lesser of (i) \$1,000.0 million or (ii) the Borrowing Base (as defined in the Receivables Credit Agreement). The Receivables Credit Agreement essentially provides for a continuation of Credit Corp.'s receivables financing arrangements under its Credit Agreement dated as of July 29, 1988 with the financial institutions, co-managers, co-agent and agent listed above and is presently scheduled to expire on February 4, 1991.

Credit Corp.'s obligations under the Receivables Credit Agreement are secured by a first priority lien on all of Credit Corp.'s accounts receivable (that Credit Corp. purchases from the Company's Operating Divisions) and the other Collateral (as defined in the Receivables Credit Agreement). Credit Corp.'s obligations are also guaranteed pursuant to a guaranty of Credit Corp.'s immediate parent corporation, Federated Credit Holdings Corporation ("Credit Holdings"), which guaranty is secured by a pledge of all of the common stock of Credit Corp. owned by Credit Holdings.

Because neither Credit Corp. nor Credit Holdings has filed a petition for relief under the Bankruptcy Code in connection with the Company's chapter 11 bankruptcy proceedings, Bankruptcy Court approval of the Receivables Credit Agreement and the transactions contemplated thereby generally was not required. The Company's Operating Divisions that are also debtors-in-possession, however, were required to obtain Bankruptcy Court approval for their continued sales of accounts receivable to Credit Corp. The Bankruptcy Court entered an order approving these sales on February 9, 1990.

For additional information related to the chapter 11 bankruptcy proceedings, see Item 3. "Legal Proceedings." For additional information on the financial impact of chapter 11 on the operations of the Company, see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 8. "Financial Statements and Supplementary Data."

Bankruptcy Filings in California by Affiliated Entities. On March 30, 1990, Federated Stores, Inc. ("FSI", a wholly-owned subsidiary of Campeau formerly known as Campeau Corporation (U.S.) Inc.), which indirectly owns 85.54% of the outstanding common stock of the Company, filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Northern

District of California. Certain subsidiaries of FSI, including Holdings (the direct parent and sole shareholder of the Company), Holdings II (an indirect wholly-owned subsidiary of FSI) and Federated Holdings III, Inc. ("Holdings III"), the sole shareholder of Holdings II and a direct wholly-owned subsidiary of FSI, had previously filed similar chapter 11 petitions in such court on January 14, 1990.

Write Down of Excess of Cost Over Net Assets Acquired

As a result of the factors discussed above (see "Chapter 11 Proceedings — Commencement of Chapter 11 Proceedings") and other events occurring during Fiscal 1989 related principally to the Company's highly leveraged capital structure subsequent to the Tender Offer and Merger, the Company wrote down the value of its excess of cost over net assets acquired by \$1,150.0 million. See Note 4 to the Consolidated Financial Statements set forth in Item 8 to this report.

Department Stores

Abraham and Straus. Abraham and Straus operates 15 department stores in the New York metropolitan area, including its major new store in Manhattan which opened on September 11, 1989. The division's strength has been in moderately priced apparel for women and men as well as in other soft goods. The net sales for this division in Fiscal 1989 were \$831.8 million, \$721.2 million in Fiscal 1988 and \$742.9 million in Fiscal 1987.

Bloomingdale's. Bloomingdale's operates 17 department stores in 10 states: one in New York City and six others in the metropolitan New York area; two in the Philadelphia, Pennsylvania area; two in the Boston, Massachusetts area; and one each in McLean, Virginia; Kensington, Maryland; Dallas, Texas; South Miami, Florida; Boca Raton, Florida; and downtown Chicago, Illinois. Bloomingdale's offers a wide range of fashion merchandise in dramatic store settings. Its merchandising strategy is to concentrate on upscale fashion apparel and home-related products, with an emphasis on distinctive merchandise. Net sales for Bloomingdale's in Fiscal 1989 were \$1,262.9 million, \$1,188.9 million in Fiscal 1988 and \$1,154.3 million in Fiscal 1987.

Burdines. Burdines operates 28 department stores and two clearance centers in Florida, where it has a strong presence. Burdines' concept of capturing the distinctiveness of Florida in fashion, display and advertising is a key factor in differentiating itself from its competition. Burdines' merchandising strategy emphasizes moderate to better quality brands in specific merchandise categories. Net sales for Burdines in Fiscal 1989 were \$865.6 million, \$835.4 million in Fiscal 1988 and \$824.8 million in Fiscal 1987.

Lazarus. Lazarus is a major department store operator in Ohio and also operates in the adjacent states of Indiana, Kentucky, West Virginia and Michigan, with a total of 44 stores. The division has a strong regional presence and over the past few years has increased its emphasis on more upscale merchandise. Lazarus' merchandising strategy is to target consumers, particularly women, seeking moderate, upper-moderate and better quality merchandise for good value. Net sales for Lazarus were \$1,039.1 million in Fiscal 1989, \$945.7 million in Fiscal 1988 and \$937.6 million in Fiscal 1987.

Rich's. Rich's (including the Company's former Goldsmith's division) operates 20 Rich's stores in Atlanta and Augusta, Georgia; Birmingham, Alabama; and Columbia and Greenville, South Carolina, and 6 Goldsmith's stores in the Memphis, Tennessee area. Rich's as a whole targets a broad range of customers, with a greater emphasis on upscale merchandise in the Rich's stores. Net sales for Rich's in Fiscal 1989 were \$867.8 million, \$850.5 million in Fiscal 1988 and \$862.7 million in Fiscal 1987.

Corporate Structure

Each Operating Division operates under the supervision of its own management, which is responsible for day-to-day business and profitability. This structure enables each division to remain sensitive to the economic and other conditions of its geographic market. Divisional management works with the Company's central office in the formation of long-range strategies, policies and objectives.

The Company's size has enabled it to take advantage of significant economies of scale by providing centralized services to its operating divisions. A specialized staff maintained in the Company's offices in

Cincinnati, Ohio, New York, New York and Atlanta, Georgia, provides extensive advisory services to each Operating Division in such fields as tax, accounting, cash management and financing, insurance, credit, statistical analysis and forecasting, utilization of electronic systems, personnel, legal, supply purchasing, plant maintenance and improvements, store planning and display and executive personnel functions. Additionally, the retailing operations of the Company are supported by (i) FAMS, which is operated as a division of the Company and provides merchandising research and information, private label development and buying services, and generally acts as merchandising consultant to the Company and Allied; (ii) Credit Corp., which purchases revolving credit and installment accounts from the merchandising divisions and obtains financing through borrowing under the terms of a receivables based financing agreement; (iii) SABRE, which is operated as a division of the Company and provides electronic data processing services and advice and support regarding utilization of electronic systems to all divisions of the Company and Allied; and (iv) FACS, which provides proprietary credit services to the divisions and subsidiaries of the Company and Allied, such as statement mailing and processing, credit authorizations, new account development and processing, customer service and collections. SABRE has recently begun to offer its services to an unaffiliated third party on a fee for service basis.

Merchandising

Purchasing is done by the Company's Operating Divisions directly or through buying offices operated by FAMS. The Company purchases from thousands of domestic and foreign suppliers, no one of which is material to the Company.

The focus of the Company's merchandising strategy is on increasing customer satisfaction by providing the assortment, value, customer service and ambience that makes the Operating Divisions the preferred retailer for apparel, accessories and home related merchandise for the target customer. Success in achieving customer satisfaction should be evidenced by sales increases that outpace competitors. Two key components of this formula for success are FAMS, the Company's central merchandising organization, and enhanced sales service programs.

The current primary functions of FAMS are the coordination of the Company's buying function and the development of private label merchandise programs.

A key component of the Company's merchandising strategy is its enhanced selling program. The Company believes that noticeably superior service, which exceeds customer expectations and above average selling productivity, is important to its success. Strong corporate selling direction is being provided and high divisional priority is being placed on selling skills, incentive compensation and in improving customer service, generally. The enhanced selling program, however, has not generated sufficient sales to cover the added expense in the short-term.

Seasonality

The department store business is seasonal in nature with a high proportion of sales and earnings generated in November and December. Working capital requirements fluctuate during the year, increasing prior to the Christmas season when the Company must carry significantly higher inventory levels.

Competition

While distribution of merchandise to consumers is a fundamental industry, it is also a highly competitive one in all areas. Identical or similar merchandise is generally available to competitors at approximately the same price. Buying and selling are performed in open competitive markets in which the measure of success is largely determined by the degree of efficiency and effectiveness of the retailer. Generally, the Company's stores are in competition not only with other department stores in the cities or communities in which they operate but also with numerous other types of retail outlets, including specialty stores, general merchandise and off-price/discount stores.

Sale of The Children's Place

On February 27, 1989, The Children's Place was sold to TCP Acquisition for \$25.0 million in cash subject to certain post-closing adjustments. The sale proceeds received by the Company were applied to repay a portion of the Company's then outstanding indebtedness.

Capital Expenditures

The Company's capital expenditures for Fiscal 1989 were \$111.1 million, most of which was attributable to remodeling and maintaining existing facilities. The Company opened two new stores in each of Fiscal 1989 and Fiscal 1988.

Employees

At March 1, 1990 the Company had approximately 60,300 regular full-time and part-time employees. Because of the seasonal nature of the retail business, the number of employees rises to a peak in the Christmas season. The Company considers its relations with employees to be satisfactory.

Affiliations

The Company is affiliated with Allied, which Campeau acquired in October 1986. Although the Company and Allied have nearly identical management teams and boards of directors, the two corporations are distinct and separate corporate and legal entities. See Item 13, "Certain Relationships and Related Transactions" for a discussion of the Company's relationship with Allied and other affiliates.

Financing Transactions

The following discussion summarizes certain financing transactions that occurred during Fiscal 1989 prior to the Petition Date. An effect of the commencement of chapter 11 proceedings has been to stay the rights of the various lenders to enforce the obligations of the Company arising pursuant to such financing transactions or to otherwise avail themselves of certain rights granted in connection with such transactions.

Refinancing of Bridge Facility. In connection with the Tender Offer, CRTF sold \$2,086.8 million of subordinated notes (the "Bridge Facility") to affiliates of The First Boston Corporation, Paine Webber Incorporated and Dillon, Read & Co., Inc. (collectively the "Bridge Lenders"). Approximately \$1,699.6 million of the Bridge Facility was repaid during Fiscal 1988 from the proceeds of certain refinancing transactions completed in July 1988 and the proceeds of a public offering by the Company completed in November 1988. Subsequent to the November 1988 public offerings, the remaining short-term bridge notes (as restructured in connection with such public offerings) were exchanged in accordance with their terms on January 27, 1989 for \$401.3 million of 13.75% Series II Exchange Notes due 1994 (the "Exchange Notes"), all of which were issued to the Bridge Lenders. In addition, 6.96% of the capital stock of Holdings was deposited in an escrow account (the "Equity Reserve") to assist the Bridge Lenders in selling the Exchange Notes. In connection with the exchange, fees aggregating \$15.5 million were also paid by the Company to the Bridge Lenders.

On May 10, 1989, the Company entered into a further agreement with the Bridge Lenders whereby in exchange for fees paid by Campeau, the Bridge Lenders agreed to continue to hold the Exchange Notes until December 1, 1989 if certain conditions (most notably the obtaining of certain financing commitments) were met by September 15, 1989. Since such conditions were not timely met, on September 15, 1989 the Holdings stock held in the Equity Reserve was released to the Bridge Lenders, subject to the terms of certain additional agreements between Campeau, FSI and the Company (the "Campeau Entities") and the Bridge Lenders described below.

In connection with the transfer of the Equity Reserve to the Bridge Lenders, First Boston Securities Corporation and Dillon, Read Interfunding, Inc. entered into an agreement with the Campeau Entities that (i) restricted transfers of their respective portions of the Equity Reserve prior to December 31, 1989, and thereafter limits such transfers to sales in connection with a transfer of the Exchange Notes until September 15, 1990, (ii) grants the Campeau Entities a right of first refusal until September 15, 1990, with respect to any

transfer of their respective portions of the Exchange Notes and the Equity Reserve, (iii) grants the Campeau Entities an option, exercisable until September 15, 1990, under certain circumstances (including a requirement that the Exchange Notes shall have been transferred), to purchase their respective portions of the Equity Reserve on the terms specified therein and (iv) grants the Campeau Entities the right to repurchase their respective portions of the Exchange Notes until September 15, 1990. The agreement with PaineWebber Funding Inc. is substantially similar, except that the restrictions on transfer of the Equity Reserve, right of first refusal and purchase and repurchase options expired on March 1, 1990.

Campeau Undertaking. On September 19, 1989, the Company entered into an agreement dated as of September 18, 1989 (the "Campeau Undertaking") with Campeau, FSI and Holdings III whereby Campeau agreed, on the terms and conditions set forth therein, to make funds available, or cause funds to be made available, to the Company until September 18, 1991, in an aggregate principal amount of \$150.0 million. The proceeds of any advances to the Company pursuant to the Campeau Undertaking were to be used by the Company to satisfy its working capital requirements. On September 19, 1989, the Company borrowed \$50.0 million pursuant to the Campeau Undertaking, and on November 1, 1989, the Company borrowed an additional \$25.0 million. Advances under the Campeau Undertaking have a scheduled maturity date of September 12, 1991 (or, under certain circumstances, such earlier date as amounts owed by Campeau pursuant to the Loan Agreement (as defined below) become due), and bear interest at 9% per annum, which interest shall not be paid in cash during the continuance of a default under the Credit Agreement referred to in the following paragraph or, in any event, prior to the earlier of April 30, 1990 and the sale of the operating subsidiary referred to below. As of the Petition Date, the Company had drawn down \$75.0 million under the Campeau Undertaking. The Campeau Undertaking ceased to be in effect following the chapter 11 filing of the Company.

Arrangements with O&Y. The \$75.0 million provided to the Company pursuant to the Campeau Undertaking was borrowed by Campeau pursuant to a Loan Agreement dated as of September 12, 1989 (the "Loan Agreement") between Olympia & York CC Limited ("CC Limited"), a wholly owned subsidiary of Olympia & York Developments Limited ("O&Y"), and Campeau. Pursuant to the Loan Agreement, CC Limited agreed to make available to Campeau through December 31, 1989 up to \$250.0 million (the "Credit Facility") on the terms and conditions set forth therein. CC Limited advanced \$100.0 million to Campeau on September 19, 1989; \$50.0 million was in turn advanced by Campeau to the Company and \$50.0 million to Allied. All advances made under the Credit Facility were to be loaned or otherwise provided by Campeau (through wholly owned subsidiaries) to Allied and the Company for working capital purposes. Under the Loan Agreement, Campeau is also subject to certain restrictions on the rights of Campeau and its subsidiaries, including the Company, to take a number of actions without the consent of CC Limited, including the borrowing of funds, the sale of assets except in the ordinary course and the payment of dividends.

Pursuant to an agreement dated September 18, 1989 (the "Citibank Agreement"), O&Y and CC Limited agreed with the agent and the co-agent for the lenders under the Bank Facilities (defined below) and Citibank, N.A., as agent for the lenders under Allied's bank facilities, that up to \$250.0 million would be made available to enable Campeau to advance funds as and when required (subject, with certain exceptions, to a limit of \$150.0 million until October 1, 1989) pursuant to an undertaking given by Campeau to Allied and the Campeau Undertaking, notwithstanding most of the funding conditions set forth in the Loan Agreement. Neither the Company nor Campeau is a party to or intended beneficiary of the Citibank Agreement, and the provisions thereof can be modified or waived without the Company's or Campeau's consent.

Amendment to Bank Facilities. The Company also entered into an Amendment No. 5 and Waiver (the "Credit Agreement Amendment") dated as of September 11, 1989, to the Pre-Petition Credit Agreement (as amended, hereinafter the "Bank Facilities"), which also amends the provisions of certain related agreements. Pursuant to the provisions of the Credit Agreement Amendment, the Pre-Petition Lenders agreed, among other things, (i) to permit borrowings by the Company pursuant to the Campeau Undertaking, (ii) to extend the scheduled maturities of the Asset Bridge and Mortgage Bridge portions of the Bank Facilities from January 31, 1990 to April 30, 1990, (iii) to increase the cash draw sub-limit in the working capital facility from \$600.0 million to \$650.0 million until December 31, 1989 (provided that such incremental \$50.0 million would have been available to the Company only after the full \$150.0 million under the Campeau Undertaking was provided to the Company), (iv) to amend certain financial covenants relating to fixed charge coverage,

maintenance of net worth and interest coverage and (v) to waive the working capital "clean-up" requirement for the then current fiscal year.

In exchange for such provisions, interest rates and letter of credit fees in respect of the Bank Facilities were increased by $\frac{1}{2}$ of 1%, provided that (x) the additional interest accruing from September 11, 1989 through January 31, 1990 would not be payable until April 30, 1990, and then only if the Asset Bridge and Mortgage Bridge portions of the Bank Facilities shall not have been repaid in full by such date, and (y) if the Asset Bridge and Mortgage Bridge portions of the Bank Facilities were repaid in full on or before April 30, 1990, the additional interest would cease to accrue on the date on which such repayment in full is made. In addition, (i) the letter of credit sub-limit for the working capital portion of the Bank Facility was reduced from \$250.0 million to \$200.0 million, (ii) the Company was required to sell, on or before April 30, 1990, an operating subsidiary for cash on terms and conditions satisfactory to the majority of the Pre-Petition Lenders and (iii) certain interest rate "step-downs" and exceptions to negative covenants that were to have resulted from the repayment of the Asset Bridge and Mortgage Bridge portions of the Bank Facilities and a specified reduction in working capital commitments have been eliminated. The Company also paid an amendment fee equal to .375% of the aggregate amount of outstanding advances and commitments under the Bank Facility.

Beneficial Ownership of Campeau. In connection with the Loan Agreement, Campeau, O&Y, CC Limited, Robert Campeau and certain corporations controlled by Robert Campeau entered into a Shareholders' Agreement dated as of September 12, 1989 (the "Shareholders' Agreement"), which contained, among other things, certain provisions relating to the implementation of a proposed restructuring, the employment by FSI of senior management responsible for supervising the business of the Company and Allied, representation on the board of directors of Campeau and restrictions on transfers of Campeau securities. Also in connection with the Loan Agreement, O&Y and Campeau entered into a Warrant Purchase Agreement dated as of September 12, 1989 (the "Warrant Agreement"), pursuant to which O&Y purchased 15,625,000 Series A Warrants of Campeau, with an exercise price of \$16.00 per Ordinary Share of Campeau (which exercise price can be paid by applying outstanding balances under the Loan Agreement). O&Y now beneficially owns approximately 10.8% of the Ordinary Shares of Campeau. Assuming the exercise of warrants and conversion of convertible debt securities held by O&Y, O&Y would hold approximately 45.3% of the voting securities of Campeau (or 38.5% on a fully diluted basis). Robert Campeau and certain of his associates beneficially own 68.0% (assuming the exercise of options and conversion of convertible securities held by such persons) of the voting securities of Campeau (or 43.3% on a fully diluted basis). Certain lenders to Robert Campeau and corporations then controlled by him have taken steps to protect their interests under pledges of Campeau securities given by Mr. Campeau and corporations then controlled by him as collateral for certain family borrowings. The effects, if any, arising from such action cannot be determined at this time.

Repayment of Asset Bridge Facility. In connection with the implementation on July 29, 1988 of the Bank Facilities, the Company agreed to deposit \$250.0 million into a cash collateral account (the "Cash Collateral Account") securing Holdings' guarantee of the Asset Bridge portion of the Bank Facilities and the Company's guarantee of the Mortgage Bridge portion of the Bank Facilities. \$103.2 million of the proceeds from the sale of Filene's Basement and \$146.8 million of the proceeds received upon repayment of a divisional transfer note issued to the Company in connection with the Ralphs transfer were deposited into the Cash Collateral Account in fulfillment of this requirement. Amounts in the Cash Collateral Account (the "Restricted Cash") were originally expected to be applied in connection with certain previously contemplated real estate financings to the reduction of the Asset Bridge or Mortgage Bridge portions of the Bank Facilities. However, on January 3, 1990 the Restricted Cash was applied to the repayment of the then remaining balance outstanding under the Asset Bridge portion of the Bank Facilities. See Notes 8 and 11 to Consolidated Financial Statements set forth in Item 8 to this report.

Item 2. Properties

The number of stores operated and gross square feet of store space (in thousands) at year end consisted of:

	February 3, 1990		January 28, 1989	
	Units	Gross Space	Units	Gross Space
Abraham and Straus	15	5,651	14	5,344
Bloomingdale's	17	4,544	17	4,518
Burdines	30	5,254	30	5,254
Lazarus	44	8,334	43	8,265
Kirch's*	26	6,216	26	6,216
TOTAL	132	29,969	130	29,597

*Includes Goldsmith's division.

Additional information concerning the Company's properties is set forth in Item 1, under "Business" and Item 8, "Financial Statements and Supplementary Data."

At February 3, 1990, of the 132 department stores, 73 were entirely or mostly owned, and 59 were entirely or mostly leased.

Item 3. Legal Proceedings

Commencement of Chapter 11 Proceedings

General. On January 15, 1990, the Debtor Corporations filed with the Bankruptcy Court separate voluntary petitions for relief under chapter 11 of the Bankruptcy Code. See Item 1, "Business — Chapter 11 Proceedings." A complete list of the Debtor Corporations, the chapter 11 cases of which are pending before the Bankruptcy Court, is set forth in Exhibit 22 to this report and is incorporated herein by reference.

The following discussion provides general background information regarding the chapter 11 proceedings, but is not intended to be an exhaustive summary. For additional information regarding the effect of these proceedings on the Debtor Corporations, reference should be made to the Bankruptcy Code.

Chapter 11 Reorganization Under the Bankruptcy Code. Pursuant to Section 362 of the Bankruptcy Code, during a chapter 11 case, creditors and other parties of interest may not, without Bankruptcy Court approval: (i) commence or continue a judicial, administrative or other proceeding against the Debtor Corporations which was or could have been commenced prior to commencement of the chapter 11 case, or to recover a claim that arose prior to commencement of the case; (ii) enforce any pre-petition judgments against the Debtor Corporations; (iii) take any action to obtain possession of property of the Debtor Corporations or to exercise control over property of the Debtor Corporations or their estates; (iv) create, perfect or enforce any lien against the property of the Debtor Corporations; (v) collect, assess or recover claims against the Debtor Corporations that arose before the commencement of the case; or (vi) set off any debt owing to the Debtor Corporations that arose prior to the commencement of the case against a claim of such creditor or party-in-interest against the Debtor Corporations that arose before the commencement of the case.

Although the Debtor Corporations are authorized to operate their businesses as debtors-in-possession, they may not engage in transactions outside the ordinary course of business without first complying with the notice and hearing provisions of the Bankruptcy Code and obtaining Bankruptcy Court approval when necessary.

As of May 1, 1990, a single official unsecured creditors' committee has been formed by the United States Trustee and is acting in the chapter 11 proceedings of the Debtor Corporations. Additionally, the United States Trustee has appointed an official committee of bondholders of the Company and an official committee of "pre-merger bondholders" of the Company. All committees have the right to review and object to certain business transactions and are expected to participate in the formulation of any plan or plans of reorganization. The Debtor Corporations are required to pay certain expenses of these committees, including counsel fees, to the extent allowed by the Bankruptcy Court.

Plan of Reorganization — Procedures. For 120 days after the date of the filing of a voluntary chapter 11 petition, a debtor-in-possession has the exclusive right to propose and file a plan of reorganization with the Bankruptcy Court. If a debtor-in-possession files a plan of reorganization during the 120-day exclusivity

period, no other party may file a plan of reorganization until 180 days after the date of filing of the chapter 11 petition, during which period the debtor-in-possession has the exclusive right to solicit acceptances of the plan. If a chapter 11 debtor fails to file its plan during the 120 day exclusivity period or such additional time period ordered by the bankruptcy court or, after such plan has been filed, fails to obtain acceptance of such plan from impaired classes of creditors and equity security holders during the exclusive solicitation period, any party in interest, including a creditor, an equity security holder, a committee of creditors or equity security holders, or an indenture trustee may file a plan of reorganization for such chapter 11 debtor.

Given the magnitude of the Debtor Corporations' operations and the number of interested parties possessing claims that must be resolved in the chapter 11 proceedings, the plan formulation process is complex. Accordingly, the Debtor Corporations filed a motion with the Bankruptcy Court on April 13, 1990 to extend the exclusivity period until September 12, 1990. Such extensions are often sought and granted in large chapter 11 cases. There can be no assurance, however, that such extension will be granted in these chapter 11 cases. Nor can there be any assurance about what, if any, effect there would be on the ability of the Debtor Corporations to formulate a plan of reorganization if such motion is denied.

After a plan has been filed with the Bankruptcy Court, it will be sent, with a disclosure statement approved by the Bankruptcy Court following a hearing, to members of all classes of impaired creditors and equity security holders for acceptance or rejection. Following acceptance or rejection of any plan by impaired classes of creditors and equity security holders, the Bankruptcy Court, after notice and a hearing, would consider whether to confirm the plan. Among other things, to confirm a plan the Bankruptcy Court is required to find that (i) each impaired class of creditors and equity security holders will, pursuant to the plan, receive at least as much as the class would have received in a liquidation of the Debtor Corporations, (ii) each impaired class of creditors and equity security holders has accepted the plan by the requisite vote and (iii) confirmation of the plan is not likely to be followed by the liquidation or need for further financial reorganization of the Debtor Corporations or any successors unless the plan proposes such liquidation or reorganization.

If any impaired class of creditors or equity security holders does not accept a plan and assuming that all of the other requirements of the Bankruptcy Code are met, the proponent of the plan may invoke the so-called "cram down" provisions of the Bankruptcy Code. Under these provisions, the Bankruptcy Court may confirm a plan notwithstanding the non-acceptance of the plan by an impaired class of creditors or equity security holders if certain requirements of the Bankruptcy Code are met, including that (i) at least one impaired class of claims has accepted the plan, (ii) the plan "does not discriminate unfairly" and (iii) the plan "is fair and equitable, with respect to each class of claims or interests that is impaired under, and has not accepted, the plan." As used by the Bankruptcy Code, the phrases "discriminate unfairly" and "fair and equitable" have narrow and specific meanings unique to bankruptcy law.

Other Legal Proceedings

On April 17, 1990, B. Bros. Realty Limited Partnership ("B. Bros.") filed a motion with the Bankruptcy Court seeking relief from Section 362(a) of the Bankruptcy Code, which stays pre-petition claims against debtors, in order that B. Bros. may commence the termination of leases for the premises where the "flagship" Bloomingdale's store at 59th Street and Third Avenue, New York, New York and a Bloomingdale's warehouse operate. B. Bros. alleged that in connection with the 1988 creation of Bloomingdale's, Inc. (in which the operating assets, but not the real estate assets, of the Company's Bloomingdale's stores were contributed to the then-new subsidiary) there was a transfer of the Company's interests in the leases for these premises without B. Bros.' consent, allegedly in violation of provisions in the leases. Management is of the view that there was no transfer of the leases, that B. Bros.' claim is without merit and that it would not be appropriate to lift the stay provisions of Section 362.

On October 19, 1988, a purported class action complaint entitled *Leona Savage et al. v. The Federated Department Stores, Inc. Retirement Income and Thrift Incentive Plan et al.*, was filed with the United States District Court for the District of New Jersey. The complaint alleged, among other things, that after October 19, 1987, when the defendants notified participants who met the age and service requirements of the Retirement Income and Thrift Incentive Plan of their right to convert stock in their plan accounts and thus to take advantage of the differential between the plan's sale price based on the prior three-months' average stock

price and the then current lower market prices, they knew, or should have known, that the Company was a possible takeover target and failed to disclose such information. The complaint alleged that participants who converted shares before the Tender Offer were deprived of the Tender Offer price and requested relief (including unspecified money damages) based on various Federal laws and state common law. The Company moved to dismiss the complaint for failure to state a claim on which relief could be granted, or, in the alternative, for summary judgment. On May 8, 1989, the Court issued its order granting the motion for summary judgment. Plaintiffs appealed this decision to the Circuit Court of Appeals for the Third Circuit. On December 22, 1989, the Third Circuit affirmed the order granting summary judgment for the Company. Since the plaintiffs did not take a timely appeal from the Circuit Court's decision, this matter is now terminated.

On November 29, 1988, a civil complaint entitled *Hartford Fire Insurance Co. v. Federated Department Stores, et al.* was filed with the United States District Court for the Southern District of New York. The *Hartford* complaint alleged, among other things, that in January 1987, when the Company issued a Prospectus in connection with its plan to offer debt securities to the public, and in October 1987, when the Company issued a Prospectus Supplement that offered \$200.0 million of debt securities to the public, the Company knew, or should have known, that it was a possible takeover target and that it failed to disclose such information in violation of Federal securities laws and state common law. The complaint also alleged that the Company, in accepting Campeau's offer, breached implied duties of good faith and fair dealing to holders of its debt securities and that Campeau, in acquiring and restructuring the Company, wrongfully interfered with the contractual relationship between the Company and such holders. On December 7, 1988, a purported class action entitled *Bernard Segal v. Federated Department Stores, Inc. et al.*, was filed relating to the same offering of debt securities. The *Segal* complaint asserted claims under the Federal securities laws and state common law that are similar to those asserted in the *Hartford* action. Campeau and the Company moved to dismiss both actions for failure to state a claim for which relief can be granted, or in the alternative, for summary judgment. On October 12, 1989, the Court issued its order granting the Company's motions for summary judgment. Since no appeal was timely taken from the District Court's rulings, these proceedings are now terminated.

On April 20, 1989, Campeau and the Company commenced an action in the United States District Court for the Southern District of New York entitled *Campeau Corporation and Federated Department Stores, Inc. v. The May Department Stores Company*, No. 89 Civ. 2690 (CSH). The complaint seeks declaratory relief concerning the interpretation of a contract in which Campeau and the Company sold the Filene's and Foley's divisions of the Company to The May Department Stores Company ("May"). The purchase agreement provides for certain adjustments to be made to the price of those divisions, and the parties each dispute whether several adjustments proposed by the other are permitted by the agreement. The complaint seeks only declaratory relief concerning whether the agreement permits the subject adjustments; any dispute concerning the calculation of the adjustments that are determined to be permissible will be resolved by an independent accounting firm of nationally recognized standing as provided by the agreement. The Company has asserted claims of approximately \$24.0 million and May has asserted claims of approximately \$23.0 million. Although the Court has granted May's motion to compel arbitration of the dispute, and before the Petition Date the Company and May were making arrangements for the arbitration proceeding, this proceeding has been stayed by the automatic stay provisions of Section 362 of the Bankruptcy Code due to the commencement by the Company of chapter 11 proceedings. Management believes the Company will ultimately prevail in this arbitration, however, no estimate of the recovery or exposure can be made currently.

The Company and its subsidiaries are also involved in various proceedings incidental to the normal course of their business. Management does not expect that any of such proceedings will have a material adverse impact on the Company.

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

None.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

There is no established trading market for the Company's common stock, which is entirely owned by Holdings. See Item 1. "Business — Introduction — Shareholders" and Item 12. "Security Ownership of Certain Beneficial Owners and Management."

The Company paid no dividends on its common stock in Fiscal 1989 or in Fiscal 1988.

Currently no dividends may be paid on the Company's common stock. Future cash dividends paid by the Company on its common stock are restricted by the Post-Petition Credit Agreement, the Bank Facilities, the Exchange Notes and the Indentures for the \$500,000,000 16% Senior Subordinated Debentures Due 2000 and \$582,887,000 17½% Subordinated Discount Debentures Due 2004.

Item 6. Selected Financial Data

	Successor		Predecessor			
	53 Weeks Ended February 3, 1990	Nine Months Ended January 28, 1989	13 Weeks Ended April 30, 1988	52 Weeks Ended January 30, 1988	52 Weeks Ended January 31, 1987	52 Weeks Ended February 1, 1986
	(dollars in millions, except per share figures)					
Consolidated Statement of Operations Data:						
Net sales.....	\$ 4,867.2	\$ 3,571.7	\$2,449.1	\$11,117.8	\$10,512.4	\$9,978.0
Depreciation and amortization	221.7	162.6	69.7	280.7	255.6	230.6
Interest expense	516.1	386.4	30.1	104.6	79.8	86.4
Income (Loss) before income taxes and extraordinary item	(1,635.9)	(158.1)	(279.4)	530.0	567.0	533.7
Income (Loss) before extraordinary item	(1,503.9)	(156.3)	(165.6)	313.0	301.9	286.6
Net income (loss)	(1,503.9)	(156.3)	(165.6)	313.0	287.6	286.6
Earnings (Loss) per Share of Common Stock:						
Income (Loss) before extraordinary item	(1,503.872)	(156,318)	(1.86)	3.40	3.12	2.94
Net income (loss)	(1,503.872)	(156,318)	(1.86)	3.40	2.97	2.94
Fully Diluted Earnings (Loss) per Share:						
Income (Loss) before extraordinary item	(1,503.872)	(156,318)	(1.86)	3.32	3.05	2.87
Net income (loss)	(1,503.872)	(156,318)	(1.86)	3.32	2.91	2.87
Other Data:						
Sales increase (decrease)	7.2%*	0.9%*	(0.6)%**	5.3%	5.4%	3.2%
Comparable store sales increase (decrease)	4.4%	(0.3)%	(1.8)%	2.3%	2.4%	2.9%
Cash dividends per share of common stock	\$ —	\$ —	\$ —	\$ 1.48	\$ 1.34	\$ 1.27
Balance Sheet Data at year end:						
Working capital	1,680.2	(288.9)	1,093.1	1,447.1	1,495.6	1,535.7
Total assets	5,572.2	7,912.8	6,098.9	6,008.7	5,687.7	5,353.6
Short-term borrowings and long-term debt due within one year	136.2	1,554.8	611.1	399.5	240.1	42.8
Liabilities subject to settlement under reorganization proceedings	3,921.8	—	—	—	—	—
Long-term debt	1,204.0	3,020.9	940.7	956.6	791.9	781.5
Shareholders' equity (deficit)	(307.0)	1,129.9	2,474.0	2,639.1	2,662.6	2,707.3

* Retained divisions and subsidiaries only.

** Compared to the 13 weeks ended May 2, 1987.

Note: All per share data for the Predecessor reflect the two-for-one common stock split on April 13, 1987. For information regarding the general lack of comparability between the periods shown for the Predecessor with those shown for the Successor, see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

As a result of the Company's having filed for relief under chapter 11 of the Bankruptcy Code, from an operating perspective, management expects the process to have a positive impact on operations in general in that it will allow the Company's divisions and subsidiaries to concentrate on selling merchandise and serving the customers. At the same time, under chapter 11 protection, corporate management will have the necessary time to address aggressively the problems that exist at the corporate level as a result of the Company's highly leveraged capital structure. As a result of the chapter 11 filings, the Company is not accruing interest on unsecured debt, which should have a favorable impact on interest expense through the chapter 11 period. In contrast, the Company's results will be adversely affected by reorganization items, and could be affected by potential legal actions and other factors resulting from chapter 11. The ultimate effect of these items on the Company's business, results of operations and financial condition cannot presently be determined.

As a result of the Tender Offer by and the Merger with CRTF, purchase accounting adjustments, the disposition of a significant number of operating divisions or subsidiaries and other related events, the results of operations and financial condition of the Company for dates and periods subsequent to April 30, 1988 are generally not comparable to dates and periods prior to April 30, 1988.

Results of Operations

Subsequent to April 30, 1988, the operating results of the Company consist of the Abraham and Straus and Lazarus divisions and the Bloomingdale's, Burdines and Rich's (including Goldsmith's) subsidiaries. All other operating divisions or subsidiaries, which were included in results prior to April 30, 1988, have been sold or, in the case of Ralphs Grocery Company ("Ralphs"), transferred to an affiliate of the Company.

Financial Results

Comparison of the 53 Weeks Ended February 3, 1990 and the 52 Weeks Ended January 28, 1989

Net sales for 53 weeks ended February 3, 1990 were \$4,867.2 million compared to \$4,541.7 million, excluding finance charge revenues, for the 52 weeks ended January 28, 1989, an increase of 7.2%, for those divisions and subsidiaries included in operations in both periods. Excluding the 53rd week from fiscal 1989, sales increased 5.9% over 1988. Effective May 3, 1988, the Company began treating finance charge revenues as a deduction from selling, publicity, delivery and administrative expenses. Previously such revenues had been included in net sales. For the 53 weeks ended February 3, 1990 and the 52 weeks ended January 28, 1989, such revenues were \$129.3 million and \$130.2 million, respectively, for those divisions and subsidiaries included in operations in both periods. Total sales for the 52 weeks ended January 28, 1989, were \$6,020.8 million, including finance charge revenues for the period prior to May 3, 1988.

Cost of sales, including occupancy and buying costs, was 73.0% as a percentage of sales for the 53 weeks ended February 3, 1990, compared to 71.6% for the same period of the prior year on a comparable division and subsidiary basis. The increase is primarily the result of competitive pricing strategies and an increase in promotional efforts in Fiscal 1989 driven by the need to clear excessive merchandise. On an historical basis, cost of sales, including occupancy and buying costs, was 72.8% for the 52 weeks ended January 28, 1989.

Selling, publicity, delivery and administrative expenses were 23.3% as a percentage of sales for the 53 weeks ended February 3, 1990, compared to 22.0% for the same period of the prior year, including finance charge revenues, on a comparable division and subsidiary basis. The increase is due, in part, to enhanced selling services which do not generate enough incremental sales immediately to cover the added expense. On an historical basis, selling, publicity, delivery and administrative expenses were 21.9% as a percentage of sales for the 52 weeks ended January 28, 1989, excluding finance charge revenues for the period prior to May 3, 1988.

Net interest expense was \$516.1 million for the 53 weeks ended February 3, 1990, compared to \$416.4 million for the same period of the prior year. This increase is primarily due to higher levels of borrowing and higher average interest rates for Fiscal 1989 over Fiscal 1988 related to the Merger in May 1988.

The unusual item reflects the write down in value of the excess of cost over net assets acquired by \$1,150.0 million. For additional information, see Item 1, "Business — Write Down of Excess of Cost Over Net Assets Acquired" and Note 4 to the Consolidated Financial Statements.

Reorganization items represent expenses incurred by the Company resulting from the bankruptcy and specific to the reorganization process. The amounts reported in the 53 weeks ended February 3, 1990, which have been presented separately because of their significant non-operating nature, include a non-recurring charge of \$119.2 million to write-off financing costs related to unsecured debt incurred as part of the Company's May 1988 acquisition, \$1.7 million for professional fees and expenses and \$0.4 million in interest income earned on excess cash subsequent to the Petition Date.

Income taxes were a \$132.0 million benefit for the 53 weeks ended February 3, 1990, compared to a \$115.6 million benefit for the same period of the prior year. See Note 13 to the Consolidated Financial Statements for a discussion regarding effective tax rates.

Comparison of the Nine Months Ended January 28, 1989 and January 30, 1988

Net sales for the nine months ended January 28, 1989 were \$3,571.7 million compared to \$3,539.2 million, excluding finance charge revenues, for the nine months ended January 30, 1988, for those divisions and subsidiaries included in operations in both periods. Effective May 3, 1988, the Company began treating finance charge revenues as a deduction from selling, publicity, delivery and administrative expenses. Previously such revenues had been included in net sales. For the nine months ended January 28, 1989 and January 30, 1988, such revenues were \$95.1 million and \$98.2 million, respectively. Total sales for the nine months ended January 30, 1988, were \$8,654.5 million, including finance charge revenues. Fourth quarter sales growth reflected a 2.6% total sales growth for those divisions and subsidiaries included in operations for both periods.

Cost of sales, including occupancy and buying costs, was 71.5% as a percentage of sales for the nine months ended January 28, 1989, compared to 70.5% for the same period of the prior year on a comparable division and subsidiary basis. The increase is primarily due to higher depreciation resulting from the write up of property and equipment to fair value. On an historical basis, cost of sales, including occupancy and buying costs, was 74.9% for the nine months ended January 30, 1988.

Selling, publicity, delivery and administrative expenses were 21.6% as a percentage of sales for the nine months ended January 28, 1989, compared to 21.4% for the same period of the prior year, including finance charge revenues, on a comparable division and subsidiary basis. The increase due to the amortization of goodwill more than offset the decrease from the effects of streamlining. On an historical basis, selling, publicity, delivery and administrative expenses were 20.3% for the nine months ended January 30, 1988, excluding finance charge revenues.

Net interest expense was \$386.4 million for the nine months ended January 28, 1989, compared to \$84.7 million for the same period of the prior year. The increase is due to higher levels of borrowing in 1988 related to the Merger.

Income taxes were a \$1.8 million benefit for the nine months ended January 28, 1989, compared to \$177.7 million expense for the same period of the prior year. See Note 13 to the Consolidated Financial Statements for a discussion regarding effective tax rates.

Comparison of the First Quarters of 1988 and 1987

In the first quarter of 1988, the Company produced a net loss of \$165.6 million, or \$1.86 per share, including a \$315.7 million charge, before income tax benefits, related to the Tender Offer, compared with net earnings of \$50.1 million, or 54 cents per share, for the first quarter of 1987. Excluding the unusual item, net earnings for the first quarter of 1988 were \$21.5 million. Sales in the first quarter were \$2,449.1 million, down 0.6% from sales of \$2,463.3 million for the first quarter last year.

Sales of supermarkets and other stores increased 2.8% and 6.2%, respectively, and sales of department stores and mass merchandising stores decreased 0.8% and 11.3%, respectively.

Consolidated cost of sales, including occupancy and buying costs, as a percentage of sales, was 74.6% for the first quarter of 1988, compared to 73.9% for the first quarter last year. Selling, publicity, delivery and administrative expenses, as a percentage of sales, were 22.3% in the first quarter of 1988 and 21.2% for the first quarter of 1987.

Net interest expense was \$30.1 million for the quarter, compared with \$19.9 million for the same quarter of the year earlier.

Income taxes reflect the reduction in the statutory federal income tax rate from a blended rate of about 39% in 1987 to a rate of 34% in 1988 under the Tax Reform Act of 1986. The income taxes shown in the Consolidated Statements of Operations differ from the amounts arrived at by applying the statutory federal income tax rate to income before income taxes principally because of state and local income taxes and the reversal of certain deferred taxes previously recorded at a higher rate in conjunction with the deferral of gross margin on installment sales.

Liquidity and Capital Resources

The Company's liquidity position has improved as a result of its chapter 11 filing because the payment of approximately \$389.5 million in operating cash requirements, in the form of accrued interest, accounts payable and other accrued liabilities, is deferred until a plan of reorganization is approved by the Bankruptcy Court. In addition, current payments in respect of all pre-petition secured and unsecured debt (except for the bank receivables facility and the note monetization facilities), are deferred, relieving the Company of the burden of meeting most of its scheduled principal payments and post-petition interest expense on the pre-petition unsecured debt. Interest on secured debt continues to be accrued but will not be paid (except as described below) until confirmation of a plan of reorganization. For financial statement presentation purposes, all secured debt is being accounted for as if it were fully secured. However, the adequacy of the security for such debt cannot be determined at this time. The deferral of these pre-petition date obligations in addition to other factors enabled the Company to increase cash by \$230.6 million during Fiscal 1989.

On February 12, 1990, the Bankruptcy Court approved a \$400.0 million debtor-in-possession ("DIP") working capital financing facility. The DIP financing facility provides for interest to be paid quarterly on the pre-petition working capital and mortgage bridge facilities to the extent of 50% of cumulative excess cash flow (as defined in the Post-Petition Credit Agreement) for the first three fiscal quarters of Fiscal 1990 and 100% of cumulative excess cash flow at the end of Fiscal 1990. As of April 30, 1990, the Company has not incurred any borrowings under the DIP financing facility. The DIP financing facility expires on February 4, 1991. For additional information regarding the DIP financing facility, see Item 1. "Business — Chapter 11 Proceedings — Post-Petition Financing."

On February 9, 1990, the Bankruptcy Court approved the purchase agreement relating to the Receivables Credit Agreement for Credit Corp. which is essentially a continuation of the pre-petition facility which allows Credit Corp. to borrow up to \$1,000.0 million against its outstanding receivables (subject to meeting a borrowing base test) which must be repaid on February 4, 1991, when the facility terminates. The bank receivables facility is secured and bears interest at 1% over prime. For additional information regarding the bank receivables facility, see Item 1. "Business — Post-Petition Financing."

Capital expenditures for the 53 weeks ended February 3, 1990, amounted to \$111.1 million compared to \$186.4 million on a comparable division basis for the 52 weeks ended January 28, 1989. In Fiscal 1990 the Company plans to open one new store in an established market and complete the remodeling of one store in a mature market area.

Management believes the bank receivables facility and the DIP working capital financing facility, together with cash on hand and funds from operations, will be adequate to cover its working capital and capital expenditure needs until the expiration of the facilities. However, the Company has no experience operating as a debtor-in-possession and its projections as to its ability to generate sufficient cash to make payments under bankruptcy are based upon assumptions that may not be realized.

Until a plan of reorganization is approved by creditors and confirmed by the Bankruptcy Court, the long-term liquidity and the adequacy of the Company's capital resources cannot be determined. No plan of reorganization has yet been submitted to the creditors.

Item 8. Financial Statements and Supplementary Data

Information called for by this Item is set forth in the Company's financial statements and supplementary data contained in this report and is incorporated herein by reference. Specific financial statements and supplementary data can be found at the pages listed in the following index.

Index	<u>Page Number</u>
Federated Department Stores, Inc. (The Successor):	
Independent Auditors' Report (The Successor and The Predecessor)	F-1 and F-2
Consolidated Statements of Operations — 53 Weeks Ended February 3, 1990 and Nine Months Ended January 28, 1989	F-3
Consolidated Balance Sheets — February 3, 1990 and January 28, 1989....	F-4
Consolidated Statements of Cash Flows -- 53 Weeks Ended February 3, 1990 and Nine Months Ended January 28, 1989	F-5
Notes to Consolidated Financial Statements	F-6 to F-26
Federated Department Stores, Inc. (The Predecessor):	
Independent Auditor's Report	F-27
Consolidated Statements of Operations — Thirteen Weeks Ended April 30, 1988, 52 Weeks Ended January 30, 1988 and 52 Weeks Ended January 31, 1987.....	F-28
Consolidated Balance Sheet — January 30, 1988	F-29
Consolidated Statements of Changes in Financial Position — Thirteen Weeks Ended April 30, 1988, 52 Weeks Ended January 30, 1988 and 52 Weeks Ended January 31, 1987.....	F-30
Notes to Consolidated Financial Statements	F-31 to F-45

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Changes in Accountants

The information required to be set forth by this Item was contained in a Form 10-Q dated June 13, 1988 and a Form 8 amendment to such Form 10-Q, dated as of September 14, 1988, reporting the Company's change in independent public accountants to KPMG Peat Marwick from Touche Ross & Co. Such information is expressly incorporated herein by reference.

Disagreements with Accountants on Accounting and Financial Disclosure

None.

Part III

Item 10. Directors and Executive Officers of the Registrant

Directors of the Registrant

<u>Name of Director</u>	<u>Principal Occupation, Five-Year Employment History and Other Information</u>	<u>Director Since</u>
Allen I. Questrom	Chairman of the board and chief executive officer of the Company since February 1990; president and chief executive officer of the Nieman-Marcus division of The Nieman Marcus Group, Inc. from September 1985 to February 1990; vice chairman of the board of the Company from January 1988 to July 1988; executive vice president of the Company from March 1987 to January 1988; prior thereto chairman of the Bullock's division since 1984; prior thereto chairman (from 1980 to 1984) and president (from 1978 to 1980) of the Rich's division (now a subsidiary) of the Company; and a director of Allied. Age 50.	1990
Ronald W. Tysoc	Vice chairman and chief financial officer of the Company since April 1990; president of Campeau from April 1989 to January 1990; president and treasurer of FSI since November 1987; executive vice president, corporate development of Campeau from June 1988 to April 1989; senior vice president, corporate development of Campeau from April 1986 to January 1987; senior director, finance of Campeau from June 1985 to April 1986; senior director, corporate administration of Campeau from June 1984 to June 1985; senior director administration, shopping centres, of Campeau from August 1983 to June 1984; vice president, treasurer, principal financial officer and assistant secretary of Allied from November 1986 to June 1988; and director of Allied and Ralphs. Age 37.	1988
James M. Zimmerman	President and chief operating officer of the Company since May 1988; prior thereto chairman of the Rich's division (now a subsidiary) of the Company since January 1984; and prior thereto president of Rich's; and director of Allied. Age 46.	1988

Executive Officers of the Registrant

The following are the executive officers of the Company and their age determined as of May 1, 1990. All of the executive officers (other than Messrs. Rose and Traub) hold substantially similar positions with Allied.

<u>Name</u>	<u>Office</u>	<u>Age</u>	<u>Years with the Company</u>
Allen I. Questrom	Chairman of the board and chief executive officer	50	*
James M. Zimmerman	President and chief operating officer	46	23
Ronald W. Tysoc	Vice chairman and chief financial officer	37	2
Marvin S. Traub	Vice chairman of the board	64	40
Thomas G. Cody	Executive vice president	48	7
Dennis J. Broderick	Senior vice president and general counsel	41	3
John E. Brown	Senior vice president	50	27
Glen H. Griffith	Senior vice president	55	15
Rudolph V. Javosky	Senior vice president	53	1

<u>Name</u>	<u>Office</u>	<u>Age</u>	<u>Years with the Company</u>
Mark R. Kennedy	Senior vice president and treasurer	33	3
Boris Auerbach	Vice president and secretary	58	28
Karen M. Hoguet	Vice president	33	8
John A. Muskovich	Vice president and controller	43	14
H. Stewart Rose	Vice president	56	32
Warren Rothman	Vice president	44	7
Carol Sanger	Vice president	42	6
Robert C. Seppelt	Vice president	36	3
John A. Sims	Vice president	40	10
Joseph K. Vella	Vice president	50	7

*With the Company less than one year.

The principal occupation and employment of the officers listed above (other than Messrs. Questrom, Tysoe and Zimmerman, whose employment histories are set forth under the heading "Directors of the Registrant") are set forth below.

Mr. Traub was elected vice chairman of the board of the Company in May 1988 and prior thereto, Mr. Traub was a vice president of the Company. Mr. Traub has also served for more than five years as chairman and chief executive officer of Bloomingdale's.

Mr. Cody was elected executive vice president, legal and human resources, of the Company in May 1988. Before then he served as senior vice president of the Company.

Mr. Broderick was elected senior vice president in January 1990, after serving as general counsel since May 1988 and vice president since February 1987. Before then he was an attorney for The Firestone Tire and Rubber Company where he rose to the level of assistant general counsel.

Mr. Brown was elected senior vice president in September 1988, having served as vice president and controller of the Company since October 1984.

Mr. Griffith was elected senior vice president in September 1988, having served as chairman of SABRE (the electronic data processing division of the Company) since December 1985. Before then he served as EDP (electronic data processing) Division Manager for the Company's former Sanger Harris division in Dallas, Texas.

Mr. Javosky was elected senior vice president for store planning of the Company in June 1988. He served as executive vice president for FSI from 1987 until June 1988, overseeing the design and construction of all new and remodeled stores for Allied and the Campeau shopping center projects and mixed-use developments in the United States. Before then he was a senior partner with the architectural firm of Bregman, Hamann, Architects, Toronto, Canada.

Mr. Kennedy was elected senior vice president in January 1990, after serving as vice president and treasurer of the Company since June 1988, and as the Company's assistant treasurer since October 1987. Before then he served as director of corporate and international finance for The Pillsbury Company.

Mr. Auerbach was elected vice president of the Company in 1983 and secretary in 1971.

Mrs. Hoguet was elected a vice president of the Company in December 1988. Prior to her election as vice president, Mrs. Hoguet served as operating vice president-financial planning and in other planning capacities for the Company since 1984.

Mr. Muskovich was elected vice president-controller of the Company in December 1988, having served as operating vice president-accounting and data control for the Company from April 1986 to December 1988.

Prior to April 1986, Mr. Muskovich served in various other positions relating to accounting and control within the Company.

Mr. Rose has served as vice president of the Company for area research for over 5 years.

Mr. Rothman was elected a vice president of the Company in December 1988. For at least 5 years prior to that he served in various human resource capacities with the Company.

Ms. Sanger was elected vice president in January 1990. Before then she served as vice president-corporate communications for Campeau, having joined the Company in February 1984 as operating vice president-public relations and public affairs.

Mr. Seppelt was elected as vice president of the Company in March 1989. Prior to that he served in various capacities in the Company's tax department from July 1986. Prior to that he served as a CPA with Arthur Andersen & Co.

Mr. Sims was elected vice president in January 1990. Before then he served in various capacities in the Company's legal department since joining the Company in 1980.

Mr. Vella was elected as vice president in December 1988. For at least 5 years prior to that he was an operating vice president-employee relations for the Company.

Item 11. Executive Compensation

The following table sets forth the cash compensation for the fiscal year ended February 3, 1990, of the five most highly compensated executive officers of the Company and of all executive officers as a group. Information is furnished only for those portions of the year during which such persons were executive officers.

Name of Individual or Group	Capacities in Which Served During the Period	Cash Compensation (1)(2)(3)
Allen J. Questrom (4)	Chairman of the board and chief executive officer	\$ —
James M. Zimmerman	President and chief operating officer	426,667
Ronald W. Tysoe	Vice chairman and chief financial officer	245,312
Thomas G. Cody	Executive vice president	168,863
Marvin S. Traub	Vice chairman of the board of the Company and chief executive officer of Bloomingdale's	712,500
Executive Officers as a Group (24)		\$5,418,211

(1) Includes amounts deferred under the Thrift Incentive portion of Federated's Retirement Income and Thrift Incentive Program or the Company's Retirement Benefit and Profit Sharing Investment Program qualified under Section 401(k) of the Internal Revenue Code, and for certain officers certain amounts paid under the Company's moving and relocation policy.

(2) Each of the officers named (other than Mr. Traub) and 22 officers included in the Group also served as officers in the same capacity at Allied during Fiscal 1989. As a result, the compensation shown above does not include amounts paid by the Company but allocated to Allied in connection with such service as officers of Allied and for which Allied has reimbursed the Company. This allocation is based on services rendered to Allied during Fiscal 1989 and is in accordance with an agreement dated November 29, 1988, between the Company and Allied.

The following amounts were allocated to Allied during Fiscal 1989 and the Company has been reimbursed therefore: Mr. Questrom \$-0-; Mr. Zimmerman \$426,666; Mr. Tysoe \$245,313; Mr. Cody \$168,862; Mr. Traub \$-0- and for executive officers as a group \$4,549,752.

The amounts shown above for Messrs. Tysoe and Cody and certain of the officers included in the Group do not include amounts allocated to FSI in connection with services provided for FSI.

- (3) Does not include \$703,218, \$1,105,713 and \$685,889 paid during Fiscal 1989 to John W. Burden, III, Robert Campeau and Russell S. Davis, respectively who served as chairman of the board and chief executive officer, chairman of the executive committee of the board, and executive vice president and chief financial officer of the Company and Allied, respectively, during Fiscal 1989 (which amounts include certain amounts paid to Messrs. Burden and Davis in connection with their resignations). In addition, Allied paid Messrs. Burden, Campeau and Davis identical amounts during Fiscal 1989 in connection with their service as officers of Allied. Mr. Campeau resigned his positions with the Company and Allied in October 1989 and Messrs. Burden and Davis each resigned from their positions with the Company and Allied in January 1990.
- (4) Mr. Questrom is compensated in accordance with the provisions of an employment agreement with the Company. See "Key Employee Performance/Retention Program — Arrangement with Mr. Questrom."

Key Employee Performance/Retention Program

Employment Agreements — Generally. Following approval by the Bankruptcy Court on April 12, 1990, the Company implemented a Key Employee Performance/Retention Program (the "Program") designed to provide severance protection and retention and performance incentives to key management and operational employees. As part of the Program, the Company is providing new employment agreements for all of its executive officers (other than Mr. Questrom) to replace their pre-existing contracts and arrangements. The employment agreement to which each such executive officer is a party provides for salary continuation until the end of the term of the agreement if the officer is notified that his services are no longer required (other than for "cause," as defined in the agreement). However, any compensation received from a new employer would reduce payments due under the agreement.

The employment agreements entered into pursuant to the Program with store principals (none of whom, other than Mr. Traub, are named in the above table) include provisions automatically extending the term of employment thereunder for three years in the event of a "change of ownership," defined in the agreements to include certain sales of stock or assets to an unaffiliated purchaser and certain mergers with unaffiliated entities. The definition excludes any change of control that results solely from any exchange of debt for equity securities upon consummation of any plan of reorganization of the Company in its chapter 11 proceedings.

Each of the employment agreements entered into pursuant to the Program provides for payment of base salary equal to at least the amount specified in the agreement for a specified term of up to three years. The agreements with Messrs. Zimmerman, Tysoe, Cody and Traub specify the following respective annual base salary rates (before allocation of any amounts to Allied) and expiration dates: \$1,000,000, May 31, 1992; \$650,000, April 19, 1993; \$500,000, May 15, 1993; and \$725,000, May 31, 1991. In the case of Mr. Tysoe, he also has an agreement with FSI pursuant to which he is to receive compensation at an annual rate of \$350,000 for service as president and chief financial officer of FSI until six months following confirmation of a plan of reorganization.

Arrangement with Mr. Questrom. Upon receipt of Bankruptcy Court approval, the Company entered into an agreement with Mr. Questrom to serve as chairman of the board and chief executive officer of the Company and Allied for a term beginning February 2, 1990 and expiring on January 28, 1995 (the "Initial Term") (with successive optional 1-year renewals thereafter). The agreement provides for annual base compensation of \$1.2 million. The agreement also provides that Mr. Questrom will be entitled to receive a value-added payment upon completion of the Initial Term based on the percentage of appreciation in the aggregate market value of the common stock of Allied and the Company during the Initial Term (adjusted to account for debt restructurings as a result of a plan or plans of reorganization). The value-added payment will equal the amount determined by the following formula: 0.75% of the first \$500.0 million of equity appreciation; 1.5% of all equity appreciation between \$500.0 and \$1,000.0 million; and 2.0% of any equity appreciation in excess of \$1,000.0 million (less amounts previously paid as described below). An initial, non-refundable value-added payment of \$2.0 million was made upon commencement of the Initial Term and subsequent non-refundable value-added payments of \$800,000 will be made on each subsequent January 31 during the Initial Term.

The obligations of Allied and the Company under the agreement are secured by a trust. The agreement may be terminated by either party at any time. Termination by the Company other than for "Cause" (as defined in the agreement) or by Mr. Questrom for "Good Reason" (as defined in the agreement) will entitle Mr. Questrom to receive a lump-sum payment of all salary and annual value-added payments that would have been paid during the remaining portion of the Initial Term or any subsequent renewal period but for such termination or resignation.

Master Severance Plan. The new employment agreements (other than the agreement with Mr. Questrom) also provide that an executive officer whose services are terminated (other than for "cause") may elect to receive benefits under the Company's Master Severance Plan in lieu of salary continuation pursuant to his employment agreement. The Master Severance Plan, which was adopted as part of the Program to provide enhanced severance protection for approximately 2,300 key employees of the Company and Allied, would provide for a lump sum payment equal to one year's base salary to an executive officer under those circumstances.

Performance Bonus Plan. Pursuant to the Program, the Company also adopted a new Performance Bonus Plan (the "Bonus Plan"), in which each of the executive officers participates (other than Mr. Questrom). The purpose of the Bonus Plan is to reward certain key employees who remain with the Company during a period of two plan years if certain corporate objectives are met. Approximately 300 employees of the Company and Allied are eligible to participate in the Bonus Plan, which provides for payment of a specified percentage of each participant's base salary (30.0% in the case of store principals and 20.0% in all other cases) as a bonus if he continues in the employ of the Company until the end of the first plan year on February 2, 1991, but only if the Company satisfies the cash flow covenants (as the same may be modified) contained in the Post-Petition Credit Agreement. Participants who continue to be employed by the Company through the second plan year ending on February 1, 1992 will be entitled to a second bonus payment of up to 30.0% of their base salary in the case of store principals (20.0% in all other cases), but only if goals to be determined for purposes of the Bonus Plan in the future have been met.

Directors' Fees

Directors of the Company do not receive directors' fees.

Loans to Executives

In August 1988, the Company made a loan in the amount of \$1,000,000 to Mr. Zimmerman, President of the Company, in connection with his relocation from Atlanta, Georgia to Cincinnati, Ohio. The loan bears interest at the rate of 7.81% per annum and is due the earlier of August 16, 1998 or termination. In June 1989, the Company made an additional loan to Mr. Zimmerman in the amount of \$175,000. The loan is interest free as long as he is an employee of the Company and is due the earlier of June 2, 1999 or termination.

In August 1988, the Company made a loan in the amount of \$500,000 to Mr. Doroff, Chairman of FAMS, in connection with his relocation from Los Angeles, California to New York, New York. The loan is interest free as long as he is an employee of the Company and is due the earlier of August 5, 1993 or termination. This loan became due and payable upon termination of his employment in April 1990.

In August 1988, the Company made a loan in the amount of \$225,000 to Mr. Javosky, Senior Vice President of the Company, in connection with his relocation from New York, New York to Cincinnati, Ohio. The loan is interest free as long as there is no default and is due in installments from August 1, 1989 through August 1, 1997.

Senior Executive Medical Plan

The Company maintains a Senior Executive Medical Plan which provides for the reimbursement of substantially all of the medical expenses of eligible senior executives including the executive officers named in the table. During the fiscal year, 29 senior executives participated in the plan and the cost of maintaining the plan per participant was \$15,840.

Executive Merchandise Purchase Discount Program

Many of the Company's divisions offer their employees a discount on the purchase of merchandise sold by the division. In addition, certain executive officers of the Company receive an additional discount based on total purchases made during the year. As a result of these discounts being considered imputed income under the Internal Revenue Code and the rules and regulations thereunder, the Company makes annual cash payment to eligible executive officers equaling all or a portion of the income tax liability arising as a result of the recognition of such imputed income. The total additional executive discounts and income tax liability payments made to the officers named in the table and all executive officers as a group in Fiscal 1989 aggregated:

	<u>Total Discount and Tax Payment(1)(2)</u>
Allen I. Questrom	\$ -0-
James M. Zimmerman	\$ 38,128
Ronald W. Tysoe	\$ 20,503
Thomas G. Cody	\$ 19,206
Marvin S. Traub	\$336,576
Executive Officers as a Group	\$543,320

- (1) In addition, during Fiscal 1989 Messrs. Burden, Campeau and Davis received total additional executive discounts and income tax liability payments aggregating \$47,633, \$14,758 and \$2,620, respectively.
(2) The amounts shown in the table (other than for Mr. Traub) and note 1 above do not reflect amounts allocated to Allied for which Allied has reimbursed the Company.

Retirement Income and Thrift Incentive Program

The Company's Retirement Program is the Company's primary program for providing retirement benefits to employees. The principal components of this program include a defined benefit pension plan and a profit sharing savings plan. These components are described below.

The Pension Plan (formerly called the Retirement Income Plan) is a defined benefit pension plan effective as of January 1, 1984.

Prior to adoption of this plan, the Company's primary means of providing retirement benefits to employees was through the Retirement Income and Thrift Incentive Plan ("RITI"), a defined contribution profit sharing plan. With the Pension Plan in place, the Company continues to make contributions to the Thrift Incentive portion of RITI as described below. An employee's accumulated retirement profit sharing interests ("Retirement Profit Sharing Credits") in the Retirement Income portion of RITI which accrued prior to January 1, 1984, continue to be maintained and invested until retirement when they are distributed.

Every employee of each of the Company's divisions who completes 1,000 hours of service during a twelve-month period may participate in the Pension Plan. As of January 1, 1990, approximately 39,000 employees participate in the Pension Plan. Participants' interests in the Pension Plan are contingent upon completing five (5) years of service or attaining age 65.

A participant retiring at normal retirement age is eligible to receive monthly benefit payments calculated using a Plan formula which is based on the participant's years of service and final average compensation, and takes into consideration the participant's Retirement Profit Sharing Credits. A participant who is within 10 years of his Normal Retirement Date may also elect to retire prior to normal retirement age and receive benefit payments commencing in the year of early retirement. Benefits in such case will be reduced pursuant to another formula set forth in the Plan. Effective January 1, 1989, the Plan was amended to comply with new Social Security integration requirements.

The Employee Retirement Income Security Act of 1974 ("ERISA") imposes certain maximums on the amount of retirement benefits that can be provided through a qualified plan such as the Pension Plan. In

addition, under Internal Revenue Service requirements, compensation deferred pursuant to the Company's former Executives Deferred Compensation Plan cannot be included in calculating a participant's benefits under the Pension Plan. To allow the Company's Retirement Program to provide benefits based on a participant's total compensation and total years of service, the Company adopted the Supplementary Executive Retirement Plan ("SERP") when it adopted the Pension Plan. This non-qualified unfunded plan, which replaced the Company's prior Supplementary Retirement Plan, a similar plan which was in effect prior to adoption of the Pension Plan, in part, provides to eligible executives, retirement plan benefits on compensation deferred under FDCP and benefits in excess of ERISA maximums, in each case based on the same formula contained in the Pension Plan. The SERP was amended, effective as of January 1, 1988, to provide that for one year following a change in control of the Company SERP participants whose employment is terminated for any reason other than by the Company for cause will not lose their benefits under the SERP should they make certain investments in, or render personal services to, a competitor of the Company. As of January 1, 1990, the approximate number of employees eligible under the terms of SERP is 350. The Company suspended payments under the SERP at the commencement of chapter 11 proceedings.

Assuming: (i) that a retiring participant elects a single life annuity distribution of his Retirement Profit Sharing Credits¹ and the annual payments under such distribution would not exceed the level set forth below and (ii) that the participant would not qualify to receive any additional benefits under the SERP transitional provisions², then the following table shows the estimated annual benefits payable³ under the Pension Plan and SERP to persons retiring at their normal retirement age on January 1, 1990, in specified compensation and years of service classification.

Annual Benefits
Assuming Age 65 at December 31, 1989

Final Average Compensation	10	15	20	25	30
50,000	6,100	9,150	12,200	15,250	18,300
100,000	13,100	19,650	26,200	32,750	39,300
200,000	27,100	40,650	54,200	67,750	81,300
300,000	41,100	61,650	82,200	102,750	123,300
400,000	55,100	82,650	110,200	137,750	165,300
500,000	69,100	103,650	138,200	172,750	207,300
600,000	83,100	124,650	166,200	207,750	249,300
700,000	97,100	145,650	194,200	242,750	291,300
800,000	111,000	166,650	222,200	277,750	333,300
900,000	125,100	187,650	250,200	312,750	375,300
1,000,000	139,100	208,650	278,200	347,750	417,300
1,100,000	153,100	229,650	306,200	382,750	459,300
1,200,000	167,100	250,650	334,200	417,750	501,300
2,000,000	279,100	418,650	558,200	697,750	837,300

- Upon termination, the cash and investments represented by the participant's Retirement Profit Sharing Credits are paid to the participant, in accordance with one of the following methods of distribution as the participant may elect: (i) an annuity contract, (ii) cash or cash and the Company's common stock in a single lump-sum distribution or (iii) a beneficial equivalent of one of the foregoing.
- SERP, the Company's Supplementary Retirement Plan was superseded by SERP. Qualifying executives who retire on or before December 31, 1991, will receive the greater of the supplementary benefits supplied by SERP or that which would have been supplied by SRP. The Company suspended payments under the SERP at the commencement of chapter 11 proceedings.
- Payment of benefits would come from the Retirement Profit Sharing Credits of RITI, the Pension Plan and if the participant qualifies, the SERP. The Company suspended payments under the SERP at the commencement of chapter 11 proceedings.

Messrs. Questrom, Zimmerman, Tysoe, Cody and Traub have completed 23, 23, 2, 7 and 40 years of credited service, respectively, and under the assumptions described above, their estimated annual retirement benefits at age 65 assuming their present salaries remained unchanged would be \$532,677, \$312,615, \$383,629, \$154,753 and \$51,806.

The Thrift Incentive portion of RITI provides for voluntary contributions by participating employees and for Company contributions matching a portion of the participants' contributions.

All of the Company's employees who are eligible to participate in the Pension Plan may participate in the Thrift Incentive portion of RITI. As of January 1, 1990, approximately 36,200 employees were eligible to participate in the Thrift Incentive portion of RITI. As of this date, approximately 20,800 employees were contributing participants.

Participants may elect to contribute to the Thrift Incentive portion of RITI by contributing an amount equal to from 1% to 10% of the participant's annual compensation. These contributions may be made on a tax-deferred basis (the "Tax Deferred Thrift Option") pursuant to Section 401(k) of the Internal Revenue Code (the "Code"); provided, that the tax deferred contribution by any participant cannot exceed \$7,000 (indexed in accordance with provisions in the Code) in any year. Any contributions made on a tax-deferred basis will not be included in a participant's income for federal income tax purposes until such contributions are withdrawn. In accordance with Code requirements, a participant is not permitted to withdraw tax-deferred contributions prior to age 59½ or retirement except for reasons of "hardship" (in accordance with Internal Revenue Service regulations). Contributions up to 5% of compensation are eligible for Company matching.

The Company's annual aggregate contribution to the Plan is an amount equal to not less than 2% of the Company's pre-tax income from participating divisions or the amount necessary to match 20% of participant's eligible savings. Effective as of January 1, 1988, participant interests in their RITI credits vest immediately.

Except for contributions under the Tax-Deferred Thrift portion, participants are permitted to make withdrawals of their prior years' contributions to RITI but not their current year's contributions or the earnings on any of their contributions.

For 1989, it is estimated that there will be allocated by the Company to the Thrift Incentive accounts of executives named in the table the following amounts: Mr. Questrom, \$-0-; Mr. Zimmerman, \$2,000; Mr. Tysse, \$-0-; Mr. Cody, \$2,000; Mr. Traub, \$2,000; to executive officers as a group, \$24,203; and to all participants, \$3,075,059. \$2,000 will also be allocated by the Company to the Thrift Incentive accounts of Messrs. Burden and Davis.

It is impractical to estimate the accrued benefits upon retirement of any participant or group of participants in the Thrift Incentive portion of RITI because the amount, if any, that will be contributed by the Company and credited to a participant in any year is determined by such variable factors, among others, as the amount of the Company's income, the number of participants in the Plan, their annual contributions to the Plan, the amount of the Company's matching contributions and the earnings on participants' accounts.

Stock Appreciation Rights Plan

The Company, along with Allied, has adopted a stock appreciation rights plan under which certain officers and key employees of the Company and Allied have been granted stock appreciation rights. Each right entitles its holder, subject to vesting and valid exercise, to the right to receive either an amount of cash or, at the option of the board of directors of either company or a committee thereof administering the plan (the "Board"), Ordinary Shares of Campeau equal to the increase in value of Campeau Ordinary Shares over an initial base value as established, with respect to Company participants, by the Board. The base value for all grants in 1988 and 1989 was \$20 (Canadian) and the base value in succeeding years will be the market value on the date of grant, or such other value as may be established by the Board. During 1989, grants covering 45,000 stock appreciation rights were awarded to 6 executive officers included in the Group. The market value of an Ordinary Share of Campeau was approximately \$2.70 (Canadian) as of February 3, 1990.

An individual's rights will vest in accordance with the terms established by the Board, but in no event later than 10 years after the date of grant. The plan provides, however, that rights granted during 1988 to employees of either company became 10% vested on January 28, 1989. Rights granted in 1988 that have become vested were scheduled to become exercisable after January 29, 1991, and any rights granted after 1988 were scheduled to become exercisable after the third anniversary of the date of grant, or such other date as the Board may establish. The Board administers the plan and has broad discretion in determining who will be eligible to receive rights and the number of rights granted. The maximum number of rights that may be

granted under the plan with respect to both the Company and Allied is 6.5 million, and the maximum number of shares of Campeau Ordinary Shares that may be delivered under the plan is 2.7 million subject to adjustment for stock splits and similar events.

Other Compensation

Other compensation with respect to any person named in the table does not exceed \$25,000 or 10% of the compensation reported in the table for such person. With respect to the Group, other compensation does not exceed \$25,000 times the number of executive officers in the Group or 10% of the compensation reported in the table for the Group.

Item 12. Security Ownership of Certain Beneficial Owners and Management

100% of the outstanding shares of common stock of the Company (which common stock currently is the Company's only voting security) are owned by Holdings. At February 3, 1990, Allied owned 50% of the capital stock of Holdings. 7.5% of Holdings' capital stock is owned indirectly by DeBartolo through DPI, a wholly-owned subsidiary. 7.5% of Holdings' capital stock is owned by CPI, a wholly-owned subsidiary of FSI. 6.96% of Holdings' capital stock is owned by the Bridge Lenders and the remaining 28.04% of Holdings' capital stock is owned by Holdings II. For additional information, see Item I. "Business — Introduction — Shareholders" and "Business — Financing Transactions — Refinancing of Bridge Facility."

Item 13. Certain Relationships and Related Transactions

The arrangements described below are subject to certain provisions of the Bankruptcy Code regarding (i) the ability of third parties to enforce obligations of a debtor-in-possession and (ii) the right of a debtor-in-possession to reject certain pre-petition executory contracts.

The Company and Allied

The boards of directors of the Company and Allied are identical, as are most of their officers. Transactions between the Company and its affiliates, including Allied, are currently governed by the Statement of Principles contained in the Bank Facilities. The Statement of Principles provides that, except as provided elsewhere in the Bank Facilities, terms of material transactions between the Company and its affiliates will be no less favorable than would apply to similar transactions with unaffiliated third parties. Compliance with this requirement will be effected (a) as to service arrangements, shared costs and shared assets, by (i) any reasonable allocation that takes into account actual costs (including indirect costs) and other relevant factors and (ii) mutual agreement with the affiliate and (b) as to repayment of material interaffiliate advances, by settlement within 45 days after quarter-end as of quarter-end, or more frequently. The above provisions were incorporated into an agreement between the Company and Allied dated November 29, 1983.

In addition to the Statement of Principles, the Company is subject to various limitations on transactions with affiliates contained in certain of its financing instruments. Allied is subject to similar limitations in certain of its financing instruments.

Tax Sharing Arrangements

The Company is included in the consolidated federal income tax return of FSI, which is the parent corporation of the U.S. affiliated tax group of which the Company is a member. The tax sharing agreement that was entered into by the Company, Holdings, and Federated Credit Holdings Corporation before the bankruptcy filings (the "Holdings Group Tax Sharing Agreement") calls for the Company to calculate its income tax liability (subject to exceptions) as if it were a separate taxpayer, and to settle that liability with Holdings. The tax sharing agreement that was entered into by Ralphs and FSI before the bankruptcy filings (the "Ralphs Tax Sharing Agreement") calls for Ralphs to be treated for tax sharing purposes as if it had a basis of \$1,020.0 million in the assets it acquired from the Company, an amount which is substantially higher than the aggregate tax basis that the Company had in those assets prior to the acquisition. In the absence of

other arrangements, the net effect of treating Ralphs for tax sharing purposes as if its asset basis were \$1,020.0 million would be to reduce Ralphs' share of FSI's consolidated federal income tax liability and increase the Company's share of that liability. However, until the Asset Bridge and Mortgage Bridge portions of the Bank Facility are paid in full and the working capital portion of the Bank Facility is reduced by a specified amount, the Company is not required to make any tax sharing payments in respect of the step-up in tax basis of Ralphs' assets. The effect, if any, that the bankruptcy filings by FSI, the Company, and their affiliates will have on these arrangements, including the Holdings Group Tax Sharing Agreement and the Ralphs Tax Sharing Agreement, cannot be determined at this time.

Holdings is also a party to a separate agreement (the "Protected Corporations Agreement") that was entered into by Holdings, Holdings II, Ralphs and Allied prior to the bankruptcy filings. Pursuant to the Protected Corporations Agreement, in the event that FSI fails to indemnify any of the signatories to the Protected Corporations Agreement (or their subsidiaries, including the Company) for a tax liability on any portion of the actual federal income tax liability of the affiliated group (as FSI has agreed to do pursuant to the applicable tax sharing agreements between FSI and those entities), then the burden of such liability is to be shared in proportion to the gross receipts (or 40% of the gross receipts with respect to Ralphs) of each signatory to the Protected Corporations Agreement for a specified period. The Protected Corporations Agreement also provides, however, that the Company, Ralphs and Holdings will be primarily responsible for any liability with respect to the notes that the Company received in connection with the sale of certain assets to May and R. H. Macy Company in May 1988, and Allied will be primarily responsible for any liability with respect to the note that Allied received when it sold its Brooks Brothers subsidiary to Marks and Spencer p.l.c. (Similar arrangements are in effect for state and local taxes.) The effect, if any, that the bankruptcy filings will have on the Protected Corporations Agreement cannot be determined at this time.

Arrangements with DeBartolo

Campeau has a number of significant relationships with DeBartolo, including with respect to the Company. Edward J. DeBartolo, Sr., was elected to the board of directors of Campeau in May 1988 and resigned in September 1989.

In connection with an equity loan made by DeBartolo at the time of Campeau's acquisition of the Company (the "DeBartolo Equity Loan") DeBartolo and Campeau formed a partnership (the "Campeau/DeBartolo Partnership") through subsidiaries. Subject to certain exceptions, the partnership serves as the exclusive vehicle of Campeau, DeBartolo and their affiliates for the future acquisition, development and ownership of certain first-class regional shopping centers, regional malls and other enclosed multi-tenant retail real estate projects (including mixed-use projects containing such retail components) located in the United States. If DeBartolo calls the DeBartolo Equity Loan for prepayment on May 2, 1991, this exclusivity obligation will terminate on May 2, 1993. Subject to the Statement of Principles and related limitations, the Company and/or Allied may become tenants or may otherwise participate in such future projects.

The Campeau/DeBartolo Partnership initially owned 15% of the capital stock of Holdings, half of which DeBartolo received at the time it made the DeBartolo Equity Loan and then contributed to the partnership. Both the DeBartolo and Campeau interests were subsequently distributed to subsidiaries of DeBartolo and Campeau, respectively. The Campeau subsidiary which received its interest upon such distribution has pledged such interest as security for the DeBartolo Equity Loan and for Campeau's obligations under the Partnership Agreement.

The Company entered into an agreement with the Campeau/DeBartolo Partnership (the "Department Store Agreement") pursuant to which the Campeau/DeBartolo Partnership, subject to certain qualifications, participates in certain real estate decisions concerning the Company, including (i) strategic planning for new store locations, (ii) the administration and management of new and existing real estate of the Company located in the U.S., (iii) the disposition and reutilization by the Company of stores and land having an actual or reasonable potential for retail use located in the U.S., and (iv) any mortgage financing to finance development or redevelopment of stores or related land. The Campeau/DeBartolo Partnership will not participate in decisions involving office, warehouse, or land not having an actual or reasonable potential for

retail use and other non-retail real estate, expenditures of less than \$1.0 million with respect to completed stores, the acquisition or disposition of store fixtures or personal property and routine administrative matters. The Department Store Agreement also does not apply to certain specified real estate decisions, including dispositions of divisions or subsidiaries, any purchase or other acquisition of additional lines of business or store divisions by Campeau and its affiliates other than the Company, and decisions relating to the financing of the Company's assets, business and operations (except for financing described in (iv) above). The Department Store Agreement requires the Company to continue operating certain store divisions for at least ten years (from the date of the agreement), subject to certain exceptions.

No real estate decisions covered by the Department Store Agreement may be made unless approved in advance by the Campeau/DeBartolo Partnership and the Company, each of which has a veto power over all such decisions, which approval and veto powers the Campeau/DeBartolo Partnership must exercise in a commercially reasonable manner. All decisions must be made by the Campeau/DeBartolo Partnership and the Company taking into account the best interests of the Company without considering the benefits resulting to the Campeau/DeBartolo Partnership or DeBartolo or its affiliates.

The Department Store Agreement expires upon the expiration of the term of the Campeau/DeBartolo Partnership unless earlier terminated upon the occurrence of certain events, including the termination of the exclusivity obligation referred to above, the purchase of one partner's interest by the other and the purchase of a partner's interest by a third party.

In connection with its acquisition of an interest in Holdings, DeBartolo entered into a Stockholders Agreement with Campeau, FSI, Holdings and the Campeau/DeBartolo Partnership. The Stockholders Agreement (i) requires Campeau to take all steps within its power to ensure the election of one DeBartolo designee to the Campeau board of directors, (ii) requires DeBartolo, if the Campeau/DeBartolo Partnership distributes DeBartolo's portion of the partnership's shares in Holdings (which event occurred on March 1, 1989), to offer FSI a right of first refusal on all transfers of such shares, (iii) prohibits Campeau from transferring its direct or indirect interest in Holdings, or allowing such interest to be transferred, unless DeBartolo is given the opportunity to transfer a proportionate amount of its ownership to the proposed transferee, (iv) grants DeBartolo "demand" and "piggyback" registration rights with respect to its shares in Holdings, including customary indemnities, (v) prohibits DeBartolo from transferring its interest in Holdings for five years except to the extent the interest of FSI in Holdings is reduced and (vi) requires DeBartolo to exchange its interest in Holdings for an interest in FSI on demand by FSI subject to certain qualifications.

Pursuant to a Right of First Refusal agreement with Campeau, FSI, CRTF, Holdings and the Company, DeBartolo has a right of first refusal with respect to any disposition by the Company to unaffiliated third parties of its interest in Burdines, Goldsmith's (formerly a division of the Company, now a part of the Rich's subsidiary of the Company) or Lazarus, subject to certain terms and conditions.

Loans to Executives

See Item 11, "Executive Contracts and Arrangements — Loans to Executives" and Schedule II to the Company's Consolidated Financial Statements for information relating to loans to executives.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on 8-K

(a) The following documents are filed as part of this report:

1. Financial Statements

The financial statements required by this Item are set forth in Item 8. "Financial Statements and Supplementary Data" are incorporated herein by reference.

2. Financial Statement Schedules:

		<u>Location in This Report</u>
Schedule II	Amounts Receivable from Related Parties and Underwriters, Promoters and Employees Other than Related Parties	S-1
Schedule V	Property, Plant and Equipment	S-2
Schedule VI	Accumulated Depreciation, Depletion, and Amortization of Property, Plant and Equipment	S-3
Schedule VIII	Valuation and Qualifying Accounts	S-4
Schedule IX	Short-Term Borrowings	S-5
Schedule X	Supplementary Income Statement Information	S-6

All other schedules are omitted because they are inapplicable, not required or the information is included elsewhere in the Consolidated Financial Statements or the notes thereto.

3. Exhibits:

<u>Exhibit No.</u>	<u>Description</u>	<u>Reference if Incorporated by Reference</u>
3.1	Restated Certificate of Incorporation, as amended May 28, 1987, of the Company	Exhibit 3.1 to the Company's Registration Statement on Form S-2, File No. 33-23529, for \$500,000,000 principal amount of 16% Senior Subordinated Debentures Due 2000, and \$582,887,000 principal amount of 17½% Subordinated Discount Debentures Due 2004, as filed on November 3, 1988 (the "Debenture Registration Statement")
3.1.1	Amendment to Restated Certificate of Incorporation of the Company dated October 3, 1988	Exhibit 3.1.1 to the Debenture Registration Statement
3.2	Certificate of Merger dated July 29, 1988, between the Company and CRTF	Exhibit 3.2 to the Debenture Registration Statement
3.3	By-Laws of the Company	Exhibit 3.3 to the Debenture Registration Statement
4.1	Indenture, dated as of November 1, 1988, between the Company and U.S. Trust Company of New York, as Trustee, relating to the 16% Senior Subordinated Debentures Due 2000	Exhibit 4.1 to the Debenture Registration Statement

<u>Exhibit No.</u>	<u>Description</u>	<u>Reference if Incorporated by Reference</u>
4.2	Indenture, dated as of November 1, 1988, between the Company and The Fifth Third Bank, as Trustee, relating to the 17½% Subordinated Discount Debentures Due 2004	Exhibit 4.7 to the Debenture Registration Statement
4.3	Amended and Restated Exchange Note Agreement, dated November 1, 1988, between the Company and First Boston Securities Corporation, Paine Webber Funding, Inc. and Dillon, Read Interfunding, Inc.	Exhibit 4.3 to the Company's Form 10-K Annual Report for the year ended January 28, 1989
10.1.1	Form of employment agreement (Principal's Form)	—
10.1.2	Form of employment agreement (Non-Principal's Form)	—
10.1.3	Form of termination agreement (Department Store Employee's Form)	—
10.1.4	Form of termination agreement (Non-Department Store Employee's Form)	—
10.1.5	Master Severance Plan for Key Employees	—
10.1.6	Performance Bonus Plan for Key Employees	—
10.1.7	Senior Executives Medical Plan	—
10.1.8	Employment agreement, dated February 2, 1990, between Allen L. Questrom and the Company	—
10.1.9	Supplementary Executive Retirement Plan	—
10.1.10	Amendment, dated February 16, 1988, to Supplemental Executive Retirement Plan	Exhibit 4 to the Company's Schedule 14D-9 dated March 11, 1988
10.1.11	Retirement Income and Thrift Incentive Plan, as amended through January 1, 1985, with 1986 amendments	Exhibit 10.10 to the Company's Form 10-K Annual Report for the year ended January 30, 1988
10.1.12	Pension Plan, as amended through January 1, 1986, with 1986 amendments	Exhibit 10.10 to the Company's Form 10-K Annual Report for the year ended January 30, 1988
10.1.13	Form of Restatement of Allied/Federated 1987/88 Stock Appreciation Rights Plan	Exhibit 10.2.9.2.5 to the Debenture Registration Statement
10.2.1	Settlement Agreement among the Company, Macy, FDS Acquisition Corporation, Campeau, FSI and CRTF dated April 1, 1988	Exhibit 114 to the Company's Schedule 14D-9 Amendment No. 22 dated April 5, 1988

<u>Exhibit No.</u>	<u>Description</u>	<u>Reference if Incorporated by Reference</u>
10.2.2	Asset Purchase Agreement among the Company, Macy, Campeau, FSI and CRTF dated April 1, 1988	Exhibit 115 to the Company's Schedule 14D-9 Amendment No. 22 dated April 5, 1988
10.2.3	Letter Agreement, dated April 1, 1988, among Campeau, FSI, CRTF, the Company and Macy	Exhibit 10.2.3 to the Debenture Registration Statement
10.3.1	May Note	Exhibit 10.3.1 to the Debenture Registration Statement
10.3.2	Irrevocable Letter of Credit relating to Exhibit 10.3.1	Exhibit 10.3.2 to the Debenture Registration Statement
10.3.3	Omnibus Agreement, dated as of April 30, 1988, among Campeau, CRTF, May and the Company	Exhibit 10.3.3 to the Debenture Registration Statement
10.3.4	Separation Agreement, dated as of April 30, 1988, among Campeau, CRTF, May and the Company	Exhibit 10.3.4 to the Debenture Registration Statement
10.3.5	Filene's Basement License Agreement, dated as of April 30, 1988, between May and the Company	Exhibit 10.3.5 to the Debenture Registration Statement
10.3.6	Merchant Service Agreement, dated as of April 30, 1988, between May and the Company	Exhibit 10.3.6 to the Debenture Registration Statement
10.4.1	Stock Purchase Agreement dated as of June 9, 1988, between the Company and FBA Corp.	Exhibit 10.4.1 to the Debenture Registration Statement
10.4.2	Omnibus Agreement, dated as of as of May 3, 1988, among Campeau, FSI, CRTF, Macy, the Company, Bullock's Inc., Bullock's-Wilshire, Inc., Bullock's Specialty Stores, Inc., and I. Magnin, Inc.	Exhibit 10.4.4 to the Debenture Registration Statement
10.5	Credit Agreement, dated as of April 29, 1988, among Citibank, N.A., The Sumitomo Bank, Limited, New York branch, other banks and CRTF relating to financing of the Tender Offer	Exhibit 10.5.1 to the Debenture Registration Statement
10.6	Credit Agreement, dated as of April 29, 1988, among FSI, Campeau, Bank of Montreal and Banque Paribas	Exhibit 10.6.1 to the Debenture Registration Statement
10.7.1	Securities Purchase Agreement, dated May 1, 1988, between DeBartolo, FSI and Campeau	Exhibit 10.7.1 to the Debenture Registration Statement

<u>Exhibit No.</u>	<u>Description</u>	<u>Reference if Incorporated by Reference</u>
10.7.2	Stockholders Agreement, dated May 2, 1988, among Campeau, FSI, the Company, DeBartolo and the Campeau/DeBartolo Partnership (including Right of First Refusal Agreement dated as of May 2, 1988, among Campeau, FSI, CRTF, Holdings, the Company and DeBartolo)	Exhibit 10.7.2 to the Debenture Registration Statement
10.7.3	Partnership Agreement, dated May 1, 1988, among the Campeau/DeBartolo Properties, Inc. and Campeau Properties, Inc.	Exhibit 10.7.3 to the Debenture Registration Statement
10.7.4	Department Store Agreement, dated May 3, 1988, among the Campeau/DeBartolo Partnership, Campeau Properties, Inc. and the Company	Exhibit 10.7.4 to the Debenture Registration Statement
10.8.1.1	Note Purchase Agreement, dated as of April 29, 1988, among CRTF, First Boston Securities Corporation, Paine Webber Funding Inc. and Dillon, Read Interfunding Inc., including certain exhibits thereto	Exhibit 10.8.1.1 to the Debenture Registration Statement
10.8.1.2	Supplemental Agreement relating to Exhibit 10.8.1.1 among the Company, Holdings, First Boston Securities Corporation, Paine Webber Funding, Inc. and Dillon, Read Interfunding, Inc.	Exhibit 10.8.1.2 to the Debenture Registration Statement
10.8.1.3	Additional Supplemental Agreement, dated January 27, 1989 relating to Exhibit 10.8.1.2	Exhibit 10.8.1.3 to the Company's Form 10-K Annual Report for the year ended January 28, 1989
10.8.2	Exchange Note Agreement, dated as of April 29, 1988, among CRTF, First Boston Securities Corporation, Paine Webber Funding, Inc. and Dillon, Read Interfunding, Inc., relating to the Bridge Facility	Exhibit 10.8.2 to the Debenture Registration Statement
10.8.3	Guaranty and Put Agreement, dated as of April 29, 1988, among Campeau, First Boston Securities Corporation, Paine Webber Funding Inc., and Dillon, Read Interfunding, Inc.	Exhibit 10.8.3 to the Debenture Registration Statement
10.8.4	Holdings Agreement, dated as of April 29, 1988, among Holdings, First Boston Securities Corporation, Paine Webber Funding, Inc. and Dillon, Read Interfunding, Inc.	Exhibit 10.8.4 to the Debenture Registration Statement

<u>Exhibit No.</u>	<u>Description</u>	<u>Reference if Incorporated by Reference</u>
10.8.5	Indemnification Undertaking, dated as of May 3, 1988, by the Company, for the benefit of First Boston, Inc., Paine Webber Group Inc. and Dillon, Read Interfunding Inc.	Exhibit 10.8.5 to the Debenture Registration Statement
10.8.6	Agreement, dated May 9, 1989, among the Company, Holdings, FSI, Campeau, First Boston Securities Corporation, Paine Webber Funding, Inc. and Dillon, Read Interfunding, Inc.	—
10.8.7	Modification Agreement, dated as of May 10, 1989, among the Company, Holdings, FSI, Campeau, First Boston Securities Corporation, Paine Webber Funding, Inc. and Dillon, Read Interfunding, Inc.	—
10.8.8	Letter Agreement, dated September 18, 1989, among Campeau, FSI, the Company, First Boston Securities Corporation and Dillon, Read Interfunding, Inc.	—
10.8.9	Form of Letter Agreement, dated September 18, 1989, among Campeau, FSI, the Company and Paine Webber Funding, Inc.	—
10.9	DeBartolo Purchase Agreement, dated March 21, 1988, between Campeau and Olympia & York Development Limited	Exhibit 10.9.2 to the Debenture Registration Statement
10.10.1	Guaranteed Note, dated April 29, 1988, in the amount of \$450.0 million of Marks and Spencer U.S. Holdings, Inc. to the holders thereof	Exhibit 10.10.1 to the Debenture Registration Statement
10.10.2	Loan Agreement among Holdings II, Citicorp Investment Bank Limited and others relating to Exhibit 10.10.1	Exhibit 10.10.2 to the Debenture Registration Statement
10.10.3	Security Agreement between Holdings II and Citicorp Investment Bank Limited relating to Exhibit 10.10.1	Exhibit 10.10.3 to Debenture Registration
10.11	Stock Option Agreement, dated April 7, 1989 between Holdings II and Allied	Exhibit 10.11.5 to the Company's Form 10-K Annual Report for the year ended January 28, 1989
10.12.1	Asset Purchase Agreement, dated as of September 6, 1988, between Gold Circle, Inc. and GC Acquisition Corp.	Exhibit 10.12.1 to the Debenture Registration Statement
10.12.2	Agency Agreement, dated as of September 6, 1988, between Gold Circle, Inc. and Sam Nassi Company, Inc.	Exhibit 10.12.2 to the Debenture Registration Statement

<u>Exhibit No.</u>	<u>Description</u>	<u>Reference if Incorporated by Reference</u>
10.13.1	Stock Purchase Agreement, dated October 26, 1988, between Holdings and Kohl's Department Stores, Inc.	Exhibit 10.13.1 to the Company's Form 10-K Annual Report for the year ended January 28, 1989
10.13.2	Letter Agreement, dated November 23, 1988, between Holdings and Kohl's Department Stores, Inc. relating to Exhibit 10.13.1	Exhibit 10.13.2 to the Company's Form 10-K Annual Report for the year ended January 28, 1989
10.14.1	Stock Purchase Agreement, dated November 8, 1988, between Holdings and TCP Acquisition Corp.	Exhibit 10.14.1 to the Company's Form 10-K Annual Report for the year ended January 28, 1989
10.14.2	Amendment, dated November 23, 1988, between Holdings and TCP Acquisition Corp. relating to Exhibit 10.14.1	Exhibit 10.14.2 to the Company's Form 10-K Annual Report for the year ended January 28, 1989
10.14.3	Amendment 2, dated February 24, 1989, between Holdings and TCP Acquisition Corp. relating to Exhibit 10.14.1	Exhibit 10.14.3 to the Company's Form 10-K Annual Report for the year ended January 28, 1989
10.15.1	Mortgage Bridge Guaranty, dated July 29, 1988, made by the Company in favor of the Pre-Petition Lenders under Pre-Petition Credit Agreement and Citibank, N.A.	Exhibit 11.11.1 to the Debenture Registration Statement
10.15.2	Contribution Agreement, dated July 29, 1988, among the Company, the Federated Real Estate Inc. and Citibank, N.A.	Exhibit 11.1.2 to the Debenture Registration Statement
10.15.3	Holdings Guaranty, dated July 29, 1988, by the Company in favor of the Pre-Petition Lenders Under the Pre-Petition Credit Agreement and Citibank, N.A.	Exhibit 11.1.3 to the Debenture Registration Statement
10.15.4	Credit Agreement, dated as of July 28, 1988, among Federated Credit Corporation, Banks named therein, The Sumitomo Bank, Limited, and Citibank, N.A., including certain exhibits thereto relating to the Merger	Exhibit 11.1.4 to the Debenture Registration Statement
10.15.5	Amendment No. 1, dated as of July 29, 1988, to Exhibit 10.15.4	Exhibit 11.1.4.1 to the Debenture Registration Statement
10.15.6	Amendment No. 2, dated as of September 30, 1988, to Exhibit 10.15.4	Exhibit 11.1.4.2 to the Debenture Registration Statement
10.15.7	Consent and Amendment, dated April 6, 1989 relating to Exhibit 10.15.4	Exhibit 10.15.6 to the Company's Form 10-K Annual Report for the year ended January 28, 1989
10.15.8	Form of Amendment No. 4 relating to Exhibit 10.15.4	Exhibit 10.15.7 to the Company's Form 10-K Annual Report for the year ended January 28, 1989

<u>Exhibit No.</u>	<u>Description</u>	<u>Reference if Incorporated by Reference</u>
10.16.1	Credit Agreement, dated as of July 28, 1988, among the Company, Federated Real Estate Inc., Banks named therein, The Sumitomo Bank, Limited and Citibank, N.A., including certain exhibits thereto relating to the Merger	Exhibit 11.1.5 to the Debenture Registration Statement
10.16.2	Principles of Intercompany Service Arrangements (the Statement of Principles)	Exhibit 11.1.5.1 to the Debenture Registration Statement
10.16.3	Amendment No. 1, dated as of July 29, 1988, relating to Exhibit 10.16.1	Exhibit 11.1.5.2 to the Debenture Registration Statement
10.16.4	Amendment No. 2, dated as of September 30, 1988, relating to Exhibit 10.16.1	Exhibit 11.1.5.4 to the Debenture Registration Statement
10.16.5	Amendment No. 3, dated as of November 1, 1988, relating to Exhibit 10.16.1	—
10.16.6	Form of Amendment No.4 relating to Exhibit 10.16.1	Exhibit 10.16.6 to the Company's Form 10-K Annual Report for the year ended January 28, 1989
10.16.7	Amendment No. 5 and Waiver relating to Exhibit 10.16.1	—
10.16.8	Agreement, dated November 28, 1988 between the Company and Allied relating to Exhibit 10.16.2	Exhibit 10.16.7 to the Company's Form 10-K Annual Report for the year ended January 28, 1989
10.17.1.1	Receivables Purchase Agreement, dated as of July 28, 1988, among The Sellers Listed On Schedule I attached thereto and Credit Corp.	Exhibit 11.1.6 to the Debenture Registration Statement
10.17.1.2	Waiver and Amendment, dated as of January 18, 1990, relating to Exhibit 10.17.1.1	—
10.17.2	Collateral Trust Agreement, dated July 29, 1988, among the Company, Wilmington Trust Company and William J. Wade	Exhibit 11.1.7 to the Debenture Registration Statement
10.17.3	Receivables Security Agreement, dated July 29, 1988, between Credit Corp. and Citibank, N.A., relating to the Merger	Exhibit 11.1.8 to the Debenture Registration Statement
10.17.4	Non-Shared Collateral Pledge and Assignment, dated July 29, 1988, between the Company and Citibank, N.A.	Exhibit 11.1.9 to the Debenture Registration Statement
10.17.5	Holdings Pledge Agreement, dated July 29, 1988, between Holdings and Citibank, N.A.	Exhibit 11.1.10 to the Debenture Registration Statement

<u>Exhibit No.</u>	<u>Description</u>	<u>Reference if Incorporated by Reference</u>
10.17.6	Shared Collateral Pledge Agreement, dated July 29, 1988, among the Company, Wilmington Trust Company and William J. Wade	Exhibit 11.1.11 to the Debenture Registration Statement
10.17.7	Credit Holdings Guaranty, dated July 29, 1988, among Credit Holdings, the Lenders Under the Receivables Credit Agreement and Citibank, N.A.	Exhibit 11.1.12 to the Debenture Registration Statement
10.17.8	Credit Holdings Pledge Agreement, dated July 19, 1988, between Credit Holdings and Citibank, N.A.	Exhibit 11.1.13 to the Debenture Registration Statement
10.17.9	Real Estate Corporation Guaranty, dated July 29, 1988, among Federated Real Estate, Inc., the Lenders Under the Credit Agreement and Citibank, N.A.	Exhibit 11.1.14 to the Debenture Registration Statement
10.18.1	Holdings Agreement, dated as of April 29, 1988, between Holdings, First Boston Securities Corporation, Paine Webber Funding Inc. and Dillon, Read Interfunding Inc.	Exhibit 11.1.15 to the Debenture Registration Statement
10.18.2	Credit Agreement, dated as of July 28, 1988, between Wilmington Trust Company and Citibank, N.A. relating to the Macy Note Monetization	Exhibit 11.2.1 to the Debenture Registration Statement
10.18.3	Trust Agreement, dated as of July 26, 1988, between the Company and Wilmington Trust Company relating to the Macy Note Monetization	Exhibit 11.2.2 to the Debenture Registration Statement
10.18.4	Promissory Note, dated July 29, 1988, in the amount of \$352.0 million of Wilmington Trust Company payable to Citibank, N.A., relating to the Macy Note Monetization	Exhibit 11.2.3 to the Debenture Registration Statement
10.18.5	Irrevocable Letter of Credit relating to Exhibit 11.2.3	Exhibit 11.2.4 to the Debenture Registration Statement
10.18.6	Pledge, Assignment and Security Agreement, dated as of July 28, 1988, between Wilmington Trust Company and Citibank, N.A. relating to the Macy Note Monetization	Exhibit 11.2.5 to the Debenture Registration Statement
10.18.7	Interest Rate Swap Agreement, dated as of July 28, 1988, between Wilmington Trust Company and Citibank, N.A.	Exhibit 11.2.6 to the Debenture Registration Statement

<u>Exhibit No.</u>	<u>Description</u>	<u>Reference if Incorporated by Reference</u>
10.18.8	Credit Agreement, dated as of July 28, 1988, between Wilmington Trust Company and The Dai-Ichi Kangyo Bank, Ltd. relating to the May Note Monetization	Exhibit 11.2.7 to the Debenture Registration Statement
10.18.9	Trust Agreement, dated as of July 26, 1988, between the Company and Wilmington Trust Company relating to the May Note Monetization	Exhibit 11.2.8 to the Debenture Registration Statement
10.19.1	Promissory Note, dated July 28, 1988, in the amount of \$352.0 million of Wilmington Trust Company payable to The Dai-Ichi Kangyo Bank, Ltd. relating to the May Note Monetization	Exhibit 11.2.9 to the Debenture Registration Statement
10.19.2	Irrevocable Letter of Credit relating to Exhibit 10.19.1	Exhibit 11.2.10 to the Debenture Registration Statement
10.19.3	Pledge, Assignment and Security Agreement, dated as of July 28, 1988, between Wilmington Trust Company and Citibank, N.A. relating to the May Note Monetization	Exhibit 11.2.11 to the Debenture Registration Statement
10.19.4	Facility Agreement, dated as of July 28, 1988, between Wilmington Trust Company and Citibank, N.A.	Exhibit 11.2.12 to the Debenture Registration Statement
10.19.5	Omnibus Amendment No. 1, dated as of July 29, 1988, among Wilmington Trust Company, Citibank, N.A., The Dai-Ichi Kangyo Bank, Ltd. and the Company	Exhibit 11.2.13 to the Debenture Registration Statement
10.19.6	Assignment and Amendment Agreement, dated as of October 18, 1988, among Wilmington Trust Company, Citibank, N.A., The Tokai Bank, Limited, New York Branch and the Company	Exhibit 11.2.14 to the Debenture Registration Statement
10.19.7	Amendment, dated as of October 18, 1988, relating to Exhibit 10.18.3	Exhibit 11.2.15 to the Debenture Registration Statement
10.19.8	Facility Agreement, dated as of October 18, 1988, between Wilmington Trust Company and Citibank, N.A.	Exhibit 11.2.16 to the Debenture Registration Statement
10.19.9	Amendment, dated as of October 18, 1988, relating to Exhibit 10.18.8	Exhibit 11.2.17 to the Debenture Registration Statement
10.20.1	Amendment, dated as of October 18, 1988, relating to Exhibit 10.18.6	Exhibit 11.2.18 to the Debenture Registration Statement
10.20.2	Issuing and Paying Agency Agreement, dated as of October 18, 1988, between Wilmington Trust Company and the Company	Exhibit 11.2.19 to the Debenture Registration Statement

<u>Exhibit No.</u>	<u>Description</u>	<u>Reference if Incorporated by Reference</u>
10.20.3	Placement Agency Agreement, dated as of October 18, 1988, between Wilmington Trust Company and Citibank, N.A.	Exhibit 11.2.20 to the Debenture Registration Statement
10.20.4	Federated Tax Sharing Agreement, dated as of July 28, 1988, among FSI and Holdings	Exhibit 11.3.1 to the Debenture Registration Statement
10.20.5	Holdings Group Tax Sharing Agreement, dated as of July 28, 1988, among Holdings, Federated Credit Holdings, Inc. and the Company	Exhibit 11.3.2 to the Debenture Registration Statement
10.20.6	Protected Corporations Agreement, dated as of July 28, 1988, among Allied, Holdings, Holdings II and Ralphs	Exhibit 11.3.3 to the Debenture Registration Statement
10.20.7	Tax Side Letter, dated as of July 28, 1988, among FSI and Holdings	Exhibit 11.3.4 to the Debenture Registration Statement
10.20.8	Ralphs Tax Sharing Agreement, dated as of July 28, 1988, between FSI and Holdings II	Exhibit 11.3.5 to the Debenture Registration Statement
10.20.9	Holdings II Tax Sharing Agreement, dated as of July 28, 1988, between FSI and Holdings II	Exhibit 11.3.6 to the Debenture Registration Statement
10.21	Post-Petition Credit Agreement, dated as of January 18, 1990, among the Company, Federated Real Estate, Inc. and other borrowers named therein, the financial institutions named therein and Citibank, N.A., as agent	—
11.1	Exhibit of Primary and Fully Diluted Earnings Per Share of Predecessor Company	—
22	Subsidiaries of the Company	—

A copy of the exhibits listed herein can be obtained by writing:

Director of Investor Relations
 Federated Department Stores, Inc.
 7 West Seventh Street
 Cincinnati, Ohio 45202

(b) During the quarter ended February 3, 1990, the Company filed a Report on Form 8-K dated December 13, 1989 reporting information with respect to Items 5 and 7 of such Form and a Report on Form 8-K dated January 16, 1990 reporting information with respect to Items 3 and 7 of such Form.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FEDERATED DEPARTMENT STORES, INC.

Date: May 4, 1990

By /s/ ALLEN I. QUESTROM
Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

	Title	Date
<u>/s/ ALLEN I. QUESTROM</u> Allen I. Questrom	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	May 4, 1990
<u>/s/ RONALD W. TYSOE</u> Ronald W. Tysoe	Vice Chairman and Chief Financial Officer (Principal Financial Officer)	May 4, 1990
<u>/s/ JOHN A. MUSKOVICH</u> John A. Muskovich	Vice President and Controller (Principal Accounting Officer)	May 4, 1990
Members of the Board of Directors:		
<u>/s/ ALLEN I. QUESTROM</u> Allen I. Questrom		May 4, 1990
<u>/s/ RONALD W. TYSOE</u> Ronald W. Tysoe		May 4, 1990
<u>/s/ JAMES M. ZIMMERMAN</u> James M. Zimmerman		May 4, 1990

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FEDERATED DEPARTMENT STORES, INC.

Date: May 4, 1990

By /s/ ALLEN I. QUESTROM
Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

	Title	Date
<u>/s/ ALLEN I. QUESTROM</u> Allen I. Questrom	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	May 4, 1990
<u>/s/ RONALD W. TYSOE</u> Ronald W. Tysoe	Vice Chairman and Chief Financial Officer (Principal Financial Officer)	May 4, 1990
<u>/s/ JOHN A. MUSKOVICH</u> John A. Muskovich	Vice President and Controller (Principal Accounting Officer)	May 4, 1990

Members of the Board of Directors:

<u>/s/ ALLEN I. QUESTROM</u> Allen I. Questrom	May 4, 1990
<u>/s/ RONALD W. TYSOE</u> Ronald W. Tysoe	May 4, 1990
<u>/s/ JAMES M. ZIMMERMAN</u> James M. Zimmerman	May 4, 1990

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholder
Federated Department Stores, Inc.

We have audited the accompanying consolidated balance sheets of Federated Department Stores, Inc. and subsidiaries (The Successor) as of February 3, 1990 and January 28, 1989 and the related consolidated statements of operations and cash flows for the fifty-three weeks ended February 3, 1990 and the nine month period ended January 28, 1989 (The Successor periods) and the related consolidated statements of operations and changes in financial position from January 29, 1988 to April 30, 1988 (The Predecessor period). In connection with our audits of the consolidated financial statements, we also have audited the accompanying financial statement schedules. These consolidated financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules based on our audits.

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

In our opinion, the Successor consolidated financial statements referred to above present fairly, in all material respects, the financial position of Federated Department Stores, Inc. and subsidiaries at February 3, 1990 and January 28, 1989 and the results of their operations and their cash flows for the Successor periods, in conformity with generally accepted accounting principles. Further, in our opinion, the consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of Federated Department Stores, Inc. and subsidiaries for the Predecessor period, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, effective May 3, 1988, CRTF Corporation, an indirect subsidiary of Campeau Corporation acquired all of the outstanding stock of Federated Department Stores, Inc. (The Predecessor) in a business combination accounted for as a purchase. As a result of the acquisition, the consolidated financial information for the periods after the acquisition is presented on a different cost basis than that for the periods before the acquisition and, therefore, is not comparable. As discussed in Notes 2 and 13, Federated Department Stores, Inc. (The Successor) has adopted the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows," and changed its method of accounting for income taxes to adopt the provisions of Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes," for periods subsequent to May 3, 1988.

As discussed in Note 1 to the consolidated financial statements, Federated Department Stores, Inc. (The Successor) and all of its active subsidiaries, excluding Federated Credit Corporation and Federated Credit Holdings Corporation, filed voluntary petitions for relief under chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court on January 15, 1990. As discussed in Note 2 to the consolidated financial statements, Federated Department Stores, Inc. (The Successor) is indirectly owned by Federated Stores, Inc. ("FSI") through Federated Holdings, Inc. ("Holdings"), Allied Stores Corporation ("Allied"), Federated Holdings II, Inc. ("Holdings II"), and Federated Holdings III, Inc. ("Holdings III"). On January 14, 1990, Holdings, Holdings II and Holdings III filed voluntary petitions for relief under chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court. On January 15, 1990 and March 30, 1990, Allied and FSI, respectively, also voluntarily filed for relief under chapter 11. The effects, if any, arising from these filings by the Company's affiliates on the Successor's operations or their consolidated financial statements and financial statement schedules as of and for the fifty-three weeks ended February 3, 1990 cannot be determined.

The accompanying consolidated financial statements and financial statement schedules have been prepared assuming that the Company will continue as a going concern. As discussed in the preceding paragraph, the Company and all of its active subsidiaries, excluding Federated Credit Corporation and Federated Credit Holdings Corporation, filed voluntary petitions for relief under chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court on January 15, 1990. This event and circumstances relating to this event, including the Company's highly leveraged financial structure and recurring losses from operations resulting in cumulative shareholder's deficit, raise substantial doubt about their ability to continue as going concerns. Although the Company and its principal operating subsidiaries are currently operating their businesses as debtors-in-possession under the jurisdiction of the Bankruptcy Court, the continuation of their businesses as going concerns is contingent upon, among other things, the ability to (1) formulate a Plan of Reorganization which will gain approval of the creditors and shareholders and confirmation by the Bankruptcy Court, (2) maintain compliance with all debt covenants under the debtor-in-possession financing and the bank receivables facility, and (3) achieve satisfactory levels of future operating profit. The consolidated financial statements and financial statement schedules as of and for the fifty-three weeks ended February 3, 1990 neither include any adjustments relating to the recoverability and classification of reported asset amounts or the amounts and classification of liabilities that might be necessary should the Company or its subsidiaries be unable to continue as going concerns, nor do those consolidated financial statements and financial statement schedules include any adjustments relating to the establishment, settlement and classification of liabilities that may be required in connection with restructuring the Company and its subsidiaries as they reorganize under chapter 11 of the United States Bankruptcy Code.

KPMG Peat Marwick
KPMG PEAT MARWICK

Cincinnati, Ohio
March 30, 1990

FEDERATED DEPARTMENT STORES, INC. (DEBTOR-IN-POSSESSION)
 (The Successor)

CONSOLIDATED STATEMENTS OF OPERATIONS

(thousands, except per share data)

	53 Weeks Ended February 3, 1990	Nine Months Ended January 28, 1989
Net Sales, including leased department sales of \$184,491 and \$135,600	<u>\$ 4,867,191</u>	<u>\$3,571,692</u>
Cost of sales, including occupancy and buying costs	3,553,133	2,553,966
Selling, publicity, delivery and administrative expenses.....	1,135,970	770,612
Provision for doubtful accounts	27,431	18,858
Interest expense	616,161	445,644
Interest income	(100,094)	(59,283)
Unusual item	<u>1,150,000</u>	<u>—</u>
Total costs and expenses	<u>6,382,601</u>	<u>3,729,797</u>
Loss Before Reorganization Items and Income Taxes.....	(1,515,410)	(158,105)
Reorganization items	<u>120,528</u>	<u>—</u>
Loss Before Income Taxes	(1,635,938)	(158,105)
Federal, state and local income tax benefit.....	<u>(132,066)</u>	<u>(1,787)</u>
Net Loss	<u><u>\$ (1,503,872)</u></u>	<u><u>\$ (156,318)</u></u>
Loss Per Share of Common Stock	<u><u>\$ (1,503,872)</u></u>	<u><u>\$ (156,318)</u></u>

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

FEDERATED DEPARTMENT STORES, INC. (DEBTOR-IN-POSSESSION)
 (The Successor)

CONSOLIDATED BALANCE SHEETS
 (thousands)

	<u>February 3, 1990</u>	<u>January 28, 1989</u>
ASSETS		
Current Assets:		
Cash	\$ 285,249	\$ 54,630
Restricted cash.....	—	255,696
Accounts receivable.....	1,017,721	971,467
Merchandise inventories	943,235	943,135
Supplies and prepaid expenses.....	30,198	32,399
Divisional transfer notes	—	25,000
Total Current Assets	2,276,403	2,282,327
Property and Equipment — net	2,089,837	2,173,460
Excess of Cost Over Net Assets Acquired	1,284,665	2,460,934
Notes Receivable	806,674	814,781
Other Assets.....	<u>114,610</u>	<u>181,280</u>
Total Assets	<u>\$ 6,572,189</u>	<u>\$ 7,912,782</u>
LIABILITIES AND SHAREHOLDER'S EQUITY (DEFICIT)		
Current Liabilities:		
Short-term borrowings and long-term debt due within one year	\$ 136,216	\$ 1,554,803
Accounts payable and accrued liabilities	389,133	740,749
Income taxes	<u>70,847</u>	<u>275,637</u>
Total Current Liabilities	596,196	2,571,189
Liabilities Subject to Settlement Under Reorganization Proceedings ..	3,921,803	—
Deferred Income Taxes	1,098,227	1,074,252
Other Liabilities	58,953	116,597
Long-Term Debt	1,204,000	3,020,888
Shareholder's Equity (Deficit):		
Preferred stock	—	—
Common stock	1	1
Capital in excess of par value of common stock	1,353,199	1,286,173
Accumulated deficit	<u>(1,660,190)</u>	<u>(156,318)</u>
Total Shareholder's Equity (Deficit)	(306,990)	1,129,856
Total Liabilities and Shareholder's Equity (Deficit)	<u>\$ 6,572,189</u>	<u>\$ 7,912,782</u>

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

FEDERATED DEPARTMENT STORES, INC. (DEBTOR-IN-POSSESSION)

(The Successor)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(thousands)

	53 Weeks Ended February 3, 1990	Nine Months Ended January 28, 1989
Cash flows from operations:		
Net loss	\$ (1,503,872)	\$ (156,318)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	156,561	116,036
Amortization of financing costs	31,269	100,582
Amortization of goodwill	65,175	46,530
Amortization of debt discount	46,463	9,726
Write down of excess of cost over net assets acquired	1,150,000	—
Change in assets and liabilities:		
Increase in accounts receivable	(46,254)	(971,467)
Increase in merchandise inventories	(100)	(943,135)
Decrease/(Increase) in supplies and prepaid expenses	1,201	(32,399)
Increase in other assets not separately identified	26,823	—
Decrease in accounts payable and accrued liabilities due to reorganization activities	(389,464)	—
Increase in accounts payable and accrued liabilities not separately identified	78,204	669,617
(Decrease)/Increase in current income taxes	(204,790)	275,637
Increase in deferred income taxes	23,975	54,516
Decrease in other liabilities due to reorganization activities	(16,422)	—
(Decrease)/Increase in other liabilities not separately identified	(41,222)	79,296
	<hr/> <u>(619,453)</u>	<hr/> <u>(751,379)</u>
Changes due to reorganization activities:		
Write-off of financing costs	119,187	—
Net cash used by operating activities	<hr/> <u>(500,266)</u>	<hr/> <u>(751,379)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(111,073)	(155,980)
Disposition of property and equipment	38,135	25,652
Acquisition of company, net of working capital acquired of \$774,856	—	(5,816,144)
Proceeds from sale of divisions, net of working capital sold of \$713,344 and current tax liability incurred of \$238,799	—	1,803,969
Divisional transfer notes (with respect to divisions to be sold and Ralphs), net of working capital sold of \$188,517 and estimated current income tax benefit of \$26,000	—	1,122,483
Decrease/(Increase) in divisional transfer notes	25,000	(25,000)
Other changes in excess of cost over net assets acquired	(38,906)	—
Net cash used by investing activities	<hr/> <u>(86,844)</u>	<hr/> <u>(3,045,020)</u>
Cash flows from financing activities:		
Capital contribution	67,026	1,406,173
Debt issued	618,258	5,105,563
Debt issue costs	(104,502)	(287,901)
Debt repaid	(384,279)	(1,268,240)
Deferral of debt due to reorganization activities	(3,515,917)	—
Notes receivable and restricted cash	255,696	(1,055,696)
Dividends paid	—	(120,000)
(Decrease)/Increase in outstanding checks	(40,356)	71,132
Net cash (used)/provided by financing activities	<hr/> <u>(3,104,074)</u>	<hr/> <u>3,851,029</u>
Cash flow effect of reorganization activities:		
Increase in liabilities subject to settlement under reorganization proceedings	3,921,803	—
Net cash effect of reorganization activities	<hr/> <u>3,921,803</u>	<hr/> <u>—</u>
Net increase in cash	230,619	54,630
Cash beginning of period	54,630	0
Cash end of period	<hr/> <u>\$ 285,249</u>	<hr/> <u>\$ 54,630</u>
Supplemental cash flow information:		
Cash paid during the year:		
Interest paid (net of amounts capitalized of \$9,283 and \$108,279, respectively)	\$ 489,634	\$ 268,917
Interest received (net of amounts capitalized of \$6,120 and \$34,170, respectively)	\$ 100,802	\$ 48,208
Income taxes (net of refunds received)	\$ 24,388	\$ 96,024

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

FEDERATED DEPARTMENT STORES, INC. (DEBTOR-IN-POSSESSION)
(The Successor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Proceedings Under Chapter 11

On January 15, 1990 (the "petition date"), Federated Department Stores, Inc. (the "Company"), together with all of its active subsidiaries, excluding Federated Credit Corporation ("Credit Corp.") and Federated Credit Holdings Corporation ("chapter 11") in the United States Bankruptcy Court for the Southern District of Ohio (the "Bankruptcy Court") and are currently operating their respective businesses as debtors-in-possession, subject to the approval of the Bankruptcy Court for certain proposed actions. Additionally, certain creditor committees have been formed which have the right to review and object to non-ordinary course business transactions and are expected to participate in the formulation of any plan or plans of reorganization.

As of the petition date, actions to collect pre-petition indebtedness are stayed and other contractual obligations may not be enforced against the Company. In addition, the Company may reject executory contracts and lease obligations, and parties affected by these rejections may file claims with the Bankruptcy Court in accordance with the reorganization process. Substantially all liabilities as of the petition date are subject to settlement under a plan of reorganization to be voted upon by all impaired classes of creditors and equity security holders and approved by the Bankruptcy Court.

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of operations, realization of assets and liquidation of liabilities in the ordinary course of business. However, as a result of the chapter 11 filings and circumstances relating to this event, including the Company's highly leveraged financial structure and recurring losses from operations as reflected in the Consolidated Statements of Operations, such realization of assets and liquidation of liabilities is subject to significant uncertainty. While under the protection of chapter 11, the Company may sell or otherwise dispose of assets, and liquidate or settle liabilities, for amounts other than those reflected in the consolidated financial statements. Further, a plan of reorganization could materially change the amounts reported in the consolidated financial statements, which do not give effect to any adjustments to the carrying value of assets or amounts of liabilities that might be necessary as a consequence of a plan of reorganization. The appropriateness of using the going concern basis is dependent upon, among other things, confirmation of a plan of reorganization, future profitable operations, the ability to comply with debtor-in-possession and other financing agreements and the ability to generate sufficient cash from operations and financing sources to meet obligations.

Substantially all of the Company's debt, subject to settlement under reorganization proceedings, is in default of the terms of the applicable loan agreements, notes, debentures and indentures. For financial reporting purposes, those liabilities and obligations whose disposition is dependent upon the outcome of the chapter 11 proceedings have been segregated and reclassified as "Liabilities Subject to Settlement Under Reorganization Proceedings" on the February 3, 1990 Consolidated Balance Sheet presented herein (see also Note 5). Certain pre-petition liabilities were approved by the Bankruptcy Court for payment in the ordinary course of business and accordingly have been included in the appropriate liability captions on the Consolidated Balance Sheet. The Company has discontinued accruing interest on its unsecured pre-petition debt obligations. The ultimate adequacy of security for any secured pre-petition debt obligations cannot be determined until a plan of reorganization is confirmed. For financial statement presentation, however, all secured debt is being accounted for as if it were fully secured. See Note 11 for a discussion of bank and other credit arrangements entered into subsequent to the chapter 11 filings.

2. Organization and Summary of Significant Accounting Policies

The Company

The Company is a retail organization operating department stores through divisions and subsidiaries selling a wide range of merchandise including women's, men's and children's apparel, cosmetics, home

FEDERATED DEPARTMENT STORES, INC. (DEBTOR-IN-POSSESSION)
(The Successor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

furnishings and other consumer goods. The Company became an indirect subsidiary of Campeau Corporation ("Campeau") on July 29, 1988, when CRTF Corporation ("CRTF"), an indirect subsidiary of Campeau, merged into the Company, following a cash tender offer by CRTF that was consummated on May 3, 1988. The Company is a wholly owned subsidiary of Federated Holdings, Inc. ("Holdings"), also an indirect subsidiary of Campeau. On September 15, 1989, an indirect subsidiary of Campeau transferred shares representing 6.96% of the common stock of Holdings to First Boston Securities Corporation, PaineWebber Funding Inc. and Dillon, Read Interfunding, Inc. (collectively, the "Bridge Lenders"), making them indirect owners of the Company. The Edward J. DeBartolo Corporation indirectly owns 7.5% of the Company's common stock through its 7.5% interest in Holdings.

The acquisition of the Company by Campeau was accounted for as a purchase. The accompanying consolidated financial statements reflect the results of operations of CRTF from May 3, 1988 (including the incurrence of debt by CRTF to finance the tender offer). Such debt (or the debt that refinanced it) was assumed (or incurred) by the Company in connection with the merger.

As a result of the cash tender offer and merger as well as other related events discussed below, the Company's results of operations subsequent to April 30, 1988, are not comparable to the results of operations prior to April 30, 1988.

On January 14, 1990, Holdings and its parent companies, Federated Holdings III, Inc. and Federated Holdings II, Inc. filed voluntary petitions for relief under chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Northern District of California. On January 15, 1990, Allied Stores Corporation, a 50% owner of Holdings, filed a voluntary petition for relief under chapter 11. On March 30, 1990, Federated Stores, Inc. (formerly Campeau Corporation (U.S.) Inc.), the ultimate parent of the Company and a wholly owned subsidiary of Campeau, also filed a voluntary petition for relief under chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Northern District of California. The effects, if any, on the Company's operations arising from these filings cannot be determined at present.

Summary of Significant Accounting Policies

All subsidiaries are consolidated in the financial statements of the Company.

Cash includes cash and liquid investments with a maturity of three months or less.

Installments of deferred payment accounts receivable maturing after one year are included in current assets in accordance with industry practice. Such accounts are accepted on customary revolving credit terms and offer the customer the option of paying the entire balance on a thirty-day basis without incurring finance charges. Alternatively, customers may make scheduled minimum payments and incur competitive finance charges. Minimum payments vary from 4.2% to 100.0% of the account balance, depending on the size of the balance. Profits on installment sales are included in income when the sales are made. Finance charge revenues are included as a reduction of selling, publicity, delivery and administrative expenses.

Merchandise inventories are substantially all valued by the retail method and stated on the LIFO (last-in, first-out) basis, which is lower than market.

Depreciation and amortization are provided primarily on a straight-line basis over the shorter of estimated asset lives or related lease terms.

Real estate taxes and interest on construction in progress and land under development are capitalized. Amounts capitalized are amortized over the estimated lives of the related depreciable assets.

FEDERATED DEPARTMENT STORES, INC. (DEBTOR-IN-POSSESSION)
(The Successor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

The Company is included in the consolidated federal income tax return of Federated Stores, Inc., a wholly owned subsidiary of Campeau. See Note 13. Deferred income taxes are provided for at the statutory rates on the difference between financial statement basis and tax basis of assets and liabilities.

The excess of cost over net assets acquired is being amortized on a straight-line basis over 40 years.

Financing costs related to secured debt are being amortized over the life of the related debt. The unamortized balance of financing costs related to unsecured debt was written off at the petition date as a reorganization item.

The Company shares specific administrative expenses with certain affiliates. Based upon the estimated cost of the underlying services, such costs are allocated among these affiliates in accordance with the Statement of Principles contained in the Bank Facilities.

The Company adopted Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows."

3. Merger Transaction

The total purchase price is summarized as follows:

	(millions)
Cost to acquire 88,911,110 common shares of the Company	<u>\$6,530</u>
Merger and acquisition fees and expenses incurred in connection with the tender offer and merger	<u>71</u>
Total purchase price	<u><u>\$6,591</u></u>

The aggregate purchase price in excess of the historical book value of the identifiable net assets acquired is as follows:

	(millions)
Purchase price	<u>\$6,591</u>
Less historical net book value.....	<u>2,474</u>
Excess purchase price allocated to net assets	<u><u>\$4,117</u></u>

FEDERATED DEPARTMENT STORES, INC. (DEBTOR-IN-POSSESSION)
(The Successor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

The excess purchase price has been allocated as of January 28, 1989, as follows:

	<u>(millions)</u>
Elimination of cost in excess of net tangible assets included in the Predecessor's historical balance sheet	\$ (30)
Increase in merchandise inventories — retained divisions	134
Increase in net assets of divisions sold at the tender offer date	1,382
Increase in Divisional Transfer Notes with respect to divisions to be sold and Ralphs, including \$120 million capital contribution to Ralphs	587
Increase in property and equipment	1,005
Deferred debt costs allocated to divisions sold and transferred	(97)
Increase in other assets, primarily prepaid pension costs resulting from plan curtailments and settlements	47
Increase in accounts payable and accrued expenses for severance and other costs primarily related to corporate office reorganization, divisional consolidations and post-retirement benefits	(134)
Decrease in carrying value of existing long-term debt and obligations under capital leases—retained divisions	145
Increase in current income taxes resulting from:	
Divisions sold or to be sold	(282)
Implementation of SFAS No. 96, net of elimination of existing current deferred taxes	(190)
	(472)
Increase in non-current deferred income taxes resulting from:	
Divisions sold	(312)
Transfer of Ralphs	(270)
Implementation of SFAS No. 96, net of elimination of existing deferred taxes	(303)
	(885)
Net interest expense capitalized on incremental debt during holding period of divisions to be sold and Ralphs	(72)
Unallocated excess of cost over net assets acquired	2,507
	<u>\$4,117</u>

FEDERATED DEPARTMENT STORES, INC. (DEBTOR-IN-POSSESSION)
 (The Successor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

Unaudited pro forma results of operations, assuming that the merger had occurred on the first day of the period shown below, is as follows:

	<u>\$2 Weeks Ended January 28, 1989</u> (millions)
Net sales.....	<u>\$4,541.7</u>
Cost of sales.....	3,244.8
Selling, publicity, delivery and administrative expenses	1,014.5
Interest expense — net	491.1
Total costs and expenses.....	<u>4,750.4</u>
Loss before income taxes	(208.7)
Federal, state and local income tax benefit	(49.8)
Net loss	<u><u>\$ (158.9)</u></u>

The unaudited pro forma results of operations give effect to the following as though the merger had occurred on the first day of the period presented:

- (i) The sales of all divisions other than retained divisions and the Ralphs financing and the application of the proceeds therefrom.
- (ii) Interest expense on debt incurred to finance the acquisition.
- (iii) Amortization of deferred debt expense related to the acquisition debt.
- (iv) Amortization, over 40 years, of the excess of cost over net assets acquired.
- (v) Amortization of discount recorded in the valuation of long-term debt.
- (vi) Depreciation of incremental fair values assigned to property and equipment.
- (vii) Elimination of nonrecurring items.
- (viii) Certain anticipated cost savings and the sales of certain miscellaneous assets.

The unaudited pro forma amounts are provided for information purposes only and should not be construed to be indicative of actual results that would have been achieved had these transactions been consummated on the first day of the period presented and are not necessarily indicative of future results.

4. Unusual Item

During 1989 the overall financial condition of the Company declined significantly. The additional debt burden related to the acquisition of the Company contributed to this decline. Earnings from operations before interest and income taxes substantially declined in fiscal 1989. The acquisition price and therefore the resultant excess of cost over net assets acquired was based on higher projected earnings and cash flows which now do not appear realizable. Additionally, with the announcements in September 1989 of a cash shortfall and in December 1989 of potential covenant violations for certain bank agreements, coupled with subsequent general speculation regarding the commencement of bankruptcy proceedings, operations of the Company further deteriorated. As a result of these and other factors, the Company wrote down the excess of cost over net assets acquired by \$1,150.0 million after considering a range of valuations. Further adjustments may be required in the formulation of the Company's plan of reorganization.

FEDERATED DEPARTMENT STORES, INC. (DEBTOR-IN-POSSESSION)
(The Successor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

5. Reorganization Items

The effects of transactions occurring as a result of the Company's chapter 11 filing and subsequent reorganization efforts have been segregated from ordinary operations in the 53 weeks ended February 3, 1990 Consolidated Statement of Operations.

	<u>53 Weeks Ended February 3, 1990</u> (millions)
Financing costs	\$119.2
Professional fees and expenses	1.7
Interest income	(0.4)
Total reorganization items	<u>\$120.5</u>

Financing costs is comprised of the write-off of the unamortized portion of costs deferred in conjunction with unsecured debt as of the petition date. Interest income is attributable to the accumulation of cash and short-term investments subsequent to the petition date.

6. Accounts Receivable

	<u>February 3, 1990</u> (millions)	<u>January 28, 1989</u>
Due from customers:		
30-day	5 6.3	\$ 6.6
Deferred payment	872.2	911.2
Other	<u>160.9</u>	<u>74.5</u>
Gross receivables	<u>1,039.4</u>	<u>992.3</u>
Less:		
Allowance for doubtful accounts	<u>21.7</u>	<u>20.8</u>
Net receivables	<u>\$1,017.7</u>	<u>\$971.5</u>
Allowance for doubtful accounts as % of gross receivables	2.1%	2.1%

Sales through credit plans of the Company's divisions and subsidiaries were \$2.4 billion and \$1.8 billion for the 53 weeks ended February 3, 1990 and the nine months ended January 28, 1989, respectively.

Finance charge revenues amounted to \$129.3 million and \$95.1 million for the 53 weeks ended February 3, 1990 and the nine months ended January 28, 1989, respectively.

7. Inventories

Merchandise inventories valued at retail LIFO were \$943.2 million at February 3, 1990, compared to \$943.1 million at January 28, 1989. As a result of the merger, the LIFO inventory approximated the amount of such inventory using the first-in, first-out basis.

8. Divisional Transfer Notes

In connection with the cash tender offer by CRTF Corporation, the Company sold its Bullock's/Bullocks Wilshire, Filene's, Foley's and I. Magnin divisions and, subsequent to the tender offer, the Company sold Filene's Basement, MainStreet and the real property and substantially all other assets of Gold Circle. The proceeds from the sales have been treated as a reduction in excess of cost over net assets acquired and

FEDERATED DEPARTMENT STORES, INC. (DEBTOR-IN-POSSESSION)
(The Successor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

included \$800.0 million in notes receivable and \$103.2 million in restricted cash. The Company obtained \$704.0 million in cash by transferring the notes to grantor trusts, which borrowed such amount under note monetization facilities and distributed the proceeds to the Company. The note monetization facilities are reflected in the Consolidated Balance Sheet in long-term debt.

\$400.0 million of the notes receivable bear interest at 9 1/2% and \$400.0 million bears interest at 9 1/2% over LIBOR. Deferred income taxes have been recorded in connection with the income taxes due upon ultimate collection of the notes.

The net assets of MainStreet, Gold Circle, Ralphs and The Children's Place were originally transferred to affiliates of the Company in exchange for notes of such affiliates (divisional transfer notes). The notes were recorded at the estimated pre-tax proceeds of anticipated sales of the divisions. Accordingly, the related results of operations subsequent to May 3, 1988, and allocable interest and debt issuance costs on the incremental debt incurred to finance the purchase of these divisions for their respective holding periods have been excluded from the Consolidated Statement of Operations, as well as such allocable financing costs related to the divisions sold in connection with the tender offer.

The fair value allocated to Ralphs was \$1,020.0 million and in connection with the merger the Company received a \$900.0 million divisional transfer note with respect to the Ralphs transfer. The remaining allocated cost over net proceeds has been accounted for as a dividend from the Company to an affiliate and a subsequent capital contribution from the affiliate to Ralphs. This divisional transfer note was repaid on August 26, 1988. A portion of the proceeds was applied to short-term borrowings and the remainder, approximately \$144.0 million, to restricted cash.

At January 28, 1989, divisional transfer notes reflect the proceeds to be received from the sale of The Children's Place division. On February 27, 1989, the sale of this division was closed and approximately \$25.0 million in proceeds were received.

On January 3, 1990, \$250.0 million of restricted cash was applied to reduce the asset bridge facility. (See Note 11).

9. Properties and Leases

	<u>February 3, 1990</u>	<u>January 28, 1989</u>
	(millions)	
Land	\$ 413.7	\$ 417.3
Buildings on owned land	706.8	693.3
Buildings on leased land and leasehold improvements	495.6	466.9
Store fixtures and equipment	637.6	584.7
Property not used in operations	55.2	83.2
Leased properties under capitalized leases	<u>32.5</u>	<u>33.3</u>
	2,341.4	2,283.7
Less accumulated depreciation and amortization	<u>251.6</u>	<u>110.3</u>
	<u>\$2,089.8</u>	<u>\$2,173.4</u>

At February 3, 1990 and January 28, 1989, buildings on leased land and leasehold improvements includes approximately \$184.3 million of intangible assets relating to favorable leases which are being amortized over the related lease terms.

FEDERATED DEPARTMENT STORES, INC. (DEBTOR-IN-POSSESSION)
(The Successor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

In connection with various shopping center agreements, the Company is obligated to operate certain stores within the centers for periods of up to 20 years. Some of these agreements require that the stores be operated under a particular name.

Commitments for the future purchase or construction of facilities at February 3, 1990 are not material.

The Company leases a portion of the real estate and personal property used in its operations. Most leases require the Company to pay real estate taxes, maintenance and other executory costs, some call for additional payments based on percentages of sales and some contain purchase options.

Minimum rental commitments (excluding executory costs) at February 3, 1990, for noncancelable leases are:

	<u>Capital Leases</u>	<u>Operating Leases (millions)</u>	<u>Total</u>
Fiscal year:			
1990.....	\$ 7.4	\$ 34.3	\$ 41.7
1991.....	7.0	33.5	40.5
1992.....	6.5	33.0	39.5
1993.....	5.5	31.2	36.7
1994.....	3.5	27.6	31.1
After 1994	<u>27.7</u>	<u>278.0</u>	<u>305.7</u>
Total minimum lease payments	<u>\$57.6</u>	<u>\$437.6</u>	<u>\$495.2</u>
Less amount representing interest	<u>20.7</u>		
Present value of net minimum capital lease payments ..	<u><u>\$36.9</u></u>		

As of February 3, 1990, the Company had not rejected any noncancelable leases as is permitted in accordance with provisions included within the Bankruptcy Code.

Capitalized leases are included in the Consolidated Balance Sheet as property and equipment while the related obligation is included in "Liabilities Subject to Settlement Under Reorganization Proceedings" as of February 3, 1990 and as long-term debt and short-term borrowings as of January 28, 1989. Amortization of capitalized leases is included in depreciation and amortization expense. Total minimum lease payments shown above have not been reduced by minimum sublease rentals of approximately \$0.3 million on capital leases and \$8.7 million on operating leases.

FEDERATED DEPARTMENT STORES, INC. (DEBTOR-IN-POSSESSION)
(The Successor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

Rental expense consists of:

	53 Weeks Ended February 3, 1990	Nine Months ended January 28, 1989
	(millions)	
Capital leases —		
Contingent rentals	\$ 1.1	\$ 1.1
Operating leases —		
Minimum rentals	30.4	19.9
Contingent rentals	<u>1.9</u>	<u>1.5</u>
	<u>33.4</u>	<u>22.5</u>
Less income from subleases —		
Capital leases	0.8	0.4
Operating leases	<u>9.2</u>	<u>5.4</u>
	<u>10.0</u>	<u>5.8</u>
	<u><u>\$23.4</u></u>	<u><u>\$16.7</u></u>
Personal property —		
Operating leases	<u><u>\$10.7</u></u>	<u><u>\$ 5.2</u></u>

10. Liabilities Subject to Settlement Under Reorganization Proceedings

Those petition date liabilities that are expected to be settled as part of a plan of reorganization are separately classified in the Consolidated Balance Sheet and include the following:

	February 3, 1990
	(millions)
Long-term debt	\$3,515.9
Merchandise and expense accounts payable	245.5
Accrued interest on long-term debt	94.2
Other accounts payable and accrued liabilities	49.8
Deferred compensation	<u>16.4</u>
Total	<u><u>\$3,921.8</u></u>

Liabilities subject to settlement under reorganization proceedings include substantially all current and long-term debt as of the petition date. As discussed in Note 1, payment of these liabilities, including the maturity of debt obligations, are stayed while the Company continues to operate as a debtor-in-possession.

As part of the chapter 11 reorganization process, the Company is required to notify all known or potential claimants for the purpose of identifying all pre-petition claims against the Company. Additional bankruptcy claims and pre-petition liabilities may arise by termination of various contractual obligations and as certain contingent and/or potentially disputed bankruptcy claims are settled for amounts which may differ from those shown on the Consolidated Balance Sheet.

11. Financing

The Bankruptcy Court entered an order on February 12, 1990, approving a debtor-in-possession ("DIP") financing agreement ("Post-Petition Credit Agreement") for the Company which provides for a \$400.0 million working capital DIP financing facility. In addition, the Bankruptcy Court approved the purchase

FEDERATED DEPARTMENT STORES, INC. (DEBTOR-IN-POSSESSION)
(The Successor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

agreement related to the \$1,000.0 million bank receivables facility for Credit Corp. which was essentially a continuation of a pre-petition facility, which now expires February 4, 1991.

The Post-Petition Credit Agreement provides for revolving credit borrowings and letters of credit of up to \$400.0 million with a maturity date of the earlier of February 4, 1991, or the entry of an order of the Bankruptcy Court confirming a reorganization plan. The maximum amount of borrowings permissible within the total commitment available is \$250.0 million. The rate of interest on the borrowings is the bank's base rate plus 2½% per annum payable monthly in arrears. A commitment fee equal to ½% per annum is payable monthly in arrears on the unused portion of the facility. Fees for letters of credit are 2½% per annum. The Post-Petition Credit Agreement also provides for interest to be paid quarterly on the pre-petition working capital and mortgage bridge facilities to the extent of 50% of cumulative excess cash flow (as defined in the Post-Petition Credit Agreement) for the first three fiscal quarters of fiscal 1990 and 100% of cumulative excess cash flow at the end of fiscal 1990. The working capital DIP financing facility is primarily secured by inventory and real estate. The Post-Petition Credit Agreement contains affirmative and negative covenants including limitations on capital expenditures, limitations on additional borrowings and dividends, minimum earnings and sales requirements and maximum inventory levels.

As described in Note 1 to the consolidated financial statements, the Company and all of its active subsidiaries, excluding Credit Corp. and Federated Credit Holdings Corporation, have filed petitions for reorganization under chapter 11 of the United States Bankruptcy Code. As a result, contractual terms have been suspended with respect to debt subject to settlement under the chapter 11 proceedings (see Note 10).

FEDERATED DEPARTMENT STORES, INC. (DEBTOR-IN-POSSESSION)
 (The Successor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

Debt and other financing arrangements of the Company were as follows, based on the original contractual maturities:

	February 3, 1990	January 28, 1989
	(millions)	
Not Subject to Settlement Under Reorganization Proceedings:		
Note monetization facilities	\$ 704.0	\$ 704.0
Bank receivables facility	<u>500.0</u>	<u>500.0</u>
Subtotal	<u>1,204.0</u>	<u>1,204.0</u>
Subject to Settlement Under Reorganization Proceedings:		
Secured Debt:		
Working capital facility	691.0	—
Mortgage bridge facility	800.0	—
*Notes due 1992, 9¾%	200.0	200.0
*Notes due 1996, 7¾%	200.0	200.0
*Euronotes due 1995, 10½%	77.4	77.4
*Euronotes due 1990, 11%	72.0	—
*Notes due 2002, 7.95%	65.0	65.0
*Sinking fund debentures due 2016, 9½%	100.0	100.0
*Sinking fund debentures due 2010, 10¼%	39.7	39.7
*Sinking fund debentures due 2002, 7¼%	32.5	32.5
*Sinking fund debentures due 1995, 8¾%	15.0	15.0
*Sinking fund debentures due 2013, 10¾%	13.9	13.9
*Other, average 10%	6.5	6.5
Capitalized Lease Obligations	36.9	36.9
Unsecured Debt:		
Series II exchange notes due 1994, 13¾%	401.3	401.3
Campeau undertaking, 9¾%	75.0	—
Senior subordinated debentures due 2000, 16%	500.0	500.0
Subordinated discount debentures due 2004, 17¾% (\$582.9 million at face value)	306.2	259.7
*Other, 6½%	<u>4.4</u>	<u>4.4</u>
	<u>3,635.8</u>	<u>1,952.3</u>
Less discount on pre-merger debt	<u>(120.9)</u>	<u>(135.4)</u>
Subtotal	<u>3,515.9</u>	<u>1,826.9</u>
	<u>\$4,719.9</u>	<u>\$3,020.9</u>

*Pre-merger debt.

The cash tender offer was financed in part by approximately \$3,219.9 million of bank debt and \$2,086.8 million of subordinated notes of CRTF Corporation. Concurrent with the merger, the bank debt and

FEDERATED DEPARTMENT STORES, INC. (DEBTOR-IN-POSSESSION)
(The Successor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

approximately \$977.1 million of the subordinated notes were repaid from bank facilities borrowings ("Bank Facilities"), note monetization facilities and the cash proceeds from the sale of certain divisions. The Bank Facilities consisted of a \$1,650.0 million asset bridge facility, an \$800.0 million mortgage bridge facility, a \$750.0 million working capital facility and a \$1,000.0 million receivables facility.

Original borrowings of \$1,650.0 million under the asset bridge facility have been repaid from the proceeds of asset sales, by an optional prepayment on March 7, 1989 and a payment on January 3, 1990. At the time of the issuance of the senior subordinated debentures and subordinated discount debentures, it was anticipated that the \$800.0 million mortgage bridge facility, and the balance of the asset bridge facility that was to remain outstanding after the disposition of the divisions to be sold, would be repaid from sales of miscellaneous assets and the proceeds of a conventional mortgage financing of up to \$900.0 million.

In connection with the merger, the notes receivable from the sale of certain divisions (see Note 8) were transferred to grantor trusts (the "Trusts") of which the Company is beneficiary. The Company received \$704.0 million as distributed by the Trusts from the borrowings, which used the notes receivable as collateral, under credit facilities. An interest rate swap agreement was entered into for \$352.0 million of the note monetization facilities, which, in effect, converted the fixed interest rate to LIBOR base plus 0.4%. The other \$352.0 million bears interest at LIBOR base plus 0.35%. Neither the Company nor any of its subsidiaries are obligors on the borrowings under the note monetization facilities. Repayment of the note monetization facilities is not recourse to the Company or its assets (other than its interest in the Trusts).

The secured pre-merger debt was entitled to (i) share equally and ratably in the banks' security interests pursuant to the Bank Facilities in (a) the capital stock of the subsidiaries of the Company to which Bloomingdale's, Burdines and Rich's (including Goldsmith's) were transferred and of Federated Real Estate, Inc. and certain other subsidiaries and (b) the Company's interest in the Trusts and (ii) an assumption of the liability under the secured pre-merger debt (joint and several with the Company) by Federated Real Estate, Inc., which guaranteed a portion of the Bank Facilities.

The senior subordinated debentures and the subordinated discount debentures are subordinated in right of payment to all existing and future senior debt, consisting of all other debt. The senior subordinated debentures were entitled to mandatory sinking fund payments of \$150.0 million on November 1, 1998, and November 1, 1999. The subordinated discount debentures were entitled to mandatory sinking fund payments of \$145.7 million on November 1, 2001, November 1, 2002 and November 1, 2003. The Indentures relating to the senior subordinated debentures and the subordinated discount debentures contain substantially similar covenants (except for certain matters relating to ranking) limiting, subject to a number of important qualifications, (i) dividends, retirements and other distributions with respect to capital stock and retirement of subordinate debt, (ii) debt of the Company and debt and preferred stock of subsidiaries, (iii) restrictions on distributions from subsidiaries, (iv) mergers and sales of assets, (v) transactions with affiliates, (vi) business and investment activities of the Company and (vii) investments in non-recourse subsidiaries.

On September 19, 1989, the Company entered into an agreement (the "Campeau Undertaking") with Campeau, Federated Stores, Inc. and Federated Holdings III, Inc., an indirect subsidiary of Campeau, whereby Campeau agreed, on the terms and conditions set forth therein, to make funds available, or cause funds to be made available, to the Company until September 18, 1991, in an aggregate principal amount of \$150.0 million to be used by the Company to satisfy its working capital requirements. Advances under the Campeau Undertaking were scheduled to mature on September 12, 1991, and bear interest at 9 1/2% per annum, which interest was not to be paid in cash during the continuance of a default under the Bank Facilities, or, in any event, prior to the earlier of April 30, 1990 and the sale of the operating subsidiary originally contemplated by the Credit Agreement Amendment (defined below). As of February 3, 1990, the Company had received advances under the Campeau Undertaking of \$75.0 million. The Campeau Undertaking ceased to be in effect following the chapter 11 filing of the Company.

FEDERATED DEPARTMENT STORES, INC. (DEBTOR-IN-POSSESSION)
(The Successor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

The Bank Facilities are secured and bear interest at either 1½% (1% for the receivables facility) over the applicable base lending rate or 2½% (2% for the receivables facility) over LIBOR for Eurodollar rate advances. The interest rates are subject to certain adjustments. The agreements contain provisions for two ½% step downs in interest rates spreads, one of which became effective March 7, 1989. The Company has entered into three-month LIBOR interest rate caps with the following terms: \$500.0 million at 9% maturing in September 1991; \$500.0 million at 8½% scheduled to mature in late December 1989 and January 1990 of which \$300.0 million was sold in April 1989 and the remaining \$200.0 million expired; and \$300.0 million at 9% scheduled to mature in December 1989, which was sold in April 1989. These interest rate caps provide for cash payments to the Company when three-month LIBOR is in excess of the contract rate at three-month intervals during the contract term. The amount of the payment will approximate the amount necessary to lower the effective LIBOR rate of a comparable level of borrowings to the contract rate. Credit Corp. was also permitted to borrow against outstanding receivables up to \$1,000.0 million (subject to borrowing base requirements) under the receivables facility which was to have been repaid on January 31, 1993, when the facility would have terminated.

The Company entered into an Amendment No. 5 and Waiver (the "Credit Agreement Amendment") dated as of September 11, 1989, to the Credit Agreement dated as of July 28, 1988 (as amended through the date hereof, the "Bank Facilities") among the Company, Federated Real Estate, Inc., Holdings, Federated Stores, Inc., Bank of America National Trust and Savings Associations, the Sanwa Bank, Limited, New York Branch and The Long-Term Credit Bank of Japan, Limited, New York Branch, as co-managers, the Sumitomo Bank, Limited, New York Branch, as co-agent, and Citibank, N.A., as agent for the lenders party to such Credit Agreement (the "Lenders"), which also amended the provisions of certain related agreements. Pursuant to the provisions of the Credit Agreement Amendment, the Lenders agreed, among other things, (i) to permit borrowings by the Company pursuant to the Campeau Undertaking, (ii) to extend the maturities of the asset and mortgage bridge facilities from January 31, 1990 to April 30, 1990, (iii) to increase the cash draw sub-limit in the working capital facility from \$600.0 million to \$650.0 million until December 31, 1989 (provided that such incremental \$50.0 million will be available to the Company only after the full \$150.0 million under the Campeau Undertaking is provided to the Company), (iv) to amend certain financial covenants relating to fixed charge coverage, maintenance of net worth and interest coverage and (v) to waive the working capital "clean-up" requirement for the current fiscal year. In exchange for such provisions, interest rates and letter of credit fees in respect of the Bank Facilities were increased by ½ of 1%, provided that (x) the additional interest accruing from September 11, 1989 through January 31, 1990 would not be payable until April 30, 1990, and then only if the asset and mortgage bridge facilities were not repaid in full by such date, and (y) if the asset and mortgage bridge facilities were repaid in full on or before April 30, 1990, the additional interest would cease to accrue on the date on which such repayment in full was made. In addition, (i) the letter of credit sub-limit for the working capital facility was reduced from \$250.0 million to \$200.0 million, (ii) the Company was required to sell, on or before April 30, 1990, an operating subsidiary for cash on terms and conditions satisfactory to the majority lenders, and (iii) certain interest rate "step-downs" and exceptions to negative covenants that were to have resulted from the repayment of the asset and mortgage bridge facilities were eliminated. The Company also paid an amendment fee equal to 0.375% of the aggregate amount of outstanding advances and commitments under the Bank Facility. As of February 3, 1990, the Company had required only \$75.0 million under the Campeau Undertaking.

On January 27, 1989, \$387.2 million of short-term bridge loans incurred by the Company to finance the tender offer were exchanged for \$401.3 million of 13¾% Series II Exchange Notes due 1994, ("Exchange Notes") all of which were issued to the Bridge Lenders. In addition 6.96% of the common stock of Holdings was deposited in an escrow account to assist the Bridge Lenders in selling the Exchange Notes.

On May 10, 1989, certain fees were paid to the Bridge Lenders by Campeau to hold the Exchange Notes until December 1, 1989, provided certain conditions were met by September 15, 1989. Since these conditions

**FEDERATED DEPARTMENT STORES, INC. (DEBTOR-IN-POSSESSION)
(The Successor)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

were not satisfied on September 15, 1989, the 6.96% of the common stock of Holdings held in escrow was released to the Bridge Lenders pursuant to the provisions of the Amended and Restated Exchange Note Agreement dated as of November 1, 1988. Campeau, Federated Stores, Inc. and the Company (the "Campeau Entities") also reached agreements (the "Exchange Note Agreements") with the holders of the Exchange Notes regarding the transfer of such Notes and the common stock of Holdings issued to such holders on September 15, 1989 (the "Equity Reserve"). The net book value of 6.96% of the common stock of Holdings as of September 15, 1989, was recorded as a capital contribution and financing costs. At January 15, 1990, the unamortized balance of these financing costs were charged directly to reorganization items in the Consolidated Statement of Operations. The aforementioned agreement with First Boston Securities Corporation and Dillon, Read Interfunding, Inc. (i) restricts transfers of such entities' portion of the Equity Reserve prior to December 31, 1989, and thereafter limits such transfers to sales in connection with a transfer of the Exchange Notes until September 15, 1990, (ii) grants the Campeau Entities a right of first refusal until September 15, 1990, with respect to any transfer of such entities' portion of the Exchange Notes and the Equity Reserve, (iii) grants the Campeau Entities an option, exercisable until September 15, 1990, under certain circumstances (including a requirement that the Exchange Notes shall have been transferred), to purchase such entities' portions of the Equity Reserve on the terms specified therein and (iv) grants the Campeau Entities the right to repurchase such entities' portions of the Exchange Notes until September 15, 1990. The agreement with PrimeWebber Funding Inc. is substantially similar, except, that the restrictions on transfer of the Equity Reserve, right of first refusal and purchase and repurchase options expired on March 1, 1990.

Short-term borrowings and long-term debt due within one year at February 3, 1990 consist of \$136.2 million of bank receivables facility. At January 28, 1989, short-term borrowings and long-term debt due within one year include \$800.0 million of mortgage bridge facility, \$379.1 million of asset bridge facility, \$230.0 million of bank receivables facility, \$54.0 million of bank working capital facility and \$72.0 million of Euronotes due 1990.

At February 3, 1990, the Company had a contingent liability for outstanding pre-petition letters of credit in the amount of \$25.3 million. The Company issued these letters of credit previously for the purchase of inventory from foreign sources and to guarantee various insurance agreements. Cash deposits at February 3, 1990 of \$50.4 million served as collateral for two letters of credit issued pursuant to the Bankruptcy Court's January 25, 1990 interim order approving the DIP financing.

FEDERATED DEPARTMENT STORES, INC. (DEBTOR-IN-POSSESSION)
(The Successor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

Interest and financing costs are as follows:

	53 Weeks Ended February 3, 1990	Nine Months Ended January 28, 1989
	(millions)	
Interest on debt	\$ 588.9	\$ 451.2
Amortization of financing costs	33.3	197.9
Interest on capitalized leases	3.3	2.2
Subtotal	625.5	651.3
Less:		
Financing costs capitalized relating to sold or transferred divisions:		
Interest	(8.6)	(106.9)
Financing costs	—	(97.3)
Interest capitalized on construction	(0.7)	(1.4)
Interest income	(100.1)*	(59.3)*
	<u>\$ 516.1</u>	<u>\$ 386.4</u>

*Excludes \$6.1 million and \$34.2 million of interest income for the 53 weeks ended February 3, 1990 and the nine months ended January 28, 1989, respectively, on division sales proceeds used to finance the merger.

For the period subsequent to the petition date, \$7.5 million of interest on the unsecured debt has not been accrued while interest on secured debt continues to be accrued.

12. Accounts Payable and Accrued Liabilities

	February 3, 1990	January 28, 1989
	(millions)	
Merchandise and expense accounts payable	\$ 190.5	\$ 428.1
Restructuring and other merger costs	31.8	89.6
Accrued interest	13.5	82.3
Taxes other than income taxes	4.1	25.9
Other	149.2	114.8
	<u>\$ 389.1</u>	<u>\$ 740.7</u>

13. Taxes

The financial statements of the Company reflect the adoption of Statement of Financial Accounting Standards No. 96 (the "Statement"), "Accounting for Income Taxes." Application of this Statement required the Company to change from the deferred method to the liability method of accounting for income taxes. The liability method accounts for the tax consequences of "temporary differences," by applying enacted statutory rates applicable to future years to differences between the financial statement basis and the tax basis of assets and liabilities. Application of this Statement at the date of acquisition had no cumulative effect on net income for the nine months ended January 28, 1989.

FEDERATED DEPARTMENT STORES, INC. (DEBTOR-IN-POSSESSION)
 (The Successor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

Income tax (benefit) expense for the 53 weeks ended February 3, 1990 and the nine months ended January 28, 1989, is as follows:

	53 Weeks Ended February 3, 1990			Nine Months Ended January 28, 1989		
	Current	Deferred	Total	Current	Deferred	Total
	(millions)			(millions)		
Federal	\$ (36.8)	\$ (85.2)	\$ (122.0)	\$ (48.4)	\$ 43.9	\$ (4.5)
State and local	10.5	(20.5)	(10.0)	(7.9)	10.6	2.7
	<u>\$ (26.3)</u>	<u>\$ (105.7)</u>	<u>\$ (132.0)</u>	<u>\$ (56.3)</u>	<u>\$ 54.5</u>	<u>\$ (1.8)</u>

Current income taxes include approximately \$3.0 million in deferred income taxes. Non-current deferred income taxes consist primarily of "temporary differences" related to the excess of book depreciation over tax depreciation (approximately \$497.0 million) and the deferred tax gains from the sales and transfer of divisions (approximately \$596.0 million).

The income tax expense (benefit) reported differs from the expected tax computed by applying the federal income tax statutory rate of 34% to income before income taxes. The reasons for this difference and their tax effects are as follows:

	53 Weeks Ended February 3, 1990		Nine Months Ended January 28, 1989	
	(millions)		(millions)	
Expected tax			\$ (556.2)	\$ (53.7)
Permanent differences arising from:				
Acquisition financing		17.4		34.2
Write down and amortization of goodwill		413.2		15.8
State and local income taxes, net of federal income tax benefit		(6.4)		1.9
	<u>\$ (132.0)</u>		<u>\$ (1.8)</u>	

The Internal Revenue Service (the "Service") has completed its examination of federal income tax returns for the three years ended January 28, 1984. The Service has issued an assessment for certain unagreed issues. The Company is contesting the assessment in the U.S. Tax Court. The major portion of the tax and accrued interest had been paid prior to the acquisition on these issues to stop incurring interest pending resolution. A tentative agreement has been reached with the Service resolving the issues subject to approval of the Bankruptcy Court. Such agreement, if approved, would result in a refund to the Company. The Service is currently auditing all tax years subsequent to January 28, 1984 for the purpose of preparing a proof of claim. Management believes that adequate provision has been made for all years through February 3, 1990.

As stated in Note 2, the Company is included in the consolidated federal income tax return of Federated Stores, Inc. Pursuant to a tax sharing agreement entered into before the bankruptcy filings, the Company has in the past recorded provisions for income tax liability calculated (subject to certain adjustments) as if it were a separate taxpayer and has settled such liability with its immediate parent. Although the effect, if any, of the bankruptcy filings on the manner in which the Company will settle its federal income tax liabilities cannot be determined at this time, the Company has continued to record provisions for income tax liability in accordance with the tax sharing agreement.

Pursuant to pre-petition tax sharing arrangements, Ralphs has in the past been treated for tax sharing purposes as if it had a basis of \$1,020.0 million in the assets it acquired from the Company, an amount which is substantially higher than the aggregate tax basis that the Company had in those assets prior to the acquisition. In addition, the Company has in the past recorded a deferred tax liability on income relating to (i)

FEDERATED DEPARTMENT STORES, INC. (DEBTOR-IN-POSSESSION)
(The Successor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

the step-up in the tax basis of Ralphs' depreciable assets (which will be payable over the depreciable lives of the respective assets) and (ii) the step-up in tax basis of Ralphs' non-depreciable assets (which will be payable under certain circumstances if Ralphs' non-depreciable assets are owned by a corporation that is not a member of an affiliated group that includes both Ralphs and the Company). (The Company is not currently aware of any transaction that would give rise to the payment of this deferred tax liability (which approximates \$270.0 million).) Although the effect, if any, of the bankruptcy filings on these tax sharing arrangements cannot be determined at this time, the Company has continued to record provisions for its federal income tax liability in accordance with these arrangements.

Regardless of any tax sharing agreements or arrangements involving the members of the Federated Stores' consolidated group, each member of that group (including the Company) is severally liable to the Service for the federal income tax liability of the entire group for each taxable year in which it was or is a member. That liability cannot presently be determined.

14. Retirement Plans

The Company has a defined benefit plan (Pension Plan) and a defined contribution plan (Profit Sharing Plan) which cover substantially all employees who work 1,000 hours or more per year. In addition, the Company has a supplementary retirement plan which includes benefits in excess of qualified plan limitations. Retirement expense for these plans totaled \$11.2 million for the 53 weeks ended February 3, 1990 and \$7.3 million for the nine months ended January 28, 1989.

Pension Expense

Pension plan benefits are primarily based on a formula using the highest five consecutive years' average earnings during the last ten years of credited service. For employees with service before 1984, accumulated benefits under the Retirement Income portion of the Profit Sharing Plan are included in the formula used to determine pension plan benefits.

Net pension expense for the Company's Pension Plan amounted to \$5.6 million for the 53 weeks ended February 3, 1990 and \$5.0 million for the nine months ended January 28, 1989 and included the following actuarially determined components:

	53 Weeks Ended February 3, 1990	Nine Months Ended January 28, 1989
	(millions)	
Service cost	\$ 10.8	\$ 8.1
Interest cost	9.6	6.7
Actual return on assets	(27.8)	(16.1)
Net amortization and deferrals	13.0	6.3
	<u>\$ 5.6</u>	<u>\$ 5.0</u>

Service cost and interest cost were calculated using a discount rate of 8.5% and the rate of increase in future compensation levels and the long-term rate of return on assets were 6% and 8%, respectively.

FEDERATED DEPARTMENT STORES, INC. (DEBTOR-IN-POSSESSION)
(The Successor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

The following table sets forth the projected actuarial present value of benefit obligations and funded status at December 31, 1989 and 1988, for the Pension Plan:

	December 31, 1989	December 31, 1988
	(millions)	
Accumulated benefit obligations	\$115.3	\$171.9
Less: Present value of net accumulated benefits available under the Profit Sharing Plan	35.1	74.5
Net accumulated benefit obligations, including vested benefits of \$76.9 million and \$61.4 million, respectively	80.2	97.4
Projected compensation increases	46.3	28.5
Projected benefit obligations	126.5	125.9
Plan assets (primarily stocks, bonds and U.S. government securities)	221.8	211.4
Less: Unrecognized gain	34.5	19.1
	187.3	192.3
Prepaid pension expense	<u>\$ 60.8</u>	<u>\$ 66.4</u>

The discount rate and annual rate of increase in future compensation levels used in determining the actuarial present value of projected benefit obligations were 8.5% and 6%, respectively.

The Company's policy is to fund the pension plan at or above the minimum required by law. At December 31, 1989 and 1988, the Company had met the full funding limitation. Plan assets are invested by a trustee. Therefore, the Company's filing for relief under chapter 11 has no impact on the availability of funds to meet pension obligations.

Supplementary Retirement Expense

Net pension expense for the Company's supplementary retirement plan included the following actuarially determined components:

	53 Weeks Ended February 3, 1990	Nine Months Ended January 28, 1989
	(millions)	
Service cost	\$ 1.0	\$ 0.5
Interest cost on projected benefit obligations	1.2	0.8
Net amortization and deferral	0.7	(0.7)
	<u>\$ 2.9</u>	<u>\$ 0.6</u>

Service cost and interest cost were calculated using a discount rate of 8.5% and a rate of increase in future compensation levels of 6%.

FEDERATED DEPARTMENT STORES, INC. (DEBTOR-IN-POSSESSION)
(The Successor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

The following table sets forth the projected actuarial present value of benefit obligations at December 31, 1989 and 1988, for the supplementary retirement plan:

	December 31, 1989	December 31, 1988
	(millions)	
Accumulated benefit obligations, including vested benefits of \$3.6 million and \$6.9 million, respectively	\$ 3.7	\$ 8.4
Projected compensation increases	12.9	1.0
Projected benefit obligations	16.6	9.4
Unrecognized gain	0.5	—
Unrecognized prior service cost	(5.4)	—
Accrued pension liability	<u>\$ 11.7</u>	<u>\$ 9.4</u>

The discount rate and annual rate of increase in future compensation levels used in determining the actuarial present value of projected benefit obligations were 8.5% and 6.0%, respectively. The supplementary retirement plan is not funded. The Company suspended payments under the supplementary retirement plan as of the petition date.

Profit Sharing Expense

The Company's Profit Sharing Plan includes a voluntary savings feature for eligible employees. The Company's contribution is a percentage of the Company's pre-tax earnings for the year with a minimum company contribution equal to 20% of employee's eligible savings. Profit sharing expense amounted to \$2.7 million for the 53 weeks ended February 3, 1990 and \$1.7 million for the nine months ended January 28, 1989. The Profit Sharing Plan had net assets at December 31, 1989, aggregating \$527.3 million held in an independent trust.

15. Post-retirement Health Care and Life Insurance Benefits

Certain retired employees are currently provided with specified health care and life insurance benefits. Eligibility requirements for such benefits vary by division and subsidiary, but generally state that benefits are available to employees who retire after a certain age with specified years of service. Such health care and life insurance benefits are provided to both retired and active employees through a medical benefit trust, a group life trust, and insurance companies with insurance premiums based on benefits paid. The cost of providing these benefits to 7,000 eligible retirees is not separable from the cost of providing benefits for the 34,000 participating active employees. The total cost of such benefits, after employee contributions, was \$51.5 million for the 53 weeks ended February 3, 1990 and \$29.0 million for the nine months ended January 28, 1989.

At the date of acquisition, a liability of \$60.0 million was recorded for the future cost of life and medical benefits for current retirees and is being amortized over the anticipated future life expectancy of retirees at the merger date. This amortization is not included in total costs of such benefits above.

16. Employee Stock and Other Benefit Plans

The Company, along with Allied Stores Corporation ("Allied"), has adopted a stock appreciation rights plan under which certain officers and key employees of the Company and Allied will be granted stock appreciation rights. Each right will entitle its holder, subject to vesting and valid exercise, to the right to receive either an amount of cash or Ordinary Shares of Campeau equal to the increase in value of Campeau Ordinary Shares over an initial base value as established. The base value for all grants in 1989 was \$20 (Canadian) and the base value in succeeding years will be the market value on the date of grant, or such other

FEDERATED DEPARTMENT STORES, INC. (DEBTOR-IN-POSSESSION)
(The Successor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

value as may be established by the Board. At February 3, 1990, the Campeau Ordinary Shares were trading at \$2.70 (Canadian). The maximum number of rights that may be granted under the plan with respect to both the Company and Allied is 6.5 million, and the maximum number of shares of Campeau Ordinary Shares that may be delivered under the plan is 2.7 million, subject to adjustment for stock splits and similar events. No allocation of the amount of rights that the two companies may grant has been made.

Stock appreciation rights of 3,225,000 shares have been issued under the plan and allocated to Company employees and 554,750 shares have been cancelled, leaving a balance of 2,670,250 shares outstanding at year end.

The Company has developed a Key Employee Performance/Retention Program designed to provide severance protection, retention and performance incentives to key management and operational employees.

17. Shareholder's Equity (Deficit)

	53 Weeks Ended February 3, 1990	Nine Months Ended January 28, 1989
	(millions)	
Preferred stock	\$ —	\$ —
Common stock:		
Balance, beginning of period	—	—
Issuance of common stock	—	—
Balance, end of year	—	—
Additional paid-in capital:		
Balance, beginning of period	1,286.2	—
Issuance of common stock	—	1,406.2
Capital contribution	67.0	—
Dividend	—	(120.0)
Balance, end of year	<u>1,353.2</u>	<u>1,286.2</u>
Accumulated deficit:		
Balance, beginning of period	(156.3)	—
Net income (loss)	<u>(1,503.9)</u>	<u>(156.3)</u>
Balance, end of year	<u>(1,660.2)</u>	<u>(156.3)</u>
Total shareholder's equity (deficit)	<u>\$ (307.0)</u>	<u>\$1,129.9</u>

At February 3, 1990, the authorized shares of the Company consisted of 5.0 million preferred shares, no par value with none issued and 400.0 million shares of common stock, par value of \$1.25 per share with 1,000 shares issued and outstanding.

FEDERATED DEPARTMENT STORES, INC. (DEBTOR-IN-POSSESSION)
(The Successor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

18. Quarterly Results (unaudited)

Quarterly results for the 53 weeks ended February 3, 1990 and the nine months ended January 28, 1989, were as follows:

	<u>First Quarter</u>	<u>Second Quarter</u> (millions, except per share data)	<u>Third Quarter</u>	<u>Fourth Quarter</u>
53 Weeks Ended February 3, 1990:				
Net sales	\$ 1,025.5	\$ 1,019.8	\$ 1,229.8	\$ 1,592.1
Cost of sales, including occupancy and buying costs	746.6	757.0	881.3	1,168.2
Income (Loss) before income taxes	(90.3)	(116.4)	(70.6)	(1,358.6)
Federal, state and local income tax (benefit) expense	(28.1)	(37.5)	(19.9)	(46.5)
Net income (Loss)	(62.2)	(78.9)	(50.7)	(1,312.1)
Earnings (Loss) per share of common stock	(62,194)	(78,890)	(50,724)	(1,312,064)
Nine Months Ended January 28, 1989:				
Net sales	\$ 970.5	\$ 1,106.3	\$ 1,494.9	
Cost of sales, including occupancy and buying costs	733.1	783.0	1,037.9	
Income (Loss) before income taxes	(174.1)	(43.4)	59.4	
Federal, state and local income tax (benefit) expense	(31.8)	(1.5)	31.8	
Net income (Loss)	(142.3)	(41.6)	27.6	
Earnings (Loss) per share of common stock	(142,313)	(41,560)	27,555	

19. Legal Proceedings

The Company is litigating its final settlement of the sales of its Foley's and Filene's divisions with May Department Stores Company ("May"). The Company has asserted claims of approximately \$24.0 million and May has asserted claims of approximately \$23.0 million. Although the District Court in this action has granted May's motion to compel arbitration of the dispute, and the Company and May were making arrangements for the arbitration proceeding, this proceeding has been stayed by the automatic stay provisions under the chapter 11 proceedings. Management believes the Company will ultimately prevail in this arbitration, however, no estimate of the potential recovery or exposure can currently be made.

The Company and its subsidiaries are also involved in various proceedings incidental to the normal course of their business. Management does not expect that any of such proceedings will have a material impact on the Company.

INDEPENDENT AUDITOR'S REPORT

Stockholders and Board of Directors
Federated Department Stores, Inc.
Cincinnati, Ohio 45202

We have audited the accompanying consolidated balance sheet of Federated Department Stores, Inc. and subsidiaries (Predecessor) as of January 30, 1988, and the related statements of operations, shareholders' equity and changes in financial position for each of the two years in the period ended January 30, 1988, and the schedules as of January 30, 1988 and for each of the two years then ended listed in the index at Item 14(a)2. These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Federated Department Stores, Inc. and subsidiaries (Predecessor) as of January 30, 1988, and the results of their operations and the changes in their financial position for each of the two years in the period ended January 30, 1988, in conformity with generally accepted accounting principles and the schedules referred to above present fairly, in all material respects, when read in conjunction with the related consolidated financial statements, the information set forth therein as of the date the financial statements and schedules were prepared and our opinions were originally issued.

Federated Department Stores, Inc. and subsidiaries (Predecessor) have been acquired by CRTF Corporation, an indirect subsidiary of Campeau Corporation, consummating the merger agreement referred to in Note 17. As a result, the aforementioned historical financial statements and schedules of the Predecessor, which has ceased to exist for accounting purposes while continuing for legal and operating purposes, are not indicative of financial position and results of operations of the acquiring successor company.

Touche Ross & Co.

TOUCHE ROSS & CO.
Certified Public Accountants

New York, New York
March 15, 1988
(March 25, 1988 as to Note 7,
April 1, 1988 as to Note 17
and September 16, 1988 as to
Paragraph 4 above)

FEDERATED DEPARTMENT STORES, INC.
 (The Predecessor)

CONSOLIDATED STATEMENTS OF OPERATIONS
 (in thousands, except per share data)

	13 Weeks Ended April 30, 1988	52 Weeks Ended January 30, 1988	52 Weeks Ended January 31, 1987
Net Sales, including leased department sales of \$66,400, \$338,500 and \$324,300.	<u>\$2,449,096</u>	<u>\$11,117,840</u>	<u>\$10,512,425</u>
Cost of sales, including occupancy and buying costs.	1,827,501	8,191,571	7,698,628
Selling, publicity, delivery and administrative expenses.	545,281	2,252,902	2,103,315
Provision for doubtful accounts.	9,954	45,900	50,558
Interest expense — net.	30,087	104,609	79,801
Unusual items — net.	<u>315,680</u>	<u>(7,124)</u>	<u>13,082</u>
Total costs and expenses.	<u>2,728,503</u>	<u>10,587,858</u>	<u>9,945,384</u>
Income (Loss) Before Income Taxes and Extraordinary Item.	(279,407)	529,982	567,041
Federal, state and local income tax (benefit) expense.	<u>(113,827)</u>	<u>217,006</u>	<u>265,100</u>
Income (Loss) Before Extraordinary Item.	<u>(165,580)</u>	<u>312,982</u>	<u>301,941</u>
Extraordinary item — loss on early extinguishment of debt, net of tax effect of \$14,527.	—	—	(14,341)
Net Income (Loss).	<u>\$ (165,580)</u>	<u>\$ 312,982</u>	<u>\$ 287,600</u>
Earnings Per Share of Common Stock:			
Income (Loss) before extraordinary item.	\$ (1.86)	\$ 3.40	\$ 3.12
Extraordinary item.	—	—	(.15)
Net Income (Loss).	<u>\$ (1.86)</u>	<u>\$ 3.40</u>	<u>\$ 2.97</u>
Fully Diluted Earnings Per Share:			
Income (Loss) before extraordinary item.	\$ (1.86)	\$ 3.32	\$ 3.05
Extraordinary item.	—	—	(.14)
Net Income (Loss).	<u>\$ (1.86)</u>	<u>\$ 3.32</u>	<u>\$ 2.91</u>

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

FEDERATED DEPARTMENT STORES, INC.
 (The Predecessor)
 CONSOLIDATED BALANCE SHEET
 (in thousands)

January 30, 1988

ASSETS

Current Assets:

Cash	\$ 93,217
Accounts receivable	1,547,843
Merchandise inventories	1,543,264
Supplies and prepaid expenses	<u>66,219</u>
Total Current Assets	<u>3,250,543</u>
Property and Equipment — net	2,648,746
Other Assets	<u>109,428</u>
Total Assets	<u><u>\$6,008,717</u></u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:

Notes payable and long-term debt due within one year	\$ 399,646
Accounts payable and accrued liabilities	1,297,061
Income taxes	<u>106,715</u>
Total Current Liabilities	<u>1,803,422</u>
Deferred Income Taxes	380,641
Deferred Compensation and Supplementary Retirement	238,968
Long-Term Debt	<u>956,619</u>

Shareholders' Equity:

Preferred stock	—
Common stock	112,516
Retained earnings	2,525,876
Less treasury stock at cost	<u>9,325</u>
Total Shareholders' Equity	<u>2,629,067</u>
Total Liabilities and Shareholders' Equity	<u><u>\$6,008,717</u></u>

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

FEDERATED DEPARTMENT STORES, INC.
(The Predecessor)

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION
(in thousands)

	<u>13 Weeks Ended April 30, 1988</u>	<u>52 Weeks Ended January 30, 1988</u>	<u>52 Weeks Ended January 31, 1987</u>
Cash From Operations			
Income before extraordinary item	\$ (165,580)	\$ 312,982	\$ 301,941
Items not requiring outlay of cash:			
Depreciation and amortization	69,717	280,716	255,577
Deferred compensation and deferred income taxes	9,159	71,225	68,242
Equity in income of unconsolidated subsidiary	(94)	(8,679)	(19,841)
Cash provided from operations before extraordinary item	(86,798)	656,244	605,919
Extraordinary item	—	—	(14,341)
Total	<u>(86,798)</u>	<u>656,244</u>	<u>591,578</u>
Financing			
Net additions — notes payable and long-term debt due within one year	211,434	159,593	197,304
Additions to long-term debt	—	201,259	333,454
Reductions of long-term debt	(15,957)	(41,952)	(323,066)
Total	<u>195,477</u>	<u>318,900</u>	<u>207,692</u>
Equity Transactions			
Dividends paid	—	136,542	129,541
Retirement of common stock	—	194,146	196,028
Other applications (sources)	(10,512)	15,781	6,745
Total	<u>(10,512)</u>	<u>346,469</u>	<u>332,314</u>
Investments			
Capital investment:			
Purchase of property and equipment	61,221	486,631	514,834
Disposition of property and equipment	(21,461)	(28,387)	(57,230)
Acquisition of company	—	27,522	—
Decrease in investment in, and advances to, unconsolidated subsidiaries	(76)	(7,497)	(3,295)
39,684	478,269	454,309	
Working capital used in operations:			
(Decrease) in accounts receivable	(119,086)	(6,559)	(52,610)
Increase in merchandise inventories	47,371	137,272	85,895
Increase (Decrease) in supplies and prepaid expenses	7,951	23,711	(940)
Increase in accounts payable and accrued liabilities	(351,551)	(47,912)	(123,523)
Total	<u>(375,631)</u>	<u>584,781</u>	<u>363,131</u>
Current Income Tax Liability — decrease	198,143	12,434	201,599
Deferred Income Tax Liability — decrease (increase)	2,733	60,509	(197,690)
Deferred Compensation — decrease	192,962	—	—
Other Cash Applications (Sources) — Net	26,441	(21,169)	53,089
Increase (Decrease) In Cash	\$ 74,543	\$ (7,880)	\$ 46,827

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

FEDERATED DEPARTMENT STORES, INC.
(The Predecessor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Statements of Operations and Changes in Financial Position and related notes and financial statement schedules for the thirteen weeks ended April 30, 1988 were audited by KPMG Peat Marwick. See their Independent Auditors' Report on page F-1.

1. Organization and Summary of Significant Accounting Policies

The Company

The Company, Federated Department Stores, Inc., and subsidiaries, became a 92.5% owned indirect subsidiary of Campeau Corporation on July 29, 1988, when CRTF Corporation, an indirect subsidiary of Campeau Corporation, merged into the Company, following a cash tender offer by CRTF Corporation that was consummated on May 3, 1988. The remaining 7.5% of the Company's capital stock is indirectly owned by The Edward J. DeBartolo Corporation through its indirect 7.5% interest in Federated Holdings, Inc. The acquisition was accounted for as a purchase. The accompanying financial statements reflect the results of operations of the Company prior to the acquisition and merger and, accordingly, do not reflect any fair value adjustments or borrowings in connection with the acquisition.

Summary of Significant Accounting Policies

The Predecessor consolidated financial statements are reflected as originally prepared. These consolidated financial statements have not been adjusted for the adoption in the Successor consolidated financial statements of Statement of Financial Accounting Standards No. 94 "Consolidation of All Majority — Owned Subsidiaries".

All subsidiaries are consolidated, except Federated Stores Realty, Inc., a wholly owned real estate subsidiary, which is accounted for by the equity method.

Installments of deferred payment accounts maturing after one year are included in current assets in accordance with industry practice. Profits on installment sales are included in income when the sales are made.

Merchandise inventories are substantially all valued by the retail method and stated on the LIFO (last-in, first-out) basis, which is lower than market.

Depreciation and amortization are provided primarily on a straight-line basis for book purposes over the shorter of estimated asset lives or lease terms.

Real estate taxes and interest on construction in progress and land under development are capitalized. Amounts capitalized are amortized over the estimated lives of depreciable assets. Investment tax credits are accounted for under the flow through method. Deferred income taxes are provided on non-permanent differences between reported and taxable income, principally accelerated depreciation, deferred compensation and the deferral of gross margin on installment sales.

Earnings per share are computed on the basis of daily average number of shares outstanding during the year. Any dilution from the potential issuance of shares under the deferred compensation plan and the stock option plans would be less than three percent. Fully diluted earnings per share include the effect of the potential issuance of shares under the deferred compensation and the stock option plans.

2. Unusual Items

The unusual item in the first quarter of 1988 represents expenses, before income tax benefits, related to the tender offers for shares of Federated Department Stores, Inc. common stock (approximately \$88.7 million), the expense (\$60.0 million) before income taxes in respect of fees and expenses incurred by Macy in its attempt to acquire the Company, and expenses, before income taxes, related to severance compensation

FEDERATED DEPARTMENT STORES, INC.
(The Predecessor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

agreements, deferred compensation plans, settlement of stock options and other management and employee compensation and benefit arrangements which were accrued in connection with the change in control of the Company discussed in Note 1 (approximately \$167.0 million).

In 1987, the unusual item represents a \$7.1 million gain from the sale by Federated Stores Realty, Inc., of its interest in a shopping center. The equity in the gain on the shopping center sale is reported net, after reduction for federal, state and local income taxes, provision for profit-sharing expense and other expenses.

In 1986, the unusual items include a \$31.7 million provision, before income taxes, for the expenses associated with the merger of two department store divisions and \$18.6 million in gains from the sale by Federated Stores Realty, Inc., of its interest in two shopping centers. The equity in the gains on these sales is reported net.

3. Extraordinary Item

In 1986, the Company took advantage of favorable interest rates by repurchasing \$160.3 million of 10% Sinking Fund Debentures due 2010, \$86.1 million of 10% Sinking Fund Debentures due 2013, \$28.0 million of 11% Euronotes due 1990 and \$22.6 million of 10% Euronotes due 1995. These repurchases resulted in an extraordinary loss of \$14.3 million, net of income tax benefit of \$14.5 million.

4. Accounts Receivable

	<u>January 30, 1988</u> (millions)
Due from customers:	
30-day	\$ 42.9
Deferred payment	1,429.9
Other	<u>109.7</u>
Gross receivables	<u>1,582.5</u>
Less:	
Allowance for doubtful accounts	32.8
Deferred service charges	<u>1.9</u>
Net receivables	<u>34.7</u>
Allowance for doubtful accounts as % of gross receivables	<u>2.1%</u>

Sales through credit plans of Federated divisions in 1987 were \$3.9 billion, up .2% from 1986. The sales for 1986 had increased .8% from 1985.

Finance charge revenues, which are included in net sales in the Consolidated Statement of Operations, amounted to \$200.2 million in 1987 and \$211.8 million in 1986.

For the thirteen weeks ended April 30, 1988, sales through credit plans of Federated divisions were \$828.2 million and finance charge revenues were \$52.8 million.

5. Inventories

Merchandise inventories at the 1987 year end were \$1,543.3 million, compared to \$1,406.0 million at the end of the preceding year. At year end 1987 and 1986, inventories were \$287.3 million and \$270.2 million, respectively, lower than they would have been had the retail method been used without the application of the LIFO basis. This application resulted in after-tax charges of \$14.2 million in 1987 and \$4.4 million in 1986.

FEDERATED DEPARTMENT STORES, INC.
(The Predecessor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

An after-tax credit of \$4.1 million was also recorded in 1987 as a result of an adjustment of prior years' LIFO inventory in connection with a settlement with the Internal Revenue Service. This adjustment reduced the 1987 after-tax LIFO charge to \$10.1 million. Management believes that the LIFO method, which charges the most recent merchandise costs to the results of current operations, provides a better matching of current costs with current revenues in the determination of net income.

6. Properties and Leases

	<u>January 30, 1988</u> (millions)
Land	\$ 143.8
Buildings on owned land	1,093.4
Buildings on leased land and leasehold improvements	727.4
Store fixtures and equipment	1,794.7
Property not used in operations	100.9
Leased properties under capitalized leases	<u>194.4</u>
	4,054.6
Less accumulated depreciation and amortization	<u>1,405.9</u>
	<u>\$2,648.7</u>

In connection with certain shopping center agreements, the Company is obligated to operate stores within the centers for periods of up to 20 years. Some of these agreements require that the stores be operated under a particular name.

Major commitments for the future purchase or construction of facilities at January 30, 1988, amounted to approximately \$153.8 million. Interest expense capitalized during construction amounted to \$3.9 million in 1987 and \$6.4 million in 1986.

The Company leases a portion of the real estate and personal property used in its operations. Most leases require the Company to pay real estate taxes, maintenance and other executory costs, some call for additional amounts based on percentages of sales and some contain purchase options.

Minimum rental commitments (excluding executory costs) at January 30, 1988, for noncancelable leases are:

FEDERATED DEPARTMENT STORES, INC.
(The Predecessor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

	<u>Capital Leases</u>	<u>Operating Leases</u> (millions)	<u>Total</u>
Fiscal year:			
1988.....	\$ 19.1	\$ 80.2	\$ 99.3
1989.....	18.0	79.0	97.0
1990.....	16.8	76.8	93.6
1991.....	16.2	73.3	89.5
1992.....	15.7	69.2	84.9
After 1992	<u>128.1</u>	<u>519.9</u>	<u>648.0</u>
Total minimum lease payments	\$213.9	\$898.4	\$1,112.3
Less amount representing interest	<u>93.1</u>		
Present value of net minimum capital lease payments ..	<u>\$120.8</u>		

Capitalized leases are included in the Consolidated Balance Sheet as property and equipment while the related obligation is included as short-term (\$8.5 million) and long-term (\$112.3 million) debt. The charge to income for the amortization of capitalized leases in the amount of \$10.2 million and \$9.2 million for Fiscal 1987 and 1986, respectively, is included in depreciation and amortization expense. Total minimum lease payments shown above have not been reduced by minimum sublease rentals of approximately \$8.9 million on capital leases and \$20.7 million on operating leases.

Rental expense consists of:

	<u>13 Weeks Ended April 30, 1988</u>	<u>1987</u>	<u>1986</u>
	(millions)		
Real estate (excluding executory costs)			
Capital leases —			
Contingent rentals	\$.8	\$ 3.5	\$ 3.4
Operating leases —			
Minimum rentals	17.2	79.1	64.1
Contingent rentals	2.1	7.5	7.4
Less income from subleases —			
Capital leases7	2.8	3.0
Operating leases	<u>2.3</u>	<u>10.6</u>	<u>9.7</u>
	<u>\$17.1</u>	<u>\$76.7</u>	<u>\$62.2</u>
Personal property —			
Operating leases	<u>\$ 5.1</u>	<u>\$20.6</u>	<u>\$24.0</u>

7. Financing

During 1987 and 1986, average short-term commercial paper and master trust note borrowings were \$331.9 million and \$170.4 million and the maximum outstanding at any time during the year was \$627.1 million and \$589.2 million, respectively. In addition, there was a \$200.0 million short-term bank loan which was outstanding for four weeks in the fourth quarter of 1986. The weighted daily average interest rates were approximately 6.9% and 6.2% in 1987 and 1986, respectively.

FEDERATED DEPARTMENT STORES, INC.
(The Predecessor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

Bank short-term credit lines aggregating \$670.0 million were available at year end. On March 25, 1988, the Company entered into a \$1.2 billion credit facility, secured by certain retail accounts receivable, with a group of banks led by Manufacturers Hanover Trust Company, to replace its existing credit lines and provide for future short-term funding needs. The credit facility was repaid on May 3, 1988.

Long-term debt outstanding at year end includes:

	<u>January 30, 1988</u> (millions)
Notes due 1992, 9½%	\$ 200.0
Notes due 1996, 7½%	200.0
Sinking fund debentures due 2016, 9½%	100.0
Euronotes due 1995, 10%	77.4
Notes due 2002, 7.95%	70.0
Euronotes due 1990, 11%	72.0
Sinking fund debentures due 2010, 10½%	39.7
Sinking fund debentures due 2002, 7½%	35.0
Sinking fund debentures due 1995, 8¾%	17.5
Sinking fund debentures due 2013, 10%	13.9
Notes due 1991, 10%	3.0
Other, average 7%	<u>15.8</u>
	<u>844.3</u>
Obligations under capitalized leases	<u>112.3</u>
	<u><u>\$ 956.6</u></u>

A summary of future maturities of long-term debt, other than capitalized leases, is shown below:

	<u>Amount</u> (millions)
Fiscal year:	
1988	\$ 27.2
1989	86.7
1990	11.5
1991	11.4
1992	210.4
After 1992	524.3

8. Accounts Payable and Accrued Liabilities

	<u>January 30, 1988</u> (millions)
Merchandise and expense accounts payable	\$ 912.5
Accrued wages, vacations and sick leave	75.4
Taxes other than income taxes	54.8
Accrued reorganization expense	5.8
Other	<u>248.6</u>
	<u><u>\$1,297.1</u></u>

FEDERATED DEPARTMENT STORES, INC.
(The Predecessor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

9. Taxes

Current liability for income taxes includes a deferred amount at year end of \$56.9 million in 1987 from deferral of gross margin on installment sales. The Tax Reform Act of 1986 (the Act) eliminated the installment method of reporting with respect to revolving credit plans. At January 30, 1988, the deferred income tax liability in connection with the deferral of such gross margin has been classified as current or noncurrent based upon the payment provisions promulgated under the Act which require payment over four years (beginning in Fiscal 1987).

In addition, the Act eliminated the reserve method of computing deductions for bad debts and required the capitalization of certain expenses related to the procurement, storage and processing of merchandise as inventory costs. These tax law changes do not impact the Company's operating results, since the Company is not capitalizing these expenses in inventory for financial statement purposes. The current liability for income taxes at January 30, 1988, includes, however, \$13.8 million for the capitalization, for tax purposes, of certain expenses as inventory costs and the repeal of the reserve method of computing deductions for bad debts. This amount represents one-fourth of the Company's tax liability as well as the incremental increase during Fiscal 1987, resulting from these tax law changes.

Deferred income tax liability is principally the net result of deferred tax charges related to deferred compensation, and deferred tax credits from accelerated depreciation and deferral of gross margin on installment sales (as discussed above).

The income tax provision (benefit) before the 1986 extraordinary item consists of:

	<u>13 Weeks Ended April 30, 1988</u>	<u>1987</u>	<u>1986</u>
	(millions)		
Federal	\$ (96.9)	\$173.3	\$220.5
State and local	<u>(16.9)</u>	<u>43.7</u>	<u>44.6</u>
	<u><u>\$ (113.8)</u></u>	<u><u>\$217.0</u></u>	<u><u>\$265.1</u></u>
Effective income tax rate	(40.7%)	40.9%	46.8%

The effective income tax rate differs from the federal income tax statutory rate primarily because of state and local income taxes, investment tax credits, the treatment in the thirteen weeks ended April 30, 1988, of certain tender offer expenses as non-deductible, preferential tax treatment on capital gains, the reversal, in 1987, of certain deferred taxes previously recorded at a higher rate in conjunction with the deferral of gross margin on installment sales and, where applicable, the recording of the equity in the gain on the sale of shopping centers on an after-tax basis. The Act reduced the statutory federal income tax rate from 46% in 1986 to a blended rate of approximately 39% in 1987 and to 34% in 1988. Investment tax credits, accounted for under the flow through method, totaled \$2.1 million for 1987 and \$4.9 million for 1986. The Act repealed, with certain exceptions, the investment tax credit for property placed in service after 1985.

FEDERATED DEPARTMENT STORES, INC.
(The Predecessor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

Deferred income tax charges and credits are included in the provision for income taxes as follows:

	<u>13 Weeks Ended April 30, 1988</u>	<u>1987</u> (millions)	<u>1986</u>
Deferred charges (credits) arising from:			
Capitalized interest and taxes, expensed for tax purposes, and accelerated depreciation	\$ 6.1	\$ 23.1	\$ 38.3
Gross margin on deferred payment sales which are on the installment method for tax purposes	(51.1)	(41.4)	(12.6)
Capitalized inventory costs and reserve for doubtful accounts not currently deductible for tax purposes....	(12.9)	(13.8)	—
Provision for reorganization expense3	12.9	5.7
Provisions for deferred compensation and supplementary retirement, including accruals related to severance compensation agreements and stock options, deductible for tax purposes only at the time of distribution	(60.4)	(3.5)	(7.1)
Other current and deferred items	<u>(1.8)</u>	<u>(1.3)</u>	<u>(9.7)</u>
	<u><u>\$ (119.8)</u></u>	<u><u>\$ (24.0)</u></u>	<u><u>\$ 14.6</u></u>

An Internal Revenue Service examination of federal income tax returns for the three years ended January 28, 1984, is in progress. Certain adjustments have been agreed to and the related tax and interest has been paid. Certain other issues are being contested by the Company; a major portion of the tax and accrued interest has been paid on these contested issues to stop incurring interest pending resolution. Management believes that adequate provision has been made for these issues, as well as for subsequent years through January 30, 1988.

10. Retirement Income and Deferred Compensation Plans

The Company has two defined benefit plans (Pension Plans) and a defined contribution plan (Profit Sharing Plan) which cover substantially all employees who work 1,000 hours or more per year. In addition, the Company has a supplementary retirement plan and makes contributions to several multi-employer defined benefit plans primarily relating to employees covered by collective bargaining agreements in the supermarket industry. In 1986, the Company adopted certain provisions of SFAS No. 87, Employers' Accounting for Pensions.

Total Retirement Expense

Retirement expense, consisting of pension and profit sharing expense, as well as contributions to multi-employer plans and provisions for supplementary retirement benefits totaled \$11.6 million for the thirteen weeks ended April 30, 1988, \$53.9 million for Fiscal 1987 and \$61.4 million for Fiscal 1986.

Pension Expense

Pension plan benefits are primarily based on a formula using the highest five consecutive years' average earnings during the last ten years of credited service. For employees with service before 1984, accumulated benefits under the Retirement Income portion of the Profit Sharing Plan are included in the formula used to determine pension plan benefits.

FEDERATED DEPARTMENT STORES, INC.
(The Predecessor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

Total expense related to the Pension Plans amounted to \$5.7 million for the thirteen weeks ended April 30, 1988, \$22.1 million in Fiscal 1987 and \$30.2 million in Fiscal 1986. Net pension expense for the Company's Pension Plans for these periods included the following actuarially determined components:

	13 Weeks Ended April 30, 1988	1987 (millions)	1986
	\$ 6.4	\$ 19.1	\$ 20.3
Service cost	\$ 6.4	\$ 19.1	\$ 20.3
Interest cost on projected benefit obligations	5.2	14.9	15.1
Actual return on assets	\$(17.2)	\$(1.7)	\$(25.5)
Unanticipated investment performance.....	<u>10.2</u>	<u>(13.7)</u>	<u>17.3</u>
	(7.0)	(15.4)	(8.2)
Amortization of unrecognized net obligation existing at adoption of SFAS No. 87 (amortized over 15 years)	1.1	3.5	3.0
	<u>\$ 5.7</u>	<u>\$ 22.1</u>	<u>\$ 30.2</u>

Service cost and interest cost were calculated using a discount rate of 8½% for the thirteen weeks ended April 30, 1988, and 8% for Fiscal 1987 and Fiscal 1986, and a rate of increase in future compensation levels of 6% for all periods shown. The long term rate of return on assets used was 8% for all periods shown.

The following table sets forth the projected actuarial present value of benefit obligations and funded status at December 31, 1987, for the Pension Plans:

	December 31, 1987 (millions)
Accumulated benefit obligations	\$277.0
Less: Present value of net accumulated benefits available under the Profit Sharing Plan	<u>104.0</u>
Net accumulated benefit obligations, including vested benefits of \$93.7 million	173.0
Plus: Projected benefit obligations in excess of accumulated benefit obligations (resulting from provisions for estimated future compensation levels)	21.1
Projected benefit obligations	<u>194.1</u>
Plan assets*	\$188.6
Unamortized net obligation at January 1, 1986	45.1
Unrecognized gain	<u>(45.6)</u>
	188.1
Accrued pension liability	<u>\$ 6.0</u>

*Primarily stocks, bonds, and U.S. government securities. Excludes receivable of \$32.3 million for the Company's annual contribution.

The discount rate and annual rate of increase in future compensation levels used in determining the actuarial present value of projected benefit obligations were 8.5% and 6%, respectively.

The Company's policy is to fund the Pension Plans at or above the minimum required by law.

FEDERATED DEPARTMENT STORES, INC.
(The Predecessor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

Supplementary Retirement Expense

The supplementary retirement plan includes benefits in excess of qualified plan limitations and benefits attributable to deferred compensation.

Income related to supplementary retirement amounted to \$1 million for the thirteen weeks ended April 30, 1988, and total supplementary retirement expense related to the plan amounted to \$2.3 million in Fiscal 1987 and \$2.5 million in Fiscal 1986.

Net pension expense (income) for the Company's supplementary retirement plan for the thirteen weeks ended April 30, 1988, Fiscal 1987 and Fiscal 1986 included the following actuarially determined components:

	<u>13 Weeks Ended April 30, 1988</u>	<u>1987</u> (millions)	<u>1986</u>
Service cost	\$ 2	\$ 1.4	\$ 1.5
Interest cost on projected benefit obligations3	1.6	1.6
Amortization of unrecognized net asset existing at adaptation of SFAS No. 87 (amortized over 15 years)	(2)	(7)	(.6)
Unrecognized gain	(4)	—	—
	<u>\$ (1)</u>	<u>\$ 2.3</u>	<u>\$ 2.5</u>

Service cost and interest cost were calculated using a discount rate of 8% for the thirteen weeks ended April 30, 1988, and 8% for Fiscal 1987 and Fiscal 1986, and a rate of increase in future compensation levels of 6% for all periods shown.

The following table sets forth the projected actuarial present value of benefit obligations at December 31, 1987, for the supplementary retirement plan:

	<u>December 31, 1987</u> (millions)
Accumulated benefit obligations, including vested benefits of \$10.8 million	<u>\$11.3</u>
Projected benefit obligations	<u>\$21.4</u>
Unamortized net asset at January 1, 1986	<u>8.6</u>
Unrecognized gain	<u>3.5</u>
Accrued pension liability	<u><u>\$33.5</u></u>

The discount rate and annual rate of increase in future compensation levels used in determining the actuarial present value of projected benefit obligations were 8.5% and 6%, respectively. The supplementary retirement plan is not funded.

Profit Sharing Expense

The Company's Profit Sharing Plan includes a voluntary savings feature for eligible employees and is designed to enhance existing retirement programs of eligible employees and to assist them in strengthening their financial security by providing an incentive to save and invest regularly. The Company's contribution for the savings feature is a percentage of the Company's pre-tax earnings for the year with a minimum Company contribution equal to 20% of employees' eligible savings. The profit sharing expense amounted to \$1.4 million for the thirteen weeks ended April 30, 1988, \$8.3 million for Fiscal 1987 and \$8.6 million for Fiscal 1986. The Profit Sharing Plan had net assets at December 31, 1987, aggregating \$705.8 million held in an independent trust.

FEDERATED DEPARTMENT STORES, INC.
(The Predecessor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

Multi-Employer Plans and Other Expense

The Company had pension expense of \$4.6 million for the thirteen weeks ended April 30, 1988, \$21.2 million for Fiscal 1987 and \$20.1 million for Fiscal 1986, primarily for contributions to multi-employer defined benefit plans as determined by various collective bargaining agreements. The relative position of the Company regarding the accumulated plan benefits and plan net assets of multi-employer plans is not determinable by the Company.

Deferred Compensation Plans

Deferred compensation liability represents principally cash and stock credits distributable after retirement or termination under the Company's Executives Deferred Compensation Plan and cash credits under the Company's Officers Deferred Compensation Plan, in which eligible executives may elect to defer a portion of their compensation each year. Provisions have been made in the Executives Deferred Compensation Plan to provide for conversion of all stock credits into cash credits and to provide in both Plans for immediate payment of all cash credits in the event of a change of control of the Company as defined in the two Plans.

In accordance with the terms of the Plans, distribution of the cash credits were made to eligible executives at the change of control.

11. Post-retirement Health Care and Life Insurance Benefits

Certain retired employees are currently provided with specified health care and life insurance benefits. Eligibility requirements for such benefits vary by division, but generally state that benefits are available to employees who retire after a certain age with specified years of service. Such health care and life insurance benefits are provided to both retired and active employees through a medical benefit trust, a group life trust, and insurance companies with insurance premiums based on benefits paid. The cost of providing these benefits to 9,000 eligible retirees is not separable from the cost of providing benefits for the 78,000 participating active employees. The total cost of such benefits, after employee contributions, was \$15.1 million for the thirteen weeks ended April 30, 1988, \$67.6 million in Fiscal 1987 and \$55.9 million in Fiscal 1986.

12. Employee Stock Plans

The Company has several stock option plans which provide for grants of either qualified or nonqualified options at not less than 100% of market. These plans allow for the grant of stock appreciation rights in connection with options under the plans. During the year ended January 30, 1988, stock option transactions, including options for which stock appreciation rights have been granted, are as follows:

	Shares (shares in thousands)	Great Price
Outstanding, beginning of year.....	1,941.6	\$12-44
Granted at 100% of market	828.1	37-48
Expired or cancelled	(191.6)	12-47
Exercised	(280.7)	12-40
Outstanding, end of year.....	<u>2,297.4</u>	<u>\$12-48</u>
Exercisable, end of year	738.1	\$12-44
Available for additional grants	2,935.8	

Stock appreciation rights for 533,000 shares were outstanding at year end.

FEDERATED DEPARTMENT STORES, INC.
(The Predecessor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

The Company's stock option plans contain a provision whereby options outstanding for more than six months will become exercisable in the event of a change of control as defined in the plans.

The Company also has restricted stock purchase and restricted stock grant plans. As of January 30, 1988, 428,000 shares and 1,448,000 shares, respectively, were available for future grants under the plans.

In connection with the Campeau Merger Agreement (see Note 17) the Company agreed to make no future grants under the plans and, as a result of the change of control, all stock options and stock appreciation rights granted prior to January 30, 1988, were cashed out and restrictions were removed from the restricted stock and the shares were tendered.

13. Shareholders' Equity

	13 Weeks Ended April 30, 1988	1987 (millions)	1986
Preferred stock	\$ —	\$ —	\$ —
Common stock — par value:			
Balance, beginning of year	112.5	118.9	62.2
Retirements	—	(6.4)	(2.7)
2-for-1 stock split	—	—	59.4
Balance, end of year	<u>112.5</u>	<u>112.5</u>	<u>118.9</u>
Capital in excess of par value of common stock:			
Balance, beginning of year	—	.6	98.5
Net charge from treasury stock	5.4	(24.3)	(9.1)
Retirement of common stock	—	(1.3)	(4.4)
2-for-1 stock split	—	—	(59.4)
Balance, end of year	<u>6.4</u>	<u>—</u>	<u>25.6</u>
Retained earnings:			
Balance, beginning of year	2,525.9	2,538.6	2,569.4
Net income (loss)	(165.6)	313.0	287.6
Cash dividends	—	(136.5)	(129.5)
Net charge from treasury stock	—	(2.7)	—
Retirement of common stock	—	(186.5)	(188.9)
Balance, end of year	<u>2,360.3</u>	<u>2,525.9</u>	<u>2,538.6</u>
Less treasury stock:			
Balance, beginning of year	9.3	20.5	22.8
Additions	—	5.4	23.1
Deductions	<u>(4.1)</u>	<u>(16.6)</u>	<u>(25.4)</u>
Balance, end of year	<u>5.2</u>	<u>9.1</u>	<u>20.5</u>
Total shareholders' equity	<u><u>\$2,474.0</u></u>	<u><u>\$2,629.1</u></u>	<u><u>\$2,662.6</u></u>

The authorized shares of the Company consist of 5.0 million preferred shares, no par value with none issued and 400.0 million common shares, par value of \$1.25 per share with 90.0 million shares issued in 1987 and 95.1 million shares issued in 1986. The Company increased the authorized shares of common stock from 200.0 million to 400.0 million on May 28, 1987. The Company had increased the authorized shares of common stock from 100.0 million to 200.0 million on May 29, 1986. Common shares outstanding at year end totaled 88.5 million in 1987 and 93.3 million in 1986. On March 26, 1987, the Company's Board of Directors declared a 2-for-1 split of its common stock effected in the form of a 100% stock dividend. The stock dividend

FEDERATED DEPARTMENT STORES, INC.
(The Predecessor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — *Continued*

was distributed on May 11, 1987, to shareholders of record on April 13, 1987. All common shares and per share amounts included in the financial statements have been restated to reflect the stock split.

During 1986, the Company's Board of Directors authorized the repurchase of up to 20 million shares of its common stock. As of January 30, 1988, 9.5 million shares have been repurchased and retired. The Company recorded the entire purchase price as the cost of the shares.

Excluding the stock split and the retirement of common stock, the net change in capital in excess of par value of common stock results from the issuance of treasury shares in connection with employee stock plans and debenture conversions.

Changes in the number of shares held in the treasury during the two years ended January 30, 1988, are as follows:

	<u>1987</u> (thousands)	<u>1986</u>
Balance, beginning of year	1,819	1,952
Purchased	115	554
 Deductions:		
Deferred compensation plan	(151)	(152)
Stock option plans	(281)	(494)
Restricted stock grant plans	(34)	(41)
 Balance, end of year	<u>1,468</u>	<u>1,819</u>

On January 23, 1986, the Company declared a dividend of one-half preferred stock purchase Right on each outstanding share of common stock. Under certain conditions, each full Right may be exercised to purchase one one-hundredth of a share of a new series of preferred stock at an exercise price of \$250 per one one-hundredth (1/100) of a share, subject to adjustment. The Rights may be exercised upon the occurrence of certain events specified in the Rights Agreement, including, among others, after the close of business on the tenth business day (or such later date as the Board may determine) after the commencement of a tender or exchange offer if, upon consummation thereof, the person making such offer (other than the Company and certain of its affiliates) would be the Beneficial Owner (as defined in the Rights Agreement) of 30% or more of the shares of the Company's common stock. The Rights, which do not have voting rights, expire on February 5, 1996, and may be redeemed by the Company at a price of \$.05 per Right at any time prior to ten days (or such longer period as the Board of Directors of the Company may determine) after the first date of a public announcement that any person (excluding the Company and certain of its affiliates) is the Beneficial Owner (as defined in the Rights Agreement) of 20% or more of the Company's outstanding common stock.

Under certain circumstances, including among others, in the event that the Company is acquired in a merger or other business combination transaction which does not satisfy certain exceptions in the Rights Agreement, or a party acquires more than 15% of the Company's common stock and the Board of Directors determines that such an acquisition is made by an Adverse Person (as defined in the Rights Agreement), each holder of a right (other than the acquiring party in a merger or other Adverse Person) shall have the right to receive, upon exercise thereof at the then current exercise price, that number of shares of common stock (or, in certain circumstances, cash, property or other securities) of the surviving company which at the time of such transaction would have a value of two times the exercise price of the Right.

The Company agreed to take all necessary action to render the Rights inapplicable to the Campeau Offer and the resulting merger.

FEDERATED DEPARTMENT STORES, INC.
(The Predecessor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

14. Business Segments

Total assets of the department stores, mass merchandising stores, supermarkets, other stores (The Children's Place, Filene's Basement and MainStreet) and central office are as follows:

	<u>January 30, 1988</u>	<u>January 31, 1987</u>
	(millions)	(millions)
Department stores	\$4,504.4	\$ 4,287.5
Mass merchandising	397.7	379.3
Supermarkets	556.5	548.0
Other	421.4	353.6
Central office	<u>128.7</u>	<u>119.3</u>
	<u>\$6,008.7</u>	<u>\$ 5,687.7</u>

Central office assets principally include an investment in and advances to an unconsolidated wholly owned subsidiary and general corporate assets.

Capital expenditures include:

	<u>1987 (millions)</u>
Land	\$ 6.9
Buildings, fixtures and equipment:	
Department stores	339.0
Mass merchandising	25.4
Supermarkets	36.4
Other	68.6
Central office	<u>10.3</u>
	<u>\$486.6</u>

Depreciation and amortization expense of the department stores, mass merchandising stores, supermarkets, other stores and central office is detailed below:

	<u>13 Weeks Ended April 30, 1988</u>	<u>1987 (millions)</u>	<u>1986</u>
Department stores	\$ 47.8	\$193.9	\$179.8
Mass merchandising	5.1	21.2	21.1
Supermarkets	9.8	40.7	34.7
Other	5.2	19.7	15.2
Central office	1.8	5.2	4.8
	<u>\$ 69.7</u>	<u>\$280.7</u>	<u>\$255.6</u>

FEDERATED DEPARTMENT STORES, INC.
(The Predecessor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

Year-end inventories of the department stores, mass merchandising stores, supermarkets and other stores are shown below:

Fiscal Year	Department Stores		Mass Merchandising		Supermarkets		Other	
	Amount	% of Total	Amount	% of Total (millions)	Amount	% of Total	Amount	% of Total
1987	\$1,117.7	72.4%	\$193.5	12.5%	\$112.0	7.3%	\$120.1	7.8%
1986	1,033.9	73.5	165.5	11.8	102.4	7.3	104.2	7.4
1985	987.5	74.8	170.1	12.9	77.3	5.9	85.2	6.4
1984	1,004.3	76.4	167.4	12.7	65.6	5.0	77.2	5.9

Operating profit of the department stores, mass merchandising stores, supermarkets and other stores is detailed below:

Fiscal Year	Department Stores		Mass Merchandising		Supermarkets		Other	
	Amount	% of Sales	Amount	% of Sales (millions)	Amount	% of Sales	Amount	% of Sales
1988*	\$ 84.6	5.3%	\$ (5.4)	(2.9)%	\$ 17.3	3.2%	\$ (9.9)	(7.2)%
1987.....	578.7	7.9	36.7	3.7	111.7	5.0	(19.7)	(3.3)
1986.....	628.7	9.0	31.8	3.3	59.2	2.9	(6.9)	(1.3)
1985.....	621.9	9.3	39.0	3.7	58.7	3.2	(9.5)	(2.3)
1984.....	619.7	9.4	31.8	3.0	43.9	2.6	(2.7)	(.8)

*Thirteen weeks ended April 30, 1988.

Operating profit represents the pre-tax profit from operations of the divisions. Unallocated central office costs, interest expense and other non-operating and unusual items aggregated \$366.0, \$177.4, \$145.8, \$176.4 and \$119.3 million for the periods shown above.

Sales of the department stores, mass merchandising stores, supermarkets and other stores are as follows:

Fiscal Year	Department Stores		Mass Merchandising		Supermarkets		Other	
	Amount	% of Total	Amount	% of Total (millions)	Amount	% of Total	Amount	% of Total
1988*	\$1,588.4	64.9%	\$ 188.6	7.7%	\$ 535.3	21.8%	\$136.8	5.6%
1987.....	7,290.8	65.6	978.0	8.8	2,251.2	20.2	597.8	5.4
1986.....	6,974.3	66.3	969.2	9.2	2,045.7	19.5	523.2	5.0
1985.....	6,684.7	67.0	1,057.9	10.6	1,813.6	18.2	421.8	4.2
1984.....	6,566.6	67.9	1,059.9	11.0	1,711.3	17.7	334.5	3.4

*Thirteen weeks ended April 30, 1988.

Sales increases by business segment in 1988, 1987 and 1986 for all stores and for comparable stores follow. Sales for "all stores excluding closed operations" exclude sales and mass merchandising operations in

FEDERATED DEPARTMENT STORES, INC.
(The Predecessor)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

Pennsylvania which were closed on January 26, 1986. Comparable store sales include only stores open for the full periods being compared.

<u>% Increase from Prior Year</u>	<u>Department Stores</u>	<u>Mass Merchandising</u>	<u>Supermarkets</u>	<u>Other</u>	<u>Total</u>
1988*					
All stores	(.7)%	(11.2)%	2.6%	5.6%	(.6)%
Comparable stores	(1.7)	(11.2)	2.0	(2.1)	(1.8)
1987					
All stores	4.5	.9	10.0	14.3	5.8
Comparable stores	2.5	.9	2.0	3.1	2.3
1986					
All stores	4.3	(8.4)	12.8	24.0	5.4
All stores excluding closed operations	4.6	(2.9)	12.8	24.0	6.2
Comparable stores	2.3	(2.8)	6.1	1.4	2.4

*Thirteen weeks ended April 30, 1988.

15. Acquisition

On June 17, 1987, the Company completed the acquisition of the Block's, Inc. subsidiary from Allied Stores Corporation. The acquisition has been recorded in accordance with the purchase method of accounting and did not have a material impact on the Company's results for any of the periods presented.

16. Quarterly Results (unaudited)

Quarterly results for the year ended January 30, 1988, were as follows:

	<u>First Quarter</u>	<u>Second Quarter</u> (in millions, except per share data)	<u>Third Quarter</u>	<u>Fourth Quarter</u>
Net sales	\$2,463.3	\$2,436.7	\$2,666.6	\$3,551.2
Cost of sales, including occupancy and buying costs	1,820.6	1,824.8	1,965.9	2,580.2
Income before income taxes	89.4	52.1	96.1	292.4
Federal, state and local income taxes	39.3	22.0	40.3	115.4
Net income.....	\$ 50.1	\$ 30.1	\$ 55.8	\$ 177.0
Earnings per share of common stock	\$.54	\$.32	\$.60	\$ 2.00
Average number of shares outstanding ...	93.4	93.5	93.1	88.5

Earnings per share computed separately for each period.

17. Subsequent Event

On April 1, 1988, Campeau Corporation, Campeau Corporation (U.S.) Inc. and CRTF Corporation, (a wholly owned subsidiary of Campeau Corporation), entered into a Merger Agreement with the Company under which CRTF Corporation will offer to purchase all of the Company's common stock. Certain legal proceedings have arisen as a result of the foregoing tender offer and the tender offer made by FDS Acquisition Corporation, a wholly owned subsidiary of R.H. Macy & Co., Inc. Management believes the outcome of these legal proceedings will not have a material impact on the Company's financial position.

The accompanying financial statements do not reflect any adjustments or reclassifications which may be required, should the foregoing transaction be completed.

SCHEDULE II

FEDERATED DEPARTMENT STORES, INC.
(Debtor-in-Possession)

**SCHEDULE II — AMOUNTS RECEIVABLE FROM RELATED
 PARTIES AND UNDERWRITERS, PROMOTERS AND
 EMPLOYEES OTHER THAN RELATED PARTIES**

Name of Debtor	Column A Balance at Beginning of Period	Column B Additions	Column D Deductions		Column E Balance at End of Period	
			(1) Amounts Collected	(2) Amounts Written Off	(1) Current	(2) Non Current
James E. Gray	\$ 500,000	\$ —	\$ —	\$ —	\$ —	\$ 500,000
James Zimmerman	1,000,000	175,000	—	—	—	1,175,000
Frank Doroff	500,000	—	—	—	—	500,000
Daniel Rowe	200,000	(150,000)	50,000	—	—	—
Robert Kemeny ...	139,000	—	139,000	—	—	—
Gordon R. Cooke	200,000	—	—	—	—	200,000
Rudy Javosky	225,000	—	25,000	—	25,000	175,000

In July 1988, the Company made a loan in the amount of \$500,000 to Mr. James E. Gray, President of Burdines, in connection with his relocation from Los Angeles, California to Miami, Florida. The note is interest free as long as he is an employee of the Company and is due the earlier of July 29, 1993 or termination.

In August 1988, the Company made a loan in the amount of \$1,000,000 to Mr. James M. Zimmerman, President of the Company, in connection with his relocation from Atlanta, Georgia to Cincinnati, Ohio. The loan bears interest at the rate of 7.81% per annum and is due the earlier of August 16, 1998 or termination. In June 1989, the Company made a loan to Mr. James M. Zimmerman for an additional amount of \$175,000 for relocation. The loan is interest free as long as he is an employee of the Company and is due the earlier of June 2, 1999 or termination.

In August 1988, the Company made a loan in the amount of \$500,000 to Mr. Frank Doroff, Chairman of the Merchandising division of the Company, in connection with his relocation from Los Angeles, California to New York. The loan is interest free as long as he is an employee of the Company and is due the earlier of August 5, 1993 or termination. This loan became due and payable upon the termination of his employment in April 1990.

In August 1988, the Company made a loan in the amount of \$200,000 to Mr. C. Daniel Rowe, President of Stern's, in connection with his relocation from Rich's in Atlanta, Georgia to New Jersey. The loan bears interest at a rate of 11% per annum and is due the earlier of August 14, 1990 or termination. In October 1989, the balance of the loan was transferred to Allied Store Corporation.

In August 1988, the Company authorized a loan up to the amount of \$170,000 to Mr. Robert Kemeny, of the Company, in connection with his relocation to New York. The loan bears interest at a rate of 13 1/2% per annum and is due the earlier of October 1, 1990 or termination. His employment with the Company ended in September 1989 and the balance of the loan was paid at that time.

In August 1988, the Company made a loan in the amount of \$200,000 to Mr. Gordon R. Cooke, of the Company in connection with his relocation to New York. The loan bears interest at a rate of 8% per annum and is due in installments from August 19, 1990 through August 19, 1998.

In August 1988, the Company made a loan in the amount of \$225,000 to Mr. Rudolph V. Javosky, Senior Vice President of the Company, in connection with his relocation from New York to Cincinnati, Ohio. The loan is interest free as long as there is no default and is due in installments from August 1, 1989 through August 1, 1997.

SCHEDULE V

FEDERATED DEPARTMENT STORES, INC.
(Debtor-in-Possession)

SCHEDULE V — PROPERTY AND EQUIPMENT
(in thousands)

Column A	Column B	Column C	Column D	Column E	Column F
Classification	Balance at Beginning of Period	Additions At Cost	Retirements	Other Changes - Add (deduct) Describe	Balance at End of Period
		(Note A)		(Transfers)	
SUCCESSOR					
53 Weeks Ended February 3, 1990:					
Land	\$ 417,328	\$ —	\$ 3,651	\$ —	\$ 413,677
Buildings, substantially all on owned land	698,342	10,727	3,788	1,541	706,822
Buildings on leased land, improvements to leased properties and leaseholds	466,859	30,282	88	(1,467)	495,586
Store fixtures and equipment	584,722	73,341	20,371	(74)	637,618
Property not used in operations	83,266	(3,277)	24,758	—	55,191
Capitalized leases	33,257	—	723	—	32,534
	<u>\$2,283,734</u>	<u>\$ 111,073</u>	<u>\$ 53,379</u>	<u>\$ —</u>	<u>\$2,341,428</u>
Nine Months Ended January 28, 1989:					
Land	\$ —	\$ 517,999	\$ 100,671	\$ —	\$ 417,328
Buildings, substantially all on owned land	—	1,131,656	418,647	(14,667)	698,342
Buildings on leased land, improvements to leased properties and leaseholds	—	765,516	299,469	812	466,859
Store fixtures and equipment	—	1,187,589	602,867	—	584,722
Property not used in operations	—	84,060	14,689	13,855	83,226
Capitalized leases	—	96,782	63,525	—	33,257
	<u>\$ —</u>	<u>\$3,783,602</u>	<u>\$1,499,868</u>	<u>\$ —</u>	<u>\$2,283,734</u>
PREDECESSOR					
13 Weeks Ended April 30, 1988:					
Land	\$ 143,846	\$ (2)	\$ 1,494	\$ —	\$ 142,350
Buildings, substantially all on owned land	1,093,367	13,855	20,876	9,459	1,095,805
Buildings on leased land, improvements to leased properties and leaseholds	727,447	30,688	83	2,676	760,728
Store fixtures and equipment	1,794,721	30,640	5,890	4,579	1,824,050
Property not used in operations	100,889	(13,960)	250	(16,714)	69,965
Capitalized leases	194,377	—	3,577	—	190,800
	<u>\$4,054,647</u>	<u>\$ 61,221</u>	<u>\$ 32,170</u>	<u>\$ —</u>	<u>\$4,083,698</u>
52 Weeks Ended January 30, 1988:					
Land	\$ 135,147	\$ 1,514	\$ 1,496	\$ 8,681	\$ 143,846
Buildings, substantially all on owned land	1,060,461	56,391	25,013	1,528	1,093,367
Buildings on leased land, improvements to leased properties and leaseholds	642,426	101,119	11,822	(4,276)	727,447
Store fixtures and equipment	1,598,976	322,313	127,606	1,038	1,794,721
Property not used in operations	92,309	21,284	5,733	(6,971)	100,889
Capitalized leases	210,124	3,136	18,883	—	194,377
	<u>\$3,739,443</u>	<u>\$ 505,757</u>	<u>\$ 190,553</u>	<u>\$ —</u>	<u>\$4,054,647</u>

NOTES:

- (A) Includes \$19,126,000 of fixed assets added as part of the acquisition of Block's, Inc. in the year ended January 30, 1988.
- (B) Depreciation and amortization are provided primarily on a straight-line basis for book purposes over the shorter of estimated asset lives or lease terms. The more important rates are as follows:

Buildings and building equipment	2% to 5%
Leaseholds	Over term of lease
Store fixtures and equipment	6 1/4% to 33 1/4%

SCHEDULE VI

FEDERATED DEPARTMENT STORES, INC.
(Debtor-in-Possession)

SCHEDULE VI — ACCUMULATED DEPRECIATION AND
AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT
(in thousands)

Column A	Column B	Column C	Column D	Column E	Column F
Classification	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Retirements	Other Changes Add (Deduct) Describe	Balance at End of Period
		(Net)		(Transfers)	
SUCCESSOR					
53 Weeks Ended February 3, 1990:					
Buildings, substantially all on owned land.....	\$ 20,489	\$ 27,750	\$ 311	\$ —	\$ 47,928
Buildings on leased land, improvements to leased properties and leaseholds	18,026	26,575	627	—	43,974
Store fixtures and equipment	66,859	94,391	13,556	—	147,694
Property not used in operations	2,432	3,218	27	—	5,623
Capitalized leases.....	2,468	4,627	723	—	6,372
	<u>\$ 110,274</u>	<u>\$156,561</u>	<u>\$ 15,244</u>	<u>\$ —</u>	<u>\$ 251,591</u>
Nine Months Ended January 28, 1989:					
Buildings, substantially all on owned land.....	\$ —	\$ 20,676	\$ 187	\$ —	\$ 20,489
Buildings on leased land, improvements to leased properties and leaseholds	—	18,108	82	—	18,026
Store fixtures and equipment	—	72,202	5,343	—	66,859
Property not used in operations	—	2,432	—	—	2,432
Capitalized leases.....	—	2,618	150	—	2,468
	<u>\$ —</u>	<u>\$116,036</u>	<u>\$ 5,762</u>	<u>\$ —</u>	<u>\$ 110,274</u>
PREDECESSOR					
13 Weeks Ended April 30, 1988:					
Buildings, substantially all on owned land.....	\$ 373,528	\$ 9,228	\$ 5,893	\$ —	\$ 376,863
Buildings on leased land, improvements to leased properties and leaseholds	220,700	8,785	4	101	229,582
Store fixtures and equipment	695,137	48,388	2,427	(101)	740,997
Property not used in operations	11,292	884	224	—	11,952
Capitalized leases.....	105,244	2,316	2,161	—	105,399
	<u>\$1,405,901</u>	<u>\$ 69,601</u>	<u>\$ 10,709</u>	<u>\$ —</u>	<u>\$1,464,793</u>
52 Weeks Ended January 30, 1988:					
Buildings, substantially all on owned land.....	\$ 345,725	\$ 43,002	\$ 15,426	\$ 227	\$ 373,528
Buildings on leased land, improvements to leased properties and leaseholds	196,059	36,386	11,394	(351)	229,700
Store fixtures and equipment	628,249	187,016	120,140	12	695,137
Property not used in operations	9,091	3,678	1,589	112	11,292
Capitalized leases.....	108,690	10,171	13,617	—	105,244
	<u>\$1,287,814</u>	<u>\$280,253</u>	<u>\$162,166</u>	<u>\$ —</u>	<u>\$1,405,901</u>

NOTE:

Before addition of amortization of goodwill, miscellaneous deferred income and other items of \$116,000 and \$463,000 included in depreciation and amortization expense in the 13 weeks ended April 30, 1988 and the year ended January 30, 1988, respectively.

SCHEDULE VIII

FEDERATED DEPARTMENT STORES, INC.
(Debtor-in-Possession)

SCHEDULE VIII — VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

Classification	Column A Balance at Beginning of Period	Column C Additions		(2) Charged to Other Accounts- Describe (Note A)	Deductions From Reserves- Describe (Note B)	Column E Balance at End of Period
		(1) Charged to Costs and Expenses				
Accounts receivable — allowance for doubtful accounts (applied as a reduction of assets):						
SUCCESSOR						
Year Ended:						
February 3, 1990	<u>\$20,760</u>	<u>\$27,431</u>	<u>\$ —</u>	<u>\$26,534</u>	<u>\$21,557</u>	
Nine Months Ended:						
January 28, 1989	<u>\$ —</u>	<u>\$18,858</u>	<u>\$21,264</u>	<u>\$19,362</u>	<u>\$20,760</u>	
PREDECESSOR						
Thirteen Weeks Ended:						
April 30, 1988	<u>\$32,780</u>	<u>\$ 9,954</u>	<u>\$ —</u>	<u>\$ 9,801</u>	<u>\$32,933</u>	
Year Ended:						
January 30, 1988	<u>\$32,647</u>	<u>\$45,900</u>	<u>\$ 1,053</u>	<u>\$46,820</u>	<u>\$32,780</u>	

NOTES:

- (A) For the nine months ended January 28, 1989, represents the transfer of the allowance for doubtful accounts assumed in the acquisition of the Company by CRTF. For the year ended January 30, 1988, represents the allowance for doubtful accounts assumed in the acquisition of Block's, Inc.
- (B) Excess of uncollectible balances written off over recoveries of accounts previously written off.

SCHEDULE IX

FEDERATED DEPARTMENT STORES, INC.
(Debtor-in-Possession)

SCHEDULE IX -- SHORT-TERM BORROWINGS
(in thousands, except interest rate data)

Column A Category of Aggregate Short-Term Borrowings	Column B Balance at End of Period	Column C Weighted Average Interest Rate	Column D Maximum Amount Outstanding During the Period	Column E Average Amount Outstanding During the Period (Note A)	Column F Weighted Average Interest Rate During the Period (Note B)
SUCCESSOR					
Year Ended February 3, 1990:					
Bank loans	\$136,216	10.74%	\$1,065,000	\$ 823,303	11.73%
Nine Months Ended January 28, 1989:					
Bank loans	\$663,076	12.57%	\$3,936,813	\$1,306,678	11.49%
PREDECESSOR					
13 Weeks Ended April 30, 1988:					
Commercial paper	\$ —	—%	\$ 477,500	\$ 275,465	6.71%
Bank loans	\$580,000	8.26%	\$ 620,000	\$ 210,495	8.64%
Composite	\$ —	—%	\$ 620,000	\$ 485,960	7.55%
Year Ended January 30, 1988:					
Commercial paper	\$363,950	6.76%	\$ 627,075	\$ 331,927	6.95%

NOTES:

- (A) Average amount outstanding during the period is computed by dividing the total of daily outstanding principal balances by the number of days in the fiscal year.
- (B) Average interest rate for the year is computed by dividing the actual short-term interest expense by the average short-term debt outstanding.

SCHEDULE X**FEDERATED DEPARTMENT STORES, INC.
(Debtor-in-Possession)****SCHEDULE X — SUPPLEMENTARY INCOME STATEMENT INFORMATION
(in thousands)**

Item	Column B			
	Charged to Costs and Expenses			
	Successor	Nine Months Ended January 28, 1989	13 Weeks Ended April 30, 1988	52 Weeks Ended January 30, 1988
Advertising costs	<u>\$180,061</u>	<u>\$126,037</u>	<u>\$81,478</u>	<u>\$345,870</u>

NOTE:

All other information has been omitted since the amounts do not exceed 1% of the total sales reported in the related statement of operations.

EXECUTED COPY

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)**

For the fiscal year ended February 3, 1990

Federated Department Stores, Inc.

Commission File Number 1-163

EXHIBITS

Volume I

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>	<u>Pagination by sequential numbering system</u>
10.1.1	Form of employment agreement (Principal's Form)	95
10.1.2	Form of employment agreement (Non-Principal's Form)	113
10.1.3	Form of termination agreement (Department Store Employee's Form)	129
10.1.4	Form of termination agreement (Non-Department Store Employee's Form)	136
10.1.5	Master Severance Plan for Key Employees	147
10.1.6	Performance Bonus Plan for Key Employees	168
10.1.7	Senior Executives Medical Plan	190
10.1.8	Employment agreement, dated February 2, 1990, between Allen I. Questrom and the Company	194
10.1.9	Supplementary Executive Retirement Plan	216
10.8.6	Agreement, dated May 9, 1989, among the Company, Holdings, FSI, Campeau, First Boston Securities Corporation, Paine Webber Funding, Inc. and Dillon, Read Interfunding, Inc.	225
10.8.7	Modification Agreement, dated as of May 10, 1989, among the Company, Holdings, FSI, Campeau, First Boston Securities Corporation, Paine Webber Funding, Inc. and Dillon, Read Interfunding, Inc.	236
10.8.8	Letter Agreement, dated September 18, 1989, among Campeau, FSI, the Company, First Boston Securities Corporation and Dillon, Read Interfunding, Inc.	254
10.8.9	Form of Letter Agreement, dated September 18, 1989, among Campeau, FSI, the Company and Paine Webber Funding, Inc.	261
10.16.5	Amendment No. 3, dated as of November 1, 1988, relating to Exhibit 10.16.1	269
10.16.7	Amendment No. 5 and Waiver relating to Exhibit 10.16.1	278
10.17.1.2	Waiver and Amendment, dated as of January 18, 1990, relating to Exhibit 10.17.1.1	293
10.21	Post-Petition Credit Agreement, dated as of January 18, 1990, among the Company, Federated Real Estate, Inc. and other borrowers named therein, the financial institutions named therein and Citibank, N.A., as agent	299
11.1	Exhibit of Primary and Fully Diluted Earnings Per Share of Predecessor Company Subsidiaries of the Company	421
22		433

EXHIBIT 10.1.1

{PRINCIPAL'S FORM}

EMPLOYMENT AGREEMENT

dated as of

between

and

EMPLOYMENT AGREEMENT

THIS AGREEMENT, made in the City of Cincinnati and State of Ohio, as of the _____ day of _____, 1990, between _____, a Delaware corporation (hereinafter called the "Employer"), and _____ of _____ (hereinafter called the "Employee").

In consideration of the premises, it is agreed by and between the parties hereto as follows:

ARTICLE I:

EMPLOYMENT

1.1 Term and Duties. The Employer shall employ the Employee, and the Employee shall serve the Employer, as an executive for the period (the "Term") beginning on the date of this Agreement and ending on the latest of (a) the date set forth on Exhibit A hereto, (b) any later date to which the Term may have been extended by agreement of the parties and (c) any later date to which the Term may have been extended pursuant to Section 3.1 hereof. During the Term the Employee shall faithfully and in conformity with the directions of the Board of Directors of the Employer (the "Board") or its delegate perform the duties of his employment and shall devote to the performance of such duties his full time and attention. During the Term the Employee shall serve in the office or offices of the Employer to which the Board may from time to time elect or appoint him. The Employee shall be excused from performing any services hereunder during periods of temporary incapacity and

during vacations in accordance with the Employer's disability and vacation policies.

1.2 Compensation. In consideration of his services during the Term, the Employer shall pay the Employee cash compensation at an annual rate not less than the greater of his current base salary as set forth on Exhibit A hereto or the base salary of the Employee most recently approved by the Board or its delegate ("Base Compensation"). Employee's Base Compensation shall be subject to such increases as may be approved by the Board or its delegate.

1.3. Payment Schedule. The Base Compensation specified in Section 1.2(a) hereof shall be payable as current salary, in installments not less frequently than monthly, and at the same rate for any fraction of a month unexpired at the end of the Term.

1.4 Expenses. During the Term the Employee shall be allowed reasonable traveling expenses and shall be furnished office space, assistance and accommodations suitable to the character of his position with the Employer and adequate for the performance of his duties hereunder.

1.5 Termination in Case of Disability. The Employee shall not be in breach of this Agreement if he shall fail to perform his duties hereunder because of physical or mental disability. If for a continuous period of 12 months during the Term the Employee fails to render services to the Employer because of the Employee's physical or mental disability, the

Board or its delegate may end the Term prior to its stated termination date. If there should be any dispute between the parties as to the Employee's physical or mental disability at any time, such question shall be settled by the opinion of an impartial reputable physician agreed upon for the purpose by the parties or their representatives, or failing agreement within 10 days of a written request therefor by either party to the other, then one designated by the then president of the _____ Academy of Medicine. The written opinion of such physician as to the matter in dispute shall be final and binding on the parties.

1.6 Termination of Services. If the Employer notifies the Employee that his services will no longer be required during the remainder of the Term, the Employee shall be entitled (except as otherwise provided in Section 1.5 or 1.7 hereof) to continue to receive his Base Compensation for the remainder of the Term. Such payments hereunder shall be in lieu of liquidated damages.

1.7 Mitigation. If the Employee receives notice from the Employer pursuant to Section 1.6 hereof, the Employer shall acknowledge by notice to the Employee that the Employee offered to continue to render services to the Employer in accordance with the terms hereof and that such offer was rejected, and the Employee (subject to Section 2.4 hereof) shall be free to become actively engaged with another business and shall use his best efforts to find other comparable employment. Upon the

payment to the Employee of compensation for employment or other services by any unaffiliated third party, the Employee shall automatically cease to be an employee of the Employer. The Employee shall promptly notify the Employer of any such employment or other services and of the compensation received, to be received or receivable from his subsequent employer or such other party attributable to the Term. All Base Compensation payable to the Employee by the Employer under this Agreement during the remainder of the Term shall be reduced to the extent of his similar compensation received, to be received or receivable from such other employment or other services.

1.6 Termination for Cause. The Employer may terminate the employment of the Employee and this Agreement and all of its obligations hereunder, except for obligations accrued but unpaid to the effective date of termination, for Cause upon notice given pursuant to this Section. As used in this Agreement, the term "Cause" shall mean:

- (a) an intentional act of fraud, embezzlement, theft or any other material violation of law in connection with the Employee's duties or in the course of his employment with the Employer;
- (b) intentional wrongful damage to material assets of the Employer;
- (c) intentional wrongful disclosure of material confidential information of the Employer;

- (d) intentional wrongful engagement in any competitive activity which would constitute a material breach of the duty of loyalty; or
- (e) intentional breach of any stated material employment policy of the Employer.

No act, or failure to act, on the part of an Employee shall be deemed "intentional" if it was due primarily to an error in judgment or negligence, but shall be deemed "intentional" only if done, or omitted to be done, by the Employee not in good faith and without reasonable belief that his action or omission was in or not opposed to the best interest of the Employer. Failure to meet performance standards or objectives of the Employer shall not constitute Cause for purposes hereof.

1.9 Election of Benefits. If the Employee receives notice from the Employer pursuant to Section 1.6 hereof, the Employee shall have the right to elect to receive (in lieu of the payments hereunder specified in such Section 1.6) any benefits that may be payable to him pursuant to (a) the Federated Department Stores, Inc. [Allied Stores Corporation] Master Severance Plan (the "Master Severance Plan") and (b) the base severance plan of the Employer applicable to him referred to in Section 4.8(c)(ii) hereof. If no such election is made, the amounts specified in such Section 1.6 shall be payable as specified therein, no benefit shall be payable to the Employee under such Master Severance Plan or base severance plan, and the Employee hereby expressly waives any benefits that might

otherwise be due him under such Master Severance Plan and such base severance plan and any other severance plan of the Employer.

ARTICLE II

CERTAIN OBLIGATIONS OF THE EMPLOYEE

2.1 No Participation in Other Businesses. During the Term (except as otherwise expressly provided in Section 1.7 hereof) the Employee shall not, without the consent of the Board or its delegate, become actively associated with or engaged in any business other than that of the Employer or a division or affiliate of the Employer, and he shall do nothing inconsistent with his duties to the Employer. If the Employee shall breach his obligations under this Section, he shall promptly reimburse the Employer for any monies paid by the Employer in connection with his relocation during the Term or in contemplation of the signing of this Agreement, including, without limitation, any bonus or relocation expenses paid for or incurred by the Employer, including, without limitation, carrying costs for property purchased from or on behalf of the Employee. Any such reimbursement shall be in addition to any other remedy for breach of this Agreement that the Employer may be entitled to at law or in equity.

2.2 Trade Secrets and Confidential Information.

Employee shall not (either during the Term or thereafter) without the consent of the Employer disclose to anyone outside

of the Employer, or use in other than the Employer's business, trade secrets or confidential information relating to the Employer's business in any way obtained by him while employed by the Employer.

2.3 Noncompetition. It is recognized by the Employee and the Employer that Employee's duties hereunder will entail the receipt of trade secrets and confidential information, which include not only information concerning the Employer's current operations, procedures, suppliers and other contacts, but also its short-range and long-range plans, and that such trade secrets and confidential information have been developed by the Employer and its affiliates at substantial cost and constitute valuable and unique property of the Employer. Accordingly, the Employee acknowledges that the foregoing makes it reasonably necessary for the protection of the Employer's business interests that the Employee not compete with the Employer or any of its affiliates during the Term and for a reasonable and limited period thereafter. Therefore, during the Term and for a period of 2 years thereafter, the Employee shall not have an investment of \$100,000 or more in a Competing Business (as hereinafter defined) and shall not render personal services to any such Competing Business in any manner, including, without limitation, as owner, partner, director, trustee, officer, employee, consultant or advisor thereof.

If the Employee shall breach the covenants contained in this Section 2.3 or in Section 2.2 hereof, the Employer

shall have no further obligation to make any payment to the Employee pursuant to this Agreement and may recover from the Employee all such damages as it may be entitled to at law or in equity. In addition, the Employee acknowledges that any such breach is likely to result in immediate and irreparable harm to the Employer for which money damages are likely to be inadequate. Accordingly, the Employee consents to injunctive and other appropriate equitable relief upon the institution of proceedings therefor by the Employer in order to protect the Employer's rights hereunder. Such relief may include, without limitation, an injunction to prevent the Employee from disclosing any trade secrets or confidential information concerning the Employer to any Competing Business, to prevent any Competing Business from receiving from the Employee or using any such trade secrets or confidential information and/or to prevent any such Competing Business from retaining or seeking to retain any other employees of the Employer.

(a) As used in this Agreement, the term "affiliate" shall mean, with respect to a particular person, a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such person, and a person shall be "unaffiliated" with another person if such persons are not affiliates with respect to one another.

(b) As used in this Agreement, the term "Competing Business" shall mean any business which:

(i) at the time of determination, is substantially similar to the whole or a substantial part of the business conducted by the Employer or any of its divisions or affiliates;

(ii) at the time of determination, is operating a store or stores which, during its or their fiscal year preceding the determination, had aggregate net sales, including sales in leased and licensed departments, in excess of \$10,000,000, if such store or any of such stores is or are located in a city or within a radius of 25 miles from the outer limits of a city where the Employer, or any of its division's or affiliates, is operating a store or stores which, during its or their fiscal year preceding the determination, had aggregate net sales, including sales in leased and licensed departments, in excess of \$10,000,000; and

(iii) had aggregate net sales at all its locations, including sales in leased and licensed departments and sales by its divisions and affiliates, during its fiscal year preceding that in which the Employee made such an investment therein, or first rendered personal services thereto, in excess of \$25,000,000.

2.4 Conflicts of Interest. The Employee shall not engage in any activity that would violate the Conflict of Interest or Business Ethics Statement signed from time to time by the Employee.

ARTICLE III

CHANGE OF OWNERSHIP

3.1 Effect of Change of Ownership. If a Change of Ownership (as hereinafter defined) shall occur on or prior to the date provided for in Section 1.1(a) or (b) hereof, the Term shall be automatically extended to a date which is 3 years from the date on which such Change of Ownership is consummated, unless the Employer has given notice to the Employee pursuant to Section 1.6 hereof prior to such Change of Ownership. As used in this Agreement, the term "Change of Ownership" shall mean any one of the following events:

(a) the sale to any purchaser unaffiliated with the Employer of all or substantially all of the assets of the Employer or Federated Department Stores, Inc. [Allied Stores Corporation] or the division or affiliate of the Employer to which the Employee has been assigned;

(b) the sale of more than 50 percent of the outstanding stock of the Employer or Federated Department Stores, Inc. [Allied Stores Corporation] to any purchaser unaffiliated with the Employer; or

(c) the merger or consolidation of the Employer or Federated Department Stores, Inc. [Allied Stores Corporation] with another corporation or other legal person unaffiliated with the Employer if, immediately after such merger or consolidation, less than a majority of the combined voting power of the then-outstanding securities of such corporation or

person are held, directly or indirectly, in the aggregate by the holders immediately prior to such transaction of the then-outstanding securities of the Employer or Federated Department Stores, Inc. [Allied Stores Corporation] entitled to vote generally in the election of the Board or the Board of Federated Department Stores, Inc. [Allied Stores Corporation].

In no event shall the term "Change of Ownership" be construed to include any change of control of the Employer or any affiliate of the Employer that occurs solely as a result of any exchange of equity for debt securities of the Employer or any such affiliate upon consummation of a plan of reorganization for the Employer or any such affiliate in connection with the proceedings under Chapter 11 of the United States Bankruptcy Code pending at the date hereof.

3.2 Parachute Limitation. Notwithstanding any other provision of this Agreement, if the aggregate present value of the "parachute payments" to the Employee, determined under Section 280G(b) of the Internal Revenue Code of 1986, as amended (the "Code"), is at least three times the "base amount" determined under such Section 280G, then the Base Compensation otherwise payable under this Agreement shall be reduced so that the aggregate present value of the parachute payments to the Employee, determined under such Section 280G, does not exceed 2.99 times the base amount. In no event, however, shall any benefit provided hereunder be reduced to the extent such benefit is specifically excluded by Section 280G(b) of the Code

as a "parachute payment" or as an "excess parachute payment." Any decisions regarding the requirement or implementation of such reductions shall be made by such tax counsel as may be selected by the Employer's independent accountants and acceptable to the Employee.

ARTICLE IV

MISCELLANEOUS

4.1 Assignment. This Agreement may be assigned by the Employer to any of its affiliates. This Agreement shall not otherwise be assignable by the Employer without the consent of the Employee, except that, if the Employer shall merge or consolidate with, or transfer all or any substantial portion of its assets, including goodwill, to another corporation or other form of business organization, this Agreement shall (or, in the case of any such transfer, may) be assigned to and shall bind and run to the benefit of the successor of the Employer resulting from such merger, consolidation or transfer. The Employee may not assign, pledge or encumber his interest in this Agreement or any part hereof.

4.2 Governing Law. This Agreement has been executed on behalf of the Employer by an officer of the Employer located in the City of Cincinnati, Ohio. This Agreement and all questions arising in connection herewith shall be governed by the internal substantive laws of the State of Ohio. The Employer and the Employee each consent to the jurisdiction of,

and agree that any controversy between them arising out of this Agreement shall be brought in, the United States District Court for the Southern District of Ohio, Western Division; the Court of Common Pleas for Hamilton County, Ohio; or such other court venued within Hamilton County, Ohio as may have subject matter jurisdiction over the controversy; provided, however, that until consummation of a plan of reorganization for the Employer, any such controversy shall be brought in the United States Bankruptcy Court for the Southern District of Ohio, Western Division (the "Bankruptcy Court").

4.3 Severability. If any portion of this Agreement is held to be invalid or unenforceable, such holding shall not affect any other portion of this Agreement.

4.4. Entire Agreement. This Agreement comprises the entire agreement between the parties hereto and as of the date hereof, supersedes, cancels and annuls any and all prior agreements between the parties hereto. This Agreement may not be modified, renewed or extended orally, but only by a written instrument referring to this Agreement and executed by the parties hereto.

4.5 Gender and Number. Words in the masculine herein may be interpreted as feminine or neuter, and words in the singular as plural, and vice versa, where the sense requires.

4.6 Notices. Any notice or consent required or permitted to be given under this Agreement shall be in writing and shall be effective when given by personal delivery or

5 business days after being sent by certified U.S. mail, return receipt requested, to the Secretary of Federated Department Stores, Inc. [Allied Stores Corporation] at its principal place of business in the City of Cincinnati or to the Employee at his last known address as shown on the records of the Employer.

4.7 Withholding Taxes. The Employer may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as shall be required pursuant to any law or governmental regulation or ruling.

4.8 Waiver and Release. In consideration of the Employer's entering into this Agreement, and the receipt of other good and valuable consideration, the sufficiency of which is expressly acknowledged, the Employee, for himself and his successors, assigns, heirs, executors and administrators, hereby waives and releases and forever discharges the Employer and its affiliates and their officers, directors, agents, employees, shareholders, successors and assigns from all claims, demands, damages, actions and causes of action whatsoever which he now has on account of any matter, whether known or unknown to him and whether or not previously disclosed to the Employee or the Employer, that relates to or arises out of (a) any existing or former employment agreement (written or oral) entered into between the Employee and the Employer or any of its affiliates (or any amendment or supplement to any such agreement), whether such agreement was entered into before or after the filing of a petition for reorganization by the

Employer under Chapter 11 of the United States Bankruptcy Code, (b) any agreement (whether entered into before or after the filing of such petition) providing for a payment or payments or extension of the employment relationship triggered by a merger or sale or other disposition of the stock or assets or restructuring of the Employer or any affiliate of the Employer, or (c) any existing or former severance plan, policy or program other than (i) the Master Severance Plan and (ii) the applicable severance plan specified on Exhibit A to the Motion of Debtors and Debtors in Possession for an Interim Order Authorizing the Payment of Severance Pay approved by the Bankruptcy Court on February 1, 1990 or specified in any subsequent Order of the Bankruptcy Court.

IN WITNESS WHEREOF, the parties hereto have hereunto and to a duplicate hereof set their signatures as of the day and year first above written.

[FEDERATED DEPARTMENT STORES, INC.]

By _____
Title: Executive Vice President

Employee

**Exhibit A to
Employment Agreement**

Name: _____

End of Term: _____

Base Compensation: _____

Prepared By: _____ Date: _____

EXHIBIT 10.1.2

[NON-PRINCIPAL'S FORM]

EMPLOYMENT AGREEMENT

dated as of

between

and

EMPLOYMENT AGREEMENT

THIS AGREEMENT, made in the City of Cincinnati and State of Ohio, as of the _____ day of _____, 1990, between _____, a Delaware corporation (hereinafter called the "Employer"), and _____, of _____ (hereinafter called the "Employee").

In consideration of the premises, it is agreed by and between the parties hereto as follows:

ARTICLE I

EMPLOYMENT

1.1 Term and Duties. The Employer shall employ the Employee, and the Employee shall serve the Employer, as an executive for the period (the "Term") beginning on the date of this Agreement and ending on the later of (a) the date set forth on Exhibit A hereto and (b) any later date to which the Term may have been extended by agreement of the parties.

During the Term the Employee shall faithfully and in conformity with the directions of the Board of Directors of the Employer (the "Board") or its delegate perform the duties of his employment and shall devote to the performance of such duties his full time and attention. During the Term the Employee shall serve in the office or offices of the Employer to which the Board may from time to time elect or appoint him. The Employee shall be excused from performing any services hereunder during periods of temporary incapacity and during vacations in accordance with the Employer's disability and vacation policies.

1.2 Compensation. In consideration of his services during the Term, the Employer shall pay the Employee cash compensation at an annual rate not less than the greater of his current base salary as set forth on Exhibit A hereto or the base salary of the Employee most recently approved by the Board or its delegate ("Base Compensation"). Employee's Base Compensation shall be subject to such increases as may be approved by the Board or its delegate.

1.3. Payment Schedule. The Base Compensation specified in Section 1.2(a) hereof shall be payable as current salary, in installments not less frequently than monthly, and at the same rate for any fraction of a month unexpired at the end of the Term.

1.4 Expenses. During the Term the Employee shall be allowed reasonable traveling expenses and shall be furnished office space, assistance and accommodations suitable to the character of his position with the Employer and adequate for the performance of his duties hereunder.

1.5 Termination in Case of Disability. The Employee shall not be in breach of this Agreement if he shall fail to perform his duties hereunder because of physical or mental disability. If for a continuous period of 12 months during the Term the Employee fails to render services to the Employer because of the Employee's physical or mental disability, the Board or its delegate may end the Term prior to its stated termination date. If there should be any dispute between the

parties as to the Employee's physical or mental disability at any time, such question shall be settled by the opinion of an impartial reputable physician agreed upon for the purpose by the parties or their representatives, or failing agreement within 10 days of a written request therefor by either party to the other; then one designated by the then president of the _____ Academy of Medicine. The written opinion of such physician as to the matter in dispute shall be final and binding on the parties.

1.6. Termination of Services. If the Employer notifies the Employee that his services will no longer be required during the Term, the Employee shall be entitled (except as otherwise provided in Section 1.5 or Section 1.7 hereof) to continue to receive his Base Compensation for the remainder of the Term.

1.7 Mitigation. If the Employee receives notice from the Employer pursuant to Section 1.6 hereof, the Employee (subject to Section 2.4 hereof) shall be free to become actively engaged with another business and shall use his best efforts to find other comparable employment. Upon the payment to the Employee of compensation for employment or other services by any unaffiliated third party, the Employee shall automatically cease to be an employee of the Employer. The Employee shall promptly notify the Employer of any such employment or other services and of the compensation received, to be received or receivable from his subsequent employer or

such other party attributable to the Term. All Future Compensation otherwise payable to the Employee by the Employer under this Agreement during the remainder of the Term shall be reduced to the extent of his similar compensation received, to be received or receivable from such other employment or other services.

1.8 Termination for Cause. The Employer may terminate the employment of the Employee and this Agreement and all of its obligations hereunder, except for obligations accrued but unpaid to the effective date of termination, for Cause upon notice given pursuant to this Section. As used in this Agreement, the term "Cause" shall mean:

- (a) an intentional act of fraud, embezzlement, theft or any other material violation of law in connection with the Employee's duties or in the course of his employment with the Employer;
- (b) intentional wrongful damage to material assets of the Employer;
- (c) intentional wrongful disclosure of material confidential information of the Employer;
- (d) intentional wrongful engagement in any competitive activity which would constitute a material breach of the duty of loyalty; or
- (e) intentional breach of any stated material employment policy of the Employer.

No act, or failure to act, on the part of an Employee shall be deemed "intentional" if it was due primarily to an error in judgment or negligence, but shall be deemed "intentional" only if done, or omitted to be done, by the Employee not in good faith and without reasonable belief that his action or omission was in or not opposed to the best interest of the Employer. Failure to meet performance standards or objectives of the Employer shall not constitute Cause for purposes hereof.

1.9 Election of Benefits. If the Employee receives notice from the Employer pursuant to Section 1.6 hereof, the Employee shall have the right to elect to receive (in lieu of the payments hereunder specified in such Section 1.6) any benefits that may be payable to him pursuant to (a) the Federated Department Stores, Inc. [Allied Stores Corporation] Master Severance Plan (the "Master Severance Plan") and (b) the base severance plan of the Employer applicable to him referred to in Section 4.8(c)(ii) hereof. If no such election is made, the amounts specified in such Section 1.6 shall be payable as specified therein, no benefit shall be payable to the Employee under such Master Severance Plan or base severance plan, and the Employee hereby expressly waives any benefits that might otherwise be due him under such Master Severance Plan and such base severance plan and any other severance plan of the Employer.

ARTICLE II

CERTAIN OBLIGATIONS OF THE EMPLOYEE

2.1 No Participation in Other Businesses. During the Term (except as otherwise expressly provided in Section 1.7

hereof) the Employee shall not, without the consent of the Board or its delegate, become actively associated with or engaged in any business other than that of the Employer or a division or affiliate of the Employer, and he shall do nothing inconsistent with his duties to the Employer. If the Employee shall breach his obligations under this Section, he shall promptly reimburse the Employer for any monies paid by the Employer in connection with his relocation during the Term or in contemplation of the signing of this Agreement, including, without limitation, any bonus or relocation expenses paid for or incurred by the Employer, including, without limitation, carrying costs for property purchased from or on behalf of the Employee. Any such reimbursement shall be in addition to any other remedy for breach of this Agreement that the Employer may be entitled to at law or in equity.

2.2 Trade Secrets and Confidential Information.

Employee shall not (either during the Term or thereafter) without the consent of the Employer disclose to anyone outside of the Employer, or use in other than the Employer's business, trade secrets or confidential information relating to the Employer's business in any way obtained by him while employed by the Employer.

2.3 Noncompetition. It is recognized by the Employee and the Employer that Employee's duties hereunder will entail the receipt of trade secrets and confidential information, which include not only information concerning the Employer's

current operations, procedures, suppliers and other contacts, but also its short-range and long-range plans, and that such trade secrets and confidential information have been developed by the Employer and its affiliates at substantial cost and constitute valuable and unique property of the Employer.

Accordingly, the Employee acknowledges that the foregoing makes it reasonably necessary for the protection of the Employer's business interests that the Employee not compete with the Employer or any of its affiliates during the Term and for a reasonable and limited period thereafter. Therefore, during the Term and for a period of 2 years thereafter, the Employee shall not have an investment of \$100,000 or more in a Competing Business (as hereinafter defined) and shall not render personal services to any such Competing Business in any manner, including, without limitation, as owner, partner, director, trustee, officer, employee, consultant or advisor thereof.

If the Employee shall breach the covenants contained in this Section 2.3 or in Section 2.2 hereof, the Employer shall have no further obligation to make any payment to the Employee pursuant to this Agreement and may recover from the Employee all such damages as it may be entitled to at law or in equity. In addition, the Employee acknowledges that any such breach is likely to result in immediate and irreparable harm to the Employer for which money damages are likely to be inadequate. Accordingly, the Employee consents to injunctive and other appropriate equitable relief upon the institution of

proceedings therefor by the Employer in order to protect the Employer's rights hereunder. Such relief may include, without limitation, an injunction to prevent the Employee from disclosing any trade secrets or confidential information concerning the Employer to any Competing Business, to prevent any Competing Business from receiving from the Employee or using any such trade secrets or confidential information and/or to prevent any such Competing Business from retaining or seeking to retain any other employees of the Employer.

(a) As used in this Agreement, the term "affiliate" shall mean, with respect to a particular person, a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such person.

(b) As used in this Agreement, the term "Competing Business" shall mean any business which:

(i) at the time of determination, is substantially similar to the whole or a substantial part of the business conducted by the Employer or any of its divisions or affiliates;

(ii) at the time of determination, is operating a store or stores which, during its or their fiscal year preceding the determination, had aggregate net sales, including sales in leased and licensed departments, in excess of \$10,000,000, if such store or any of such stores is or are located in a city or within a radius of 25 miles from the outer

limits of a city where the Employer, or any of its division's or affiliates, is operating a store or stores which, during its or their fiscal year preceding the determination, had aggregate net sales, including sales in leased and licensed departments, in excess of \$10,000,000; and

(iii) had aggregate net sales at all its locations, including sales in leased and licensed departments and sales by its divisions and affiliates, during its fiscal year preceding that in which the Employee made such an investment therein, or first rendered personal services thereto, in excess of \$25,000,000.

2.4 Conflicts of Interest. The Employee shall not engage in any activity that would violate the Conflict of Interest or Business Ethics Statement signed from time to time by the Employee.

ARTICLE III

MISCELLANEOUS

3.1 Assignment. This Agreement may be assigned by the Employer to any of its affiliates. This Agreement shall not otherwise be assignable by the Employer without the consent of the Employee, except that, if the Employer shall merge or consolidate with, or transfer all or any substantial portion of its assets, including goodwill, to another corporation or other form of business organization, this Agreement shall (or, in the case of any such transfer, may) be assigned to and shall bind and run to the benefit of the successor of the Employer

resulting from such merger, consolidation or transfer. The Employee may not assign, pledge or encumber his interest in this Agreement or any part hereof.

3.2 Governing Law. This Agreement has been executed on behalf of the Employer by an officer of the Employer located in the City of Cincinnati, Ohio. This Agreement and all questions arising in connection herewith shall be governed by the internal substantive laws of the State of Ohio. The Employer and the Employee each consent to the jurisdiction of, and agree that any controversy between them arising out of this Agreement shall be brought in, the United States District Court for the Southern District of Ohio, Western Division; the Court of Common Pleas for Hamilton County, Ohio; or such other court venued within Hamilton County, Ohio as may have subject matter jurisdiction over the controversy; provided, however, that until consummation of a plan of reorganization for the Employer, any such controversy shall be brought in the United States Bankruptcy Court for the Southern District of Ohio, Western Division (the "Bankruptcy Court").

3.3 Severability. If any portion of this Agreement is held to be invalid or unenforceable, such holding shall not affect any other portion of this Agreement.

3.4. Entire Agreement. This Agreement comprises the entire agreement between the parties hereto and as of the date hereof, supersedes, cancels and annuls any and all prior agreements between the parties hereto. This Agreement may not

be modified, renewed or extended orally, but only by a written instrument referring to this Agreement and executed by the parties hereto.

3.5 Gender and Number. Words in the masculine herein may be interpreted as feminine or neuter, and words in the singular as plural, and vice versa, where the sense requires.

3.6 Notices. Any notice or consent required or permitted to be given under this Agreement shall be in writing and shall be effective when given by personal delivery or 5 business days after being sent by certified U.S. mail, return receipt requested, to the Secretary of Federated Department Stores, Inc. [Allied Stores Corporation] at its principal place of business in the City of Cincinnati or to the Employee at his last known address as shown on the records of the Employer.

3.7 Withholding Taxes. The Employer may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as shall be required pursuant to any law or governmental regulation or ruling.

3.8 Waiver and Release. In consideration of the Employer's entering into this Agreement, and the receipt of other good and valuable consideration, the sufficiency of which is expressly acknowledged, the Employee, for himself and his successors, assigns, heirs, executors and administrators, hereby waives and releases and forever discharges the Employer

and its affiliates and their officers, directors, agents, employees, shareholders, successors and assigns from all claims, demands, damages, actions and causes of action whatsoever which he now has on account of any matter, whether known or unknown to him and whether or not previously disclosed to the Employee or the Employer, that relates to or arises out of (a) any existing or former employment agreement (written or oral) entered into between the Employee and the Employer or any of its affiliates (or any amendment or supplement to any such agreement), whether such agreement was entered into before or after the filing of a petition for reorganization by the Employer under Chapter 11 of the United States Bankruptcy Code, (b) any agreement (whether entered into before or after the filing of such petition) providing for a payment or payments or extension of the employment relationship triggered by a merger or sale or other disposition of the stock or assets or restructuring of the Employer or any affiliate of the Employer, or (c) any existing or former severance plan, policy or program other than (i) the Master Severance Plan and (ii) the applicable severance plan specified on Exhibit A to the Motion of Debtors and Debtors in Possession for an Interim Order Authorizing the Payment of Severance Pay approved by the Bankruptcy Court on February 1, 1990 or specified in any subsequent Order of the Bankruptcy Court.

IN WITNESS WHEREOF, the parties hereto have hereunto
and to a duplicate hereof set their signatures as of the day
and year first above written.

[FEDERATED DEPARTMENT STORES, INC.]

By _____
Title: [Executive Vice President]

Employee

**Exhibit A to
Employment Agreement**

Name: _____

End of Term: _____

Base Compensation: _____

Prepared By: _____ Date: _____

EXHIBIT 10.1.3

[DEPARTMENT STORE EMPLOYEE'S FORM]

TERMINATION AGREEMENT

dated as of _____

between _____

and _____

TERMINATION AGREEMENT

THIS AGREEMENT, made in the City of Cincinnati and State of Ohio, as of the _____ day of _____, 1990, between _____, a Delaware corporation (hereinafter called the "Employer"), and _____, of _____ (hereinafter called the "Employee").

In consideration of the premises, it is agreed by and between the parties hereto as follows:

ARTICLE I

EMPLOYMENT

1.1 Term. This Agreement shall remain in effect until the earlier of (a) the fifth anniversary of the date of this Agreement or (b) the second anniversary of the date on which any Change of Ownership (as defined in Section 2.1 hereof) occurs, if such Change of Ownership occurs prior to or not more than 2 years after a plan of reorganization for the Employer is approved by the United States Bankruptcy Court for the Southern District of Ohio, Western Division (the "Bankruptcy Court").

1.2 Termination by the Employer (Other than for Cause). If the Employer terminates the employment of the Employee while this Agreement is in effect following a Change of Ownership, the Employee shall be entitled to continue to receive payments equal in amount to his regular, periodic salary (as in effect on the date of such termination) for 1 year, unless such termination was for Cause (as hereinafter defined).

1.3 Mitigation. If the employment of the Employee is terminated pursuant to Section 1.2 hereof, the Employee shall use his best efforts to find other comparable employment. The Employee shall promptly notify the Employer of any subsequent payment to the Employee of compensation for employment or other services by any employer or other unaffiliated third party and of the amount of compensation received, to be received or receivable therefor. All payments otherwise payable to the Employee by the Employer under this Agreement during the 1-year period specified in Section 1.2 hereof shall be reduced to the extent of his similar compensation received, to be received or receivable from such other employment or other services.

1.4 Other Terminations of Employment. No amount shall be payable under this Agreement as a result of any termination of the Employee's employment other than as provided in Section 1.2 hereof. Without limiting the generality of the foregoing, this Agreement and all of the Employer's obligations hereunder shall terminate forthwith if the Employer terminates the Employee's employment for Cause or if the Employee voluntarily terminates his employment or dies or becomes disabled while an Employee of the Employer. As used in this Agreement, the term "Cause" shall mean:

- (a) an intentional act of fraud, embezzlement, theft or any other material violation of law in connection with the Employee's duties or in the course of his employment with the Employer;

- (b) intentional wrongful damage to material assets of the Employer;
- (c) intentional wrongful disclosure of material confidential information of the Employer;
- (d) intentional wrongful engagement in any competitive activity which would constitute a material breach of the duty of loyalty; or
- (e) intentional breach of any stated material employment policy of the Employer.

No act, or failure to act, on the part of an Employee shall be deemed "intentional" if it was due primarily to an error in judgment or negligence, but shall be deemed "intentional" only if done, or omitted to be done, by the Employee not in good faith and without reasonable belief that his action or omission was in or not opposed to the best interest of the Employer.

Failure to meet performance standards or objectives of the Employer shall not constitute Cause for purposes hereof.

1.5 Election of Benefits. If the employment of the Employee is terminated by the Employer pursuant to Section 1.2 hereof, the Employee shall have the right to elect to receive (in lieu of the payments hereunder specified in such Section 1.2) any benefits that may be payable to him pursuant to (a) the Federated Department Stores, Inc. [Allied Stores Corporation] Master Severance Plan (the "Master Severance Plan") and (b) the base severance plan of the Employer applicable to him referred to in Section 3.9(c)(ii) hereof. If

no such election is made, the amounts specified in such Section 1.2 shall be payable as specified therein, no benefit shall be payable to the Employee under such Master Severance Plan or such base severance plan and the Employee hereby expressly waives any benefits that might otherwise be due him under such Master Severance Plan and such base severance plan and any other severance plan of the Employer.

ARTICLE II

CHANGE OF OWNERSHIP

2.1 Definitions. (a) As used in this Agreement, the term "Change of Ownership" shall mean any one of the following events:

(i) the sale to a purchaser unaffiliated with the Employer of all or substantially all of the assets of the Employer or Federated Department Stores, Inc. [Allied Stores Corporation] or the division or affiliate of the Employer to which the Employee has been assigned;

(ii) the sale of more than 50 percent of the outstanding stock of the Employer or Federated Department Stores, Inc. [Allied Stores Corporation] to any purchaser unaffiliated with the Employer; or

(iii) the merger or consolidation of the Employer or Federated Department Stores, Inc. [Allied Stores Corporation] with another corporation or other legal person unaffiliated with the Employer if, immediately after such merger or consolidation, less than a majority of the combined voting

power of the then-outstanding securities of such corporation or person are held, directly or indirectly, in the aggregate by the holders immediately prior to such transaction of the then-outstanding securities of the Employer or Federated Department Stores, Inc. [Allied Stores Corporation] entitled to vote generally in the election of directors of the Employer or Federated Department Stores, Inc. [Allied Stores Corporation].

In no event shall the term "Change of Ownership" be construed to include any change of control of the Employer or any affiliate of the Employer that occurs solely as a result of any exchange of equity for debt securities of the Employer or any such affiliate upon consummation of a plan of reorganization for the Employer or any such affiliate in connection with the proceedings under Chapter 11 of the United States Bankruptcy Code pending at the date hereof.

(b) As used in this Agreement, the term "affiliate" shall mean, with respect to a particular person, a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such person; and a person shall be "unaffiliated" with another person if such persons are not affiliates with respect to one another.

ARTICLE III

MISCELLANEOUS

3.1 Limitation on Rights. This Agreement shall not give the Employee any right to be retained in the services of

EXHIBIT 10.1.4

[NON-DEPARTMENT STORE EMPLOYEE'S FORM]

TERMINATION AGREEMENT

dated as of

between

FEDERATED DEPARTMENT STORES, INC.

and

TERMINATION AGREEMENT

THIS AGREEMENT, made in the City of Cincinnati and State of Ohio, as of the _____ day of _____, 1990, between FEDERATED DEPARTMENT STORES, INC., a Delaware corporation having its executive offices and a principal place of business in the City of Cincinnati, Ohio (hereinafter called the "Employer"), and _____, of _____ (hereinafter called the "Employee").

In consideration of the premises, it is agreed by and between the parties hereto as follows:

ARTICLE I

EMPLOYMENT

1.1 Term. This Agreement shall remain in effect until the earlier of (a) the fifth anniversary of the date of this Agreement or (b) the second anniversary of the date on which any Change of Ownership (as defined in Section 2.1 hereof) occurs, if such Change of Ownership occurs prior to or not more than 2 years after a plan of reorganization for the Employer is approved by the United States Bankruptcy Court for the Southern District of Ohio, Western Division (the "Bankruptcy Court").

1.2 Termination by the Employer (Other than for Cause). If the Employer terminates the employment of the Employee while this Agreement is in effect following a Change of Ownership, the Employee shall be entitled to continue to receive payments equal in amount to his regular, periodic salary (as in effect on the date of such termination) for 1 year, unless such termination was for Cause (as hereinafter defined).

1.3 Mitigation. If the employment of the Employee is terminated pursuant to Section 1.2 hereof, the Employee shall use his best efforts to find other comparable employment. The Employee shall promptly notify the Employer of any subsequent payment to the Employee of compensation for employment or other services by any employer or other unaffiliated third party and of the amount of compensation received, to be received or receivable therefor. All payments otherwise payable to the Employee by the Employer under this Agreement during the 1-year period specified in Section 1.2 hereof shall be reduced to the extent of his similar compensation received, to be received or receivable from such other employment or other services.

1.4 Other Terminations of Employment. No amount shall be payable under this Agreement as a result of any termination of the Employee's employment other than as provided in Section 1.2 hereof. Without limiting the generality of the foregoing, this Agreement and all of the Employer's obligations hereunder shall terminate forthwith if the Employer terminates the Employee's employment for Cause or if the Employee voluntarily terminates his employment or dies or becomes disabled while an Employee of the Employer. As used in this Agreement, the term "Cause" shall mean:

- (a) an intentional act of fraud, embezzlement, theft or any other material violation of law in connection with the Employee's duties or in the course of his employment with the Employer;

- (b) intentional wrongful damage to material assets of the Employer;
- (c) intentional wrongful disclosure of material confidential information of the Employer;
- (d) intentional wrongful engagement in any competitive activity which would constitute a material breach of the duty of loyalty; or
- (e) intentional breach of any stated material employment policy of the Employer.

No act, or failure to act, on the part of an Employee shall be deemed "intentional" if it was due primarily to an error in judgment or negligence, but shall be deemed "intentional" only if done, or omitted to be done, by the Employee not in good faith and without reasonable belief that his action or omission was in or not opposed to the best interest of the Employer. Failure to meet performance standards or objectives of the Employer shall not constitute Cause for purposes hereof.

1.5 Election of Benefits. If the employment of the Employee is terminated by the Employer pursuant to Section 1.2 hereof, the Employee shall have the right to elect to receive (in lieu of the payments hereunder specified in such Section 1.2) any benefits that may be payable to him pursuant to (a) the Federated Department Stores, Inc. [Allied Stores Corporation] Master Severance Plan (the "Master Severance Plan") and (b) the base severance plan of the Employer applicable to him referred to in Section 3.9(c)(ii) hereof. If

no such election is made, the amounts specified in such Section 1.2 shall be payable as specified therein, no benefit shall be payable to the Employee under such Master Severance Plan or such base severance plan and the Employee hereby expressly waives any benefits that might otherwise be due him under such Master Severance Plan and such base severance plan and any other severance plan of the employer.

ARTICLE II

CHANGE OF OWNERSHIP

2.1 Definitions. (a) As used in this Agreement, the term "Change of Ownership" shall mean any one of the following events:

(i) the sale to a purchaser unaffiliated with the Employer of all or substantially all of the assets of the Employer or Allied Stores Corporation ("Allied") or the division or affiliate of the Employer to which the Employee has been assigned;

(ii) the sale of more than 50 percent of the outstanding stock of the Employer or Allied to any purchaser unaffiliated with the Employer;

(iii) the merger or consolidation of the Employer or Allied with another corporation or other legal person unaffiliated with the Employer or Allied if, immediately after such merger or consolidation, less than a majority of the combined voting power of the then-outstanding securities of such corporation or person are held, directly or indirectly, in

the aggregate by the holders immediately prior to such transaction of the then-outstanding securities of the Employer or Allied entitled to vote generally in the election of directors of the Employer or Allied; or

(iv) the sale or other disposition of all or substantially all of the retail assets of any operating department store division or operating subsidiary of either the Employer or Allied or the sale or other disposition of more than 50 percent of the stock of any operating department store subsidiary of the Employer or Allied, but only if the Board of Directors of the Employer determines that the termination of the Employee's employment was a result of such sale or other disposition.

In no event shall the term "Change of Ownership" be construed to include any change of control of the Employer or Allied that occurs solely as a result of any exchange of equity for debt securities of the Employer or Allied upon consummation of a plan of reorganization for the Employer or Allied in connection with the proceedings under Chapter 11 of the United States Bankruptcy Code pending at the date hereof.

(b) As used in this Agreement, the term "affiliate" shall mean, with respect to a particular person, a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such person; and a person shall be "unaffiliated" with another person if such persons are not affiliates with respect to one another.

ARTICLE III

MISCELLANEOUS

3.1 Limitation on Rights. This Agreement shall not give the Employee any right to be retained in the services of the Employer or any other person or any rights to any benefits whatsoever, except to the extent specifically set forth herein.

3.2 Assignment. This Agreement may be assigned by the Employer to any of its affiliates. This Agreement shall not otherwise be assignable by the Employer without the consent of the Employee, except that, if the Employer shall merge or consolidate with, or transfer all or any substantial portion of its assets, including goodwill, to another corporation or other form of business organization, this Agreement shall (or, in the case of any such transfer, may) be assigned to and shall bind and run to the benefit of the successor of the Employer resulting from such merger, consolidation or transfer. The Employee may not assign, pledge or encumber his interest in this Agreement or any part hereof.

3.3 Governing Law. This Agreement has been executed on behalf of the Employer by an officer of the Employer located at its principal place of business in the City of Cincinnati, Ohio. This Agreement and all questions arising in connection herewith shall be governed by the internal substantive laws of the State of Ohio. The Employer and the Employee each consent to the jurisdiction of, and agree that any controversy between them arising out of this Agreement shall be brought in, the

United States District Court for the Southern District of Ohio, Western Division; the Court of Common Pleas for Hamilton County, Ohio; or such other court venued within Hamilton County, Ohio as may have subject matter jurisdiction over the controversy; provided, however, that until consummation of a plan of reorganization for the Employer, any such controversy shall be brought in the Bankruptcy Court.

3.4 Severability. If any portion of this Agreement is held to be invalid or unenforceable, such holding shall not affect any other portion of this Agreement.

3.5 Entire Agreement. This Agreement comprises the entire agreement between the parties hereto and as of the date hereof, supersedes, cancels and annuls any and all prior agreements between the parties hereto. This Agreement may not be modified, renewed or extended orally, but only by a written instrument referring to this Agreement and executed by the parties hereto.

3.6 Gender and Number. Words in the masculine herein may be interpreted as feminine or neuter, and words in the singular as plural, and vice versa, where the sense requires.

3.7 Notices. Any notice or consent required or permitted to be given under this Agreement shall be in writing and shall be effective when given by personal delivery or 5 business days after being sent by certified U.S. mail, return receipt requested, to the Secretary of the Employer at its principal place of business in the City of Cincinnati or to the

Employee at his last known address as shown on the records of the Employer.

3.8 Withholding Taxes. The Employer may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as shall be required pursuant to any law or governmental regulation or ruling.

3.9 Waiver and Release. In consideration of the Employer's entering into this Agreement, and the receipt of other good and valuable consideration, the sufficiency of which is expressly acknowledged, the Employee, for himself and his successors, assigns, heirs, executors and administrators, hereby waives, releases and forever discharges the Employer and its affiliates and their officers, directors, agents, employees, shareholders, successors and assigns from all claims, demands, damages, actions and causes of action whatsoever which he now has on account of any matter, whether known or unknown to him and whether or not previously disclosed to the Employee or the Employer, that relates to or arises out of (a) any existing or former agreement (written or oral) entered into between the Employee and the Employer or any of its affiliates (or any amendment or supplement to any such agreement), whether such agreement was entered into before or after the filing of a petition for reorganization by the Employer under Chapter 11 of the United States Bankruptcy Code, (b) any agreement (whether entered into before or after the filing of such petition) providing for a payment or payments or

extension of the employment relationship triggered by a merger or sale or other disposition of the stock or assets or restructuring of the Employer or any affiliate of the Employer, or (c) any existing or former severance plan, policy or program other than (i) the Master Severance Plan or (ii) the applicable severance plan specified on Exhibit A to the Motion of Debtors and Debtors in Possession for an Interim Order Authorizing the Payment of Severance Pay approved by the Bankruptcy Court on February 1, 1990 or specified in any subsequent Order of the Bankruptcy Court.

IN WITNESS WHEREOF, the parties hereto have hereunto and to a duplicate hereof set their signatures as of the day and year first above written.

FEDERATED DEPARTMENT STORES, INC.

By _____
Title: Executive Vice President

Employee

EXHIBIT 10.1.5

FEDERATED DEPARTMENT STORES, INC.
[ALLIED STORES CORPORATION]

MASTER SEVERANCE PLAN
FOR KEY EMPLOYEES

Effective

_____, 1990

TABLE OF CONTENTS

<u>Section</u>		<u>Page</u>
Purpose.....		1
I. Definitions.....		1
1.1 Bankruptcy Court.....		2
1.2 Base Compensation.....		2
1.3 Cause.....		2
1.4 Company.....		3
1.5 Confirmation of a Plan of Reorganization.....		3
1.6 Covered Employee.....		3
1.7 Designated Group.....		3
1.8 Effective Date.....		3
1.9 Employers.....		3
1.10 Plan.....		4
1.11 Plan of Reorganization.....		4
1.12 Qualifying Termination.....		4
1.13 Severance Pay.....		5
1.14 Successor Employer.....		5
1.15 Term.....		5
II. Covered Employees.....		6
2.1 Who is a Covered Employee.....		6
III. Severance Pay.....		6
3.1 Amount of Severance Pay.....		6
3.2 Effect on Other Benefit Programs.....		7
3.3 No Duty to Mitigate.....		8
IV. Cessation of Benefits.....		8
4.1 Reemployment with the Employers.....		8
V. Distribution of Cash Payments.....		8
5.1 Severance Pay.....		8
VI. Administration of Plan.....		9
6.1 In General; Delegation.....		9
6.2 Regulations.....		10
6.3 Claims Procedure.....		10
6.4 Revocability of Employer Action.....		12

<u>Section</u>	<u>Page</u>
II. Amendment or Termination of Plan.....	12
7.1 Right to Amend or Terminate.....	12
7.2 Automatic Termination.....	13
III. Method of Funding.....	13
8.1. Plan is Not Funded.....	13
X. Miscellaneous.....	14
9.1 Limitation on Rights.....	14
9.2 Headings.....	14
9.3 Gender and Number.....	14
9.4 Tax Withholding.....	14
9.5 Successor Employers Must Assume.....	14
9.6 Governing Law.....	15

Schedules

Schedule 1 -- List of Participating Subsidiaries
and Divisions

Schedule 2 -- Designated Groups and Benefit Levels

FEDERATED DEPARTMENT STORES, INC.

(ALLIED STORES CORPORATION)

MASTER SEVERANCE PLAN
FOR KEY EMPLOYEES

(Effective _____, 1990)

PURPOSE

The purpose of this Federated Department Stores, Inc. [Allied Stores Corporation] Master Severance Plan for Key Employees is to attract and retain key employees by providing severance protection designed to counteract the financial uncertainty created by the pending Chapter 11 proceedings. The Plan is intended to provide enhanced severance benefits that are in addition to severance benefits provided under the basic severance plans approved by the Bankruptcy Court, but not to duplicate severance benefits provided to certain employees who have entered into individual agreements relating to employment or the termination thereof. Except as herein provided with respect to certain successor employers, unless extended the Plan will terminate automatically 2 years after confirmation of the Plan of Reorganization.

ARTICLE I

DEFINITIONS

When used in this Plan and initially capitalized, the following words and phrases shall have the following meanings unless the context clearly requires otherwise:

1.1 "Bankruptcy Court" shall mean the United States Bankruptcy Court for the Southern District of Ohio, Western Division.

1.2 "Base Compensation" shall mean, as to any Covered Employee for any period, his base salary, as of his Termination of Employment, which is paid to him by his Employer or a Successor Employer during his employment for such period, before reduction because of an election between benefits or cash provided under a tax-qualified plan of such Employer or a Successor Employer maintained pursuant to Section 125 or 401(k) of the Internal Revenue Code of 1986, as amended, and before reduction for any other amounts contributed by such Employer or a Successor Employer on his behalf to any other employee-benefit plan.

1.3 "Cause" shall mean, as to any Covered Employee, that such Covered Employee shall have committed prior to his termination of employment with one of the Employers or any Successor Employer any of the following acts:

- (a) an intentional act of fraud, embezzlement, theft or any other material violation of law in connection with his duties or in the course of his employment with the Employer;
- (b) intentional wrongful damage to material assets of the Employer;
- (c) intentional wrongful disclosure of material confidential information of the Employer;

- (d) intentional wrongful engagement in any competitive activity that would constitute a material breach of the duty of loyalty; or
- (e) intentional breach of any stated material employment policy of the Employer.

No act on the part of a Covered Employee shall be deemed "intentional" if it was due primarily to an error in judgment or negligence, but shall be deemed "intentional" only if done by the Covered Employee not in good faith and without reasonable belief that his action was in or not opposed to the best interest of the Employer.

1.4 "Company" shall mean Federated Department Stores, Inc. [Allied Stores Corporation] and any successor corporation.

1.5 "Confirmation of a Plan of Reorganization" shall mean, with respect to any Employer, the date on which an order is entered by the Bankruptcy Court confirming the plan of reorganization for such Employer.

1.6 "Covered Employee" shall mean an employee described in Article II of the Plan.

1.7 "Designated Group" shall mean any one of the groups of employees designated as such on Schedule 2, as such Schedule may be amended from time to time.

1.8 "Effective Date" shall mean _____, 1990, the date on which the Plan was approved by the Bankruptcy Court.

1.9 "Employers" shall mean the Company (including, without limitation, each of its divisions referred to on

Schedule 1) and each of its wholly owned subsidiaries set forth on such Schedule 1, as such Schedule may be amended from time to time.

1.10 "Plan" shall mean the Federated Department Stores, Inc. [Allied Stores Corporation] Master Severance Plan for Key Employees, as the same may hereafter be amended from time to time.

1.11 "Plan of Reorganization" shall mean, with respect to any Employer, the plan of reorganization approved for such Employer by the Bankruptcy Court.

1.12 "Qualifying Termination" shall mean the involuntary termination of an employee's employment by his Employer or a Successor Employer during the Term of the Plan for any reason other than Cause. Notwithstanding the foregoing, "Qualifying Termination" shall not mean any termination of an employee's employment with the Employer or Successor Employer by reason of any of the following:

- (a) An employee's loss of employment owing to failure to return to work;
- (b) The termination of an employee's employment with the Employer or a Successor Employer resulting from the sale or other disposition by the Employer or Successor Employer of the business, unit or facility in which the employee is employed, if either of the following circumstances exists: (i) the purchaser or successor or any related

corporation extends an offer of employment after the disposition to the employee on terms that include substantially the same salary and at a location that would not require geographic relocation by the employee by more than 50 miles or (ii) the employee accepts other employment with the purchaser or successor or with another Employer or any corporation related to any of them (or to a Successor Employer, as the case may be).

- (c) Any transfer of an Employee's employment from his Employer to another Employer or any related corporation or from a Successor Employer to any related corporation; or
- (d) Withdrawal from, or loss of, an employee's employment with the Employer or a Successor Employer owing to a total and permanent disability.

1.13 "Severance Pay" shall mean the sum payable as set forth in Section 3.1 of the Plan.

1.14 "Successor Employer" shall mean the purchaser of any business, unit or facility (either directly or through the purchase of the stock) of any of the Employers; provided, however, that a purchaser is a Successor Employer only to the extent that employees of an Employer transfer to the Successor Employer as an incident of such purchase.

1.15 "Term" shall mean the period commencing on the Effective Date and ending at the time determined in accordance with Section 7.2.

ARTICLE II
COVERED EMPLOYEES

2.1 Who is a Covered Employee. Any employee of an Employer who is treated under such Employer's personnel policies as a member of a Designated Group at a time when he incurs a Qualifying Termination shall be a Covered Employee and shall be eligible to receive the benefits described in the Plan. Any employee of a Successor Employer who was treated under an Employer's personnel policies as a member of a Designated Group immediately prior to the date he became an employee of a Successor Employer and who incurs a Qualifying Termination before the second anniversary of the date when he became an employee of a Successor Employer shall also be a Covered Employee and shall be eligible to receive the benefits described in the Plan.

ARTICLE III
SEVERANCE PAY

3.1 Amount of Severance Pay. Subject to Section 3.2, the Employer of a Covered Employee shall pay Severance Pay to a Covered Employee in an amount equal to the Base Compensation of such Covered Employee for the period specified on Schedule 2 for the Designated Group of which such Covered Employee was a member at the time of his Qualifying Termination or, as applicable, the Designated Group of which he was a member immediately prior to the date he became an employee of a Successor Employer.

3.2 Effect on Other Benefit Programs. (a) Subject to Section 3.2(b), neither the provisions of the Plan nor the Severance Pay provided for hereunder shall reduce or increase any amounts otherwise payable, or in any other way affect, a Covered Employee's right, whether now or hereafter existing, under (i) any severance plan applicable to the Covered Employee specified in Exhibit A to the Motion of Debtors and Debtors in Possession for an Interim Order Authorizing the Payment of Severance Pay approved by the Bankruptcy Court on February 1, 1990 or specified in any subsequent Order of the Bankruptcy Court or (ii) any other benefit, incentive, retirement, stock option, stock bonus or stock purchase plan, program or arrangement, unless otherwise expressly provided under the terms of such agreement, plan, program or arrangement.

Notwithstanding the foregoing, the Severance Pay provided for hereunder is not intended to duplicate any payments to which a Covered Employee would otherwise be entitled under any individual agreement relating to employment (or the termination thereof) with any of the Employers or a Successor Employer. Accordingly, unless any such agreement otherwise by its terms expressly provides, no Severance Payment shall be payable under the Plan to any employee of an Employer or Successor Employer who is a party to such an agreement unless such employee elects to receive Severance Pay hereunder in lieu of any payment that would otherwise be made to him (following his Qualifying Termination) pursuant to any such agreement.

(b) By the acceptance of any Severance Pay under the Plan, a Covered Employee shall be deemed to waive, release and forever discharge any and all claims to the payment of any severance benefit under any severance plan or program of the Employer or any of its affiliates other than the Plan and the severance plan referred to in Section 3.2(a)(i).

3.3 No Duty to Mitigate. A Covered Employee shall not be required by reason of the Plan to mitigate damages or the amount of his Severance Pay under the Plan by seeking other employment or otherwise, nor shall the amount of such payment be reduced or adjusted by compensation earned by the Covered Employee as a result of employment after his termination of employment.

ARTICLE IV

CESSATION OF BENEFITS

4.1 Reemployment with the Employers. If he already has received benefits under the Plan, a Covered Employee who recommences employment with the Employers or, as applicable, a Successor Employer shall not be entitled to any further benefits under the Plan.

ARTICLE V

DISTRIBUTION OF CASH PAYMENTS

5.1 Severance Pay. The Employer or Successor Employer that employed a Covered Employee at the time he became eligible for Severance Pay shall pay a Covered Employee the amount to

which he is entitled under Section 3.1 in one lump sum within a reasonable time, but in no event more than 20 business days, after the date his Qualifying Termination occurs.

ARTICLE VI

ADMINISTRATION OF PLAN

6.1 In General: Delegation. The Plan shall be administered by the Company, which shall be the named fiduciary under the Plan. The Company shall have sole and absolute discretion to interpret where necessary all provisions of the Plan (including, without limitation, by supplying omissions from, correcting deficiencies in, or resolving inconsistencies or ambiguities in, the language of the Plan), to determine the rights and status under the Plan of employees or other persons, to resolve questions or disputes arising under the Plan and to make any determinations with respect to the benefits payable hereunder and the persons entitled thereto as may be necessary for the purposes of the Plan. Without limiting the generality of the foregoing, the Company is hereby granted the authority (i) to determine whether a particular termination of employment constitutes a "Qualifying Termination" and (ii) to determine whether a particular employee is a "Covered Employee" under the Plan.

The Company may delegate any of its administrative duties, including, without limitation, duties with respect to the processing, review, investigation, approval and payment of Severance Pay, to a named administrator or administrators. The

Company's determination for the rights of any employee hereunder shall be final and binding on all persons, subject only to the claims procedures outlined in Section 6.3 hereof.

6.2 Regulations. The Company shall promulgate any rules and regulations that it deems necessary to carry out the purposes of the Plan, or to interpret the terms and conditions of the Plan; provided, however, that no rule, regulation or interpretation shall be contrary to the provisions of the Plan. The rules, regulations and interpretations made by the Company shall, subject only to the claims procedure outlined in Section 6.3 hereof, be final and binding on any employee or former employee of the Employers, or any successor in interest of either..

6.3 Claims Procedure. The Company shall determine the rights of any employee or former employee of the Employers to any benefits hereunder. Any employee or former employee of the Employers who believes that he is entitled to receive any benefits other than as initially determined by the Company, may file a claim in writing with the Company's Vice President - Compensation and Benefits. The Company shall no later than 90 days after the receipt of a claim either allow or deny the claim in writing. If a claimant does not receive written notice of the Company's decision on his claim within such 90-day period, the claim shall be deemed to have been denied in full.

A denial of a claim, wholly or partially, shall be written in a manner calculated to be understood by the claimant and shall include:

- (a) the specific reason or reasons for the denial;
- (b) specific reference to pertinent Plan provisions on which the denial is based;
- (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (d) an explanation of the claim-review procedure.

A claimant whose claim is denied (or his duly authorized representative) may within 30 days after receipt of denial of his claim request a review of such denial by the Company by filing with the Company's Executive Vice President - Law and Human Resources a written request for review of his claim. If the claimant does not file a request for review with the Company's Executive Vice President - Law and Human Resources within such 30-day period, the claimant shall be deemed to have acquiesced in the original decision of the Company on his claim. If a written request for review is so filed with such 30-day period, the Company shall conduct a full and fair review of such claim. During such full review, the claimant shall be given the opportunity to review documents that are pertinent to his claim and to submit issues and comments in writing and, if he requests a hearing, to present his case in person at a hearing scheduled by the Company.

The Company shall notify the claimant of its decision on review within 60 days after receipt of a request for review.

Notice of the decision on review shall be in writing. If the decision on review is not furnished to the claimant within such 60-day period, the claim shall be deemed to have been denied on review.

6.4 Revocability of Employer Action. Any action taken by any Employer with respect to the rights under the Plan of any employee or former employee shall be revocable by such Employer as to payments or distributions not yet made to such person, and acceptance of any benefits under the Plan constitutes acceptance of and agreement to any appropriate adjustments made by such Employer in future payments or distributions to such person to offset any excess or underpayment previously made to him with respect to any benefits; provided, however, that nothing in this Section 6.4 shall authorize any Employer to amend or terminate the Plan.

ARTICLE VII

AMENDMENT OR TERMINATION OF PLAN

7.1 Right to Amend or Terminate. The Company reserves the right at any time, without prior or other approval of any other Employer or any employee or former employee, to change, modify, amend or terminate the Plan. All such changes, modifications or amendments may be retroactive to any date up to and including the Effective Date, and shall be retroactive to that date unless other provision is specifically made; provided, however, that no such amendment, modification or change shall adversely affect any benefit under the Plan previously paid or

provided to a Covered Employee (or his successor in interest). Any Employer may withdraw from the Plan at any time by action of its Board of Directors upon giving notice of such action to the Company.

7.2 Automatic Termination. Unless extended by the Boards of Directors of the Company, this Plan shall automatically terminate on the second anniversary of the date of Confirmation of the Plans of Reorganization for all of the Employers; provided, however, that it shall continue in effect solely with respect to the employees of any Successor Employer until the second anniversary of the date on which it became a Successor Employer. Termination pursuant to this Section 7.2 shall occur without any action on the part of the Company and shall be effective without prior notice to or approval of any employee or former employee of the Employers.

ARTICLE VIII

METHOD OF FUNDING

8.1 Plan Is Not Funded. The Employers shall pay benefits under the Plan from current operating funds. No property of the Employers is or shall be, by reason of this Plan, held in trust for any employee of the Employers, nor shall any person have any interest in or any lien or prior claim upon any property of any of the Employers by reason of the Plan or the Employers' obligations to make payments hereunder.

ARTICLE IX
MISCELLANEOUS

9.1 Limitation on Rights. Neither the establishment of the Plan nor participation herein shall give any employee the right to be retained in the service of any of the Employers or any rights to any benefits whatsoever, except to the extent specifically set forth herein.

9.2 Headings. Headings of Articles and Sections in this instrument are for convenience only, and do not constitute any part of the Plan.

9.3 Gender and Number. Unless the context clearly indicates otherwise, the masculine gender when used in the Plan shall include the feminine, and the singular number shall include the plural and the plural number the singular.

9.4 Tax Withholding. The Employers may withhold from any amounts payable under this Plan all federal, state, city or other taxes as shall be required to be withheld pursuant to any law or governmental regulation or ruling.

9.5 Successor Employers Must Assume. Unless otherwise specifically determined by the Board of Directors of the Company, and except in any case where such Successor Employer would become so obligated as a matter of law without further act or deed, each Employer shall require any Successor Employer to expressly assume and agree to perform the obligations of such Employer under the Plan in the same manner and to the same extent that such Employer would be required to perform such

obligations as if no succession had taken place. Any such assumption and agreement shall be obtained prior to the effectiveness of such succession.

9.6 Governing Law. The Plan will be construed and governed in all respects in accordance with applicable federal law and, to the extent not preempted by such federal law, in accordance with the internal substantive laws of the State of Ohio.

EXECUTED at Cincinnati, Ohio as of _____, 1990.

[FEDERATED DEPARTMENT STORES, INC.]

By: _____
Title:

7891H/CL

Schedule 1 to
Master Severance Plan

LIST OF PARTICIPATING SUBSIDIARIES AND DIVISIONS

Abraham and Strauss
Bloomingdale's, Inc.
Bloomingdale's By Mail Ltd.
Burdine's, Inc.
Corporate Office
FACS
FAMS
Federated Stores Realty, Inc.
Lazarus
Rich's, Inc.
Retail Services, Inc.
SABRE
[Allied Stores Marketing Corporation
Allied Stores General Real Estate Company
Jordan Marsh Stores Corporation
Maas, Inc.
Stern's Inc.
The Bon, Inc.]

Schedule 2 to
Master Severance Plan

DESIGNATED GROUPS AND BENEFIT LEVELS

<u>Name of Designated Group</u>	<u>Severance Benefit</u>
Principals, GMMs and equivalent (direct reports to Principals)	1 year
Corporate VP's and above	1 year
DMM's and equivalents	9 months
Store managers, buyers, additional key division staff	6 months
Corporate/FAMS staff	6 months
- Exempt	3 months
- Non-Exempt	

EXHIBIT 10.1.6

FEDERATED DEPARTMENT STORES, INC.

[ALLIED STORES CORPORATION]

PERFORMANCE BONUS PLAN

FOR KEY EMPLOYEES

Effective

_____, 1990

TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
Purpose.....	1
I. Definitions.....	1
1.1 Bankruptcy Code.....	1
1.2 Bankruptcy Court.....	2
1.3 Base Compensation.....	2
1.4 Cause.....	2
1.5 Chapter 11 Proceedings.....	3
1.6 Company.....	3
1.7 Designated Group.....	3
1.8 Disabled.....	3
1.9 Discretionary Participant.....	3
1.10 Effective Date.....	3
1.11 Employers.....	4
1.12 First-Year Award.....	4
1.13 Participant.....	4
1.14 Plan.....	4
1.15 Plan Year.....	4
1.16 Second-Year Award.....	4
II. Membership.....	4
2.1 Initial Participants.....	4
2.2 New Participants.....	5
2.3 Discretionary Participants.....	5
2.4 Termination of Participation.....	5
III. Determination of Award Amounts.....	6
3.1 First-Year Awards.....	6
3.2 Second-Year Awards.....	6
3.3 Awards for Partial Years.....	6
3.4 Death, Retirement and Disability.....	7
3.5 Awards to Discretionary Participants.....	7
IV. Payment of Awards.....	7
4.1 Time of Payment.....	7
4.2 Payment by Successor Employer.....	8
4.3 Individual Performance Standards.....	8
4.4 Death Beneficiary.....	8
V. Forfeiture of Awards.....	9
5.1 Forfeiture upon Termination for Cause.....	9

<u>Section</u>		<u>Page</u>
VI. Administration.....		9
6.1 Administration by the Chairman and President of the Company.....		9
6.2 Limitation of Liability.....		10
VII. Amendment.....		11
7.1 Right to Amend.....		11
VIII. General Provisions.....		11
8.1 Limitation on Rights.....		11
8.2 Tax Withholding.....		11
8.3 Spendthrift Provision.....		12
8.4 Plan is Not Funded.....		12
8.5 Awards Are Not Compensation.....		12
8.6 Successor Employers Must Assume.....		13
8.7 Governing Law.....		13
8.8 Gender and Number.....		14
8.9 Headings.....		14

Schedules

Schedule 1 -- List of Participating Subsidiaries
and Divisions

Schedule 2 -- Designated Groups and Bonus Percentages

Schedule 3 -- Objectives for First-Year Awards

Schedule 4 -- Objectives for Second-Year Awards

FEDERATED DEPARTMENT STORES, INC.

[ALLIED STORES CORPORATION]

PERFORMANCE BONUS PLAN
FOR KEY EMPLOYEES

(Effective _____, 1990)

PURPOSE

The purpose of this Federated Department Stores, Inc. [Allied Stores Corporation] Performance Bonus Plan for Key Employees is to attract and retain key employees by providing additional incentive compensation during and after the pending Chapter 11 proceedings. This additional incentive compensation is provided in order to maintain and enhance the value of the underlying businesses and facilitate the successful completion of the Chapter 11 process.

ARTICLE I

DEFINITIONS

When used in this Plan and initially capitalized, the following words and phrases shall have the following meanings unless the context clearly requires otherwise:

- 1.1 "Bankruptcy Code" shall mean the United States Bankruptcy Code, 11 U.S.C. §101, et seq., as amended.

1.2 "Bankruptcy Court" shall mean the United States Bankruptcy Court for the Southern District of Ohio, Western Division.

1.3 "Base Compensation" shall mean, as to any Participant for any period, his base salary paid to him by his Employer for such period before reduction because of an election between benefits or cash provided under a tax-qualified plan of such Employer maintained pursuant to Section 125 or 401(k) of the Internal Revenue Code of 1986, as amended, and before reduction for any other amounts contributed by such Employer on his behalf to any other employee benefit plan.

1.4 "Cause" shall mean, as to any Participant, that such Participant shall have committed prior to his termination of employment with his Employer:

- (a) an intentional act of fraud, embezzlement, theft or any other material violation of law in connection with the Employee's duties or in the course of his employment with the Employer;
- (b) intentional wrongful damage to material assets of the Employer;
- (c) intentional wrongful disclosure of material confidential information of the Employer;
- (d) intentional wrongful engagement in any competitive activity which would constitute a material breach of the duty of loyalty; or
- (e) intentional breach of any stated material employment policy of the Employer.

No act, or failure to act, on the part of a Participant shall be deemed "intentional" if it was due primarily to an error in judgment or negligence, but shall be deemed "intentional" only if done, or omitted to be done, by the Participant not in good faith and without reasonable belief that his action or omission was in or not opposed to the best interest of the Employer.

1.5 "Chapter 11 Proceedings" shall mean, with respect to any Employer, the proceedings pending on the Effective Date with respect to such Employer under Chapter 11 of the Bankruptcy Code.

1.6 "Company" shall mean Federated Department Stores, Inc. [Allied Stores Corporation] and any successor corporation.

1.7 "Designated Group" shall mean any one of the groups of employees designated as such on Schedule 2, as such Schedule may be amended from time to time.

1.8 "Disabled" shall mean a Participant is unable, as a result of incapacity due to physical or mental illness, to perform his duties with his Employer, and shall be deemed to exist at such time as such Participant becomes eligible to receive benefits under the disability income plan of such Participant's Employer.

1.9 "Discretionary Participant" shall mean a person who becomes a Participant pursuant to Section 2.3 and who has not ceased to be a Participant pursuant to Section 2.4.

1.10 "Effective Date" shall mean _____, 1990, the date on which the Plan was approved by the Bankruptcy Court.

1.11 "Employers" shall mean the Company (including, without limitation, its divisions identified on Schedule 1) and each of its wholly owned subsidiaries set forth on such Schedule 1, as such Schedule may be amended from time to time.

1.12 "First-Year Award" shall mean a bonus provided under Section 3.1 of the Plan.

1.13 "Participant" shall mean any person who becomes a participant in the Plan as provided in Section 2.1, 2.2 or 2.3 and who has not ceased to be a Participant pursuant to Section 2.4.

1.14 "Plan" shall mean the Federated Department Stores, Inc. [Allied Stores Corporation] Performance Bonus Plan for Key Employees, as the same may hereafter be amended from time to time.

1.15 "Plan Year" shall mean (a) the period commencing on the Effective Date and ending on February 2, 1991 and (b) the next fiscal year of the Company thereafter.

1.16 "Second-Year Award" shall mean the bonus provided under Section 3.2 of the Plan.

ARTICLE II

MEMBERSHIP

2.1 Initial Participants. An employee in the employ of one of the Employers who (a) is a member of a Designated Group on the Effective Date and (b) is provided a letter of participation by his Employer shall become a Participant in the Plan as of the Effective Date.

2.2 New Participants. Any other employee of an Employer who (a) becomes a member of a Designated Group after the Effective Date and (b) is provided a letter of participation by his Employer shall become a Participant in the Plan as of the date he becomes a member of a Designated Group subject to any conditions set forth in such letter.

2.3 Discretionary Participants. Notwithstanding any other provision of the Plan, the Chairman or President of the Company may from time to time at his sole discretion designate additional employees of the Employers as Participants and in any such case shall specify the applicable percentages to be used to determine their benefits under the Plan or shall specify the amount and form of such benefit and its time of payment. However, the aggregate amount of benefits payable to Discretionary Participants under the Plan and under the Allied Stores Corporation [Federated Department Stores, Inc.] Performance Bonus Plan for Key Employees shall not exceed \$5,000,000 for any Plan Year. The Company shall submit a report to the Board of Directors of the Company at least quarterly specifying the amounts of any payments made pursuant to this Section.

2.4 Termination of Participation. Any Participant whose employment with the Employers terminates for any reason shall cease to be a Participant. If an individual who became a Participant in the Plan pursuant to Section 2.1 or 2.2 later ceases to be a member of a Designated Group or if the Chairman

or President of the Company terminates the designation of a Discretionary Participant, then such individual shall likewise cease to be a Participant.

ARTICLE III

DETERMINATION OF AWARD AMOUNTS

3.1 First-Year Awards. Each Participant (other than a Discretionary Participant) who remains a Participant on the last day of the first Plan Year shall be entitled to a First-Year Award in an amount equal to the First-Year Award percentage specified on Schedule 2 times the Participant's Base Compensation in effect at the end of such Plan Year, but only if the objectives set forth on Schedule 3 have been met.

3.2 Second-Year Awards. Each Participant (other than a Discretionary Participant) who remains a Participant on the last day of the second Plan Year shall be entitled to a Second-Year Award in an amount equal to the Second-Year Award percentage specified on Schedule 2 times the Participant's Base Compensation at the end of such Plan Year, but only if the objectives set forth on Schedule 4 have been met.

3.3 Awards for Partial Years. The award of any Participant who became a Participant pursuant to Section 2.2 of the Plan during a Plan Year shall be in an amount determined by multiplying the applicable percentage of the Participant's Base Compensation at the end of the Plan Year by a fraction, the numerator of which is the number of days during such Plan Year

in which the employee was a Participant in the Plan, and the denominator of which is 365, but only if the applicable objectives have been met.

3.4 Death, Retirement and Disability. Each Participant (other than a Discretionary Participant) who dies, retires or becomes Disabled during a Plan Year shall be entitled to an award for such Plan Year in an amount determined by multiplying the applicable percentage of the Participant's Base Compensation at the date of such event by a fraction, the numerator of which is the number of days during such Plan Year in which the Participant was both a Participant and received 100 percent of the Participant's Base Compensation, and the denominator of which is 365, but only if the applicable objectives are met at the end of the Plan Year.

3.5 Awards to Discretionary Participants. The award payable under the Plan to a Discretionary Participant shall be determined in accordance with terms of his designation pursuant to Section 2.3.

ARTICLE IV

PAYMENT OF AWARDS

4.1 Time of Payment. The Employers shall pay the First-Year Awards and Second Year Awards in cash to the Participants entitled thereto on or before the April 15th immediately after the end of the Plan Year. Any award payable to a Discretionary Participant shall be paid at the time specified under the terms of his designation pursuant to Section 2.3.

4.2 Payment by Successor Employer. If a Participant becomes an employee of a successor employer upon the acquisition by such employer of any business, unit or facility (either directly or through the purchase of the stock) of his Employer, then there shall be paid to such Participant promptly after the last day of the Plan Year in which such acquisition occurs (whether or not he remains an employee of the successor employer on such last day, unless he voluntarily withdrew from the employ of such successor employer) an amount equal to the award that would have been payable to him for such Plan Year assuming (a) no such acquisition had occurred, (b) he had continued in the employment of his Employer until the end of such Plan Year and (c) the applicable objectives had been met. In the case of a Discretionary Participant, it shall likewise be assumed that any other terms or conditions specified upon his designation pursuant to Section 2.3 had been satisfied, and payment of his award by the successor employer shall be made at the time and otherwise in accordance with the terms of such designation.

4.3 Individual Performance Standards. Notwithstanding anything in the Plan to the contrary, no award shall be paid or payable to any employee who has received (prior to the last day of the Plan Year for which such award would otherwise be paid) a documented performance warning from his Employer that has not been superseded by subsequent employment review.

4.4 Death Beneficiary. In the event of a Participant's death, the benefit otherwise payable to him shall

be payable to the beneficiary which has been designated by the Participant to receive benefits payable under the Employer's group insurance program. If a Participant has failed to designate such a beneficiary, or if such designated beneficiary predeceased the Participant, then such Participant's benefits under the Plan shall be paid in accordance with the following order of priority:

- (a) to the Participant's surviving spouse, or if there be none surviving,
- (b) to the Participant's estate.

Any such payment shall be made as soon as practicable following the Participant's death.

ARTICLE V

FORFEITURE OF AWARDS

5.1 Forfeiture upon Termination for Cause. Payment of any portion of a Participant's award under the Plan shall be forfeited, and his Employer shall have no further obligation hereunder to such Participant, if the Participant is discharged from employment for Cause prior to payment of his award.

ARTICLE VI

ADMINISTRATION

6.1 Administration by the Chairman and President of the Company. The administration of the Plan, the exclusive power to interpret it, and the responsibility for carrying out its provisions are vested in the Chairman and President of the

Company. The Chairman or President of the Company shall establish such rules, regulations and procedures as he shall deem necessary or advisable. The Chairman or President of the Company shall have the right, in his discretion, (a) to delegate his authority for the administration of the Plan, and (b) to retain accountants, attorneys and such other advisors as he shall deem necessary or advisable in connection with the administration of the Plan. The expenses of the Chairman and President of the Company in administrating the Plan shall be paid directly by the Company.

6.2 Limitation of Liability. Neither the Company nor the Chairman nor the President of the Company nor any other director, officer, employee or agent of the Company shall be liable for any action taken or omitted to be taken by such person under the Plan except in the case of gross negligence or willful misconduct. Any action taken or omitted to be taken by any such person in good faith reliance on the advice of any accountant, actuary, attorney or other advisor retained by the Chairman or President of the Company shall be conclusively presumed not to involve gross negligence or willful misconduct. The Chairman and President of the Company and all other such persons shall be indemnified by the Company against losses, liabilities, claims, costs and expenses in connection with serving as administrator of the Plan, unless resulting from gross negligence or willful misconduct.

ARTICLE VII

AMENDMENT

7.1 Right to Amend. The Company reserves the right to modify or to amend, in whole or in part, the Plan at any time; provided, however, that as to any amendments or modifications made prior to the Confirmation of a Plan of Reorganization with respect to an Employer, counsel for the various official committees appointed in the Chapter 11 Proceedings will receive notification thereof, and that any such amendments and modifications that are material will occur only after Bankruptcy Court approval, upon reasonable notice to such counsel.

ARTICLE VIII

GENERAL PROVISIONS

8.1 Limitation on Rights. Neither the establishment of the Plan nor participation herein shall not be construed as conferring any legal rights upon any employee or other person for continuation of employment, nor shall it interfere with the rights of each Employer to discharge any employee and to treat him without regard to the effect which such treatment might have upon him as a Participant in the Plan. Except as otherwise provided herein, any benefits due or provided hereunder to a Participant shall be in addition to, and not in substitution of, any benefits to which the Participant is otherwise entitled without regard to the Plan.

8.2 Tax Withholding. The Employers may withhold from any amounts payable under this Plan all federal, state, city or

other taxes as shall be required to be withheld pursuant to any law or governmental regulation or ruling.

8.3 Spendthrift Provision. Subject to any applicable law, no benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to do so shall be void, nor shall any such benefit be in any manner liable for or subject to the debts, contracts, liabilities, engagements or torts of the Participant. In the event that the Chairman or President of the Company shall find that any Participant has attempted to violate such provision or has become bankrupt, such benefit shall be forfeited subject to the discretion of the Chairman or President of the Company.

8.4 Plan is Not Funded. The Employers shall pay benefits under the Plan from current operating funds. No property of the Employers is or shall be, by reason of this Plan, held in trust for any employee of the Employers, nor shall any person have any interest in or any lien or prior claim upon any property of any of the Employers by reason of the Plan or the Employers' obligations to make payments hereunder.

8.5 Awards Are Not Compensation. The amounts awarded to a Participant under the Plan shall not be deemed to be compensation for the purpose of calculating the amount of a Participant's benefits or contributions under a pension, profit sharing or stock bonus plan qualified under section 401(a) of the Internal Revenue Code of 1986, as amended, the amount of

life insurance payable under any life insurance plan established or maintained by the Employer, or the amount of any disability benefit payments payable under any disability plan established or maintained by the Employer, except to the extent specifically provided in any such plan.

8.6 Successor Employers Must Assume. Unless otherwise specifically determined by the Board of Directors of the Company, and except in any case where such successor would become so obligated as a matter of law without further act or deed, each Employer shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or any portion of the business and/or assets of such Employer, or of any division of such Employer, which is an employer of any Participant to expressly assume and agree to perform the obligations under the Plan in the same manner and to the same extent (except as otherwise expressly provided in the Plan) that such Employer would be required to perform such obligations as if no such succession had taken place. Any such assumption and agreement shall be obtained prior to the effectiveness of such succession.

8.7 Governing Law. The Plan will be construed and governed in all respects in accordance with applicable federal law and, to the extent not preempted by such federal law, in accordance with the internal substantive laws of the State of Ohio.

8.8 Gender and Number. Unless the context clearly indicates otherwise, the masculine gender when used in the Plan shall include the feminine, and the singular number shall include the plural and the plural number the singular.

8.9 Headings. Headings of Articles and Sections in this instrument are for convenience only, and do not constitute any part of the Plan.

EXECUTED at Cincinnati, Ohio as of _____, 1990.

[FEDERATED DEPARTMENT STORES, INC.]

By: _____
Title:

3693M/CL

Schedule 1 to
Retention Bonus Plan

LIST OF PARTICIPATING SUBSIDIARIES AND DIVISIONS

Abraham and Strauss
Bloomingdale's, Inc.
Bloomingdale's By Mail Ltd.
Burdine's, Inc.
Corporate Office
FACS
FAMS
Federated Stores Realty, Inc.
Lazarus
Rich's, Inc.
Retail Services, Inc.
SABRE
(Allied Stores Marketing Corporation
Allied Stores General Real Estate Company
Jordan Marsh Stores Corporation
Maas, Inc.
Stern's Inc.
The Bon, Inc.)

Schedule 2 to
Retention Bonus Plan

DESIGNATED GROUPS AND BONUS PERCENTAGES

<u>Name of Designated Group</u>	<u>First-Year Award Percentage</u>	<u>Second-Year Award Percentage</u>
Principals	30%	up to 30%*
GMM's and Equivalents	20%	up to 20%*
Corporate VP's and above	20%	up to 20%*
DMM's	20%	up to 20%*

-
- * The Second-Year Award percentages shall not exceed the amounts specified, but may be less, as determined prior to the end of the second Plan Year by the Chairman or the President in his sole discretion based upon performance measured against pre-determined goals and objectives.

Schedule 3 to
Retention Bonus Plan

OBJECTIVES FOR FIRST-YEAR AWARDS

The Company shall not be in default on the last day of the Plan Year under Section 6.03(c) or (d) of the Post-Petition Credit Agreement dated as of January 18, 1990 among the Company, the other debtors in possession named therein, the financial institutions named therein and Citibank, N.A., as Agent, or under any corresponding provision of any modification, renewal, extension or refunding thereof.

[The Company shall not be in default on the last day of the Plan Year under Section 6.06 of the Revolving Credit and Guaranty Agreement dated as of January 23, 1990 among the Company, the other debtors in possession named therein, the financial institutions named therein and Chemical Bank, as Administrative and Collateral Agent, or under any corresponding provision of any modification, renewal, extension or refunding thereof.]

Schedule 4 to
Retention Bonus
Plan

OBJECTIVES FOR SECOND-YEAR AWARDS

Before the beginning of the Second Plan Year, the objectives for Second-Year Awards shall be established by the Chairman or President of the Company in his sole discretion, taking into account divisional and corporate goals for such Year and such other factors as may be considered appropriate.

3693M-CL/0671A-CI

EXHIBIT 10.1.7

May 1979

Senior Executive Medical Plan

Federated Department Stores, Inc., has established a plan to reimburse Senior Executives of the Corporation for medical expenses incurred by them or their covered family members. This plan is effective January 1, 1978; but covers eligible executives retired on or after October 15, 1977.

I. The Plan.

- A. Reimbursable expenses are those medical or medically related charges which could have been claimed as deductions under Federal Individual Income Tax.
- B. The plan will not make payment for expenses to the extent they are reimbursable by any other group insurance plan, third-party action, or government sponsored programs, including Medicare.

II. Covered Participants.

- A. Active executives who are employed in the Corporate Office with the title of Chairman of the Board, President, Vice Chairman of the Board, Chairman of the Finance Committee, Executive Vice President and such other senior executives who may be so designated by the Chairman of the Board.
- B. Active executives employed in a division of the Corporation as a Principal.
- C. Retired executives who have held a covered title and satisfy one of the following criteria at date of retirement:
 1. Age 55, plus 25 years of continuous service.
 2. Age 57, plus 20 years of continuous service.
 3. Age 62, plus 10 years of continuous service.
 4. Total and Permanent Disability as evidenced by qualification for Total and Permanent Disability benefits of a company sponsored Group Life Insurance Plan.

Note: Coverage is cancelled if the retired executive becomes eligible for another company's group medical plan.

D. Dependents of covered executives who qualify are as follows:

1. Spouses of living, active executives.
2. Spouses of living, retired executives.
3. Spouses of deceased, active executives will remain covered:
 - a. For two years or until remarriage, whichever comes first, when the executive's continuous service was less than ten years.
 - b. For five years or until remarriage, whichever comes first, when the executive's continuous service was more than ten years, but less than twenty years.
 - c. For life or until remarriage when the executive's continuous service was twenty years or more.
4. Spouses of deceased, retired executives will remain covered for life or until remarriage.
5. Dependent, unmarried children of a living and active or a living and retired executive are covered until age 19, or until age 24 if full-time students in an accredited school.
6. Dependent, unmarried children of a deceased, active executive will remain covered as follows:
 - a. For two years or until loss of status as a covered dependent, whichever comes first, when the executive's continuous service was less than ten years.
 - b. For five years or until loss of status as a covered dependent, whichever comes first, when the executive's continuous service was more than ten years, but less than twenty years.
 - c. Until loss of status as a covered dependent, if the executive's continuous service was greater than twenty years.
7. Dependent, unmarried children of a deceased and retired executive will remain covered until loss of status as a covered dependent.

Note: Coverage for dependents of deceased executives will cease if the dependent becomes eligible for another company's group medical plan.

- III. The cost of this plan for active, retired, and deceased associates and their covered dependents will be borne in full by the Corporation.

- 3 -

- IV. Upon receipt of valid medical bills, reimbursement will be made by company check to the executive or to the provider of services if the executive so directs.
- V. The Company will provide the executive with records of reimbursement and maintain records of such disbursements.

JIM/cag

12/19/77

EXHIBIT 10.1.8

EMPLOYMENT AGREEMENT

Dated as of

February 3, 1990

Between

ALLEN I. QUESTROM

and

FEDERATED DEPARTMENT STORES, INC.

and

ALLIED STORES CORPORATION

BEST AVAILABLE COPY

THIS AGREEMENT, made in the City of Cincinnati and State of Ohio, as of ~~January 15, 1990~~ February 2, 1990, between FEDERATED DEPARTMENT STORES, INC., a Delaware corporation, (hereinafter called "Federated") and ALLIED STORES CORPORATION, a Delaware corporation (hereinafter called "Allied"), each having its executive offices and a principal place of business in the City of Cincinnati, Ohio (Federated and Allied hereinafter jointly called the "Employer"), and ALLEN I. QUESTROM of 3802 Turtle Creek Dr., Dallas, Texas ⁷⁵²¹⁹ (hereinafter called the "Employee").

RECITALS

A. On January 15, 1990, Federated, Allied and certain of their subsidiaries filed petitions for protection under chapter 11 of the Bankruptcy Code and continue to manage and operate their respective businesses as debtors in possession.

B. The position of Chairman and Chief Executive Officer of Federated and Allied are currently vacant, and it is critical to the success of the reorganization efforts of Federated and Allied that those positions be filled by the most qualified person available as soon as practicable.

C. Employer is desirous of entering into the Agreement with Employee based on the belief that Employee is uniquely qualified to assume the positions of Chairman and Chief Executive Officer, subject to the terms and conditions set forth below.

D. Employee is desirous of entering into the Agreement with Employer, subject to the terms and conditions set forth below, but is unwilling to do so without an order of the United States Bankruptcy Court having jurisdiction over the chapter 11 cases of Federated and Allied (i) authorizing and directing Federated and Allied to enter into and to perform the Agreement and (ii) monitoring the confidentiality of the Agreement, including in connection with notice and hearing in the Bankruptcy Court, pending entry of such order.

IT IS AGREED by and between the parties hereto as follows:

ARTICLE I

EMPLOYMENT, DUTIES, SALARY, TERM

1.1 Notwithstanding any other provision of this Agreement, this Agreement shall not be effective until such time as an order approving such Agreement has been entered by the Bankruptcy Court in the Southern District of Ohio, Western Division, in which the chapter 11 proceedings of Federated and Allied are now pending.

1.2 The Employer agrees to and does employ the Employee to perform the duties of Chairman of the Board ("Chairman") and Chief Executive Officer of Federated and Allied in accordance with the terms of this Agreement. The duties of the Employee shall be those commensurate with the office of

Chairman of the Board of Federated and Allied, and shall include chief executive officer responsibility for all department store businesses. In such capacity he shall have general charge of the business and affairs of Federated and Allied, with particular responsibility for the overall merchandising activities of such entities, in addition to his duties of general supervision. Neither the Employee's title nor any of his functions shall be changed without his consent. While it is understood that the right to elect directors and officers of Federated and Allied is by law vested in the stockholders and directors of Federated and Allied, respectively, it is nevertheless mutually contemplated, subject to such rights, that the Employee shall, at all times during his employment be Chairman of the Board of Federated and Allied and shall be a member of the Board of Directors of Federated and Allied.

1.3 During the Period of Contract Employment the Employer agrees to pay the Employee an annual salary in the initial amount of One Million Two Hundred Thousand Dollars (\$1,200,000). Nothing in this Agreement shall preclude or in any way affect the grant by the Employer or the receipt by the Employee of increases in his total compensation, or of bonuses or other forms of additional compensation, such increases, bonuses and additional compensation, contingent or otherwise, to be determined solely in the discretion of the Board of Directors of the Employer or persons to whom such authority is delegated by such Board of Directors. The Employee's salary shall never be reduced during the Period of Contract Employment.

1.4 The Employee's salary shall be paid in monthly installments, and at the same rate for any fraction of a month unexpired at the termination of the Period of Contract Employment hereunder as in effect under the terms of the preceding paragraph.

1.5 The Employee and/or the Employee's family, as the case may be, shall be eligible for participation in and shall receive all benefits under savings and retirement programs, welfare benefit plans, fringe benefit programs and perquisites provided by the Employer and its affiliates (including, for example, without limitation, medical, prescription, dental, disability, salary continuance, executive life, group life, accidental death and travel accident insurance plans and programs, use of an automobile, financial counseling, and suitable business and country club memberships), at least as favorable as the most favorable of such plans and programs provided to key executives of the Employer in effect from time to time. For the purposes of calculating such benefits, the period of time during which Employee was not an employee of Federated during 1988, 1989 and 1990 shall be counted as continuous employment with the Employer prior to August, 1988 for vesting but not benefit accrual purposes.

1.6 If, prior to the end of the Period of Contract Employment and prior to the Termination of Contract Employment, (a) the Employer shall terminate the Employee's employment other than for Cause, or (b) the Executive shall terminate his

employment for Good Reason, then the Employer shall immediately thereupon pay the Employee in a lump sum in cash the full amount of salary that would be payable to the Employee under Section 1.3 and the full amounts provided in subsection E(2) of Section 2.1 hereof and he shall be credited with vesting and benefit service through the remainder of the Period of Contact Employment.

1.7 The term "Cause" shall mean (a) the willful breach of duty by the Employee in the course of his employment, (b) the Employee's habitual neglect of his duties, (c) a material willful breach by the Employee of his duties under this Agreement which breach is not cured by the Employee within ten (10) days of receipt of written notice thereof from the Employer to the Employee, or (d) the Employee's final conviction of a felony, which conviction is nonappealable or for which the period of filing an appeal has expired. "Cause" shall not include (a) bad judgment or negligence of the Employee (other than his habitual neglect of duty), or (b) any act or omission believed by the Employee in good faith to have been in or not opposed to the interests of the Employer (without intent of gaining therefrom directly or indirectly a profit to which he was not legally entitled) and reasonably believed by the Employee not to have been improper or unlawful, or (c) any act or omission in respect of which a determination could properly have been made by the Board of Directors of the Employer that the Employee met the applicable standard of conduct prescribed for indemnification or reimbursement under the bylaws of the Employer or the laws of

Delaware, in each case in effect at the time of such act or omission, or (d) any act or omission with respect to which notice of termination is given more than twelve months after the earliest date on which any non-employee director of the Employer who was not a party to such act or omission knew or should have known of such act or omission.

1.8 The term "Good Reason" means:

A. The assignment to the Employee of any duties materially inconsistent with the Employee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated in Article I of this Agreement, or any other action by the Employer which results in a material diminution in such position, authority, duties or responsibilities, excluding for this purpose an action not taken in bad faith and which is remedied by the Employer within ten (10) days after receipt of written notice thereof given by the Employee, provided that repeated instances of such action shall be evidence of the bad faith of the Employer;

B. any material failure by the Employer to comply with any of the provisions of this Agreement, other than a failure not occurring in bad faith and which is remedied by the Employer within ten (10) days after receipt of written notice thereof given by the Employee, provided that repeated failures shall be evidence of the bad faith of the Employer;

C. failure of the Employee to be elected or reelected Chairman and Chief Executive Officer of the Federated or Allied or to be elected or reelected to membership on the Federated's or Allied's Board of Directors; or

D. any purported termination by the Employer of the Employee's employment otherwise than as expressly permitted by this Agreement.

1.9 The term "Period of Contract Employment", as used herein, means the period beginning as of the date of the order of the Bankruptcy Court authorizing the Agreement and ending on the fifth (5th) anniversary thereof, or on the last day of any Renewal Period, as hereinafter provided.

1.10 The term "Renewal Period", as used herein, means a period of twelve (12) months occurring at the end of the original term of this Agreement or any renewal thereof, either (a) by written agreement of the parties extending the contract period of employment, in which case the Renewal Period may be longer than twelve (12) months if so specified in such Agreement or (b) by failure to give notice as provided in Section 3.3 hereof.

1.11 The term "Termination of Contract Employment", as used herein means either:

A. The expiration of the original term of this Agreement, or the termination of a Renewal Period pursuant to notice given as provided in Section 3.3 hereof, and the cessation of the Employee's contract employment by the Employer as a result thereof; or

B. The failure of the Employee, during the Period of Contract Employment, to render services to the Employer for a continuous period of twelve (12) months, because of the Employee's physical or mental disability during said period, and action by the Board of Directors of the Employer or persons to whom such authority is delegated by the Board of Directors to end the Employee's contract employment by reason thereof. If there should be any dispute between the parties as to the Employee's physical or mental disability at any time, such question shall be settled by the opinion of an impartial reputable physician agreed upon for the purpose by the parties or their representatives, or failing agreement within ten (10) days of a written request thereof by either party to the other, then one designated by the then president of the Cincinnati, Ohio Academy of Medicine. The certificate of such physician as to the matter in dispute shall be final and binding on the parties.

ARTICLE XI

INCENTIVE COMPENSATION

2.1 Employer and Employee recognize that the primary objective for Federated and Allied over the coming years is to increase the value of the businesses through superior performance in achieving growth in operating profits. The enhancement of business values is critical to all constituencies of Employer, including creditors, shareholders, management, employees, vendors and customers. Accordingly, Employer intends to provide

incentive compensation programs for key employees that will provide a means for such employees to share in the increased value of the Federated/Allied businesses as compensation for their contributions in building greater values. Such a program will benefit the Employer by providing an effective means to retain, attract, motivate and reward the key employees whose efforts are critical to the success of the enterprise. As a part of the concept, Employee shall be entitled to receive incentive compensation as follows:

A. Employee shall be entitled to incentive compensation based on the amount by which the Equity Value of Federated/Allied on the Valuation Date exceeds the Base Equity Value of Federated/Allied. Such excess represents the Equity Appreciation over the period ending on the Valuation Date. The Valuation Date shall be

1. January 28, 1995 (the end of the Federated/Allied fiscal year), if Federated and Allied emerge from chapter 11 under a plan of reorganization on or before August 1, 1990, or after November 1, 1990;

2. June 30, 1995, if Federated and Allied emerge from chapter 11 under a plan of reorganization after August 1, 1990, and on or before November 1, 1990;

3. The date of a sale of all or substantially all the assets of Federated and/or Allied prior to the otherwise applicable Valuation Date.

B. As incentive compensation, Employee shall be entitled to an amount equal to three quarters of one percent (3/4 of 1%) of any amount of Equity Appreciation up to and including Five Hundred Million Dollars (\$500,000,000), plus one and one-half percent (1-1/2%) of any amount of Equity Appreciation in excess of Five Hundred Million Dollars (\$500,000,000) up to and including One Billion Dollars (\$1,000,000,000), plus two percent (2%) of any amount of Equity Appreciation in excess of One Billion Dollars (\$1,000,000,000).

C. The Base Equity Value of Federated/Allied shall be the market value of the common equity of Federated/Allied on a consolidated basis as at the date on which Federated and Allied emerge under a plan of reorganization from chapter 11 proceedings now in process in the Southern District of Ohio, provided that if such emergence occurs after November 1, 1990, the Base Equity Value shall be the market value of the common equity of Federated/Allied on a consolidated basis as of the last day of the fiscal year of Employer ended February 3, 1990, increased by

1. the fair market value of equity resulting from conversion of pre-petition debt to equity under the plan of reorganization, and
2. the fair market value of equity investments not described in Section 2.1C.1 made after February 3, 1990.

The Equity Value of Federated/Allied on the Valuation Date shall be the market value of the common equity of Federated/Allied on a consolidated basis as at that date, increased by the amount of any unusual or special dividends or other special or unusual distributions to shareholders after February 3, 1990, and prior to the Valuation Date. In each case, the common equity value of Federated/Allied shall be determined by an investment banking or other qualified firm selected by the Boards of Directors of Federated and Allied, provided that Employee has no reasonable objection to such firm. The firm making the determinations of Base Equity Value and Equity Value on the Valuation Date shall in each case base its determination on market values of similar businesses (on a going concern basis), taking into account net income, cash flow, capital structure, and such other factors as such firm deems relevant in establishing such values.

D. Notwithstanding the foregoing, in the event that on the Valuation Date common shares of Federated and/or Allied are being traded publicly (with not less than 25% of the common shares of Federated or Allied, as the case may be, held by the public) and if the firm determining such value determines that such public trading price accurately reflects the market value of Federated or Allied as the case may be without minority discount, then the market value of Federated and/or Allied, as the case may be, shall be the average of the closing prices for the common shares of such company in the public market for the ninety (90) day calendar days preceding the Valuation Date (or

such shorter period during which common shares of such company have been traded publicly). If the firm determining such value does not determine that such public trading price accurately reflects the market value of Federated or Allied, as the case may be, without minority discount, then the market value as of the Valuation Date shall be determined as provided in Section 2.1C.

E. The incentive compensation due to Employee under this Article II shall be paid as follows:

1. The sum of Two Million Dollars (\$2,000,000) shall be paid upon the commencement of the Period of Contract Employment. This payment will be made in recognition that Employee will lose the opportunity for equity gains and other longer term economic and compensatory benefits from his former employer in moving to companies now in chapter 11 proceedings, as well as the relocation disruptions encountered in making the transfer to Employee's new position with Federated/Allied.

2. The sum of Eight Hundred Thousand Dollars (\$800,000) shall be paid on each of the dates January 31, 1991, January 31, 1992, January 31, 1993, January 31, 1994, and January 31, 1995.

3. The amount of earned incentive compensation not theretofore paid shall be paid 90 days after the Valuation Date, after determination of the Equity Value of Federated/Allied on the Valuation Date.

The balance due 90 days after the Valuation Date shall be the full amount of the earned incentive compensation less the prior payments under paragraphs 1 and 2 above.

4. Recognizing the purposes of inducing Employee to accept this employment and to provide critical management leadership under the special circumstances affecting Federated/Allied at this time, and the need to provide competitive compensation in view of these circumstances, the amount of incentive compensation payable under paragraphs 1 and 2 above shall be payable regardless of the amount of Equity Appreciation as finally determined.

ARTICLE III

OTHER PROVISIONS

3.1 The Employee agrees that during the Period of Contract Employment (a) he will faithfully and in conformity with the directions of the Board of Directors of the Employer, perform the duties of his employment hereunder, and that he will devote to the performance of said duties all such time and attention as they shall reasonably require, taking, however, from time to time (as the Employer agrees that he may) reasonable vacations; and (b) he will not, without the express consent of the Board of Directors of the Employer, or persons to whom such authority is delegated by the Board of Directors become actively associated with or engaged in any competing business (as hereinafter defined) while he is employed by Employer or within one year of

the termination of his employment, if his employment is terminated for cause or if it is terminated other than for Good Reason prior to the end of the Period of Contract Employment, and he will do nothing inconsistent with his duties to the Employer.

In the event that the Employee is advised by the Employer in writing that his services will no longer be required during the Period of Contract Employment, Employee shall be free to become actively engaged with another business.

Employee agrees that he will not disclose to anyone outside of the Employer, or use in other than the Employer's business, confidential information relating to the Employer's business, in any way obtained by him while employed by the Employer, unless authorized by the Employer in writing. It is understood that violation of this provision would cause irreparable harm to the Employer and that Employer may seek to enjoin any such violation or to take any other applicable action. The Employee also agrees that he will not engage in any activity which would violate the Conflict of Interest or Business Ethics Statement signed from time to time by the Employee.

As used in this Section 3.1, a "competing business" shall be any business which:

A. at the time of determination, is substantially similar to the whole or a substantial part of the business at the end of the period of active employment, conducted by Employer, or any of its subsidiaries, or subsidiaries of subsidiaries, or affiliates, or divisions, or substantially similar to some substantial part of said business; and

B. at the time of determination, is operating a store or stores which, during its or their fiscal year preceding the determination, in the aggregate had aggregate net sales, including sales in leased and licensed departments, in excess of \$10,000,000, which store or stores is or are located in a city or within a radius of twenty-five (25) miles from the outer limits of a city where Employer, or any of its subsidiaries, or subsidiaries of subsidiaries, or affiliates, or divisions is operating a store or stores which, during its or their fiscal year preceding the determination, in the aggregate had aggregate net sales, including sales in leased and licensed departments, in excess of \$10,000,000; and

C. had aggregate net sales at all its locations, including sales in leased and licensed departments and sales by its divisions, subsidiaries and affiliates, during its fiscal year preceding that in which the Employee made such an investment therein, or first rendered personal services thereto, following his termination of service, in excess of \$25,000,000.

3.2 The Employer agrees that during the period of active employment the Employee shall be allowed reasonable traveling expenses and shall be furnished office space, assistance and accommodations suitable to the character of his position with the Employer and adequate for the performance of his duties hereunder.

3.3 Unless one party to this Agreement gives to the other party notice in writing of the intention not to renew the agreement for contract employment at least twelve (12) months before either the fifth (5th) anniversary of the commencement of the Period of Contract Employment, or the last day of any Renewal Period ("Terminal Date"), then this Agreement shall automatically be renewed for a period of one (1) year beginning with the day following said Terminal Date, on the terms and conditions herein set forth other than the Period of Contract Employment and except that if one party to this Agreement gives to the other party notice in writing of the intention to terminate any such one (1) year Renewal Period before its expiration, such Renewal Period shall terminate on the last day of the month that is the twelfth (12) month after the month in which such notice is given, or if a later termination date is specified in such notice, on such later date. The giving of notice of intention not to renew this Agreement or to terminate a Renewal Period before its expiration shall not constitute termination of employment.

3.4 This Agreement shall not be assignable by the Employer without the written consent of the Employee. The Employee may not assign, pledge, or encumber his interest in this Agreement, or any part thereof, without the written consent of the Employer.

3.5 The Employer agrees that in the event of a war or national emergency, the Employee will, at his request, be granted a leave of absence for military or governmental service, and

during said period of leave of absence shall be paid such compensation as may be fixed by, or with the authority of, the Board of Directors of the Employer. During any such leave of absence, the Employee shall, except in respect of his rights to the compensation herein provided and his obligation to perform active duties of the Employer be deemed, for the purposes of this Agreement, to be in the contract employment of the Employer.

3.6 This Agreement and all questions arising in connection therewith shall be governed by the laws of the State of Ohio.

3.7 This Agreement comprises the entire agreement between the parties hereto and as of the date of this contract, supersedes, cancels and annuls any and all prior agreements between the parties hereto with respect to payments of the nature herein provided. This Agreement may not be modified orally.

3.8 If the Employee incurs legal or other fees and expenses in an effort to establish entitlement to benefits under this Agreement, regardless of whether the Employee ultimately prevails, the Employer shall reimburse him for such fees and expenses, unless a court of competent jurisdiction determines that the Employee made such effort in bad faith.

Reimbursement of fees and expenses described in the preceding paragraph shall be made monthly during the course of any action upon the written submission of a request for reimbursement together with proof that the fees and expenses were incurred.

3.9 Benefits payable under this Agreement shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind, either voluntary or involuntary, prior to actually being received by the Employee; and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge, garnish, execute on, levy or otherwise dispose of any right to benefits payable hereunder, shall be void.

3.10 If all or any part of this Agreement is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not serve to invalidate any portion of this Agreement not declared to be unlawful or invalid. Any portion so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such portion to the fullest extent possible while remaining lawful and valid.

3.11 All notices required by this Agreement shall be in writing and delivered by hand or by registered or certified mail, postage prepaid, and addressed to his residence in the case of the Employee or to its principal office in the case of the Company, addressed to the Secretary of the Board of the Company. Either party may from time to time designate a new address by notice given in accordance with this Section.

3.12 Except as specifically provided herein, all amounts payable pursuant to this Agreement shall be paid without reduction regardless of any amounts of salary, compensation or

other amounts which may be paid or payable to Employee from any source or which Employee could have obtained upon seeking other employment; provided that the Company shall be permitted to make all payments pursuant to this Agreement net of any legally required tax withholdings. Employee shall not be required to seek other employment, and there shall be no offset to amounts due hereunder as a result of any salary, compensation or other amounts Employee may be paid from other sources.

3.13 The obligations of Employer shall be secured by a trust fund of Ten Million Dollars (\$10,000,000) approved by the United States Bankruptcy Court for the Southern District of Ohio, Western Division. All payments to be made by Employer pursuant to this Agreement shall be made first from such trust and thereafter directly by Federated and Allied. Such trust shall be for the exclusive benefit of Employee and shall not be subject to the claims of creditors of Employer. The cost of funding the trust and of making any payments directly shall be borne by Federated and Allied based upon their respective sales for the fiscal year immediately preceding such funding or payment.

3.14 The Employer shall indemnify Executive and hold him harmless from and against any and all liability, losses, claim, damage, judgments, obligations, attorneys' fees and expenses of every kind and nature which Executive may incur, sustain or be required to pay by reason of or in connection with any claims that may be made against him or the Employer by The Neiman-Marcus Group, Inc. or by General Cinema Corporation or any

of their agents, successors or assigns resulting from or arising out of Executive's entering into this Agreement or his entering into or discussing an employment relationship with the Employer. Reimbursement of fees and expenses described in the preceding sentence shall be made monthly during the course of any action upon the written submission of a request for reimbursement together with evidence that the fees and expenses were incurred.

IN WITNESS WHEREOF, the parties hereto have hereunto and to a duplicate hereof, set their signatures this 2nd day of February, 1990, Federated and Allied each by its President thereunto duly authorized by their Boards of Directors.

FEDERATED DEPARTMENT STORES, INC.

By Bon Ader

ALLIED STORES CORPORATION

By Bon Ader

Allen I. Questrom
ALLEN I. QUESTROM

EXHIBIT 10.1.9

SUPPLEMENTARY EXECUTIVE RETIREMENT PLAN

This Supplementary Executive Retirement Plan (the "Supplementary Plan") is hereby adopted by Federated Department Stores, Inc., a Delaware corporation ('Federated'), for eligible executives who participate in the Retirement Income Plan of Federated Department Stores, Inc., (the "Basic Plan"), or in the Ralph's Grocery Company Retirement Plan (the "Ralph's Plan"), said Plans being defined benefit plans which are intended to satisfy the requirements of Section 401(a) of the Internal Revenue Code of 1954, as amended.

All terms used herein, unless otherwise expressly provided, shall have the meaning set forth in the Basic Plan.

1.

Purpose

The Supplementary Plan shall provide for the payment of supplementary retirement benefits to compensate an eligible executive for the amount of the reduction, if any, in his benefits under the Basic Plan or Ralph's Plan on account of (i) the application of Section 415 of the Internal Revenue Code of 1954, as amended (the "Code"), (ii) the exclusion from "Compensation", as defined in Section 1.23 of the Basic Plan, or from "Earnings", as defined in Section 1.10 of the Ralph's Plan, of amounts deferred under Federated's Executives Deferred Compensation Plan ("EDCP"), and (iii) the application of those portions of Sections 3.1(d)(1) and 3.1(d)(2) of the Basic Plan or Section 1.8(b) of the Ralph's Plan as incorporated into Section 4.5 thereof, which exclude certain years from the benefit calculations of those respective Plans.

2.

Participation

As used in this Supplementary Plan the term "eligible executive" shall mean any participant in the Basic Plan or the Ralph's Plan retiring after the effective date hereof who in any calendar year has Compensation in excess of

the maximum amount which may be considered wages for such year under the Federal Insurance Contribution Act, and whose benefits under the Basic Plan or the Ralph's Plan are reduced for any of the reasons described in sub-paragraphs (i), (ii) or (iii) of paragraph 1 hereof.

3.

Retirement Benefits

3.1. Benefit Calculation. The benefit payable to a Participant under this Supplementary Plan shall equal the difference, if any, between (a) and (b), where:

(a) equals the benefit payable to him pursuant to the Basic Plan or the Ralph's Plan, as the case may be, determined without regard to the limits of Section 415 of the Code, including within the definition of "Compensation" under the Basic Plan or "Earnings" under the Ralph's Plan, as applicable, amounts he deferred under EDCP, and taking into account all of a Basic Plan Participant's Years of Credited Service, as defined in Section 3.1(d) of the Basic Plan, and a Ralph's Plan Participant's Credited Service, as defined in Section 1.8 of the Ralph's Plan, notwithstanding the respective provisions of Sections 3.1(d)(1) and 3.1(d)(2) of the Basic Plan and Section 1.8(b) of the Ralph's Plan as incorporated into Section 4.5 thereof; and

(b) equals his benefit under the Basic Plan or the Ralph's Plan.

The amount of (a) and (b) above shall be determined without regard to the form of the benefit to be paid under the Basic Plan or the Ralph's Plan.

3.2. Time of Payment. Benefits under this Supplementary Plan shall commence at the same time and shall continue on a coterminous basis with the benefits paid under the Basic Plan or the Ralph's Plan.

3.3. Form of Payment. The benefit under this Supplementary Plan shall be paid in the same form as the benefit paid under the Basic Plan. Accordingly, if the benefit under the Basic Plan is not paid in the form of an annuity which

2.

commences on a Participant's Normal Retirement Date (as defined in Section 1.13 of the Basic Plan) and which continues each month thereafter only during his lifetime, the amount of the benefit described in Section 3.1 or 11.2 hereof shall be adjusted to the Actuarial Equivalent (as defined in Section 1.21 of the Basic Plan) of such amount according to the form of the benefit paid under the Basic Plan.

4.

Source of Benefits

The benefits payable under this Supplementary Plan shall be paid exclusively from Federated's general assets. No Participant shall have any right or claim to the payment of a benefit hereunder which in any manner whatsoever is superior to or different from the right or claim of a general and unsecured creditor of Federated.

5.

Coordination With Basic Plan

Federated shall take such action as necessary and appropriate to establish procedures with the Trustees of the Basic Plan and the Ralph's Plan so as to coordinate in all respects the payments of benefits hereunder with the payment of benefits under the Basic Plan or the Ralph's Plan.

6.

Construction

Federated intends that this Supplementary Plan be exempt from Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), under Section 4(b)(5) thereof, as an excess benefit plan which is unfunded, and any ambiguities in construction shall be resolved in favor of interpretations which will effectuate such intention. Furthermore, in the construction of this Supplementary Plan, the masculine shall include the feminine and the singular

3.

the plural in all cases where such meanings would be appropriate. Finally, this Supplementary Plan shall be governed by and construed in accordance with the laws of the State of Ohio to the extent such laws are not preempted by ERISA.

7.

Administration

7.1. Administration of the Supplementary Plan. Except as otherwise provided herein, this Supplementary Plan shall be administered by a Supplementary Retirement Board (hereinafter referred to as the "Board") which shall consist of not less than three (3) nor more than nine (9) persons, each of whom shall serve at the pleasure of the Board of Directors of Federated, and vacancies therein arising by reason of resignation, death, removal or otherwise shall be filled by the said Board of Directors. Such members of the Board may also be eligible executives under this Supplementary Plan and may be members of the Administrative Committee of the Basic Plan. The Board shall have authority to make, amend, interpret and enforce all appropriate rules and regulations for the administration of this Supplementary Plan and decide or resolve any and all questions including interpretations of this Supplementary Plan, as may arise in connection with this Supplementary Plan.

In the administration of this Supplementary Plan, the Board may, from time to time, employ agents and delegate to them such administrative duties as it sees fit and may from time to time consult with counsel who may be counsel to Federated.

The decision or action of the Board in respect of any question arising out of or in connection with the administration, interpretation and application of this Supplementary Plan and the rules and regulations thereunder shall be final and conclusive and binding upon all persons having any interest therein.

4.

8.

Termination, Suspension or Amendment

8.1. Termination, Suspension or Amendment. The Board of Directors of Federated may, in its sole discretion, terminate, suspend or amend this Supplementary Plan at any time or from time to time, in whole or in part. However, no such termination, suspension or amendment shall adversely affect the benefits of any eligible executive who has theretofore retired except as provided in the following paragraph hereof.

8.2. Reduction of Benefits. Notwithstanding any other provisions of this Supplementary Plan, in the event that the aggregate amount of benefits paid under this Supplementary Plan in any benefit year (the period commencing on July 1 of any calendar year and ending on the following June 30) after taking into account the tax effect on Federated shall exceed five percent (5%) of the average net income of Federated as shown in its annual report to shareholders for the prior three (3) consecutive fiscal years, ending prior to the conclusion of the benefit year, then all benefits otherwise payable hereunder during the next following benefit year shall be reduced or if necessary terminated. Such reduction shall be made by reducing the benefits otherwise payable during such next following benefit year in the same proportion that the benefits for the immediately preceding benefit year (before the imposition of the limitations provided for by this paragraph) would have had to have been reduced so that no excess would have occurred during such immediately preceding benefit year.

9.

Effective Date

The Effective Date of this Supplementary Plan shall be January 1, 1984.

5.

10.

General Conditions

10.1. Prohibition of Assignment. No interest of an eligible executive, or surviving spouse when the survivorship option has been elected under this Supplementary Plan and no benefit payable hereunder shall be assigned as security for a loan, and any such purported assignment shall be null, void and of no effect, nor shall any such interest or any such benefit be subject in any manner, either voluntarily or involuntarily, to anticipation, sale, transfer, assignment or encumbrance by or through an eligible executive, or surviving spouse. If any attempt is made to alienate, pledge or charge any such interest or any such benefit for any debt, liabilities in tort or contract, or otherwise, of any eligible executive, or surviving spouse, contrary to the prohibitions of the preceding sentence, then the Board in its discretion may suspend or forfeit the interests of such person and during the period of such suspension, or in case of forfeiture, the Board shall hold such interest for the benefit of, or shall make the benefit payments to which such person would otherwise be entitled to the designated beneficiary or to some member of such eligible executive's, or surviving spouse's family to be selected in the discretion of the Board.

10.2. No Additional Rights. No eligible executive and no other person shall have any legal or equitable rights or interest in this Supplementary Plan that are not expressly granted in this Supplementary Plan. Participation in this Supplementary Plan does not give any person any right to be retained in the service of Federated. The right and power of Federated to dismiss or discharge any executive is expressly reserved.

10.3. Limitation on Payments. It is recognized that an eligible executive's duties during the period of employment with Federated, its divisions or subsidiaries, entail the receipt of confidential information concerning not only current operations and procedures but also its short-range and long-range plans.

If the eligible executive during any portion of the period of (2) years following his retirement as provided in this Supplementary Plan has an investment of \$100,000 or more in a competing business (as hereinafter defined) or renders personal services to such a competing business in any manner, including without limitation, as owner, partner, director, trustee, officer, employee, consultant or advisor thereof all rights to receive any benefits under this Supplementary Plan shall immediately cease.

As used in this Section, a "competing business" shall be any business which:

(a) at the time of determination, is substantially similar to the whole or a substantial part of the business at the end of the period of active employment, conducted by Federated, or any of its subsidiaries, or subsidiaries of subsidiaries, or affiliates, or divisions, or substantially similar to some substantial part of said business; and

(b) at the time of determination, is operating a store or stores which, during its or their fiscal year preceding the determination, in the aggregate had aggregate net sales, including sales in leased and licensed departments, in excess of \$10,000,000 which store or stores is located in a city or within a radius of twenty-five (25) miles from the outer limit of a city where Federated or any of its subsidiaries, or subsidiaries of subsidiaries, or affiliates, or divisions is operating a store or stores which, during its or their fiscal year preceding the determination, in the aggregate had aggregate net sales, including sales in leased and licensed departments, in excess of \$10,000,000; and

(c) had aggregate net sales at all its locations, including sales in leased and licensed departments and sales by its divisions, subsidiaries and affiliates, during its fiscal year preceding that in which the eligible executive made such investment therein, or first rendered personal services thereto, following his termination of service, in excess of \$25,000,000.

11.

Supplementary Retirement Plan - Alternate Benefits

11.1. Termination of SPP. Federated's Supplementary Retirement Plan ("SRP") made effective as of May 25, 1976 and last amended June 25, 1981, is hereby terminated effective as of January 1, 1984.

11.2. Alternate Benefits. The provisions of Section 3.1 hereof notwithstanding, any Participant in this Supplementary Plan who retires during the period commencing with the effective date of this Supplementary Plan and ending on December 31, 1990, inclusive, may elect to receive the greater of the following benefits, payable as provided in this Plan:

(1) the benefit provided under Section 3.1 of this Supplementary Plan

or

(2) the benefit that would have been produced under SRP had it been in effect as of the date of the said Participant's retirement, offset by any benefits payable to such Participant under the Basic Plan (but not by any benefits payable under the Ralph's Plan, said benefits having been included as an offset in calculating the SRP benefit).

E.

EXHIBIT 10.8.6

EXECUTION COPY

7995J

AGREEMENT, dated May 9, 1989, between FEDERATED DEPARTMENT STORES, INC., a Delaware corporation (the "Company"), as successor by merger to CRTF CORPORATION, a Delaware corporation ("CRTF"), FEDERATED HOLDINGS, INC., a Delaware corporation ("Holdings"), CAMPEAU CORPORATION (U.S.) INC., a Delaware corporation ("Campeau U.S.") and CAMPEAU CORPORATION, an Ontario corporation ("Campeau"), on the one hand, and FIRST BOSTON SECURITIES CORPORATION ("FB"), PAINEWEEBER FUNDING INC. ("PaineWebber") and DILLON, READ INTERFUNDING INC. ("Dillon"), on the other hand.

Reference is made to that certain Note Purchase Agreement, dated as of April 29, 1988 (the "Note Agreement"), by and between CRTF, on the one hand, and FB, PaineWebber and Dillon, on the other hand, that certain Exchange Note Agreement, dated as of April 29, 1988, by and between CRTF, on the one hand, and FB, PaineWebber and Dillon, on the other hand, as amended and restated by the Amended and Restated Exchange Note Agreement, dated as of November 1, 1988 (the "Exchange Note Agreement"), by and between the Company, on the one hand, and FB, PaineWebber and Dillon, on the other hand, that certain Holdings Agreement, dated as of April 29, 1988 (the "Holdings Agreement"), by and between Holdings, on the one hand, and FB, PaineWebber and Dillon, on the other hand, that certain Supplemental Agreement, dated as of November 1, 1988 (the "Supplemental Agreement"), by and between the Company and Holdings on the one hand, and FB, PaineWebber and Dillon, on the other hand, and that certain Additional Supplemental Agreement, dated as of January 27, 1989 (the "Additional Supplemental Agreement"), by and between the Company and Holdings, on the one hand, and FB, PaineWebber and Dillon, on the other hand.

Pursuant to the terms set forth below, the Company, Holdings, Campeau U.S., Campeau, FB, PaineWebber and Dillon desire to set forth in writing certain understandings and agreements relating to the Exchange Note Agreement, the Holdings Agreement, the Supplemental Agreement and the Additional Supplemental Agreement.

Except as otherwise expressly provided or unless the context otherwise requires, all capitalized terms used but not otherwise defined herein shall have the meanings assigned to them in the Exchange Note Agreement.

Section 1. Equity Reserve. The parties hereto agree that, in addition to the rights and obligations with respect to the Equity Reserve contained in the various agreements to which the parties hereto and/or Holdings II are party, the Equity Reserve (as described in Section 3) shall be structured and have the rights and obligations and terms set forth (and the holders from time to time of all or any portion of the Equity Reserve shall have the rights and obligations described) under the captions "Equity Put/Call" and "Amplification of Registration Rights" in the Private Placement term sheet, dated March 15, 1989 (the "Term Sheet") a copy of which is annexed hereto as Exhibit A, and the Holdings Agreement shall continue on the terms described under "Equity Interest" in the Term Sheet; provided, however, that (i) clause (a) under the caption "Amplification of Registration Rights" shall not apply to the Equity Reserve and (ii) in addition to the call rights described under the caption "Equity Put/Call," the Company and Holdings shall have the right to call (the "Additional Call") any portion of the Equity Reserve that is or, at the request of the holder thereof, is to be included in any registration of any securities by the Company or Holdings under the Securities Act of 1933 (the "1933 Act") (excluding, however, any such registration that is an "initial public offering" by either the Company or Holdings other than an "initial public offering" that is the result of exercise of demand registration rights by holders of all or any portion of the Equity Reserve). The Additional Call may be exercised only to the extent permitted under the instruments described in clauses (a)(i) and (a)(ii) under the caption "Equity Put/Call" in the Term Sheet. The portion of the Equity Reserve to which the Additional Call shall apply with respect to any such registration is referred to herein as the "Shares Subject to Call". The Additional Call shall be exercisable with respect to the Shares Subject to Call as follows: (A) in the case of a demand registration, the Additional Call shall be exercisable by giving notice of exercise within 20 days of the notice by the holder of such shares to the Company or Holdings (as the case may be) requesting a registration of such shares and (B) in the case of a "piggy-back" registration, (1) not less than 30 days prior to the filing of any registration statement by the Company or Holdings, the Company or Holdings (as the case may be) shall give notice to the holders of the Equity Reserve of the Company's or Holdings' (as the case may be) intention to file a registration statement under the 1933 Act, which notice shall specify the filing date and shall offer such holders the right to have all or any portion of such shares included in such registration, (2) holders of the Equity Reserve shall give notice to the Company or Holdings (as the case may be) within 10 days of receipt of the notice in clause (a) of their intention to have their shares included in such registration.

specifying the number of shares to be so included, and (3) the Additional Call shall be exercisable by giving notice of exercise prior to the filing of the registration statement in connection with such registration. The Additional Call shall be exercisable at a cash price per share determined in the manner set forth in the first sentence under the caption "Equity Put/Call" in the Term Sheet which price shall be paid at a closing to be held within 10 days after the date notice of exercise is given.

This Agreement supersedes the seventh sentence of the third paragraph of the letter, dated April 24, 1989, addressed to the Company and Holdings from FB, PaineWebber and Dillon.

Section 2. Consents and Approvals. The Company, Holdings, Campeau U.S. and Campeau represent and warrant to FB, PaineWebber and Dillon that the Company, Holdings, Campeau U.S. and Campeau and their respective Affiliates have obtained or made, and caused each of their respective Subsidiaries to obtain or make, all necessary (i) governmental consents, approvals and authorizations, and registrations and filings with Governmental Authorities (as defined in Section 13 of the Note Agreement) and (ii) consents, approvals, waivers and notifications of stockholders, creditors and other non-governmental persons, in each case, which are required to be obtained or made by the Company, Holdings, Campeau U.S., Campeau or their respective Affiliates or any of their respective Subsidiaries in connection with the execution and delivery of this Agreement and the consummation of the transactions herein contemplated except for any of the foregoing in clause (i) or (ii) relating to the exercise of any put or call rights or registration rights relating to the Equity Reserve.

Section 3. Understandings Relating to Reserve Shares. Holdings represents and warrants to FB, PaineWebber and Dillon that the Escrowed Shares constitute 6.96% of its issued and outstanding Capital Stock having ordinary voting power, on a fully diluted basis (assuming all instruments, securities or agreements that are convertible into, or exchangeable for, or options, warrants or rights to purchase Capital Stock of Holdings are immediately exercisable) ("Voting Stock"), and agrees that the Escrowed Shares shall at all times continue to constitute such percentage except as otherwise permitted by the Escrow Agreement dated as of January 27, 1989, among Federated Holdings II, Inc. ("Holdings II"), FB, PaineWebber and Dillon, and United States Trust Company of New York, as Escrow Agent. Holdings agrees that, as provided in Section 4 of the Holdings Agreement, at the request of the Refunding Underwriters, Holdings shall take such actions as are

necessary or desirable, including, but not limited to, a stock split or recapitalization transaction, in order to make available shares constituting the Equity Reserve in a sufficient number (in the sole reasonable judgment of the Refunding Underwriters) to permit distribution to the public of the Equity Reserve. Holdings agrees that, unless otherwise agreed in writing with FB, PaineWebber and Dillon, Holdings shall effect a split of its Voting Stock no later than five days after FB's written request (which request shall not be made before May 12, 1989) therefor to Holdings such that, after such split, each Holder of a Series II Exchange Note would be entitled to receive four shares of Holdings' Voting Stock (currently denominated as Class A Common Stock) for each \$1,000 principal amount of Series II Exchange Notes (or Series II Substitute Exchange Notes, as the case may be). The parties hereto confirm that, unless otherwise agreed in writing, the Equity Reserve shall be made available only to aid in the sale of the Series II Exchange Notes (or the Series II Substitute Exchange Notes, as the case may be) as provided in the existing agreements among the parties.

Section 4. Agreements Otherwise Unmodified. The parties hereto confirm that, except as otherwise expressly provided herein, this Agreement shall in no manner limit the rights or obligations of the Company, Holdings, Campeau U.S. or Campeau under the Note Agreement, the Holdings Agreement (as modified by the Supplemental Agreement), the Exchange Note Agreement, the Supplemental Agreement, the Additional Supplemental Agreement or the other Financing Documents or the rights or obligations of FB, PaineWebber and Dillon under any such documents. Except as otherwise expressly provided herein, the terms and conditions of the Note Agreement, the Exchange Note Agreement, the Holdings Agreement (as modified by the Supplemental Agreement) the Supplemental Agreement, the Additional Supplemental Agreement and the other Financing Documents shall be and remain in full force and effect.

Section 5. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without giving effect to the principles of conflicts of law thereof.

Section 6. Counterparts. This Agreement may be executed in two or more counterparts, any one of which need not contain the signatures of more than one party, but all such counterparts taken together will constitute one and the same instrument.

Section 7. Miscellaneous. The provisions of Sections 12.03, 12.04, 12.05, 12.07 and 12.10 of the Exchange Note Agreement are incorporated herein by reference as if set forth in full herein except that all notices given or delivered under or by reason of this Agreement shall only be effective upon receipt.

Section 8. Waiver, Remedies. In the event of a breach under this Agreement, the Holders of the Series II Exchange Notes shall have the right, in addition to all other rights and remedies they may have, to specific performance of the respective obligations of Campeau, Campeau U.S., Holdings II, Holdings and the Company hereunder, and Campeau, Campeau U.S., Holdings II, and the Company hereby concede that the Holders' remedy at law may be inadequate and agree to pay any and all reasonable attorneys' fees and expenses incurred in connection with such successful enforcement of the Holders' right to specific performance. No course of dealing and no delay on the part of any party in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such party's rights, powers or remedies. No right, power or remedy conferred hereby shall be exclusive of any other right, power or remedy referred to herein or now or hereafter available at law, in equity, by statute, or otherwise.

Section 9. Further Assurances. Each of the parties hereto without further consideration shall do and perform or cause to be done and performed all such further acts and things and shall execute and deliver all such other agreements, certificates, documents and instruments as any other party or parties hereto may reasonably request in order to carry out the transactions contemplated by this Agreement.

Section 10. Service of Process; Venue. Each of the parties hereto and Holdings II hereby irrevocably consent to personal jurisdiction and venue in any court of the State of New York or any federal court sitting in the State of New York, and hereby waive any claim it may have that such court is an inconvenient forum and any claim of improper venue or jurisdiction, for the purposes of any suit, action or other proceeding arising out of this Agreement or any of the agreements or transactions contemplated hereby, which is brought by or against any of them and hereby agree that all claims in respect of any such suit, action or proceeding may be heard and determined in any such court. The parties hereto irrevocably consent to the service of process of any of the aforementioned courts in any such suit, action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the Company, FB, PaineWebber and Dillon at their respective addresses set forth in Section 12.10 of the

Exchange Note Agreement, to Campeau and Campeau U.S. at Campeau Corporation, 40 King Street West, Toronto, Ontario, Canada M5H 3Y8, Attention: Vice President, General Counsel and Secretary and to Holdings II and Holdings at 1440 Broadway, 13th Floor, New York, New York 10018, Attention: President, in each case such service to become effective 10 days after such mailing.

IN WITNESS WHEREOF, the Company, Holdings, Campeau U.S., Campeau, FB, PaineWebber and Dillon have caused this Agreement to be executed and delivered as of the day and year first above written.

FEDERATED DEPARTMENT STORES, INC.

by Russell J. Van
Name:
Title:

FEDERATED HOLDINGS, INC.

by R. T. Jones
Name:
Title:

CAMPEAU CORPORATION (U.S.) INC.

by R. T. Jones
Name:
Title:

by Russell J. Van
Name:
Title:

CAMPEAU CORPORATION

by R. T. Jones
Name:
Title:

by Russell J. Van
Name:
Title:

FIRST BOSTON SECURITIES CORPORATION

by

Name: John G. Tottolon, Jr.

Title: Vice President & Director

PAINEWEEBER FUNDING INC.

by

Name:

Title:

DILLON, READ INTERFUNDING INC.

by

Name:

Title:

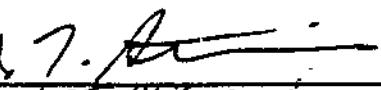
FIRST BOSTON SECURITIES CORPORATION

by _____

Name:

Title:

PAINEWEEBER FUNDING INC.

by 

Name: J. T. Adams

Title: Vice President

DILLON, READ INTERFUNDING INC.

by _____

Name:

Title:

FIRST BOSTON SECURITIES CORPORATION

by _____
Name:
Title:

PAINEWEEBER FUNDING INC.

by _____
Name:
Title:

DILLON, READ INTERFUNDING INC.

by Neil L. Cohen
Name: Neil L. Cohen
Title: Attorney - In - Fact

Agreement by Federated Holdings II, Inc.

The undersigned, Federated Holdings II, Inc., a Delaware corporation, hereby acknowledges and agrees to be bound by the provisions of the foregoing Agreement applicable to the undersigned, including but not limited to, the provisions of Sections 8 and 10 of such Agreement.

FEDERATED HOLDINGS II, INC.

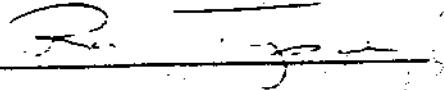
By: 

EXHIBIT 10.8.7

MODIFICATION AGREEMENT, dated as of May 10, 1989, between FEDERATED DEPARTMENT STORES, INC., a Delaware corporation (the "Company"), as successor by merger to CRTF CORPORATION, a Delaware corporation ("CRTF"), FEDERATED HOLDINGS, INC., a Delaware corporation ("Holdings"), CAMPEAU CORPORATION (U.S.) INC., a Delaware corporation ("Campeau U.S.") and CAMPEAU CORPORATION, an Ontario corporation ("Campeau"), on the one hand, and FIRST BOSTON SECURITIES CORPORATION ("FB"), PAINEWEBBER FUNDING INC. ("PaineWebber") and DILLON, READ INTERFUNDING INC. ("Dillon"), on the other hand.

Reference is made to that certain Note Purchase Agreement, dated as of April 29, 1988 (the "Note Agreement"), by and between CRTF, on the one hand, and FB, PaineWebber and Dillon, on the other hand, that certain Exchange Note Agreement, dated as of April 29, 1988, by and between CRTF, on the one hand, and FB, PaineWebber and Dillon, on the other hand, as amended and restated by the Amended and Restated Exchange Note Agreement, dated as of November 1, 1988 (the "Exchange Note Agreement"), by and between the Company, on the one hand, and FB, PaineWebber and Dillon, on the other hand, that certain Holdings Agreement, dated as of April 29, 1988 (the "Holdings Agreement"), by and between Holdings, on the one hand, and FB, PaineWebber and Dillon, on the other hand, that certain Supplemental Agreement, dated as of November 1, 1988 (the "Supplemental Agreement"), by and between the Company and Holdings on the one hand, and FB, PaineWebber and Dillon, on the other hand, and that certain Additional Supplemental Agreement, dated as of January 27, 1989 (the "Additional Supplemental Agreement"), by and between the Company and Holdings, on the one hand, and FB, PaineWebber and Dillon, on the other hand.

Pursuant to the terms set forth below, the Company, Campeau U.S., Campeau, FB, PaineWebber and Dillon desire to set forth in writing certain understandings and agreements relating to the Exchange Note Agreement, the Supplemental Agreement and the Additional Supplemental Agreement and the repayment of the Series II Exchange Notes. In addition, pursuant to the terms set forth below, Holdings, Campeau U.S., Campeau, FB, PaineWebber and Dillon desire to set forth in writing certain understandings and agreements relating to the Holdings Agreement, the Exchange Note Agreement, the Supplemental Agreement and the Additional Supplemental Agreement.

Except as otherwise expressly provided or unless the context otherwise requires, all capitalized terms used but not otherwise defined herein shall have the meanings assigned to them in the Exchange Note Agreement.

Section 1. Extension. The Company, Holdings, Campeau U.S., Campeau, FB, PaineWebber and Dillon agree that: (i) FB, PaineWebber and Dillon will not offer to sell or sell any Series II Exchange Notes or the Installment Note (as defined below) (other than any such sale by any one of them to any other of them or any of their respective Affiliates) unless and until this Agreement terminates pursuant to Section 4(a) or 4(d); and (ii) FB, in conjunction with PaineWebber and Dillon, will not request the delivery of any Holdings Capital Stock to any purchaser of Series II Exchange Notes unless and until this Agreement terminates pursuant to Section 4(a) or 4(d). The marketing efforts relating to the private placement (the "Private Placement") of the Company's 13-3 1/4% Senior Notes due 1994, pursuant to the Company's Confidential Direct Private Placement Memorandum, dated March 1989, shall be terminated as of the date hereof.

Section 2. Fees. Campeau, FB, PaineWebber and Dillon agree that a non-refundable cash fee (the "Modification Fee") of \$20,000,000 shall be payable by Campeau or its Affiliates (other than Holdings and its Subsidiaries unless consented to by the Company's bank lenders) to FB, PaineWebber and Dillon (as directed by FB, in conjunction with PaineWebber and Dillon). The Modification Fee shall be paid in four installments (each, an "Installment" and, collectively, the "Installments"), as follows: on May 10, 1989, an Installment of \$7,186,000 shall be payable (the "Initial Installment"); on June 9, 1989 an additional Installment of \$4,512,000 shall be payable; on July 10, 1989 an Additional Installment of \$4,500,000 shall be payable; and on August 10, 1989, an additional Installment of \$3,800,000 shall be payable (the Installments payable on June 9, 1989, July 10, 1989 and August 10, 1989, collectively, the "Additional Installments"), in each case with interest thereon as described below. The Additional Installments shall be evidenced by an Installment Note of Campeau appropriately completed as directed by FB, in conjunction with PaineWebber and Dillon, in the form annexed as Exhibit A in the principal amount set forth therein. The Installment Note shall be executed and delivered by Campeau simultaneously with the execution and delivery of this Agreement. In addition, Campeau, FB, PaineWebber and Dillon agree that an additional non-refundable cash fee (the "Cancellation Fee") shall be payable by Campeau or its Affiliates (other than Holdings and its Subsidiaries unless consented to by the Company's bank lenders), upon the written

instruction to Campeau by FB, in the amount of up to \$1,000,000 to the extent reasonably deemed necessary by FB (or its Affiliates); as a "cancellation fee" to persons who have committed in principle to purchase notes pursuant to the Private Placement. The Cancellation Fee shall be paid to FB not later than 5 days after FB's written request therefor to Campeau. FB will promptly pay the Cancellation Fee to the persons entitled thereto and will return any excess to Campeau. All payments under this Section 2 shall be made pursuant to the procedures set forth in Section 4.04 of the Exchange Note Agreement.

Section 3. Actions Relating to Mortgage Financings and Repayment of Series II Exchange Notes.

(a) If, on or prior to September 15, 1989, the Company has obtained the Commitment and the Consents (as such terms are defined below), and if this Agreement has not been terminated pursuant to Sections 4(a)(i) or 4(d), then, unless and until this Agreement terminates pursuant to Section 4(a)(iii) (and notwithstanding the provisions of Section 4.03(a) and (b) of the Exchange Note Agreement and Paragraph 5 of the Series II Exchange Notes), the Company may prepay the Series II Exchange Notes in full, at an aggregate cash price of \$389,800,000 plus accrued interest on the Series II Exchange Notes to the date of prepayment (the "Prepayment Amount"), and shall simultaneously pay to FB, PaineWebber and Dillon any other amounts owing by the Company to FB, PaineWebber and Dillon hereunder and under or with respect to the Exchange Note Agreement or the Series II Exchange Notes (including, but not limited to, any fees or expenses (including fees and expenses of legal counsel) owing hereunder or under other existing agreements among the parties hereto) (the "Additional Amount"). Payment of the Prepayment Amount shall be made to the Holders of the Series II Exchange Notes pro rata in proportion to the respective unpaid principal amount of the Series II Exchange Notes held by them immediately prior to such payment. The Additional Amount shall be paid to the parties entitled thereto.

For purposes of this Agreement, the "Commitment" shall mean a legally binding written commitment in form and substance reasonably satisfactory to FB (in conjunction with PaineWebber and Dillon) from one or more creditworthy sources to provide financing to the Company or its Affiliates, which shall (a) set forth the material terms of the financing that is the subject of the Commitment (the "Financing"), (b) be in at least an amount (the "Minimum Amount") which FB (in conjunction with PaineWebber and Dillon) in its reasonable judgment believes to be sufficient to pay the Prepayment Amount, the Additional

Amount and any other amount that is required to be paid (by the terms of the Commitment or otherwise) prior to or simultaneously with the Prepayment Amount plus all fees and expenses relating thereto (provided, however, that the Minimum Amount need not include such related fees and expenses if and to the extent that FB, in conjunction with PaineWebber and Dillon, is satisfied in its reasonable judgment that funds to pay such amounts will be available at the closing of the Financing from alternate sources), (c) specify a date not later than December 1, 1989 for the closing of the Minimum Amount of the Financing, (d) contain conditions to closing with respect to the Minimum Amount which FB (in conjunction with PaineWebber and Dillon) in its reasonable judgment believes are likely to be satisfied prior to the specified closing date, (e) not be conditioned, with respect to the Minimum Amount, upon due diligence, appraisal or valuation of the Company, its Subsidiaries or their assets (except with respect to the absence of material adverse changes in value after the date of the Commitment or, if specified in the Commitment, the date of the most recent financial statements of the Company that precede the date of the Commitment), (f) not be conditioned, with respect to the Minimum Amount, upon obtaining committee or other internal approvals by the lender or, with respect to the Minimum Amount, be "subject to syndication" and (g) have been accepted by the Company and all conditions precedent to the effectiveness of the Commitment with respect to the Minimum Amount (including, without limitation, payment of any commitment fees, but excluding conditions to funding under the Commitment that are not also conditions precedent to its effectiveness; shall have been satisfied.

For purposes of this Agreement, the "Consents" shall mean all necessary (i) governmental consents, approvals and authorizations, and registrations and filings (other than those that relate to satisfying conditions to funding the Commitment with Governmental Authorities (as defined in Section 13 of the Note Agreement) in form and substance reasonably satisfactory to FB (in conjunction with PaineWebber and Dillon) to permit the closing of the Minimum Amount of the Financing in accordance with the terms and conditions of the Commitment and to permit the payment of the Prepayment Amount and the Additional Amount to the Holders of the Series II Exchange Notes as provided in this Section 3(a), (ii) consents, approvals, waivers and notifications of creditors in form and substance reasonably satisfactory to FB (in conjunction with PaineWebber and Dillon) to permit the closing of the Minimum Amount of the Financing in accordance with the terms and conditions of the Commitment, and (iii) consents, approvals, waivers and notifications of creditors, stockholders, and other non-governmental persons, in form and substance reasonably

satisfactory to FB (in conjunction with PaineWebber and Dillon, to permit the payment of the Prepayment Amount and the Additional Amount to the Holders of the Exchange Notes as provided in this Section 3(a) and in accordance with the terms and conditions of the Commitment (it being understood that the Consents shall also specify the uses permitted thereunder of proceeds of the Minimum Amount of the Financing to the reasonable satisfaction of FB, in conjunction with PaineWebber and Dillon).

The Company shall not be under any obligation to obtain the Commitment or the Consents.

(b) FB, PaineWebber and Dillon agree that, notwithstanding the provisions of Section 4.03(a) and (b) of the Exchange Note Agreement and paragraph 5 of the Series II Exchange Notes, the Company may, at its option, at any time after the date hereof and prior to the termination of this Agreement pursuant to Section 4(a) or Section 4(d) (but, except as otherwise provided in Section 3(a), in no event after September 15, 1989) redeem all (but not less than all) of the outstanding principal amount of the Series II Exchange Notes held by FB, PaineWebber and Dillon (or their Affiliates), at an aggregate cash price of \$389,800,000 plus accrued interest on the Series II Exchange Notes to the date of redemption (the "Redemption Amount") plus the Additional Amount. Payment of the Redemption Amount shall be made to the Holders of the Series II Exchange Notes pro rata in proportion to the respective unpaid principal amount of the Series II Exchange Notes held by them immediately prior to such payment. The Additional Amount shall be paid to the parties entitled hereunder.

(c) If the Company elects to prepay the Series II Exchange Notes as provided in Section 3(a) or to redeem the Series II Exchange Notes as provided in Section 3(b), the Company shall give FB, PaineWebber and Dillon or their Affiliates (as the case may be) written notice (which notice shall be irrevocable) of its election to prepay or redeem (as the case may be) the Series II Exchange Notes not less than 5 Business Days prior to the prepayment date or redemption date (as the case may be). Notice of prepayment or redemption having been given as aforesaid, the Prepayment Amount or the Redemption Amount (as applicable) and the Additional Amount shall become due and payable on the prepayment date or redemption date (as the case may be). If the Company prepays all of the Series II Exchange Notes pursuant to Section 3(a) or redeems all of the Series II Exchange Notes pursuant to Section 3(b), upon payment of the Prepayment Amount or the Redemption Amount (as applicable) and the Additional Amount,

this Agreement shall immediately terminate and the Escrowed Shares (as defined in Section 4(b)) shall be released to Federated Holdings II, Inc., a Delaware corporation ("Holdings II").

(d) The Company, Holdings, Campeau U.S. and Campeau agree to provide FB, PaineWebber and Dillon, as soon as practicable, after the receipt by the Company, Holdings, Campeau U.S. or Campeau thereof, with copies of (a) the Commitment, the Consents and any amendments thereto or modifications thereof and (b) upon the reasonable request of FB at any time and from time to time, all correspondence between the Company and any other party to any of the foregoing with respect to the subject matter thereof and any agreements or other documents relating thereto.

(e) All payments under this Section 3 shall be made pursuant to the procedures set forth in Section 4.04 of the Exchange Note Agreement.

(f) The net proceeds of the Minimum Amount of the Financing shall be (i) applied to the permanent repayment of the Series II Exchange Notes or of indebtedness of the Company or its Subsidiaries for borrowed money which is not subordinate or junior to the prior payment of the Series II Exchange Notes or (ii) pending such application (in whole or in part), invested or reinvested in U.S. Government Obligations having a final maturity of 30 days or less. "U.S. Government Obligations" shall mean direct obligations of the United States for the payment of which the full faith and credit of the United States is pledged.

Section 4. Termination.

(a) This Agreement shall immediately terminate upon the occurrence of any of the following events:

(i) If (A) any Additional Installment of the Modification Fee is not paid within three Business Days of the date on which such Installment becomes due and payable (whether or not notice of default is given) pursuant to Section 2 and the Installment Note, (B) any amount owing under the Installment Note is not paid within three Business Days of the date on which it becomes due and payable (including by reason of acceleration) or (C) the Cancellation Fee is not paid pursuant to Section 2;

(ii) If the Company has not obtained the Commitment and the Consents by September 15, 1989; or

(iii) If (A) the Prepayment Amount and the Additional Amount shall not have been paid pursuant to Section 3(a) by December 1, 1989, (B) the Commitment is terminated or modified such that it no longer qualifies as a Commitment hereunder after September 15, 1989 for any reason, (C) any of the Consents is withdrawn or modified in each case such that it no longer qualifies as a Consent after September 15, 1989 for any reason or (D) the net proceeds of the Minimum Amount of the Financing are not applied as set forth in Section 3(f).

(b) (i) The parties agree that immediately upon termination of this Agreement pursuant to Section 4(a) and without limiting any other rights that the Holders of the Series II Exchange Notes may have: (A) the Holders of the Series II Exchange Notes shall be entitled to all of their rights under the Exchange Note Agreement, the Supplemental Agreement, the Additional Supplemental Agreement and the Series II Exchange Notes with respect to the Series II Exchange Notes (and the Series II Substitute Exchange Notes), and (B) the Holders of the Series II Exchange Notes shall be entitled to all of their rights under the Exchange Note Agreement, the Holdings Agreement, the Supplemental Agreement and the Additional Supplemental Agreement with respect to the full amount of the Equity Reserve, in each case as if this Agreement had not existed. In addition, FB, in conjunction with PaineWebber and Dillon, shall have the right, in their sole discretion, to retain for their own accounts or for subsequent sale, all or any portion of the Equity Reserve. In furtherance of the right to retain all or any portion of the Equity Reserve for their own accounts or for subsequent sale (such retained amount, the "Retained Shares"), FB, in conjunction with PaineWebber and Dillon, shall be entitled, in their sole discretion, (i) to receive any or all of the shares (the "Escrowed Shares") of capital stock of Holdings deposited in escrow pursuant to an escrow agreement (the "Escrow Agreement"), entered into on January 27, 1989, among Holdings II, FB, PaineWebber and Dillon, and United States Trust Company of New York, as Escrow Agent, as amended or (ii) to purchase directly from Holdings II an amount of shares of Holdings Voting Stock (as defined in Section 6) equal to the Retained Shares at a per share price (not to exceed \$1.00 per share) equal to the par value of a share of such Voting Stock. If the Holders elect to purchase Holdings Voting Stock directly from Holdings II as provided in clause (ii) above, the Holders shall, upon consummation of such purchase, instruct the Escrow Agent to release all Escrowed Shares remaining in the escrow to Holdings II.

(ii). If this Agreement is terminated pursuant to Section 4(a), in addition to the rights and obligations with respect to the Equity Reserve contained in the various agreements to which the parties hereto and/or Holdings are party, the full amount of the Equity Reserve (as described in Section 6) shall be structured and have the rights and obligations and terms set forth (and the holders from time to time of all or any portion of the Equity Reserve shall have the rights and obligations described) under the captions "Equity Put/Call" and "Amplification of Registration Rights" in the Private Placement term sheet, dated March 15, 1989 (the "Term Sheet") a copy of which is annexed hereto as Exhibit B, and the Holdings Agreement shall continue on the terms described under "Equity Interest" in the Term Sheet; provided, however, that (A) clause (a) under the caption "Amplification of Registration Rights" shall not apply to the Equity Reserve, (B) in addition to the call rights described under the caption "Equity Put/Call," the Company and Holdings shall have the right to call (the "Additional Call"); any portion of the Equity Reserve that is or, at the request of the holder thereof, is to be included in any registration of any securities by the Company or Holdings under the Securities Act of 1933 (the "1933 Act") (excluding, however, any such registration that is an "initial public offering" by either the Company or Holdings other than an "initial public offering" that is the result of exercise of demand registration rights by holders of all or any portion of the Equity Reserve) and (C) the second parenthetical in section (a)(i) under the caption "Equity Put/Call" in the Term Sheet shall be amended to read as follows: "(in the form of such instruments on March 8, 1989 or any other form which is no more restrictive with respect to exercise of a Put or Call than the form of such instruments on March 8, 1989)." The Additional Call may be exercised only to the extent permitted under the instruments described in clauses (a)(i) and (a)(ii) under the caption "Equity Put/Call" in the Term Sheet. The portion of the Equity Reserve to which the Additional Call shall apply with respect to any such registration is referred to herein as the "Shares Subject to Call". The Additional Call shall be exercisable with respect to the Shares Subject to Call as follows: (i) in the case of a demand registration, the Additional Call shall be exercisable by giving notice of exercise within 20 days of the notice by the holder of such shares to the Company or Holdings (as the case may be) requesting a registration of such shares and (ii) in the case of a "piggy-back" registration, (a) not less than 30 days prior to the filing of any registration statement by the Company or Holdings, the Company or Holdings (as the case may be) shall give notice to the holders of the Equity Reserve of the Company's or Holdings' (as the case may be) intention to file a registration statement under the 1933 Act, which notice shall

specify the filing date and shall offer such holders the right to have all or any portion of such shares included in such registration; (b) holders of the Equity Reserve shall give notice to the Company or Holdings (as the case may be) within 10 days of receipt of the notice in clause (a) of their intention to have their shares included in such registration, specifying the number of shares to be so included, and (c) the Additional Call shall be exercisable by giving notice of exercise prior to the filing of the registration statement in connection with such registration. The Additional Call shall be exercisable at a cash price per share determined in the manner set forth in the first sentence under the caption "Equity Put/Call" in the Term Sheet which price shall be paid at a closing to be held within 10 days after the date notice of exercise is given.

(c) This Agreement also shall immediately terminate as set forth in Section 3(c).

(d) In the event that the Initial Installment is not paid by noon on May 11, 1985, this Agreement shall immediately terminate.

(e) In the event of termination of this Agreement, this Agreement shall become void and of no further force and effect and there shall be no further obligations hereunder on the part of the parties hereto except, if this Agreement is terminated by reason of Section 4(a), for the obligations set forth in Sections 4, 6, 7, 8, 12, 13, 14 and 15 and except that any termination of this Agreement shall not relieve any party from liability arising by reason of its breach before any termination of any representation, warranty or agreement contained herein and shall not relieve any party from its obligations under the Installment Note.

Section 5. Consents and Approvals. The Company, Holdings, Campeau U.S. and Campeau represent and warrant to F.B., PaineWebber and Dillon that the Company, Holdings, Campeau U.S. and Campeau and their respective Affiliates have obtained or made, and caused each of their respective Subsidiaries to obtain or make, all necessary (i) governmental consents, approvals and authorizations, and registrations and filings with Governmental Authorities (as defined in Section 13 of the Note Agreement) and (ii) consents, approvals, waivers and notifications of stockholders, creditors and other non-governmental persons, in each case, which are required to be obtained or made by the Company, Holdings, Campeau U.S., Campeau or their respective Affiliates or any of their respective Subsidiaries in connection with the execution and

delivery of this Agreement and the consummation of the transactions herein contemplated other than, with respect to the consummation of the transactions herein contemplated, the Consents and any of the foregoing in clause (i) or (ii) that may be conditions precedent to the consummation of the Financing.

Section 6. Understandings Relating to Reserve Shares. Holdings represents and warrants to FB, PaineWebber and Dillon that the Escrowed Shares constitute 6.96% of its issued and outstanding Capital Stock having ordinary voting power, on a fully diluted basis (assuming all instruments, securities or agreements that are convertible into, or exchangeable for, or options, warrants or rights to purchase Capital Stock of Holdings are immediately exercisable) ("Voting Stock"), and agrees that the Escrowed Shares shall at all times continue to constitute such percentage except as otherwise permitted by Section 4 hereof or by the Escrow Agreement. Holdings agrees that, as provided in Section 4 of the Holdings Agreement, at the request of the Refunding Underwriters, Holdings shall take such actions as are necessary or desirable, including, but not limited to, a stock split or recapitalization transaction, in order to make available shares constituting the Equity Reserve in a sufficient number (in the sole reasonable judgment of the Refunding Underwriters) to permit distribution to the public of the Equity Reserve. Holdings agrees that, unless otherwise agreed in writing with FB, PaineWebber and Dillon, Holdings shall effect a split of its Voting Stock no later than five days after any termination of this Agreement pursuant to Section 4(a) (but in no event later than September 15, 1989) such that, after such split, each Holder of a Series II Exchange Note would be entitled to receive four shares of Holdings' Voting Stock (currently denominated as Class A Common Stock); for each \$1,000 principal amount of Series II Exchange Notes (or Series II Substitute Exchange Notes, as the case may be).

Section 7. Payments. All amounts payable under this Agreement shall be paid without offset or deduction for any reason whatsoever.

Section 8. Agreements Otherwise Unmodified. This Agreement supersedes the Agreement, dated as of May 9, 1989, among the parties hereto relating to the Equity Reserve (the "Equity Reserve Agreement"); provided, however, that if this Agreement terminates pursuant to Section 4(d), the Equity Reserve Agreement shall be and remain in full force and effect. The parties hereto confirm that, except as otherwise expressly provided herein, this Agreement shall in no manner limit the rights or obligations of the Company, Holdings,

Campeau U.S. or Campeau under the Note Agreement, the Holdings Agreement (as modified by the Supplemental Agreement), the Exchange Note Agreement, the Supplemental Agreement, the Additional Supplemental Agreement or the other Financing Documents or the rights or obligations of FB, PaineWebber and Dillon under any such documents. Except as otherwise expressly provided herein, the terms and conditions of the Note Agreement, the Exchange Note Agreement, the Holdings Agreement (as modified by the Supplemental Agreement), the Supplemental Agreement, the Additional Supplemental Agreement and the other Financing Documents shall be and remain in full force and effect. The parties hereto agree that the letter, dated April 24, 1989, addressed to the Company and Holdings from FB, PaineWebber and Dillon, is hereby deemed withdrawn by FB, PaineWebber and Dillon without prejudice to any rights under the agreements referred to in such letter or any other agreement between the parties.

Section 9. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without giving effect to the principles of conflicts of law thereof.

Section 10. Counterparts. This Agreement may be executed in two or more counterparts, any one of which need not contain the signatures of more than one party, but all such counterparts taken together will constitute one and the same instrument.

Section 11. Miscellaneous. The provisions of Sections 12.03, 12.04, 12.05, 12.07 and 12.10 of the Exchange Note Agreement are incorporated herein by reference as if set forth in full herein except that all notices given or delivered under or by reason of this Agreement shall only be effective upon receipt.

Section 12. Waiver, Remedies. In the event of a breach under this Agreement, the Holders of the Series II Exchange Notes shall have the right, in addition to all other rights and remedies they may have, to specific performance of the respective obligations of Campeau, Campeau U.S., Holdings II, Holdings and the Company hereunder, and Campeau, Campeau U.S., Holdings II, and the Company hereby concede that the Holders' remedy at law may be inadequate and agree to pay any and all reasonable attorneys' fees and expenses incurred in connection with such successful enforcement of the Holders' right to specific performance. No course of dealing and no delay on the part of any party in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such party's rights, powers or remedies. No right,

power or remedy conferred hereby shall be exclusive of any other right, power or remedy referred to herein or now or hereafter available at law, in equity, by statute, or otherwise.

Section 13. No Waiver. Neither the execution and delivery of this Agreement nor the passage of time during which this Agreement is in effect or during the period from January 27, 1989 to the date of this Agreement shall be deemed or constitute a waiver by any party of any of their respective rights under or with respect to Section 10 of the Additional Supplemental Agreement or any of the transactions contemplated therein, and such parties shall not prejudice any such rights by not seeking to enforce any such rights during the period this Agreement is in effect.

Section 14. Further Assurances. Each of the parties hereto without further consideration shall do and perform or cause to be done and performed all such further acts and things and shall execute and deliver all such other agreements, certificates, documents and instruments as any other party or parties hereto may reasonably request in order to carry out the transactions contemplated by this Agreement (including, but not limited to, those contemplated by Section 4(b)).

Section 15. Service of Process; Venue. Each of the parties hereto and Holdings II hereby irrevocably consent to personal jurisdiction and venue in any court of the State of New York or any federal court sitting in the State of New York, and hereby waive any claim it may have that such court is an inconvenient forum and any claim of improper venue or jurisdiction, for the purposes of any suit, action or other proceeding arising out of this Agreement or any of the agreements or transactions contemplated hereby, which is brought by or against any of them and hereby agree that all claims in respect of any such suit, action or proceeding may be heard and determined in any such court. The parties hereto irrevocably consent to the service of process of any of the aforementioned courts in any such suit, action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the Company, FB, PaineWebber and Dillon at their respective addresses set forth in Section 12.10 of the Exchange Note Agreement, to Campeau and Campeau U.S. at Campeau Corporation, 40 King Street West, Toronto, Ontario, Canada M5H 3Y8, Attention: Vice President, General Counsel and Secretary and to Holdings II and Holdings at 1440 Broadway, 13th Floor, New York, New York 10018, Attention: President, in each case such service to become effective 10 days after such mailing.

IN WITNESS WHEREOF, the Company, Holdings,
Campeau U.S., Campeau, FB, PaineWebber and Dillon have caused
this Modification Agreement to be executed and delivered as of
the day and year first above written.

FEDERATED DEPARTMENT STORES, INC.

by Russell W. Farn
Name:
Title:

FEDERATED HOLDINGS, INC.

by Ron Tigue
Name:
Title:

CAMPEAU CORPORATION (U.S.) INC.

by Ron Tigue
Name:
Title:

by Russell W. Farn
Name:
Title:

CAMPEAU CORPORATION

by Ron Tigue
Name:
Title:

by Russell W. Farn
Name:
Title:

FIRST BOSTON SECURITIES CORPORATION

by

Name: John E. Weller
Title: Vice President - Director

PAINEWEEBER FUNDING INC.

by

Name:
Title:

DILLON, READ INTERFUNDING INC.

by

Name:
Title:

FIRST BOSTON SECURITIES CORPORATION

by _____
Name:
Title:

PAINEWEEBER FUNDING INC.

by J.T. Atkins
Name: J.T. Atkins
Title: Vice President

DILLON, READ INTERFUNDING INC.

by _____
Name:
Title:

FIRST BOSTON SECURITIES CORPORATION

by _____
Name:
Title:

PAINEWEEBER FUNDING INC.

by _____
Name:
Title:

DILLON, READ INTERFUNDING INC.

by Neil L. Cahn
Name: Neil L. Cahn
Title: Attorney-In-Fact

Agreement by Federated Holdings II, Inc.

The undersigned, Federated Holdings II, Inc., a Delaware corporation, hereby acknowledges and agrees to be bound by the provisions of the foregoing Modification Agreement applicable to the undersigned, including but not limited to, the provisions of Section 12 and 15 of such Agreement.

FEDERATED HOLDINGS II, INC.

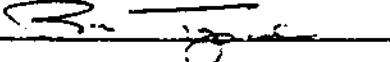
By: 

EXHIBIT 10.8.8

Federated Department Stores, Inc.
7 West 7th Street
Cincinnati, Ohio
U.S.A. 45202

September 18, 1989

First Boston Securities Corporation
Park Avenue Plaza
55 East 52nd Street
New York, N.Y.

- and -

Dillon, Read Interfunding Inc.
535 Madison Avenue
New York, N.Y.

Dear Sirs:

Series II Exchange Notes

We wish to confirm the terms and conditions which have been agreed between Campeau Corporation, Campeau Corporation (U.S.), Inc. and Federated Department Stores, Inc. (collectively, "Campeau") and First Boston Securities Corporation and Dillon, Read Interfunding Inc. (collectively, the "Existing Noteholders") respecting the transfer of the Series II Exchange Notes (the "Exchange Notes") of Federated Department Stores, Inc. currently owned by the Existing Noteholders and the capital stock of Federated Holdings, Inc. (the "Equity Reserve") currently owned by the Existing Noteholders pursuant to and in accordance with the provisions of the agreements pursuant to which the Existing Noteholders acquired the Exchange Notes. This agreement does not purport to bind PaineWebber Funding Inc., which has entered into an understanding in the form attached as Appendix I to this letter.

Our agreement is as follows:

1. Prior to December 31, 1989 the Existing Noteholders will not transfer the Equity Reserve or any interest therein except pursuant to paragraph 3 or 6 of this letter. After December 31, 1989 but prior to September 15, 1990, the Existing Noteholders will not transfer the Equity Reserve or any interest therein other than in connection with a transfer of the Exchange Notes; the proportion of the Equity Reserve so transferred shall not exceed the proportion of the Exchange Notes so transferred. The Existing Noteholders will use reasonable efforts to effect any sale of the Exchange Notes prior to September 15, 1990 without transferring any portion of the Equity Reserve in connection therewith, provided such a sale can be effected at yield levels deemed appropriate by First Boston (in conjunction with Dillon Read) under then market conditions.
2. Until September 15, 1990 Campeau shall have a right of first refusal with respect to any proposed transfer of the Exchange Notes together with any proposed transfer of the Equity Reserve or any interest therein in connection with such transfer of Exchange Notes. The terms of this right are described in Appendix II to this letter.
3. Campeau shall have an option to purchase any unsold portion of the Equity Reserve. The option will expire on September 15, 1990, and will be exercisable only after the transfer of the Exchange Notes (including to Campeau pursuant to paragraph 2 or 4) and only for a portion of the Equity Reserve, such that after such exercise the proportion of the Equity Reserve continued to be held by the Existing Noteholders is equal to the proportion of the Exchange Notes held by the Existing Noteholders. The exercise price will be equal to the sum of (a) \$1.00 plus (b) the amount, if any, by which the face amount of the Exchange Notes so transferred exceeds the sale price received for such Exchange Notes plus (c) accrued interest on the amount referred to in clause (b) above at the rate of 13 3/4% per annum from the date of such Exchange Note sale to the date of payment of the option price. The option can be exercised from time to time in part, to the extent of the proportion of the Exchange Notes so sold.
4. Until September 15, 1990, Campeau shall have the right to purchase the Exchange Notes held by the Existing Noteholders or any affiliate thereof, in whole or in part, at an aggregate price of 97.135% of face amount plus accrued and unpaid interest. The Existing Noteholders will cause any transferee of Exchange Notes to agree with Campeau that Campeau may purchase the Exchange Notes acquired by such transferee, in whole or in part, at any time until September 15, 1990, at an aggregate purchase price equal to the face amount thereof plus accrued and unpaid interest.

5. Federated will provide financial information and access to senior management to each of the Existing Noteholders for as long as that Existing Noteholder holds at least 5% of the Exchange Notes held by it at the date hereof. In addition, Federated will provide appropriate support to the marketing efforts of Existing Noteholders.
6. Notwithstanding the foregoing terms, the Existing Noteholders shall have the right to transfer the Exchange Notes and Equity Reserve currently owned by them to their respective affiliates provided that such affiliates shall agree to be bound by this agreement.
7. Campeau represents and warrants to the Existing Noteholders that it has provided to the Existing Noteholders copies of extracts from the Shareholders' Agreement proposed to be made between, among others, Campeau Corporation and Olympia & York Developments Limited and the Loan Agreement proposed to be made between Campeau Corporation and Olympia & York CC Limited, a wholly-owned subsidiary of Olympia & York Developments Limited, and a copy of the amending agreement proposed to be made between Federated Department Stores, Inc. and certain lenders which have made available to it, among other matters, a U.S. \$750,000,000 working capital facility, in each case pertaining to the proposed restructuring of Campeau Corporation and its subsidiaries and in each case as set forth in Appendix III to this letter. If (a) such agreements, or any of them, are not executed and delivered prior to the close of business on Tuesday, September 19, 1989, (b) such agreements, or any of them, are executed containing terms and conditions materially different to those contained in the extracts or copies provided to the Existing Noteholders or (c) all of the funds required to be advanced by Olympia & York CC Limited to Campeau Corporation pursuant to the proposed Loan Agreement are not so advanced on or prior to December 31, 1989, Campeau shall forthwith notify the Existing Noteholders and, whether or not Campeau has delivered such notice to the Existing Noteholders, this agreement shall forthwith terminate and be of no further force or effect as between the parties hereto.
8. Any payments by Campeau pursuant to this agreement shall be made without offset or deduction of any kind whatsoever.

- 4 -

Please confirm your agreement to the foregoing terms and conditions by signing and returning the enclosed duplicate copy of this letter.

Yours very truly,

CANPEAU CORPORATION

by V. Hall
David Berines
CANPEAU CORPORATION (U.S.), INC.

by E. A. Adams

FEDERATED DEPARTMENT STORES, INC.

by Mark Kennedy

The undersigned hereby confirm their agreement to the foregoing terms and conditions.

DATED this day of September, 1989.

FIRST BOSTON SECURITIES CORPORATION

by _____

DILLON, READ & CO. INC.

by _____

DRIVES WARDROBECK (E) TEL: 416-863-5174

Sep 18.89 10:44 No.034 1

- 4 -

Please confirm your agreement to the foregoing terms and conditions by signing and returning the enclosed duplicate copy of this letter.

Yours very truly,

CANPEAU CORPORATION

by _____

CANPEAU CORPORATION (U.S.), INC.

by _____

FEDERATED DEPARTMENT STORES, INC.

by _____

The undersigned hereby confirm their agreement to the foregoing terms and conditions.

DATED this 18th day of September, 1989.

FIRST BOSTON SECURITIES CORPORATION

by George Weiske

DILLON, READ & INTERFUNDING INC.

by _____

252

- 4 -

Please confirm your agreement to the foregoing terms and conditions by signing and returning the enclosed duplicate copy of this letter.

Yours very truly,

CANPEAU CORPORATION

by _____

CANPEAU CORPORATION (U.S.), INC

by _____

FEDERATED DEPARTMENT STORES, INC.

by _____

The undersigned hereby confirm their agreement to the foregoing terms and conditions.

DATED this 18th day of September, 1989.

FIRST BOSTON SECURITIES CORPORATION

by _____

DILLON, READ & COFFIELD INC.

by Neil L. Cole
Attorney - In - Fact

EXHIBIT 10.8.9

Federated Department Stores, Inc.
7 West 7th Street
Cincinnati, Ohio
U.S.A. 45202

September 18, 1989

PaineWebber Funding Inc.
1285 Avenue of the Americas
New York, New York

Dear Sirs:

Series II Exchange Notes

We wish to confirm the terms and conditions which have been agreed between Campeau Corporation, Campeau Corporation (U.S.), Inc. and Federated Department Stores, Inc. (collectively, "Campeau") and PaineWebber Funding Inc. (the "Existing Noteholder") respecting the transfer of the Series II Exchange Notes (the "Exchange Notes") of Federated Department Stores, Inc. currently held by the Existing Noteholder and the capital stock of Federated Holdings, Inc. currently held by the Existing Noteholder (the "Equity Reserve") pursuant to and in accordance with the provisions of the agreements pursuant to which the Existing Noteholder acquired the Exchange Notes. This agreement does not purport to bind First Boston Securities Corporation or Dillon, Read Interfunding Inc. which have entered into an understanding in the form attached as Appendix I to this letter.

Our agreement is as follows:

1. Prior to March 1, 1990 the Existing Noteholder will not transfer the Equity Reserve or any interest therein except pursuant to paragraph 3 or paragraph 6 of this letter.
2. Until March 1, 1990 Campeau shall have a right of first refusal with respect to any proposed transfer of the Exchange Notes. The terms of this right are described in Appendix II to this letter.

3. Campeau shall have an option to purchase any portion of the Equity Reserve retained by the Existing Noteholder upon the sale of any Exchange Notes. The option will expire on March 1, 1990, and will be exercisable only after the transfer of any Exchange Notes (including to Campeau pursuant to paragraph 2 or 4) and only for a portion of the Equity Reserve, such that after such exercise the proportion of the Equity Reserve continued to be held by the Existing Noteholder is equal to the proportion of the Exchange Notes held by the Existing Noteholder. The exercise price will be equal to the sum of (a) \$1.00 plus (b) the amount, if any, by which the face amount of the Exchange Notes so transferred exceeds the sale price received for such Exchange Notes plus (c) accrued interest on the amount referred to in clause (b) above at the rate of 13 3/4% per annum from the date of such Exchange Note sale to the date of payment of the option price. The option can be exercised from time to time in part, to the extent of the proportion of the Exchange Notes so sold.
4. Until March 1, 1990, Campeau shall have the right to purchase the Exchange Notes held by the Existing Noteholder or any affiliate thereof, in whole or in part, at an aggregate price of 97.135% of face amount plus accrued and unpaid interest. The Existing Noteholder will cause any transferee of Exchange Notes to agree with Campeau that Campeau may purchase the Exchange Notes acquired by such transferee, in whole or in part, at any time until March 1, 1990, at an aggregate purchase price equal to the face amount thereof plus accrued and unpaid interest.
5. Federated will provide financial information and access to senior management to the Existing Noteholder for as long as the Existing Noteholder holds at least 5% of the Exchange Notes held by it at the date hereof. In addition, Federated will provide appropriate support to the marketing efforts of the Existing Noteholder.
6. Notwithstanding the foregoing terms, the Existing Noteholder shall have the right to transfer the Exchange Notes and Equity Reserve currently owned by it to its affiliates provided that such affiliates shall agree to be bound by this agreement.
7. Campeau represents and warrants to the Existing Noteholder that it has provided to the Existing Noteholder copies of extracts from the Shareholders' Agreement proposed to be made between, among others, Campeau Corporation and Olympia & York Developments Limited and the Loan Agreement proposed to be

Made between Campeau Corporation and Olympia & York CC Limited, a wholly-owned subsidiary of Olympia & York Developments Limited, and a copy of the amending agreement proposed to be made between Federated Department Stores, Inc. and certain lenders which have made available to it, among other matters, a U.S. \$750,000,000 working capital facility, in each case pertaining to the proposed restructuring of Campeau Corporation and its subsidiaries and in each case as set forth in Appendix III. If (a) such agreements, or any of them, are not executed and delivered prior to the close of business on Tuesday, September 19, 1989, (b) such agreements, or any of them, are executed containing terms and conditions materially different to those contained in the extracts or copies provided to the Existing Noteholders or (c) all of the funds required to be advanced by Olympia & York CC Limited to Campeau Corporation pursuant to the proposed Loan Agreement are not so advanced on or prior to December 31, 1989, Campeau shall forthwith notify the Existing Noteholder and, whether or not Campeau has delivered such notice to the Existing Noteholder, this agreement shall forthwith terminate and be of no further force or effect as between the parties hereto.

8. Any payments by Campeau pursuant to this agreement shall be made without offset or deduction of any kind whatsoever.

Please confirm your agreement to the foregoing terms and conditions by signing and returning the enclosed duplicate copy of this letter.

Yours very truly,

CAMPEAU CORPORATION

by _____

CAMPEAU CORPORATION (U.S.), INC.

by _____

FEDERATED DEPARTMENT STORES, INC.

by _____

- 4 -

The undersigned hereby confirms its agreement to the
foregoing terms and conditions.

DATED this day of September, 1989.

PAINEWEEBEER FUNDING INC.

by _____

APPENDIX II
To Campeau Letter

Rights of First Refusal Terms

A. The Existing Noteholder will notify Campeau of each bona fide third party offer received by the Existing Noteholder, which offer shall be subject only to the proposed purchaser's investment committee approval, to purchase all or any portion of the Exchange Notes owned by the Existing Noteholder which the Existing Noteholder proposes to accept and in respect of which the Existing Noteholder has executed an enforceable unilateral commitment to sell, subject to this right of first refusal, specifying the face amount of Exchange Notes in respect of which such commitment has been made (the "Specified Amount") and the proposed purchase price for such Exchange Notes specified in such commitment (the "Specified Price").

B. Within two business days of receipt of a notice from the Existing Noteholder, Campeau will notify the Existing Noteholder whether or not they will exercise their right to purchase the Specified Amount referred to in such notice at the Specified Price referred to in such notice. Such notice from Campeau shall be binding upon Campeau and the Existing Noteholder. If Campeau elects to purchase the Specified Amount referred to in such notice at the Specified Price referred to in such notice, the closing of such purchase will take place within 10 business days of receipt of the notice from Campeau to the Existing Noteholder.

C. If Campeau does not elect to purchase the Specified Amount referred to in any notice from the Existing Noteholder at the Specified Price stated therein, the Existing Noteholder may sell the Specified Amount referred to in such notice at the Specified Price referred to in such notice to the purchaser referred to therein provided that:

- (i) the Existing Noteholder and the purchaser shall proceed diligently to effect such purchase and sale; and
- (ii) the purchase by the purchaser referred to in such notice and the sale by the Existing Noteholder of the Specified Amount referred to in such notice at the Specified Price referred to in such notice shall be completed on or prior to the 30th day following the date of delivery of such notice.

In any other event, the right of first refusal herein shall continue to apply in respect of any other proposed transfer of the Exchange Notes referred to in such notice.

D. All notices will be given orally and confirmed by telex or telecopy.

APPENDIX II

TO FIRST BOSTON/DILLON READ LETTER

Rights of First Refusal Terms

A. Sale of Notes Without Equity Reserve: Each Existing Noteholder will notify Campeau of each indication of interest by a third party in purchasing all or any portion of the Exchange Notes owned by that Existing Noteholder which that Existing Noteholder proposes to accept and in respect of which that Existing Noteholder has executed an enforceable unilateral commitment to sell, subject to this right of first refusal, specifying the face amount of Exchange Notes in respect of which such commitment has been made (the "Specified Amount") and the proposed purchase price for such Exchange Notes specified in such commitment (the "Specified Price").

B. Sale of Notes With Equity Reserve: Each Existing Noteholder will notify Campeau of each bona fide third party offer received by such Existing Noteholder, which offer shall be subject only to the proposed purchaser's investment committee approval, to purchase all or any portion of the Exchange Notes and all or any portion of the Equity Reserve owned by that Existing Noteholder (but not exceeding the proportion of the Equity Reserve which may be transferred in connection with such transfer of Exchange Notes in accordance with the provisions of the attached letter) and which that Existing Noteholder proposes to accept and in respect of which that Existing Noteholder has executed an enforceable unilateral commitment to sell, subject to this right of first refusal, specifying the face amount of Exchange Notes and the proportion of the Equity Reserve in respect of which such commitment has been made (the "Specified Amount") and the proposed purchase price therefor specified in such commitment (the "Specified Price").

C. Within two business days of receipt of a notice from an Existing Noteholder, Campeau will notify the Existing Noteholder whether or not it will exercise its right to purchase the Specified Amount referred to in such notice at the Specified Price referred to in such notice. Such notice from Campeau shall be binding upon Campeau and such Existing Noteholder. If Campeau elects to purchase the Specified Amount referred to in such notice at the Specified Price referred to in such notice, the closing of such purchase will take place within 10 business days of receipt of the notice from Campeau to such Existing Noteholder.

D. If Campeau does not elect to purchase the Specified Amount referred to in any notice from any Existing Noteholder at the Specified Price stated therein, such

Existing Noteholder may sell the Specified Amount referred to in such notice at the Specified Price referred to in such notice to the purchaser referred to therein provided that:

- (i) in the case of a notice referred to in paragraph (A) above, the relevant Existing Noteholder delivers to Campeau, within 15 business days of the date of the notice delivered by Campeau to such Existing Noteholder pursuant to paragraph (C) above in respect of such notice, confirmation that the purchaser's investment committee has unconditionally approved the proposed purchase of the Specified Amount at the Specified Price;
- (ii) in the case of a notice referred to in paragraph (B) above, the relevant Existing Noteholder delivers to Campeau, within 10 business days of the date of the notice delivered by Campeau to such Existing Noteholder pursuant to paragraph (C) above in respect of such notice, confirmation that the purchaser's investment committee has unconditionally approved the proposed purchase of the Specified Amount at the Specified Price;
- (iii) such Existing Noteholder and the purchaser shall proceed diligently to effect such purchase and sale; and
- (iv) the purchase by the purchaser referred to in such notice and the sale by such Existing Noteholder of the Specified Amount referred to in such notice at the Specified Price referred to in such notice shall be completed on or prior to the 90th day following the date of delivery of such notice.

In any other event, the right of first refusal herein shall continue to apply in respect of any other proposed transfer of the Exchange Notes referred to in such notice.

E. All notices will be given orally and confirmed by telex or telecopy.

EXHIBIT 10.16.5

(U.S. \$3,200,000,000 Credit Agreement)
(Holdings Guaranty)

AMENDMENT No. 3

Dated as of November 1, 1988

This AMENDMENT among FEDERATED DEPARTMENT STORES, INC., a Delaware corporation (the "Company"), FEDERATED REAL ESTATE, INC., a Delaware corporation (the "Real Estate Corporation"), and together with the Company, the Borrowers), FEDERATED HOLDINGS, INC., a Delaware corporation ("Holdings"), the banks (the "Banks") parties to the Credit Agreement referred to below, BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, THE SANWA BANK LIMITED, New York Branch and THE LONG TERM CREDIT BANK OF JAPAN, LIMITED, New York Branch, as co-managers (the Co-Managers), THE SUMITOMO BANK, LIMITED, New York Branch, as co-agent (the "Co-Agent") and CITIBANK, N.A., as agent (the "Agent") for the Lenders (as defined in the Credit Agreement referred to below).

PRELIMINARY STATEMENTS

(1) The Borrowers, the Banks, the Co-Managers, the Co-Agent and the Agent have entered into a Credit Agreement dated as of July 28, 1988, as amended by Amendment No. 1 dated as of July 29, 1988 and by Amendment No. 2 dated as of September 30, 1988 (the Credit Agreement; the terms defined therein being used herein as therein defined unless otherwise defined herein).

(2) Holdings has entered into a Guaranty, dated July 29, 1988 (the "Holdings Guaranty"), pursuant to which Holdings, among other things, guaranteed the indebtedness of the Borrowers under the Credit Agreement.

(3) The Borrowers, the Banks, the Co-Managers, the Co-Agent and the Agent have agreed to amend the Credit Agreement as set forth below on the terms and conditions hereinafter set forth.

(4) Holdings, the Lenders, the Co-Managers, the Co-Agent and the Agent have agreed to amend the Holdings Guaranty as set forth below on the terms and conditions hereinafter set forth.

SECTION I. Amendments to Credit Agreement. The Credit Agreement is, effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 4 hereof, hereby amended as follows:

(a) The definition of "Exchange Note Agreement" in Section 1.01 is amended by inserting immediately after the phrase "Dillon, Read Interfunding Inc." the phrase "as amended, supplemented or otherwise modified to the extent set forth in the Supplemental Agreement and, otherwise, from time to time on terms and conditions satisfactory to the Majority Lenders".

(b) The definition of "Exchange Notes" in Section 1.01 is amended by replacing the phrase "subordinated notes" with "notes" in each place in which it appears in such definition.

(c) The definition of "Leverage Ratio" in Section 1.01 is amended in full to read as follows:

"Leverage Ratio" means, at any date, the ratio of (A) Senior Debt (excluding the Senior Unsecured Notes and the Senior Exchange Notes) minus (B) the amount (not to exceed \$250,000,000) on deposit in the Identified Assets Cash Collateral Account to the sum of (A) Subordinated Debt plus (B) Net Worth plus (C) the principal amount of the Senior Unsecured Notes and the Senior Exchange Notes, in each case at such date.

(d) The definition of "Wore Purchase Agreement" in Section 1.01 is amended by inserting immediately after the phrase "Dillon, Read Interfunding Inc." the phrase "as amended, supplemented or otherwise modified by the Supplemental Agreement and thereafter, on terms and conditions satisfactory to the Majority Lenders".

(e) Section 1.01 is amended by inserting after the definition of "Senior Debt" the following new definitions:

'Senior Exchange Notes' means the Series II Exchange Notes of the Company and the Series II Substitute Exchange Notes of the Company, as each is referred to in and issued on the terms and conditions of, the Supplemental Agreement.

Senior Unsecured Notes means the Senior Unsecured Notes of the Company referred to in, and issued on the terms and conditions of, the Supplemental Agreement in an aggregate amount of up to \$400,000,000, and bearing interest at a rate which results in an aggregate annual cash interest cost of the Permanent Subordinated Debt and the Senior Unsecured Notes of \$142,000,000 per annum or less."

(f) The definition of "Subordinated Debt" in Section 1.01 is amended by inserting immediately after the phrase "the Exchange Notes" the phrase "(other than the Senior Exchange Notes)" and immediately after the phrase "the Substitute Exchange Notes" the phrase "(other than the Senior Exchange Notes)".

(g) Section 1.01 is amended by inserting after the definition of "Subsidiary" the following new definition:

"Supplemental Agreement" means the Supplemental Agreement dated as of November 1, 1988 among the Company, First Boston Securities Corporation, PaineWebber Funding Inc. and Dillon, Read Interfunding, Inc. as amended, supplemented or otherwise modified from time to time on terms and conditions satisfactory to the Majority Lenders.

(h) Section 5.01(p) is deleted.

(i) Section 5.02(b)(iii)(A) is amended by inserting after the phrase "Permanent Subordinated Debt" the phrase ". Senior Unsecured Notes, Senior Exchange Notes

(j) Section 5.02(k)(iv)(A) is amended by inserting immediately after the phrase "the Related Documents" the phrase ". the Supplemental Agreement

(k) Section 5.02(h)(vi) is amended by inserting immediately after the phrase "Existing Debt" where it first appears therein the phrase ". the Senior Unsecured Notes, the Senior Exchange Notes

(l) Section 5.02(h)(vi)(B) is amended by inserting immediately after the phrase "Permanent Subordinated Debt" the phrase ", the Senior Unsecured Notes or the Exchange Notes".

(m) Section 5.02(h)(vi) is amended by inserting immediately after subclause (C) in the parenthetical the phrase "and (D) the exchange of Subordinated Bridge Notes for Exchange Notes, pursuant to the Exchange Note Agreement".

SECTION 2. Amendment to Holdings Guaranty.

Section 9(k)(v)(A) of the Holdings Guaranty is, effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 4 hereof, hereby amended by inserting immediately after the phrase "the Related Documents" the phrase ", the Supplemental Agreement".

SECTION 3. Consent to Permanent Subordinated Debt and Senior Unsecured Notes. By execution below, effective the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 4 hereof, each Lender hereby consents to (a) the terms and conditions of the Company's \$500,000,000 \pm Senior Subordinated Debentures Due 2000 Indenture, draft of October 31, 1988, and \$_____.000,000 \pm Subordinated Discount Debentures Due 2004/ Indenture, draft of October 31, 1988, (b) the execution and delivery by the Company of final Indentures relating to such securities in substantially the form of such drafts, (c) the terms and conditions of the Supplemental Agreement among the Company, Holdings, First Boston Securities Corporation, PaineWebber Funding Inc and Dillon, Read Interfunding Inc, draft of October 31, 1988, and (d) the execution and delivery by the Company of the final Supplemental Agreement in substantially the form of such draft or with such changes as would not adversely affect the rights or interests of the Lenders.

SECTION 4. Conditions of Effectiveness. This Amendment shall become effective, as of the date first above written, on the first date when the Agent shall have received counterparts of this Amendment executed by the Borrowers, Holdings and the Majority Lenders or, as to any of the Lenders, advice satisfactory to the Agent that such Lender has executed this Amendment.

SECTION 5. Reference to and Effect on the Loan Documents. (a) Upon the effectiveness of Section 1 and 2 hereof, on and after the date hereof (1) each reference in

5

the Credit Agreement to this Agreement), "hereunder", "hereof", "herein", or words of like import shall mean and be a reference to the Credit Agreement as amended hereby. (2) each reference in any other Loan Document to the Credit Agreement or any term, condition or provision contained in the Credit Agreement, "thereunder", "thereof", "therein", or words of like import shall mean and be a reference to the Credit Agreement or such term, condition or provision (as applicable) as amended hereby. (3) each reference in the Holdings Guaranty to "this Agreement", "hereunder", "hereof", "herein" or words of like import shall mean and be a reference to the Holdings Guaranty as amended hereby and (4) each reference in any other Loan Document to the Holdings Guaranty or any term, condition or provision contained in the Holdings Guaranty, "thereunder", "thereof", "therein" or words of like import shall mean and be a reference to the Holdings Guaranty or such term, condition or provision (as applicable) as amended hereby.

(b) Except as specifically amended above, the Credit Agreement, the Holdings Guaranty and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed in all respects.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender, any Co-Manager, the Co-Agent or the Agent under the Credit Agreement, the Holdings Guaranty or any of the other Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents.

SECTION 4. Costs, Expenses and Taxes The Borrowers jointly and severally agree to pay on demand all costs and expenses of the Agent in connection with the preparation, execution and delivery of this Amendment and the other instruments and documents to be delivered hereunder including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Agent with respect thereto and with respect to advising the Agent as to its rights and responsibilities hereunder and thereunder. In addition, the Borrowers jointly and severally agree to pay any and all stamp and other taxes payable or determined to be payable in connection with the execution and delivery of this Amendment and the other instruments and documents to be delivered hereunder, and agree to save the Agent and each Lender harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes.

6

SECTION 7. Holdings Consent to Amendment to Credit Agreement. By execution below, Holdings hereby consents to the foregoing Amendment to the Credit Agreement and hereby confirms and agrees that: (i) the Loan Documents in effect on the date hereof to which it is a party are, and shall continue to be, in full force and effect and are hereby ratified and confirmed in all respects except that, upon the effectiveness of, and on and after the date of the said Amendment, all references in the Loan Documents to the Credit Agreement shall mean and be a reference to the Credit Agreement as amended by the said Amendment and (ii) each of the Loan Documents and all of the collateral described therein do, and shall continue to, guarantee, secure or otherwise support the payment of all obligations of the Borrowers under the Loan Documents as amended by the said Amendment.

SECTION 8. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different 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 but one and the same instrument. Delivery of an executed counterpart of this Amendment by facsimile or telex shall be effective as delivery of a manually executed original.

SECTION 9. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

7

ON WITNESS WHEREOF, the parties hereto have caused
this Amendment to be executed by their respective officers
hereunto duly authorized, as of the date first above written.

FEDERATED DEPARTMENT STORES, INC

By _____
Title:

FEDERATED REAL ESTATE, INC

By _____
Title: _____

FEDERATED HOLDINGS, INC.

By _____
Title:

(Print name of Lender)

By _____
Title:

IN WITNESS WHEREOF, the parties hereto have caused
this Amendment to be executed by their respective officers
thereunto duly authorized, as of the date first above written.

FEDERATED DEPARTMENT STORES, INC.

By C. Burk
Title:

FEDERATED REAL ESTATE, INC.

By _____
Title:

FEDERATED HOLDINGS, INC.

By C. Burk
Title:

(Print name of Lender)

By _____
Title:

EXHIBIT 10.16.7

(U.S. \$3,200,000,000 Credit Agreement)
(Holdings Guaranty)
(Collateral Trust Agreement)
(Tax Sids Letter)

AMENDMENT No. 5 and WAIVER

Dated as of September 11, 1989

AMENDMENT No. 5 and WAIVER among FEDERATED DEPARTMENT STORES, INC., a Delaware corporation (the "Company"), FEDERATED REAL ESTATE, INC., a Delaware corporation (the "Real Estate Corporation"), and together with the Company, the "Borrowers"), FEDERATED HOLDINGS, INC., a Delaware corporation ("Holdings"), CAMPEAU CORPORATION (U.S.) INC., a Delaware corporation ("Campeau U.S."), the Lenders parties to the Credit Agreement referred to below, BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, THE SANWA BANK LIMITED, New York Branch and THE LONG-TERM CREDIT BANK OF JAPAN, LIMITED, New York Branch, as co-managers (the "Co-Managers"), THE SUMITOMO BANK, LIMITED, New York Branch, as co-agent (the "Co-Agent"), CITIBANK, N.A., as agent (the "Agent") for the Lenders, WILMINGTON TRUST COMPANY, as Corporate Trustee, and WILLIAM J. WADE, as Individual Trustee (the Individual Trustee and the Corporate Trustee being collectively the "Collateral Trustees") under the Collateral Trust Agreement referred to below.

PRELIMINARY STATEMENTS:

(1) The Borrowers, the Lenders, the Co-Managers, the Co-Agent and the Agent have entered into a Credit Agreement dated as of July 28, 1988, as amended by Amendment No. 1 dated as of July 29, 1988, Amendment No. 2 dated as of September 30, 1988, Amendment No. 3 dated as of November 1, 1988 and Amendment No. 4 and Waiver dated as of April 19, 1989 (the "Credit Agreement"; the terms defined therein being used herein as therein defined unless otherwise defined herein).

(2) Holdings has entered into a Guaranty dated July 29, 1988 (the "Holdings Guaranty") in favor of the Lenders and the Agent, pursuant to which Holdings has, among other things, guaranteed the indebtedness of the Borrowers under the Credit Agreement.

Amendment No. 5 and Waiver - Revised

(3) The Company and the Collateral Trustees have entered into a Collateral Trust Agreement dated July 29, 1988 (the "Collateral Trust Agreement").

(4) Carpeau U.S. and Holdings have entered into the Tax Side Letter dated July 28, 1988 (the "Tax Side Letter").

(5) The Borrowers have requested that the Lenders, the Co-Managers, the Co-Agent and the Agent agree to amend the Credit Agreement to permit the Company to incur additional indebtedness in the principal amount of \$150,000,000, to extend the maturities of the Asset Bridge Notes and the Mortgage Bridge Notes to April 30, 1990, to amend financial covenants relating to the Fixed Charge Coverage Ratio, Net Worth and the Interest Coverage Ratio, to incur an additional \$50,000,000 in Working Capital Advances through December 31, 1989 and to waive the Clean-Up Period requirements for the fiscal year ending January 31, 1990.

(6) The Lenders, the Co-Managers, the Co-Agent and the Agent have indicated their willingness to agree to the amendments and waivers of the Credit Agreement requested by the Company on the conditions that the Company consummate its announced plan to sell an Operating Subsidiary on or prior to April 30, 1990, that the interest rates and letter of credit commissions payable under the Credit Agreement be increased by 1/2 of 1% per annum effective February 1, 1990 until the Asset Bridge Advances and the Mortgage Bridge Advances are paid in full (or, if the Bridges are not paid in full by April 30, 1990, such increase to be permanent and retrospective to September 11, 1989), that future reductions in interest rates and letter of credit commissions be eliminated, that the Reduction Date in the Credit Agreement, the Holdings Guaranty and the Tax Side Letter be postponed until payment in full of the Obligations under the Loan Documents, that the Company pay an amendment fee and that other changes to the Loan Documents contemplated hereby be agreed to.

SECTION 1. Amendments to Credit Agreement. The Credit Agreement is, effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 7 hereof, hereby amended as follows:

(a) The definition of "Applicable Margin" in Section 1.01 is amended by (i) deleting the phrase "The Applicable Margin will be reduced as follows: (A)" at the beginning of clause (i) of such definition and capitalizing the word "upon" immediately following such phrase, (ii) deleting the phrase "; and (B)" and the

Amendment No. 5 and Waiver - Revised

remainder of subclause (B) and appropriately repunctuating clause (i), (iii) deleting the word "and" prior to subclause (C) in clause (ii) and (iv) adding the following new subclause (D) to clause (ii) of such definition:

; and (D) commencing on September 11, 1989, the Applicable Margin will be increased by 1/2 of 1% per annum with respect to all of the Advances (the "Additional Amount"), provided that (i) the Additional Amount accruing with respect to the period from September 11, 1989 through January 31, 1990 shall not be payable until April 30, 1990 and then only if the Asset Bridge Advances and the Mortgage Bridge Advances have not been repaid in full by such date and (ii) if the outstanding principal amount of and interest on the Asset Bridge Advances and the Mortgage Bridge Advances shall have been paid in full on or before April 30, 1990, the Additional Amount shall cease to accrue on the date on which such repayment in full shall have occurred."

(b) Section 1.01 is amended by adding, in appropriate alphabetical order, the following defined term and definition:

"Campeau Undertaking" means an irrevocable binding written commitment from Campeau to make, or cause to be made, the advances constituting the Liquidity Loan to the Company in an aggregate amount of up to \$150,000,000, or such lesser amount as shall from time to time be permitted under the Company's other Debt agreements, under which commitment the Agent, the Co-Agent, the Co-Managers and the Lenders shall be third party beneficiaries and the Agent shall be irrevocably authorized to request the Advances constituting the Liquidity Loan on the Company's behalf and the terms and conditions of which commitment shall otherwise have been approved by the Agent and the Co-Agent."

(c) The definition of "Reduction Date" in Section 1.01 is amended in full to read as follows:

"Reduction Date" means the date of the indefeasible payment in full in cash (after the Termination Date) of the Obligations of the Borrowers and Holdings under the Loan Documents."

Amendment No. 5 and Waiver - Revised

(d) Section 2.01(c) is amended by deleting the figure "\$600,000,000" therein and substituting for such figure the phrase "\$650,000,000 until December 31, 1989 and, thereafter, \$600,000,000". Section 2.01(c) is further amended by adding the following additional proviso to the end thereof:

"and provided further, that the aggregate amount of Working Capital Advances at any time outstanding, other than amounts deemed to be outstanding pursuant to Section 2.16(a), shall not exceed \$650,000,000 unless the Company has incurred the full amount of the Liquidity Loan or, if the proceeds of such Loan are less than \$150,000,000, following September 11, 1989 the Company shall have received capital contributions in cash in an amount equal to at least the difference between such proceeds and \$150,000,000."

(e) Section 2.05(a) and Section 2.05(b) are amended in full to read as follows:

"(a) Asset Bridge Advances. The Company shall repay to the Agent for the account of the Asset Bridge Lenders the outstanding principal amount of the Asset Bridge Advances on April 30, 1990."

"(b) Mortgage Bridge Advances. The Real Estate Corporation shall repay to the Agent for the account of the Mortgage Bridge Lenders the outstanding principal amount of the Mortgage Bridge Advances on April 30, 1990."

(f) Section 2.16(a) is amended by deleting the figure "\$250,000,000" therein and substituting for such figure the figure "\$100,000,000".

(g) Section 2.16(g) is amended by adding the following proviso to the end thereof:

"provided that from and after September 11, 1989, an additional commission equal to 1/2 of 1% per annum (the "Additional Commission"), shall accrue under all outstanding Standby Letters of Credit and Trade Letters of Credit, provided further that (i) the Additional Commission accruing with respect to the period from September 11, 1989 through January 31, 1990 shall not be payable until April 30, 1990 and then only if the Asset Bridge Advances and the Mortgage Bridge Advances have not been repaid in

Amendment No. 5 and Waiver - Revised

full by such date and (ii) if the outstanding principal amount of and interest on the Asset Bridge Advances and the Mortgage Bridge Advances shall have been paid in full on or before April 30, 1990, the Additional Commission shall cease to accrue on the date on which such repayment in full shall have occurred."

(b) Section 4.01(e) is amended by adding to the parenthetical at the end thereof, after the words "Closing Date," the phrase "and the financial condition of the Company reflected in the financial statements and projections delivered to the Lenders prior to September 11, 1989."

(i) Section 5.01 is amended by adding a new subsection (p) thereto to read as follows:

"(p) Additional Asset Sales. Notwithstanding the provisions of Section 5.02(d)(ii), on or before April 30, 1990, consummate a Sale Transaction with respect to an Operating Subsidiary, and all assets material to the operation of the business of such Subsidiary, for a cash sale price determined by the Board of Directors of the Company to be no less than the fair market value of such Subsidiary and assets and otherwise on terms and conditions reasonably acceptable to the Majority Lenders, the proceeds of which shall be applied as agreed by the Majority Lenders; provided, however, that, if such proceeds are to be applied to pay any indebtedness for borrowed money other than the Advances, the Advances owing to the Lenders under the Receivables Credit Agreement or secured Debt under the Existing Debt Agreements entitled to the benefits of the Shared Collateral Pledge Agreement, such application shall be subject to approval by Lenders owed or holding in the aggregate at least 66 2/3% of the sum of (i) the then aggregate unpaid principal amount of the Advances owing to the Lenders and the Advances owing to the Lenders under the Receivables Credit Agreement and (ii) the then aggregate unused Working Capital Commitments held by the Working Capital Lenders and Revolving Commitments held by the Lenders under the Receivables Credit Agreement."

(j) Section 5.02(b) is amended by (i) deleting the letter "(A)" from clause (iii) therein and the phrase "and (B) additional Current Coupon Debentures in a principal amount exceeding \$1,150,000,000 if the excess

Amendment No. 5 and Waiver - Revised

is used to prepay the Advances pursuant to Section 2.08" in such clause (iii), (ii) substituting a comma for the word "and" immediately prior to the phrase "(.) from and after the Reduction Date, additional Debt of the Company not otherwise permitted by this Section 5.02(b)" and (iii) adding a new clause (xi) to such Section to read as follows:

"and (xi) unsecured Debt (the "Liquidity Loan") in an aggregate amount of up to \$150,000,000 incurred pursuant to the Campeau Undertaking, provided that the Liquidity Loan shall not be repayable prior to September 11, 1991, the Company shall pay interest on the Liquidity Loan at a rate of 9-7/8% per annum and shall not pay such amounts in cash following the occurrence and during the continuance of a Default or, in any event, prior to the earlier of April 30, 1990 and the consummation of a Sale Transaction contemplated by Section 5.01(p) and the terms and conditions of the Liquidity Loan shall otherwise have been approved by the Agent and the Co-Agent."

(k) Section 5.02(h) is amended by (i) substituting a comma for the word "or" immediately prior to the phrase "Senior Exchange Notes" in clause (i) therein and adding the phrase ". the Liquidity Loan or the Campeau Undertaking" to the end of such clause (i) therein, (ii) adding the phrase "or the Liquidity Loan" after the phrase "Subordinated Bridge Notes" in clause (iv) therein, and (iii) substituting a comma for the word "or" before the phrase "Permanent Subordinated Debt" in clause (vi) therein, adding the phrase "or the Liquidity Loan" after such phrase and amending subclause (C) in full to read as follows:

"(C) provided that before and immediately after giving effect to such payment no Default or Event of Default shall have occurred and be continuing, in an aggregate amount not to exceed the excess of the aggregate amount of capital contributions to the Company made in cash since September 11, 1989 over the sum of (1) the aggregate amount of dividends referred to in Section 5.02(c)(iv), investments referred to in clause (xii) of the definition of Permitted Investments and payments to Campeau U.S. permitted under the Tax Side Letter, in each case made since September 11, 1989 plus (2) the amount by which \$150,000,000 exceeds the aggregate principal amount advanced under the Liquidity loan."

Amendment No. 5 and Waiver - Revised

(l) Section 5.02(k) is amended by deleting the word "and" immediately prior to subclause (xiii) and adding a new subclause (xiv) to read as follows:

"; and (xiv) the Campeau Undertaking and the Liquidity Loan."

(m) Sections 5.03(b), 5.03(c) and 5.03(f) are amended in full to read as follows:

"(b) Fixed Charge Coverage Ratio. The Company shall maintain for each Measurement Period a ratio of EBITDA to Fixed Charges not less than the ratio set forth opposite the fiscal quarter of the Company in which such Measurement Period ends:

<u>Fiscal Quarter Ending In</u>	<u>Minimum Fixed Charge Coverage Ratio</u>
January, 1989	0.8:1
April, 1989	0.7:1
July, 1989	0.7:1
October, 1989	0.7:1
January, 1990	0.8:1
April, 1990	0.8:1
July, 1990	0.8:1
October, 1990	0.8:1
January, 1991 and thereafter	1.0:1

"(c) Maintenance of Net Worth. The Company will maintain a Net Worth at the end of each fiscal quarter set forth below not less than the minimum amount set forth below for such fiscal quarter:

<u>Fiscal Quarter Ending In</u>	<u>Minimum Amount Of Net Worth</u>
October, 1988	\$950,000,000
January, 1989	990,000,000
April, 1989	930,000,000
July, 1989	835,000,000
October, 1989	755,000,000
January, 1990	890,000,000
April, 1990	850,000,000
July, 1990	800,000,000
October, 1990	765,000,000

8

Amendment No. 3 and Waiver - Revised

January, 1991	790,000,000
April, 1991	850,000,000
July, 1991	850,000,000
October, 1991	850,000,000
January, 1992	1,000,000,000
April, 1992	900,000,000
July, 1992	900,000,000
October, 1992	900,000,000
January, 1993	1,000,000,000"

"(f) Interest Coverage Ratio. The Company shall maintain for each Measurement Period a ratio of EBITDA to (i) Cash Interest minus (ii) interest income not less than the ratio set forth opposite the fiscal quarter of the Company in which such Measurement Period ends:

<u>Fiscal Quarter Ending In</u>	<u>Minimum Interest Coverage Ratio</u>
January, 1989	1.25:1
April, 1989	1.05:1
July, 1989	1.05:1
October, 1989	1.05:1
January, 1990	1.15:1
April, 1990	1.20:1
July, 1990	1.20:1
October, 1990	1.25:1
January, 1991	1.35:1
April, 1991 and thereafter	1.50:1"

(n) Section 6.01 is amended by adding the word "or" to the end of clause (o) therein and adding a new clause (p) to read as follows:

"(p) Campeau shall fail to make any amount available to the Company under the Campeau Undertaking on the date on which it is obligated to make such amount available to the Company;"

SECTION 2. Extension of Maturity of Asset Bridge Notes and Mortgage Bridge Notes. Each Asset Bridge Note and Mortgage Bridge Note is hereby amended by deleting the date "January 31, 1990" in the first paragraph of each such Note and inserting in substitution for such date the date "April 30, 1990". Each Lender is authorized to endorse on such

Amendment No. 5 and Waiver - Revised

Notes issued to it the following legend: "The maturity of this [Asset Bridge] [Mortgage Bridge] Note shall be extended to April 30, 1990 pursuant to an Amendment dated as of September 11, 1989 to the Credit Agreement referred to in this [Asset Bridge] [Mortgage Bridge] Note", or a legend of similar effect.

SECTION 3. Waiver of Section 2.01(c) of the Credit Agreement. Subject to the satisfaction of the conditions precedent set forth in Section 7 hereof, the Lenders hereby waive compliance by the Company with the requirements of Section 2.01(c) to the effect that Working Capital Advances during the Clean-Up Period for the fiscal year ending January 1990 not exceed \$100,000,000.

SECTION 4. Amendment to the Holdings Guaranty. The Holdings Guaranty is, effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 7 hereof, hereby amended as follows:

(a) Section 3(a) is amended by deleting the phrase "and (c)" therein.

(b) Section 3(b) is deleted in full.

(c) Section 3(c) is redesignated Section 3(b) and amended in full to read as follows:

"(b) This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Company Obligations is rescinded or must otherwise be returned by the Agent or any Lender upon the insolvency, bankruptcy or reorganization of the Company or Holdings, or otherwise, all as though such payment had not been made."

SECTION 5. Amendment to Collateral Trust Agreement. The Collateral Trust Agreement is, effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 7 hereof, hereby amended as follows:

(a) Section 7.01(a)(i) is amended by adding the phrase ", and after giving effect to the sale referred to in the Notice of Sale, would not be," immediately prior to the phrase "in default" therein.

SECTION 6. Amendment to Tax Side Letter. The Tax Side Letter is, effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 7 hereof, hereby amended as follows:

Amendment No. 5 and Waiver - Revised

(a) Paragraph 3 is amended to delete the reference to "Reduction Date" in the first sentence thereof and to add a new sentence thereto to read in full as follows:

"Reduction Date" means the date of termination of this Agreement pursuant to paragraph 4 hereof."

SECTION 7. Conditions of Effectiveness. Sections 1, 2, 3 and 4 of this Amendment and Waiver shall become effective when, and only when, the Agent shall have received counterparts of this Amendment and Waiver executed by the Borrowers, Holdings and each of the Lenders or, as to any of the Lenders, advice satisfactory to the Agent that such Lender has executed this Amendment and Waiver, and Section 5 of this Amendment and Waiver shall become effective when, and only when, the Agent shall have received counterparts of this Amendment and Waiver executed by the Borrowers, Holdings, the Majority Lenders and the Collateral Trustees, or, as to any of the Lenders or either of the Collateral Trustees, advice satisfactory to the Agent that such Lender or Collateral Trustee has executed this Amendment and Waiver, and Section 6 shall become effective when, and only when, the Agent shall have received counterparts of this Amendment and Waiver executed by the Borrowers, Holdings, each of the Lenders and Campeau U.S. By their execution and delivery of this Amendment and Waiver, the Majority Lenders hereby direct the Agent to instruct the Collateral Trustees, and the Agent hereby instructs the Collateral Trustees, to execute and deliver this Amendment and Waiver. In addition to the requirements set forth above, Sections 1, 2, 3, 4, 5 and 6 of this Amendment and Waiver shall become effective when, and only when the Agent shall have additionally received all of the following documents, each document (unless otherwise indicated) being dated the date of receipt thereof by the Agent (which date shall be the same for all such documents), in form and substance satisfactory to the Agent:

(a) Certified copies of (i) the resolutions of the Board of Directors of each of the Borrowers and Holdings approving this Amendment and Waiver, and the matters contemplated hereby and (ii) all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Amendment and Waiver and the matters contemplated hereby.

(b) A certificate of the Secretary or an Assistant Secretary of each Borrower and Holdings certifying the names and true signatures of its officers authorized to sign this Amendment and Waiver and the other documents to be delivered hereunder.

Amendment No. 5 and Waiver - Revised

(c) A favorable opinion of Cravath, Swaine & Moore, special New York counsel for the Borrowers and Holdings, in form and substance satisfactory to the Agent and the Co-Agent.

(d) A certificate signed by a duly authorized officer of each Borrower and Holdings stating that:

(i) The representations and warranties contained in Section 8 hereof are correct on and as of the date of such certificate as though made on and as of such date, and

(ii) After giving effect to this Amendment and Waiver, no event has occurred and is continuing which constitutes a Default or an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

(e) A promissory note or notes evidencing the Liquidity Loan, which shall be pledged to the Agent for the benefit of the Lenders on a first priority basis, pursuant to a pledge agreement in form and substance satisfactory to the Agent and the Co-Agent.

(f) The Campeau Undertaking, duly executed by Campeau, in form and substance satisfactory to the Agent and the Co-Agent.

In addition to the documents set forth above, Sections 1, 2, 3, 4, 5 and 6 of this Amendment and Waiver shall become effective when, and only when, the Agent shall have received payment of the amendment fee in the amount of .375% of the aggregate outstanding principal amount of the Advances plus the unused portion of the Working Capital Commitments.

SECTION 8. Representations and Warranties. Each Borrower and Holdings (each a "Loan Party") represents and warrants as follows:

(a) Such Loan Party is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation.

(b) The execution, delivery and performance by such Loan Party of this Amendment and Waiver and the Loan Documents, as amended hereby, to which it is a party are within each such Loan Party's corporate powers, have been duly authorized by all necessary corporate action and do

Amendment No. 5 and Waiver - Revised

not contravene (i) such Loan Party's charter or by-laws or (ii) any law or contractual restriction binding on or affecting such Loan Party, or result in, or require, the creation or imposition of any mortgage, deed of trust, pledge, lien, security interest or other charge, encumbrance or preferential arrangement of any nature upon or with respect to any of the properties now owned or hereafter acquired by such Loan Party.

(c) No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by any Loan Party of this Amendment and Waiver or any of the Loan Documents, as amended hereby, to which it is a party.

(d) This Amendment and Waiver and each of the other Loan Documents, as amended hereby, to which any Loan Party is a party constitute legal, valid and binding obligations of such Loan Party enforceable against such Loan Party in accordance with their respective terms.

(e) There is no pending or threatened action or proceeding affecting any Loan Party or any of its subsidiaries before any court, governmental agency or arbitrator, which may materially adversely affect the financial condition or operations of such Loan Party or any subsidiary or which purports to affect the legality, validity or enforceability of this Amendment and Waiver or any of the other Loan Documents, as amended hereby.

SECTION 9. Reference to and Effect on the Loan Documents. (a) Upon the effectiveness of Sections 1, 2, 3, 4, 5 and 6 hereof, on and after the date hereof (1) each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import shall mean and be a reference to the Credit Agreement as amended hereby, (2) each reference in any other Loan Document to the Credit Agreement or any term, condition or provision contained in the Credit Agreement, "hereunder", "thereof", "therein" or words of like import shall mean and be a reference to the Credit Agreement or such term, condition or provision (as applicable) as amended hereby, (3) each reference in an Asset Bridge Note or a Mortgage Bridge Note to "this Asset Bridge Note" or "this Mortgage Bridge Note", "hereof", "herein", or words of like import, and each reference in any other Loan Document to an Asset Bridge Note or a Mortgage Bridge Note, shall mean and be a reference to such Notes as amended hereby, (4) each reference in the Holdings Guaranty, the Collateral Trust Agreement or Tax Side

Amendment No. 5 and Waiver - Revised

Letter to "this Agreement", "hereunder", "hereof", "herein" or words of like import shall mean and be a reference to the Holdings Guaranty, the Collateral Trust Agreement or the Tax Side Letter, respectively, as amended hereby and (5) each reference in any other Loan Document to the Holdings Guaranty, the Collateral Trust Agreement or the Tax Side Letter or any term, condition or provision contained therein, "hereunder", "hereof", "therein" or words of like import shall mean and be a reference to the Holdings Guaranty, the Collateral Trust Agreement or the Tax Side Letter, respectively, or such term, condition or provision (as applicable) as amended hereby.

(b) Except as specifically amended above, the Credit Agreement, the Asset Bridge Notes, the Mortgage Bridge Notes, the Holdings Guaranty, the Collateral Trust Agreement, the Tax Side Letter and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed in all respects. Without limiting the generality of the foregoing, the Collateral Documents and all of the Collateral described therein do and shall continue to secure the payment of all obligations of the Borrowers and Holdings under the Credit Agreement, each Note and the other Loan Documents, in each case as amended hereby.

(c) The execution, delivery and effectiveness of this Amendment and Waiver shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender, any Co-Manager, the Co-Agent or the Agent under the Credit Agreement, the Holdings Guaranty, the Collateral Trust Agreement or the Tax Side Letter or any of the other Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents.

SECTION 10. Costs, Expenses and Taxes. The Borrowers jointly and severally agree to pay on demand all costs and expenses of the Agent in connection with the preparation, execution and delivery of this Amendment and Waiver and the other instruments and documents to be delivered hereunder including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Agent with respect thereto and with respect to advising the Agent as to its rights and responsibilities hereunder and thereunder. In addition, the Borrowers jointly and severally agree to pay any and all stamp and other taxes payable or determined to be payable in connection with the execution and delivery of this Amendment and Waiver and the other instruments and documents to be delivered hereunder, and agree to hold the Agent and each Lender harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes.

Amendment No. 5 and Waiver - Revised

SECTION 11. Holdings Consent to Amendment to Credit Agreement. By execution below, Holdings hereby consents to this Amendment and Waiver to the Credit Agreement, and hereby confirms and agrees that: (i) the Loan Documents in effect on the date hereof to which it is a party are, and shall continue to be, in full force and effect and are hereby ratified and confirmed in all respects except that, upon the effectiveness of, and on and after the date of this Amendment and Waiver, all references in such Loan Documents to the Credit Agreement, the Asset Bridge Notes, the Mortgage Bridge Notes, the Holdings Guaranty, the Collateral Trust Agreement and the Tax Side Letter shall mean and be a reference to such Agreement, Notes, Guaranty, Trust Agreement and Letter as amended by this Amendment and Waiver and (ii) each of the Collateral Documents and all of the collateral described therein do, and shall continue to, guarantee, secure or otherwise support the payment of all obligations of the Borrowers under the Loan Documents as amended by this Amendment and Waiver.

SECTION 12. Execution in Counterparts. This Amendment and Waiver may be executed in any number of counterparts and by different 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 but one and the same instrument. Delivery of an executed counterpart of this Amendment and Waiver by telecopier shall be effective as delivery of a manually executed original.

SECTION 13. Governing Law. This Amendment and Waiver shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment and Waiver to be executed by their respective officers thereunto duly authorized, as of the date first above written.

E. J. Murphy
Print Name of Signatory

By Wm. M. Murphy
Title.

EXHIBIT 10.17.1.2

CONFORMED COPY

WAIVER AND AMENDMENT TO RECEIVABLES PURCHASE AGREEMENT

WAIVER AND AMENDMENT, dated as of January 18, 1990, (the "Amendment") among THE SELLERS LISTED ON SCHEDULE 1 HERETO (each a "Seller" and, collectively, the "Sellers") and FEDERATED CREDIT CORPORATION, an Ohio corporation (the "Purchaser"), to that certain Receivables Purchase Agreement dated as of July 28, 1988, among the Sellers and the Purchaser (the "Receivables Purchase Agreement"); terms used herein and not otherwise defined being used herein as therein defined.

PRELIMINARY STATEMENTS:

(1) The Purchaser has entered into the Amended and Restated Credit Agreement, dated as of January 18, 1990 (the "Credit Agreement") among the Purchaser, the Lenders named therein, Bank of America National Trust and Savings Association, The Sanwa Bank Limited, New York Branch and The Long-Term Credit Bank of Japan, Limited, New York Branch, as Co-Managers, The Sumitomo Bank, Limited, New York Branch, as Co-Agent, and Citibank, N.A., as Agent, as it may be amended, modified or supplemented from time to time.

(2) It is a condition precedent to the making of additional Revolving Advances (as defined in the Credit Agreement) by the Lenders under the Credit Agreement that the Purchaser and the Sellers shall have executed and delivered this Amendment.

(3) The Purchaser and the Sellers have agreed to enter into the waiver and amend the Receivables Purchase Agreement as set forth below on the terms and conditions hereinafter set forth.

SECTION 1. Waiver. The Purchaser and the Sellers hereby waive any breaches of representations and warranties, any conditions precedent, any defaults and any Purchase Termination Events existing prior to the date hereof under the Receivables Purchase Agreement resulting solely from the filing by each of the Sellers of a voluntary petition for relief under chapter 11, title 11 of the United States Code with the United States Bankruptcy Court for the Southern District of Ohio (the "Bankruptcy Court").

SECTION 2. Amendment to Receivables Purchase Agreement. The Receivables Purchase Agreement is hereby amended as follows:

(a) The definition of "Gross Charge-off Percentage" in Section 1.01 is amended in full to read as follows:

"Gross Charge-Off Percentage" means, for any period, the percentage obtained by dividing (a) the Write-Offs for such period by (b) an amount equal to the average Outstanding Balance of (i) Receivables owned by the Purchaser and (ii) Receivables owned by the Sellers which are reasonably anticipated to be purchased by the Purchaser within the next fiscal quarter, in each case, as of the last day of each fiscal month included in such period.

(b) The definition of "Purchase Discount" in Section 1.01 is amended in full to read as follows:

"Purchase Discount" means the purchase discount determined in accordance with Schedule VIII but in no event less than 5%.

(c) Section 7.01 is amended by inserting the following after Subsection (f) thereof:

(g) An order of the Bankruptcy Court shall be entered in the chapter 11 case of any Seller appointing a trustee under section 1104 of title 11 of the United States Code.

SECTION 3. Effect on Receivables Purchase Agreement. (a) Except as specifically amended above, the Receivables Purchase Agreement shall remain in full force and effect and is hereby ratified and confirmed in all respects.

(b) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Purchaser under the Receivables Purchase Agreement nor constitute a waiver of any provision of the Receivables Purchase Agreement.

SECTION 4. Condition of Effectiveness. This Amendment shall not be effective until the Bankruptcy Court

shall have entered an order approving the Receivables Purchase Agreement and this Amendment.

SECTION 5. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different 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 but one and the same instrument.

SECTION 6. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

BLOOMINGDALE'S, INC.
Debtor in Possession

By: /s/ Mark Kennedy
Name: Mark Kennedy
Title:

BURDINES, INC.
Debtor in Possession.

By: /s/ Mark Kennedy
Name: Mark Kennedy
Title:

FEDERATED DEPARTMENT STORES,
INC.
Debtor in Possession

By: /s/ Mark Kennedy
Name: Mark Kennedy
Title:

RICH'S, INC.
Debtor in Possession

By: /s/ Mark Kennedy
Name: Mark Kennedy
Title

FEDERATED CREDIT CORPORATION

By: /s/ Mark Kennedy
Name: Mark Kennedy
Title: President

LIST OF SELLERS

NAME OF SELLER	ADDRESS	CITY, STATE OR MUNICIPALITY
AMERICAN BANK N.Y., Incorporated	6 West 4th Street New York, N.Y. 10013	6 West 4th Street New York, N.Y. 10013
Baltimore	1000 Third Avenue New York, New York 10021	1000 Third Avenue New York, New York 10021
Baltimore	17 East Flaggler Street Miami, Florida 33101	17 East Flaggler Street Miami, Florida 33101
Baltimore	41 Broad Street, P.M. Atlanta, Georgia 30303	41 Broad Street, P.M. Atlanta, Georgia 30303

SEARCHED

INDEXED

SERIALIZED

FILED

EXHIBIT 10.21

1-A
EXECUTION COPY

BEST AVAILABLE COPY

**POST-PETITION CREDIT AGREEMENT
PURSUANT TO SECTION 364(C)(1), (2) AND (3) OF THE
BANKRUPTCY CODE**

Dated as of January 18, 1990

Among

FEDERATED DEPARTMENT STORES, INC.

A DEBTOR IN POSSESSION

FEDERATED REAL ESTATE, INC.

A DEBTOR IN POSSESSION

and the other

DEBTORS IN POSSESSION NAMED HEREIN

as Borrowers

and

THE FINANCIAL INSTITUTIONS NAMED HEREIN

as Lenders

and

CITIBANK, N.A.

as Agent

TABLE OF CONTENTS

	PAGE
ARTICLE I: DEFINITIONS AND ACCOUNTING TERMS	3
SECTION 1.01. Certain Defined Terms	3
SECTION 1.02. Computation of Time Periods	22
SECTION 1.03. Accounting Terms	22
ARTICLE II: AMOUNTS AND TERMS OF THE POST-PETITION LOANS 22	
SECTION 2.01. The Post-Petition Loans	22
SECTION 2.02. Making the Post-Petition Loans	23
SECTION 2.03. Fees	25
SECTION 2.04. Repayment	25
SECTION 2.05. Prepayments; Commitment Reductions; Optional Prepayments	25
SECTION 2.06. Interest	27
SECTION 2.07. Payments and Computations	28
SECTION 2.08. Taxes	30
SECTION 2.09. Sharing of Payments, Etc	33
SECTION 2.10. Issuance of Post-Petition Letters of Credit	33
SECTION 2.11. Capital Adequacy	38
ARTICLE III: SECURITY, PRIORITY AND ADEQUATE PROTECTION 39	
SECTION 3.01. Accounts	39
SECTION 3.02. Grant of Security Interest	41
SECTION 3.03. Adequate Protection for Indebtedness Under Pre-Petition Credit Agreement	43
SECTION 3.04. Perfection of Security Interests, Mortgages and Liens	43
SECTION 3.05. Application of Payments Received for Pre-Petition Collateral	44
SECTION 3.06. Application of Payments Received from the Sale of Real Estate	45
SECTION 3.07. Release of Collateral	45
SECTION 3.08. Terms	46
ARTICLE IV: CONDITIONS OF LENDING AND ISSUANCE	46
SECTION 4.01. Conditions Precedent to Initial Post- Petition Loans and Post-Petition Letters of Credit	46

SECTION 4.02. Conditions Precedent to Each Post-Petition Borrowing and Each Issuance	47
ARTICLE V: REPRESENTATIONS AND WARRANTIES	49
SECTION 5.01. Representations and Warranties of the Borrowers	49
ARTICLE VI: COVENANTS OF THE BORROWERS	53
SECTION 6.01. Affirmative Covenants	53
SECTION 6.02. Negative Covenants	61
SECTION 6.03. Financial Covenants	64
ARTICLE VII: EVENTS OF DEFAULT	66
SECTION 7.01. Events of Default	66
SECTION 7.02. Remedies as to Collateral	70
ARTICLE VIII: THE AGENT	72
SECTION 8.01. Authorization and Action	72
SECTION 8.02. Agent's Reliance, Etc	72
SECTION 8.03. Citibank and Affiliates	73
SECTION 8.04. Lender Credit Decision	74
SECTION 8.05. Indemnification	74
SECTION 8.06. Successor Agent	74
SECTION 8.07. Assignments and Participations . .	75
ARTICLE IX: MISCELLANEOUS	78
SECTION 9.01. Amendments, Etc	78
SECTION 9.02. Notices, Etc	79
SECTION 9.03. No Waiver; Remedies	80
SECTION 9.04. Costs and Expenses	80
SECTION 9.05. Right of Set-off	81
SECTION 9.06. Survival of Representations and Warranties	82
SECTION 9.07. Binding Effect	82
SECTION 9.08. Governing Law; Severability	82
SECTION 9.09. Further Assurances	83
SECTION 9.10. Confidentiality.	84
SECTION 9.11. Execution in Counterparts	85

SCHEDULES AND EXHIBITS

Schedule I	--	Applicable Lending Offices
Schedule II	--	Post-Petition Commitment Percentages
Schedule III	--	Real Estate Corporation Subsidiaries
Schedule IV	--	Deposit Accounts
Schedule V	--	Liens
Schedule VI	--	Real Estate of the Borrowers
Schedule VII	--	Real Estate Corporation -- Leases
Schedule VIII	--	Unencumbered Cash
Exhibit A	--	Form of Post-Petition Note
Exhibit B	--	Form of Deposit Bank Letter
Exhibit C	--	Weekly Reports
Exhibit D	--	Form of Assignment and Acceptance Agreement

POST-PETITION CREDIT AGREEMENT

POST-PETITION CREDIT AGREEMENT dated as of January 13, 1990 among FEDERATED DEPARTMENT STORES, INC., a debtor in possession (the "Company"), FEDERATED REAL ESTATE, INC., a debtor in possession (the "Real Estate Corporation"), the other debtors in possession (the "Debtors in Possession") listed on the signature pages hereof (the Company, the Real Estate Corporation, and the Debtors in Possession each being a "Borrower" and collectively being the "Borrowers"), the lenders (the "Lenders") listed on the signature pages hereof, and CITIBANK, N.A. ("Citibank"), as agent (the "Agent") for the Lenders hereunder.

WITNESSETH

WHEREAS, the Company, the Real Estate Corporation, the lenders party thereto, BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, THE SANWA BANK LIMITED, New York Branch and THE LONG-TERM CREDIT BANK OF JAPAN, LIMITED, New York Branch as co-managers (the "Co-Managers"), THE SUMITOMO BANK, LIMITED, New York Branch as co-agent (the "Co-Agent") and the Agent have entered into that certain Credit Agreement, dated as of July 28, 1988, as amended (the "Pre-Petition Credit Agreement"), pursuant to which the lenders party thereto agreed to make loans of up to \$3,200,000,000, subject to the terms and conditions contained therein, secured by, *inter alia*, the stock of the Subsidiaries of the Company, including the Real Estate Corporation, and the other Shared Collateral and Non-Shared Collateral referred to therein (the "Pre-Petition Federated Collateral"), and Federated Holdings, Inc. has entered into that certain Guaranty, dated July 29, 1988, pursuant to which it guaranteed the Company's and the Real Estate Corporation's obligations under the Loan Documents referred to in the Pre-Petition Credit Agreement, secured by, *inter alia*, the stock of the Company (collectively with the Pre-Petition Federated Collateral, the "Pre-Petition Collateral"); and

WHEREAS, Federated Credit Corporation (the "Credit Corporation"), certain of the Lenders, the Co-Managers, the Co-Agent and the Agent have entered into that certain Credit Agreement, dated as of July 28, 1988, as amended (the "Pre-Petition Receivables Agreement"), pursuant to which the lenders named therein agreed to make loans of up to

\$1,000,000, subject to the terms and conditions contained therein, secured by, *inter alia*, a first perfected security interest in all of Credit Corporation's accounts receivable; and

WHEREAS, the principal amount of the loans outstanding under the Pre-Petition Credit Agreement as of the Petition Date (as hereinafter defined) was \$1,516,325,128.00; and

WHEREAS, on January 15, 1990 (the "Petition Date") each of the Borrowers filed a voluntary petition for relief under chapter 11, title 11, of the United States Code (the "Bankruptcy Code") with the United States Bankruptcy Court for the Southern District of Ohio (the "Bankruptcy Court"); and

WHEREAS, each of the Borrowers is continuing to manage its properties as a debtor-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code; and

WHEREAS, an immediate need exists for each of the Borrowers to obtain funds to continue the operation of its business; and

WHEREAS, the Borrowers have requested that the Lenders make funds available for Permitted Expenditures (as such term is hereinafter defined); and

WHEREAS, the Lenders are willing to make funds available pursuant to section 364(c)(1), (2) and (3) of the Bankruptcy Code for the aforementioned purposes, but only upon the terms and subject to the conditions contained herein; and

WHEREAS, each of the Borrowers has agreed to secure its obligations to the Lenders in connection with such financing with, *inter alia*, a security interest in and Lien on all of its property and interests, whether real or personal, tangible or intangible, including, without limitation, all inventory and interests in real property, each to the extent set forth herein; and

WHEREAS, concurrently herewith the parties to the Pre-Petition Receivables Agreement are entering into an amendment and restatement thereof pursuant to which the lenders party thereto are continuing to provide financing to the Credit Corporation on the terms and subject to the

conditions set forth therein (the "Amended and Restated Receivables Agreement"); and

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements contained herein, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"A&S" means the Abraham & Straus division of the Company.

"Account Collateral" has the meaning set forth in Section 3.02(iv).

"Affiliate" means, with respect to a particular Person, (a) any Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such particular Person or (b) any Person who is a director or officer (i) of such particular Person, (ii) of any Subsidiary or of any subsidiary of such particular Person or (iii) of any Person described in clause (a) above. For purposes of this definition, control of a Person shall mean the power, direct or indirect, (i) to vote 5% or more of the securities having ordinary voting power for the election of director of such Person, or (ii) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Agent's Account" means the account of the Agent maintained by the Agent at its office at 399 Park Avenue, New York, New York 10043, Account Number 40513804.

"Agreement" means, this Post-Petition Credit Agreement, including all amendments, modifications and supplements hereto and any annexes, exhibits or schedules to any of the foregoing, and shall refer to the Agreement as the same may be in effect at the time

such reference becomes operative.

"Amended and Restated Receivables Agreement" has the meaning assigned to such term in the recitals of this Agreement.

"APB 16" means Opinion No. 16 of the Accounting Principles Board, as in effect on the date hereof.

"Applicable Lending Office" means, with respect to any Lender, the office of such Lender specified on Schedule I hereto.

"Applicable Limit" means at any time during each period below, the amount set forth opposite such period:

<u>Fiscal Month</u>	<u>Amount</u>
January, 1990	\$150,000,000
February, 1990	150,000,000
March, 1990	150,000,000
April, 1990	175,000,000
May, 1990	200,000,000
June, 1990	200,000,000
July, 1990	250,000,000
August, 1990	300,000,000
September, 1990	350,000,000
October, 1990	400,000,000
November, 1990	400,000,000

<u>Dates Below</u>	<u>Amount</u>
December 1, 1990 - December 21, 1990	\$400,000,000
December 22, 1990 - December 31, 1990	350,000,000
January 1, 1991 - February 4, 1991	150,000,000

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by the Agent, in substantially the form of Exhibit D hereto.

"Authorizing Order" means entry of an order of the Bankruptcy Court authorizing and approving this Agreement, in form and substance acceptable to the Agent.

"Bankruptcy Code" has the meaning assigned to such

term in the recitals of this Agreement.

"Bankruptcy Court" has the meaning assigned to such term in the recitals of this Agreement.

"Base Rate" means a fluctuating interest rate per annum as shall be in effect from time to time which rate per annum shall at all times be equal to the higher of:

(a) the rate of interest announced publicly by Citibank in New York, New York, from time to time, as Citibank's base rate; or

(b) the sum (adjusted to the nearest 1/4 of one percent or, if there is no nearest 1/4 of one percent, to the next higher 1/4 of one percent) of (i) 1/2 of one percent per annum, plus (ii) the rate obtained by dividing (A) the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average (adjusted to the basis of a year of 360 days) being determined weekly on each Monday (or if such day is not a Business Day, on the next succeeding Business Day) for the three-week period ending on the previous Friday by Citibank on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York, or if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Citibank from three New York certificate of deposit dealers of recognized standing, by (B) a percentage equal to 100% minus the average of the daily percentages specified during such three week period by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirements (including, but not limited to, any marginal reserve requirement) for Citibank in respect of liabilities consisting of or including (among other liabilities) three-month U.S. dollar non-personal time deposits in the United States, plus (iii) the average during such three-week period of the annual assessment rates estimated by Citibank for determining the then current annual assessment payable by Citibank to the Fed-

eral Deposit Insurance Corporation (or any successor) for insuring U.S. dollar deposits of Citibank in the United States.

"Blocked Accounts" has the meaning set forth in Section 3.01(b).

"Bloomingdale's" means Bloomingdale's, Inc., a Delaware corporation wholly owned by the Company.

"Borrowing Base" means at any time an amount equal to the lower of (i) 40% of Eligible Inventory as determined by the most recent Borrowing Base Certificate and (ii) the Applicable Limit.

"Borrowing Base Certificate" means a certificate of the chief financial officer or a financial Senior Vice President of the Company in a form acceptable to the Agent.

"Burdine's" means Burdine's Inc., a Delaware corporation wholly owned by the Company.

"Business Day" means a day of the year on which banks are not required or authorized to close in New York City.

"Campeau" means Campeau Corporation, an Ontario corporation.

"Campeau U.S." means Campeau Corporation (U.S.) Inc., a Delaware corporation wholly owned by Campeau.

"Capital Expenditures" means, for any period, on a consolidated basis for the Company and its Subsidiaries, the sum, without duplication, of (i) the aggregate of all expenditures, except interest capitalized during construction, during such period which, in accordance with U.S. GAAP, are required to be included in property, plant or equipment or a similar fixed asset account plus (ii) the entire principal amount of any Debt assumed in connection with any expenditures referred to in clause (i) above. For purposes of this definition, the purchase price of equipment which is purchased simultaneously with the trade-in of existing equipment owned by the Company or any of its Subsidiaries or with insurance proceeds shall be included in Capital Expenditures only to the extent of

the gross amount of such purchase price less the credit granted by the seller of such equipment for the equipment being traded in at such time or the amount of such proceeds, as the case may be.

"Capitalized Leases" has the meaning set forth in clause (v) of the definition of Debt.

"Cash Collateral Account" has the meaning set forth in Section 3.01(a).

"Cash Equivalents" means (i) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed or insured by the United States Government or any agency thereof, (ii) certificates of deposit, eurodollar time deposits, overnight bank deposits, bankers' acceptances and repurchase agreements of any commercial bank whose unsecured long-term debt obligations are rated at least A- by Standard & Poor's Corporation or A1 by Moody's Investors Service, Inc. having maturities of one year or less from the date of acquisition and (iii) commercial paper rated at least A-1 by Standard & Poor's Corporation or P-1 by Moody's Investors Service, Inc., or carrying an equivalent rating by a nationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of investments.

"Closing Date" means the date of the initial Post-Petition Borrowing hereunder.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collecting Banks" has the meaning set forth in Section 3.01(b).

"Consolidated Cash Flow" means, for any period, the net income (loss) of the Company and its Subsidiaries for such period plus (a) the sum of (i) all non-cash charges of the Company and its Subsidiaries for such period to the extent included in the computation of such net income (loss) and (ii) to the extent not included in such net income (loss), Net Cash Proceeds minus (b) the sum (without duplication) of (A) scheduled and mandatory cash principal payments on the Post-Petition Loans made during such period and optional cash principal payments on the Post-Petition Loans made

during such period (but only to the extent that the Post-Petition Commitments are permanently reduced by the amount of such payments), and scheduled cash principal payments on other indebtedness made by the Company and its Subsidiaries during such period to the extent such other Debt is permitted herein and such payments are permitted herein to be made, (B) Capital Expenditures made by the Company and its Subsidiaries during such period, to the extent permitted herein, other than by the incurrence or assumption of Debt, and investments made for capital expenditure purposes, (C) the excess, if any, of current assets over current liabilities as defined by U.S. GAAP at the end of such period over current assets over current liabilities as defined by U.S. GAAP at the beginning of such period, (D) Net Cash Proceeds applied pursuant to Section 3.05 and 3.06, (E) increases in other assets and (F) all non-cash credits of the Company and its Subsidiaries for such period to the extent included in the computation of such net income (loss); it being understood that Consolidated Cash Flow shall be determined in a manner consistent with the method by which the item entitled "Increase (Decrease) Cash Before Financing Transactions" on page 3 of the Projections is determined.

"Consolidated Excess Cash Flow" means the excess of Consolidated Cash Flow for any fiscal month over the amounts for such period set forth below:

<u>Fiscal Month</u>	<u>Amount</u>
February 1990	\$ 72,600,000
March 1990	(2,400,000)
April 1990	(1,300,000)
May 1990	(8,900,000)
June 1990	(26,300,000)
July 1990	(86,100,000)
August 1990	(125,900,000)
September 1990	(105,300,000)
October 1990	(69,000,000)
November 1990	(24,000,000)
December 1990	344,000,000
January 1991	131,600,000

"Corporate EBITDA" means, for any period, (A) the consolidated net income (or net loss) of the Company and its Subsidiaries for such period as determined in

accordance with U.S. GAAP, plus (a) the sum of (i) depreciation expense, (ii) amortization expense, (iii) Interest Expense, (iv) total income tax expense, and (v) extraordinary or unusual losses (and other after tax losses on sales of assets outside of the ordinary course of business and not otherwise included in U.S. GAAP extraordinary or unusual losses), in each case of the Company and all of its Subsidiaries for such period, (b) the sum of (i) extraordinary or unusual gains (and other after tax gains on sales of assets outside of the ordinary course of business and not otherwise included in U.S. GAAP extraordinary or unusual gains) of the Company and all of its Subsidiaries for such period, (ii) the net income (or loss) of any Person that is accounted for by the equity method of accounting, except to the extent of the amount of dividends or distributions paid to the Company and (iii) the net income (or loss) of any other Person acquired by the Company or any Subsidiary of the Company in a transaction accounted for as a pooling of interests for any period prior to the date of such acquisition; minus (B) Divisional EBITDA for such period; provided, however, that Corporate EBITDA shall not include any fees and expenses paid or accrued in respect of professionals retained pursuant to sections 327 and 1103 of the Bankruptcy Code, fees and expenses paid or accrued in connection with this Agreement and any amounts attributed by the Company to the administration of the chapter 11 case.

"Credit Corporation" has the meaning assigned to such term in the recitals of this Agreement.

"Debt" of any Person means, without duplication, (i) all indebtedness of such Person for borrowed money, (ii) all indebtedness of such Person for the deferred purchase price of property or services (other than property and services purchased, and expense accruals and deferred compensation items arising, in the ordinary course of business), (iii) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments (other than performance, surety and appeals bonds arising in the ordinary course of business), (iv) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limit-

ed to repossession or sale of such property), (v) all obligations under leases which have been or should, in accordance with U.S. GAAP, be recorded as capital leases, to the extent required to be so recorded ("Capitalized Leases"), (vi) all reimbursement, payment or similar obligations, contingent or otherwise, under acceptance, letter of credit or similar facilities (other than letters of credit in support of trade obligations or in connection with workers' compensation, unemployment insurance, old-age pensions and other social security benefits in the ordinary course of business other than in respect of employee benefit plans subject to ERISA), (vii) all Debt referred to in clauses (i) through (vi) above guaranteed directly or indirectly by such Person, or in effect guaranteed directly or indirectly by such Person through an agreement (A) to pay or purchase such Debt or to advance or supply funds for the payment or purchase of such Debt, (B) to purchase, sell or lease (as lessee or lessor) property, or to purchase or sell services, primarily for the purpose of enabling the debtor to make payment of such Debt or to assure the holder of such Debt against loss in respect of such Debt, (C) to supply funds to or in any other manner invest in the Debtor (including any agreement to pay for property or services irrespective of whether such property is received or such services are rendered) or (D) otherwise to assure a creditor against loss in respect of such Debt, and (viii) all Debt referred to in clauses (i) through (vi) above secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any lien, security interest or other charge or encumbrance upon or in property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Debt.

"Default" means any event that would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

"Division" means each of A&S and Lazarus.

"Divisional EBITDA" means for any period the consolidated net income (or net loss) of the Divisions and the Operating Subsidiaries for such period as determined in accordance with U.S. GAAP, plus (a) the sum of (i) depreciation expense, (ii) amortization

expense, (iii) Interest Expense, (iv) total income tax expense, and (v) extraordinary or unusual losses (and other after tax losses on sales of assets outside of the ordinary course of business and not otherwise included in U.S. GAAP extraordinary or unusual losses), in each case of the Divisions and the Operating Subsidiaries for such period, less (b) extraordinary or unusual gains (and other after tax gains on sales of assets outside of the ordinary course of business and not otherwise included in U.S. GAAP extraordinary or unusual gains) of the Divisions and the Operating Subsidiaries for such period; provided, however, that Divisional EBITDA shall not include any fees and expenses paid or accrued in respect of professionals retained pursuant to sections 327 and 1103 of the Bankruptcy Code, fees and expenses paid or accrued in connection with this Agreement and any amounts attributed by the Company to the administration of the chapter 11 case.

"Eligible Assignee" means any Person who was a Lender under the Pre-Petition Credit Agreement on December 1, 1989, who was a participant of any such Lender with respect to the Pre-Petition Credit Agreement on December 1, 1989 or any other entity acceptable to the Agent.

"Eligible Inventory" shall mean Inventory of any of the Borrowers (i) with respect to which the Agent has a valid and perfected Lien, (ii) with respect to which no warranty contained in any of the Post-Petition Loan Documents has been breached, (iii) which is accounted for in a manner consistent with the Retail Method of Inventory Accounting, and (iv) which shall conform to the following criteria:

(a) the Inventory consists of items which are in good salable condition, are not deteriorating in quality or obsolete and are subject to those internal control and management procedures originally established by the Borrowers and approved by the Agent;

(b) the Inventory is not subject to any other Lien; and

(c) the Inventory does not consist of bill and hold goods, work in process, rejected goods

or goods in transit to third parties (other than agents or warehousemen).

Eligible Inventory shall be valued at the lower of cost (on a first-in, first-out basis) or market.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ERISA Affiliate" means any trade or business (whether or not incorporated) which is a member of a group of which the Company is a member and which is under common control within the meaning of Section 414(b) or (c) of the Code and the regulations promulgated and rulings issued thereunder.

"Events of Default" has the meaning specified in Section 7.01.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day for such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it.

"Headquarters Building" shall mean the land and improvements thereon located at 7 West Seventh Street, Cincinnati, Ohio 45202.

"Holdings" means Federated Holdings, Inc., a Delaware corporation which owns 100% of the capital stock of the Company.

"Insufficiency" means, with respect to any Plan, the amount, if any, of its unfunded benefit liabilities within the meaning of Section 4001(a)(18) of ERISA.

"Interest Expense" means, for any period, gross

interest expense for such period determined in accordance with U.S. GAAP (other than interest on tax assessments to the extent included in deferred taxes) minus gross interest income for such period.

"Inventory" of any Person, shall mean and include all of such Person's now owned and hereafter acquired goods, materials, supplies, merchandise and other personal property furnished under any contract of service or intended for sale or lease, including, without limitation, all raw materials, work in process, finished goods and materials, parts and supplies of any kind, nature or description which are used or consumed in such Person's business, all returned or repossessed goods now, or at any time or times hereafter, in the possession or under the control of such Person or the Agent, and all documents of title or documents representing the same, but excluding all goods not owned by such Person which have been sold on consignment by such Person to the extent included in the foregoing; together with all proceeds and products thereof.

"Investments" has the meaning specified in Section 6.02(g).

"Issuance" has the meaning specified in Section 2.10(a).

"Issuing Bank" means the domestic branch of any Lender that is a commercial bank, as issuer of a Post-Petition Letter of Credit.

"Lazarus" means the Lazarus division of the Company.

"Lenders" means the Lenders listed on the signature pages hereof and their permitted assigns.

"Letter of Credit Cash Collateral Account" has the meaning specified in Section 2.05(c).

"Lien" has the meaning specified in Section 5.01(b).

"Majority Lenders" means at any time Lenders owed at least 51% of the then aggregate unpaid principal amount of the Post-Petition Loans owing to Lenders, or, if no such principal amount is then outstanding, Land-

ers having at least 51% of the Post-Petition Commitments.

"Material Adverse Change" means a material adverse change since the Petition Date in any of (i) the financial condition, business, prospects, operations, properties or performance of any of the Company, any Operating Subsidiary or the Real Estate Corporation, (ii) the legality or validity of any Post-Petition Loan Document, (iii) the Lien of the Agent for the benefit of the Lenders pursuant to this Agreement or an order of the Bankruptcy Court and (iv) the ability of any Borrower to perform under any Post-Petition Loan Document.

"Material Adverse Effect" means an effect that would result in a Material Adverse Change.

"Multiemployer Plan" means a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA to which the Company or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"Multiple Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, which (i) is maintained for employees of the Company or an ERISA Affiliate and at least one Person other than the Company and its ERISA Affiliates or (ii) was so maintained and in respect of which the Company or an ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"Net Cash Proceeds" means the aggregate amount of cash received by any Borrower or any of its Subsidiaries from any Sale Transaction after deducting therefrom only reasonable and customary brokerage commissions, appraisal fees, survey charges, engineering fees, title insurance premiums, legal fees, finder's fees, loan origination and similar fees, underwriting fees, investment banking fees and other similar commissions and any filing, recording or registration fees, costs and expenses, recording taxes and transfer taxes, to the extent, but only to the extent, that (i) such amounts are paid by such Borrower or such Subsidiary, or are amounts for which such Borrower or such

Subsidiary is liable, as the case may be, and properly attributable to such transaction or to the asset that is the subject thereof, and (ii) the matters referred to in clause (i) above are set forth in a certificate signed by the chief financial officer or a financial Senior Vice President of such Borrower and, if such Borrower is not the Company, the Company, the statements in which shall be true and correct.

"Notice of Issuance" has the meaning specified in Section 2.10(b)(i).

"Obligations" means, with respect to any Person, all obligations of such Person to any other Person in respect of loans, advances, debts, liabilities, covenants and indemnities of any kind or nature, present or future, whether or not evidenced by any note, guaranty or other instrument, whether or not for the payment of money, whether arising by reason of an extension of credit, loan, guaranty, letter of credit, indemnification, or in any other manner, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising and however acquired. Without limitation of the foregoing, the Obligations of the Borrowers under this Agreement and the other Post-Petition Loan Documents include (i) all interest, charges, expenses, fees, attorneys' fees and disbursements and any other amounts payable by any Borrower under this Agreement and (ii) any amount in respect of any of the foregoing which any Lender, in its sole discretion, may elect to advance on behalf of any such Borrower.

"Operating Subsidiary" means each of Bloomingdale's, Burdine's and Rich's.

"Other Taxes" has the meaning specified in Section 2.08(b).

"PBGC" means the Pension Benefit Guaranty Corporation, or any successor agency or entity performing substantially the same functions.

"Permitted Expenditures" means (i) for the forty-five (45) day period from and after the Petition Date, those expenditures used in the development of the Projections and (ii) thereafter, those expenditures set forth in the expense budget and full operating budgets

to be delivered pursuant to Section 6.01(m)(ii) and as permitted by Section 6.03(e) and to purchase Inventory; provided, however, that those expenditures which are classified by the Company under each of the categories below may exceed the amount set forth in the expense budget by no more than 10% measured on a monthly basis:

- (a) Store payroll expenses
- (b) Total store expenses minus store payroll expenses
- (c) Corporate office work center payroll expenses
- (d) Total corporate office work center expenses minus corporate office work center payroll expenses
- (e) Total data processing expenses (SABRE)
- (f) Total merchandise group expenses (PAMs)

"Permitted Investments" means Investments, maturing on or before the first to occur of (i) the 30th day following the date of acquisition or (ii) the first day following the date of acquisition on which it is anticipated that a Post-Petition Borrowing will be made, in (A) obligations issued or unconditionally guaranteed by the United States or any agency thereof, (B) certificates of deposit of any commercial bank organized under the laws of the United States or any State thereof and having combined capital and surplus of at least \$1 billion, or (C) commercial paper with a rating of at least "Prime-1" by Moody's Investors Services, Inc. and "A-1" by Standard & Poor's Corporation.

"Permitted Liens" means (i) Liens incurred and pledges and deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance, old-age pensions and other social security benefits other than in respect of employee benefit plans subject to ERISA; (ii) Liens securing performance, surety and appeal bonds and other obligations of like nature incurred in the ordinary course of business; (iii) Liens on goods and documents securing trade letters of credit; (iv) Liens imposed by law, such as carriers', warehousemen's, mechanics', materialmen's and vendors' Liens, incurred in the ordinary course of business and securing obligations which are not yet due or which are being contested in good faith by appropriate proceedings; (v) Liens securing the payment of taxes, assessments and governmental charges or levies, either (a) not

delinquent or (b) being contested in good faith by appropriate legal or administrative proceedings and as to which adequate reserves shall have been established, but only so long as such proceedings could not subject the Agent or any Lender to any civil or criminal penalty or liability or involve any risk of the loss, sale or forfeiture of any of the property, rights or interests covered by the Post-Petition Collateral Documents; (vi) zoning restrictions, easements, rights of way, reciprocal easement agreements, operating agreements, covenants, conditions, restrictions on the use of real property which do not materially impair the use of any parcel of property material to the operation of the business or the value of such property for the purpose of such business; (vii) Liens on property existing at the time such property is acquired; (viii) purchase money Liens upon or in any property acquired or held in the ordinary course of business to secure the purchase price of such property or to secure Debt solely for the purpose of financing the acquisition of such property; (ix) Liens set forth in Schedule V; (x) Liens on the assets of Subsidiaries at the time such Subsidiaries are acquired; and (xi) extensions, renewals and replacements of Liens referred to in clauses (i) through (x) above, provided that any such extension, renewal or replacement Lien is limited to the property or assets covered by the Lien extended, renewed or replaced and does not secure any Debt in addition to that secured immediately prior to such extension, renewal or replacement.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

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

"Plan" means a Single Employer Plan or a Multiple Employer Plan.

"Post-Petition Availability" has the meaning set forth in Section 2.01(a).

"Post-Petition Borrowing" means a borrowing consisting of Post-Petition Loans made on the same day

by the Lenders ratably according to their respective Post-Petition Commitments.

"Post-Petition Collateral" has the meaning specified in Section 3.02.

"Post-Petition Collateral Documents" means, collectively, any instrument, agreement, undertaking or other writing or filing executed by the Borrowers in connection with this Agreement.

"Post-Petition Commitment" means, as to any Lender, such Lender's Post-Petition Commitment Percentage of the Post-Petition Commitments.

"Post-Petition Commitments" means \$400,000,000, as such amount may be reduced pursuant to Section 2.05(d) or (e).

"Post-Petition Commitment Percentage" means, with respect to each Lender, the percentage set forth opposite such Lender's name on Schedule II.

"Post-Petition LC Exposure" means, at any time, the maximum obligations of the Lenders under all outstanding Post-Petition Letters of Credit. The Post-Petition LC Exposure of each Lender shall be an amount equal to such Lender's Post-Petition Commitment Percentage of the Post-Petition LC Exposure of all Lenders.

"Post-Petition LC Related Documents" has the meaning specified in Section 2.10(e)(i).

"Post-Petition Letters of Credit" means a Post-Petition Standby Letter of Credit or a Post-Petition Trade Letter of Credit issued by any Issuing Bank on or after the date of the Authorizing Order for the account of the Company pursuant to Section 2.10.

"Post-Petition Loan Documents" means, collectively, this Agreement, the Post-Petition Notes, the Post-Petition Collateral Documents.

"Post-Petition Loans" means loans made by a Lender to the Borrowers pursuant to Section 2.01(a).

"Post-Petition Note" means a promissory note of

the Borrowers payable to the order of any Lender in a principal amount equal to the amount of such Lender's Post-Petition Commitment, in substantially the form of Exhibit A, evidencing the aggregate indebtedness of the Borrowers to such Lender resulting from the Post-Petition Loans made by such Lender, as such Post-Petition Note may be amended, supplemented or otherwise modified from time to time.

"Post-Petition Notice of Borrowing" has the meaning specified in Section 2.02(a).

"Post-Petition Obligations" means all present and future Obligations and other liabilities of each Borrower of every type and description arising under this Agreement, or any Post-Petition Loan Document, including, without limitation, all Obligations in respect of principal, interest, premium, fees or charges, and any and all renewals, extensions and refundings of any such Obligations or other liabilities. Notwithstanding anything to the contrary set forth in this Agreement, the Borrowers shall be jointly and severally liable for each of the Post-Petition Obligations.

"Post-Petition Standby Letter of Credit" means any letter of credit (other than a Post-Petition Trade Letter of Credit) issued on or after the date of the Authorizing Order for the account of the Company by any Issuing Bank on terms acceptable to such Issuing Bank.

"Post-Petition Trade Letter of Credit" means any trade letter of credit issued on or after the date of the Authorizing Order for the account of the Company by any Issuing Bank under trade letter of credit documentation on terms acceptable to such Issuing Bank (the "Post-Petition Trade Letter of Credit Agreement") in support of trade obligations incurred in the ordinary course of business.

"Post-Petition Trade Letter of Credit Agreement" has the meaning specified in the definition of "Post-Petition Trade Letter of Credit".

"Pre-Petition Credit Agreement" has the meaning assigned to such term in the recitals of this Agreement.

"Pre-Petition Collateral" has the meaning assigned to such term in the recitals of this Agreement.

"Pre-Petition Federated Collateral" has the meaning assigned to such term in the recitals of this Agreement.

"Pre-Petition Loan Documents" means the Pre-Petition Credit Agreement and any instrument, agreement or other writing or filing in connection therewith.

"Pre-Petition Obligations" means all Obligations of the Borrowers under the Loan Documents (as defined in the Pre-Petition Credit Agreement).

"Projections" means the projections for fiscal year 1990, dated December 22, 1985, 4:09 p.m., delivered to the Agent by the Company.

"Real Estate" means all interests (including, without limitation, leasehold interests) of the Borrowers in land, improvements and fixtures including, without limitation, those listed on Schedule VI.

"Real Estate Subsidiary" means each of the corporations wholly owned by the Real Estate Corporation and listed on Schedule III.

"Receivables" has the meaning specified in the Amended and Restated Receivables Agreement.

"Rich's" means Rich's, Inc., a Delaware corporation wholly owned by the Company.

"Sale Transaction" means the sale (other than as part of a sale-leaseback transaction), assignment, lease, sublease, transfer or other disposition of any asset.

"Single Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, which (i) is maintained for employees of the Company or an ERISA Affiliate and no Person other than the Company and its ERISA Affiliates or (ii) was so maintained and in respect of which the Company or an ERISA Affiliate could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

"Subsequent Information Documents" means any operating budgets, valuations, summaries of assets and liabilities or statements or reports material to the rehabilitation of the Borrowers pursuant to chapter 11 of the Bankruptcy Code.

"Subsidiary" of any Person means any corporation of which more than 50% of the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries.

"Taxes" has the meaning specified in Section 2.08(z).

"Termination Date" means February 4, 1991 or, if earlier, the date on which the Post-Petition Commitments shall have been terminated pursuant to this Agreement.

"Termination Event" means (i) a "reportable event", as such term is described in Section 4041 of ERISA and the regulations issued thereunder (other than a "reportable event" not subject to the provision for 30-day notice to the PBGC under such regulations) or an event described in Section 4068(f) of ERISA, or (ii) the withdrawal of the Borrower or any ERISA Affiliate from a Multiple Employer Plan during a plan year in which it was a "substantial employer", as such term is defined in Section 4001(a)(2) of ERISA, or the incurrence of liability by the Borrower or any ERISA Affiliate under Section 4064 of ERISA upon the termination of a Multiple Employer Plan, or (iii) the providing of notice of intent to terminate a Plan pursuant to Section 4041(a)(2) of ERISA or the treatment of a Plan amendment as a termination under Section 4041 of ERISA, or (iv) the institution of proceedings to terminate a Plan by the PBGC under Section 4042 of ERISA, or (v) any other event or condition which would constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the imposition of any liability under Title IV

of ERISA (other than for the payment of premiums to the PBGC).

"UCC" means the Uniform Commercial Code as the same may, from time to time, be in effect in the State of New York; provided, however, in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of Agent's security interest in any Pre-Petition Collateral or Post-Petition Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, the term "UCC" shall mean the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such attachment, perfection or priority and for purposes of definitions related to such provisions.

"Unencumbered Cash" means any and all cash, Cash Equivalents and Investments listed on Schedule VIII.

"Withdrawal Liability" has the meaning given such term under Part I of Subtitle E of Part IV of ERISA.

SECTION 1.02. Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding".

SECTION 1.03. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles in the United States ("U.S. GAAP").

ARTICLE II

AMOUNTS AND TERMS OF THE POST-PETITION LOANS

SECTION 2.01. The Post-Petition Loans. (a) On the terms and subject to the conditions contained in this Agreement, each Lender severally agrees to make Post-Petition Loans to the Borrowers from time to time on any Business Day during the period from the date hereof until the Termination Date, in an amount (the "Post-Petition Availability") not to exceed at any time outstanding such Lender's Post-Petition Commitment then in effect less the sum of (i) the then outstanding principal amount of the

Post-Petition Loans of such Lender plus (ii) the Post-Petition LC Exposure of such Lender; provided, however, that in no event shall the sum of the aggregate outstanding principal amount of the Post-Petition Loans and the Post-Petition LC Exposure of any Lender on any date exceed such Lender's Post-Petition Commitment Percentage of the Borrowing Base determined as of such date; and provided further, however, and without limitation of the previous proviso, the aggregate outstanding principal amount of the Post-Petition Loans (other than Post-Petition Loans made pursuant to 2.10(c)) of any Lender, shall not exceed, at any time, such Lender's Post-Petition Commitment Percentage of \$250,000,000. Notwithstanding the foregoing, the Lenders shall not be required to make any Post-Petition Loans (other than Post-Petition Loans pursuant to Section 2.10(c)) to the Borrowers prior to June 1, 1990 if there is Unencumbered Cash. Within the limits of each Lender's Post-Petition Commitment, the Borrowers may borrow, repay, prepay and reborrow the Post-Petition Loans, all in accordance with the terms and conditions of this Agreement.

(b) The Post-Petition Loans of each Lender shall be evidenced by a Post-Petition Note payable to the order of such Lender.

SECTION 2.02. Making the Post-Petition Loans.

(a) Each Post-Petition Borrowing shall be made on notice, given by the Company on behalf of the Borrowers not later than 1:00 P.M. (New York City time) on the second Business Day preceding the date of the proposed Post-Petition Borrowing, to the Agent, which shall give to each Lender prompt notice thereof in writing, which may be transmitted by telex, telecopier or cable. Such notice of a Post-Petition Borrowing (the "Post-Petition Notice of Borrowing") shall be in writing, which may be transmitted by telex, telecopier or cable, specifying therein (i) the requested date of such Post-Petition Borrowing and (ii) the requested aggregate amount of such Post-Petition Borrowing. Each Post-Petition Notice of Borrowing shall have annexed thereto a Borrowing Base Certificate. Each Post-Petition Notice of Borrowing shall be irrevocable and binding on the Borrowers. Each Lender shall, before 2:30 P.M. (New York City time) on the date of each Post-Petition Borrowing, make available for the account of its Applicable Lending Office to the Agent by deposit to the Agent's Account, in same day funds, such Lender's ratable portion of such Post-Petition Borrowing. The Agent agrees that, before 3:00 p.m. (New York City time) on such date and upon fulfillment of the applicable condi-

tions set forth in Article IV, it will make any funds received by such time available to the Company, on behalf of the Borrowers, at the Agent's office referred to in Section 9.02 by crediting the account of the Company maintained at such office and the Agent shall notify the Company orally of such availability. Any funds received by the Agent on such date, but, subsequent to such time, shall be made available to the Company, on behalf of the Borrowers, on the following day.

(b) Without the consent of the Agent, the Borrowers may not make more than three Post-Petition Borrowings in any calendar week, as set forth in Section 2.01(a). Each Post-Petition Borrowing shall be in an aggregate amount of not less than \$10,000,000 and increments of \$1,000,000 in excess thereof.

(c) Unless the Agent shall have received notice from a Lender prior to the date of any Post-Petition Borrowing that such Lender will not make available to the Agent such Lender's ratable portion of such Post-Petition Borrowing, the Agent may assume that such Lender has made such portion available to the Agent on the date of such Post-Petition Borrowing in accordance with subsection (a) of this Section 2.02 and the Agent may, in reliance upon such assumption, make available to the Company on behalf of the Borrowers on such date a corresponding amount. If and to the extent that such Lender shall not have so made such ratable portion available to the Agent, such Lender and the Borrowers severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount was made available to the Borrowers until the date such amount is repaid to the Agent, at (i) in the case of the Borrowers, the interest rate applicable at the time to such Post-Petition Borrowing and (ii) in the case of such Lender, the Federal Funds Rate. If such Lender shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Lender's Post-Petition Loan as part of such Post-Petition Borrowing for purposes of this Agreement.

(d) The failure of any Lender to make the Post-Petition Loan to be made by it as part of any Post-Petition Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Post-Petition Loan on the date of such Post-Petition Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Post-Petition Loan to be made by such other Lender

on the date of such Post-Petition Borrowing.

SECTION 2.03. Fees. The Borrowers jointly and severally agree to pay (a) to the Agent, on the Closing Date, an agency fee equal to \$500,000; (b) to the Agent, for the benefit of the Lenders on the date of the Authorizing Order, an origination fee equal to 3/4% of the total Post-Petition Commitment; (c) to the Agent, on the date of the Authorizing Order, an administration fee equal to 1/2% of the total Post-Petition Commitment; and (d) to the Agent on behalf of the Lenders, a commitment fee on the average daily unused portion of each Lender's Post-Petition Commitment from the date of execution of this Agreement until the Termination Date at the rate of 1/2% per annum, payable in arrears on the date of the Authorizing Order, on the first day of each month, and on the Termination Date.

SECTION 2.04. Repayment. Each of the Borrowers shall be jointly and severally obligated to repay and shall repay the entire unpaid principal amount of each Post-Petition Loan on the Termination Date.

SECTION 2.05. Prepayments; Commitment Reductions; Optional Prepayments. (a) Any Borrower may, on one Business Day's notice from the Company, on behalf of the Borrowers to the Agent stating the proposed date and aggregate amount of such prepayment, and if such notice is given, the Borrowers shall, prepay the outstanding principal amount of Post-Petition Loans in whole or ratably in part, together with accrued interest to the date of such prepayment and unpaid fees, costs and expenses at the time due and payable under the Post-Petition Loan Documents.

(b) (i) If at any time, the outstanding principal amount of the Post-Petition Loans and the Post-Petition LC Exposure shall be in excess of the lesser of (i) the Borrowing Base or (ii) the Post-Petition Commitments, the Borrowers shall within three Business Days therefrom prepay the outstanding principal amount of the applicable Post-Petition Loans in an amount equal to the lesser of the total amount of the Post-Petition Loans or the amount of such excess, together with accrued interest thereon to the date of repayment. If after giving effect to such payment, the Post-Petition LC Exposure shall be in excess of the Borrowing Base then in effect or the Post-Petition Commitments then outstanding, the Borrowers shall immediately deposit an amount equal to such excess into the Letter of Credit Cash Collateral Account referred to below.

(ii) Upon any Sale Transaction of all or any part of the Pre-Petition Collateral or other realization upon all or any part of the Pre-Petition Collateral, all payments received upon such Sale Transaction shall be applied to repay the Post-Petition Loans in an amount equal to the product of (x) the amount of the Post-Petition Loans times (y) a fraction, of which the numerator is the Eligible Inventory attributable to the Pre-Petition Collateral sold for the last day of the preceding fiscal quarter and the denominator is the total Eligible Inventory of the Divisions and Operating Subsidiaries on a consolidated basis for the last day of the preceding fiscal quarter.

(c) (i) In the event that any Post-Petition Letter of Credit, whether or not then due and payable, shall for any reason be outstanding on the Termination Date, the Borrowers shall pay to the Agent for the ratable benefit of the Lenders cash in an amount equal to the then outstanding Post-Petition LC Exposure plus any fees relating to such Letters of Credit. Such cash shall be held by the Agent in a cash collateral account (the "Letter of Credit Cash Collateral Account"). The Letter of Credit Cash Collateral Account shall be (A) in the name of the Agent (as a cash collateral account), (B) under the sole dominion and control of the Agent and (C) subject to the terms of this Section 2.05(c). The Borrowers hereby pledge, and grant to the Agent a security interest in, all such cash held in the Letter of Credit Cash Collateral Account from time to time, all Investments made pursuant to Section 2.05(c)(iii) and all proceeds thereof, as security for the payment of all amounts due in respect of the Post-Petition Letters of Credit, whether or not then due.

(ii) From time to time after cash is deposited in the Letter of Credit Cash Collateral Account, the Agent may, subject to subsection (iv) below, apply such cash, any Investments made pursuant to Section 2.05(c)(iii) and all proceeds thereof to the payment of any amounts, in such order as the Agent may elect, as shall be or shall become due and payable by the Company to the Agent and the Lenders with respect to such Post-Petition Letters of Credit.

(iii) If requested by the Company, the Agent will, subject to the provisions of this Section 2.05, from time to time for the account and at the risk of the Borrowers and upon the written instructions of the Company, (a) invest amounts on deposit in the Letter of Credit Cash

Collateral Account in Permitted Investments and (b) invest and reinvest interest on and proceeds of such Investments. Interest and proceeds that are not invested or reinvested as provided herein shall be held in the Letter of Credit Cash Collateral Account.

(iv) Notwithstanding the foregoing provisions of this Section, in the event that prior to the Termination Date any amount transferred to the Letter of Credit Cash Collateral Account pursuant to subsection (b) above shall be in excess of the amount by which the Borrowing Base or the Post-Petition Commitments then in effect exceeds the Post-Petition LC Exposure plus the amount of the outstanding Post-Petition Loans such excess shall be transferred by the Agent to the Cash Collateral Account.

(d) Optional Reductions. Upon at least three Business Days' notice to the Agent, the Company shall have the right to terminate in whole or permanently reduce ratably in part the unused portions of the respective Post-Petition Commitments, provided that each partial reduction shall be in the aggregate amount of \$20,000,000 or an integral multiple of \$5,000,000 in excess thereof; and provided, further, however, that the aggregate Post-Petition Commitments shall not be reduced at any time to an amount less than the Post-Petition LC Exposure at such time.

(e) Mandatory Reductions. The Post-Petition Commitments shall be permanently reduced upon the consummation of any Sale Transaction outside the ordinary course of business with respect to any Operating Subsidiary or Division by an amount equal to the product of (x) the amount of the Post-Petition Commitments times (y) a fraction, of which the numerator is the sales attributable to such assets sold of such Operating Subsidiary or Division for the four preceding fiscal quarters and the denominator is the sales of the Divisions and Operating Subsidiaries on a consolidated basis for the four preceding fiscal quarters.

SECTION 2.06. Interest. (a) The Borrowers shall be obligated to pay interest on the unpaid principal amount of each Post-Petition Loan owing to each Lender from the date of such Post-Petition Loan until such principal amount shall be paid in full, at a rate per annum equal to 2 1/4% per annum above the Base Rate in effect from time to time, payable monthly in arrears, on the first Business Day of each month, on the Termination Date and on the date the Post-Petition Loans shall be paid in full; provided,

however, that any amount not paid when due (whether at stated maturity, by acceleration or otherwise) shall bear interest, payable on demand, from the due date for such amount until such amount is paid in full, at a rate per annum equal to 4 1/4% per annum above the Base Rate in effect from time to time.

(b) The Borrowers shall pay to the Agent for the ratable benefit of the Lenders party hereto, within forty-five days following the end of each fiscal quarter for the first three fiscal quarters of the year, the interest accrued on the Pre-Petition Obligations owing to such Lenders, at the applicable rate set forth in the Pre-Petition Credit Agreement until the existing Interest Periods (as defined in the Pre-Petition Credit Agreement) shall have expired and thereafter at the rate payable with respect to Base Rate Advances (as such term is defined in the Pre-Petition Credit Agreement) without any reference to a default rate of interest, to the extent of 50% of the Consolidated Excess Cash Flow, as non-refundable interest payments, determined on a cumulative basis. Within ten days following the Termination Date (if such date is not the end of the fiscal year) or within ninety days following the end of the fiscal year, whichever first occurs, the Borrowers shall pay to the Agent for the ratable benefit of the Lenders party hereto all accrued and unpaid interest on the Pre-Petition Obligations owing to such Lenders to the extent of Consolidated Excess Cash Flow for the period from the Petition Date through the end of the fiscal year or the Termination Date, whichever first occurs, less any interest payments previously received by the Agent pursuant to this Section 2.06(b), as determined on a cumulative basis. If Consolidated Excess Cash Flow is insufficient to pay all accrued interest on such Pre-Petition Obligations through the end of the fiscal year or through the Termination Date as aforesaid, then interest shall continue to accrue pursuant to the Pre-Petition Credit Agreement and the Borrowers shall remain liable therefor.

SECTION 2.07. Payments and Computations.

(a) The Borrowers shall make each payment hereunder and under the Post-Petition Notes not later than 1:00 P.M. (New York City time) on the day when due in U.S. dollars to the Agent by deposit to the Agent's Account, of immediately available funds without set-off or counterclaim. Amounts received by the Agent after 1:00 P.M. (New York City time) on any Business Day shall be deemed to have been received on the next Business Day. Subject to the right of the Agent to first set off any amounts due to a Lender who fails to

perform its obligations under Section 2.10(c) and apply such amounts set off to such obligations, the Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or commitment fees ratably (other than amounts payable to the Issuing Bank under Section 2.10(c) in respect of any Post-Petition Letter of Credit issued by it) to the Lenders for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement.

(b) Each Borrower hereby authorizes the Agent, if and to the extent payment owed to a Lender by such Borrower is not made when due hereunder or under the Post-Petition Note held by such Lender, to charge from time to time against all of such Borrower's accounts with the Agent any amount so due, provided that if the Agent fails to charge such accounts and there are sufficient funds on deposit in such accounts to satisfy the payment in full, then such nonpayment shall not constitute an Event of Default.

(c) All computations of interest, of commitment fees and of Post-Petition Letter of Credit commissions shall be made by the Agent on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest, commitment fees or commissions are payable. Any change in the interest rate on Post-Petition Loans or any portion thereof resulting from a change in the Base Rate shall become effective as of the opening of business on the day which such change in Base Rate becomes effective. Each determination by the Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error or bad faith.

(d) Whenever any payment hereunder or under the Post-Petition Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or commitment fee, as the case may be.

(e) Unless the Agent shall have received notice from the Borrowers prior to the date on which any payment is due to the Lenders hereunder that the Borrowers will not make such payment in full, the Agent may assume that the

Borrowers have made such payment in full to the Agent on the date and the Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent that the Borrowers shall not have so made such payment in full to the Agent, each Lender shall repay to the Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Agent, at the Federal Funds Rate.

SECTION 2.08. Taxes. (a) Any and all payments by the Borrowers to the Agent and the Lenders under the Post-Petition Notes shall be made, in accordance with Section 2.07 and Section 2.09, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, (i) in the case of each Lender and the Agent, taxes that would not be imposed but for a connection between such Lender or the Agent (as the case may be) and the jurisdiction imposing such tax, other than a connection arising by virtue of the activities of such Lender or the Agent (as the case may be) pursuant to or in respect of this Agreement or under any other Post-Petition Loan Document, including, without limitation, entering into, lending money or extending credit pursuant to, receiving payments under, or enforcing, this Agreement or any other Post-Petition Loan Document, and (ii) in the case of each Lender, United States withholding tax payable with respect to payments hereunder or under the other Post-Petition Loan Documents under laws (including, without limitation, any statute, treaty, ruling, determination or regulation) in effect on the Closing Date, but not excluding any United States withholding tax payable as a result of any change in such laws occurring after the Closing Date (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). For purposes of this section, the term "Closing Date" shall mean, in the case of each Lender on the date hereof, the date hereof and, in the case of each party who subsequently becomes a Lender, the date of the Assignment and Acceptance pursuant to which it became a Lender. If any Taxes shall be required by law to be deducted from or in respect of any sum payable hereunder or under any other Post-Petition Loan Document to any Lender or the Agent, (i) the sum payable by the Borrowers shall be increased as may be necessary so that after making all re-

quired deductions (including deductions applicable to additional sums payable under this Section 2.08) such Lender or the Agent as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrowers shall make such deductions and (iii) the Borrowers shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. The Borrowers shall not, however, be required to pay any amounts pursuant to clause (i) of the preceding sentence to any Lender organized under the laws of a jurisdiction outside of the United States, unless such Lender has provided to the Borrowers, within 60 days after the receipt by such Lender of a written request therefor, either (x) a facially complete Internal Revenue Service Form 4224 or Form 1001 or other applicable form, certificate or document prescribed by the Internal Revenue Service of the United States certifying as to such Lender's entitlement to an exemption from, or reduction of, United States withholding tax on payments to be made hereunder or under the Post-Petition Notes or (y) a letter stating that such Lender is unable lawfully to provide a properly completed and executed Form 4224 or Form 1001.

(b) The Borrowers jointly and severally agree to pay any present or future stamp, recording or documentary taxes or similar levies that arise from any payment made hereunder or under the other Post-Petition Loan Documents or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or the other Post-Petition Loan Documents (hereinafter referred to as "Other Taxes").

(c) The Borrowers will jointly and severally indemnify each Lender and the Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction in amounts payable under this Section 2.08) paid by such Lender or the Agent (as the case may be) any liability (including penalties, interest, additions to tax and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. This indemnification shall be made within 30 days from the date such Lender or the Agent (as the case may be) makes written demand therefor.

(d) Within 30 days after the date of any payment of Taxes, the Borrowers will furnish to the Agent, at its address referred to in Section 9.02, the original or a

certified copy of a receipt or other documents reasonably acceptable to the Agent evidencing payment thereof. If no Taxes are payable in respect of any payment hereunder or under the Post-Petition Notes, then, upon the reasonable request of the Agent, the Borrowers will furnish to the Agent, at such address, a certificate from each appropriate taxing authority, or upon the reasonable request of the Agent an opinion of counsel acceptable to the Agent, in either case stating that such payment is exempt from or not subject to Taxes.

(e) Each Lender organized under the laws of a jurisdiction outside of the United States and as to which payments to be made hereunder or under the Post-Petition Notes are exempt from United States withholding tax, or are subject to such tax at a reduced rate under an applicable tax treaty, shall, if in its reasonable judgment it is lawfully able to do so, provide to the Borrowers and the Agent prior to the date of the initial Post-Petition Borrowing, and from time to time thereafter if requested by any Borrower or the Agent, a properly completed and executed Internal Revenue Service Form 4224 or Form 1001 or other applicable form, certificate or document prescribed by the Internal Revenue Service of the United States certifying as to such Lender's entitlement to such exemption or reduced rate with respect to all payments to be made to such Lender hereunder and under the Post-Petition Notes. Unless the Borrowers and the Agent have received forms or other documents satisfactory to them establishing that payments hereunder or under any other Loan Documents are not subject to United States withholding tax, or are subject to such tax at a reduced rate under an applicable tax treaty, the Borrowers or the Agent shall, subject, in the case of the Borrowers, to their obligations under paragraph (a) of this section, withhold taxes from such payments at the applicable statutory rate in the case of payments to or for any Lender organized under the laws of a jurisdiction outside the United States.

(f) Within 30 days of the written request of any Borrower therefor, the Agent and the Lenders, as appropriate, shall execute and deliver to such Borrower such certificates, forms or other documents which can be furnished consistent with the facts and which are reasonably necessary to assist such Borrower in applying for refunds of taxes remitted hereunder.

(g) Without prejudice to the survival of any

other agreement of the Borrowers and the Lenders hereunder, the agreements and obligations of the Borrowers contained in this Section 2.08 and of the Lenders to provide the forms, certificates or other documents specified in Sections 2.08(e) and 2.08(f) shall survive the payment in full of the Post-Petition Obligations.

SECTION 2.09. Sharing of Payments, Etc. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Post-Petition Loans owing to it (other than pursuant to Section 2.08, and other than amounts payable to the Issuing Bank under Section 2.10(c) in respect of any Post-Petition Letter of Credit issued by it) in excess of its ratable share of payments on account of the Post-Petition Loans obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the Post-Petition Loans owing to them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrowers agree that any Lender so purchasing a participation from another Lender pursuant to this Section 2.09 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of the Borrowers in the amount of such participation.

SECTION 2.10. Issuance of Post-Petition Letters of Credit. (a) In accordance with the terms and conditions hereinafter set forth, the Company, on behalf of the Borrowers, may request any Issuing Bank to issue (the "Issuance") Post-Petition Standby Letters of Credit and Post-Petition Trade Letters of Credit for the Company's account in an aggregate amount not to exceed the Post-Petition Availability (without giving effect to the last proviso in the first sentence of Section 2.01(a)); provided, however, that no such Letter of Credit shall have an expiration date

(including all rights of renewal) later than January 31, 1991 or be payable earlier than two Business Days after sight. If an Issuing Bank agrees to issue a Post-Petition Letter of Credit, the Issuance of a Post-Petition Letter of Credit by such Issuing Bank shall be subject to the fulfillment of the conditions in Article IV. Immediately upon the Issuance of each Post-Petition Letter of Credit by an Issuing Bank, each Lender shall be deemed to, and hereby agrees to, irrevocably purchase from such Issuing Bank a participation in such Post-Petition Letter of Credit and each drawing thereunder in an amount equal to such Lender's Post-Petition Commitment Percentage of the face amount of such Post-Petition Letter of Credit. Each Issuance of a Post-Petition Letter of Credit shall be deemed to utilize the Post-Petition Commitment of each Lender by an amount equal to the amount of such participation.

(b) Request for Issuance. (i) Each Post-Petition Standby Letter of Credit shall be issued upon written notice to the Issuing Bank (with a copy to the Agent), given by the Company, on behalf of the Borrowers, not later than 1:00 P.M. (New York City time) on the second Business Day prior to the date of the proposed Issuance. Each such notice of an Issuance (a "Notice of Issuance") shall be in writing, which may be transmitted by telexcopy, telex or cable, specifying therein (A) the requested date of Issuance (which shall be a Business Day), (B) the face amount of the Post-Petition Letter of Credit, (C) the date of expiration of the Post-Petition Letter of Credit, and (D) the name and address of the beneficiary of such Letter of Credit. Each Notice of Issuance shall also have annexed thereto a Borrowing Base Certificate. Each Post-Petition Trade Letter of Credit shall be issued pursuant to a Post-Petition Trade Letter of Credit Agreement. Each Post-Petition Letter of Credit shall be issued in accordance with the terms and provisions of the Uniform Customs and Practice For Documentary Credits.

(ii) At least five Business Days prior to the date of Issuance of any Post-Petition Standby Letter of Credit supporting any obligation of the Borrowers outside the ordinary course of business, the Company shall submit to the Agent and each Lender any documentation to be used in connection therewith, including, without limitation, the form of any certificate to be presented to the Issuing Bank by any beneficiary of such Post-Petition Letter of Credit in the event any drawing is to be made under such Post-Petition Letter of Credit, and such Post-Petition Letter of Credit

may be issued unless, prior to the date of issuance thereof, the Majority Lenders furnish written notice of their objection to the Agent and the Issuing Bank.

(iii) The Issuing Bank of each Post-Petition Letter of Credit shall: (A) notify the Agent of each proposed issuance by such Issuing Bank; (B) furnish to the Agent on Monday of each week (or on the next succeeding Business Day, if Monday shall not be a Business Day) a written report summarizing issuance and expiration dates of, and drawings under, Post-Petition Letters of Credit issued by such Issuing Bank during the previous week; (C) furnish to each Lender on the first Business Day of each month a written report summarizing issuance and expiration dates of, and drawings under, Post-Petition Letters of Credit issued by such Issuing Bank during the preceding month, and setting forth such Lender's participation therein; and (D) furnish to the Agent and each Lender on the first Business Day of each calendar quarter a written report setting forth the average daily aggregate amount outstanding during the preceding calendar quarter under Post-Petition Letters of Credit issued by such Issuing Bank.

(c) Drawing and Payment. The payment by the Issuing Bank of a draft drawn under any Post-Petition Letter of Credit shall constitute for all purposes of this Agreement the making by the Issuing Bank of a Post-Petition Loan in the amount of such draft. In the event that any Post-Petition Letter of Credit is presented for drawing, the Issuing Bank shall promptly notify the Agent and each of the other Lenders of the proposed date of payment of such drawing under such Letter of Credit (the "Payment Date"). Each of the other Lenders shall, by 11:00 a.m. (New York City time) on the Payment Date, make a Post-Petition Loan in proportion to the amount of its participation in such Post-Petition Letter of Credit and shall make available for the account of its Applicable Lending Office to the Agent for the account of the Issuing Bank, by deposit to the Agent's Account, in same day funds, the amount of such Lender's Post-Petition Loan. The Issuing Bank will make available to each other Lender, in the same funds (i) the amount of such Post-Petition Loan made by such Lender in the event such Post-Petition Letter of Credit is not honored on the Payment Date therefor, and (ii) as received, the other Lenders' proportionate share of amounts received by the Issuing Bank on account of any drawing under such Post-Petition Letter of Credit. If, after any dishonor referred to in clause (i) above, such Post-Petition Letter of Credit is subsequently

honored, each Lender shall, to the extent it has received funds pursuant to clause (i) above, make such funds available to the Agent for the account of the Issuing Bank in the manner provided in the preceding sentence. In the event that any Lender fails to make available to the Agent for the account of the Issuing Bank the amount of such Lender's Post-Petition Loan, the Issuing Bank shall be entitled to recover such amount on demand from such Lender together with interest thereon at the Federal Funds Rate. Notwithstanding anything to the contrary contained herein, any Post-Petition Loan consisting of a drawing on a Post-Petition Letter of Credit shall immediately be paid to the extent of any Unencumbered Cash.

(d) Increased Costs. If any change in any law or regulation or in the interpretation thereof by any court or administrative or governmental authority charged with the administration thereof shall either (i) impose, modify or deem applicable any reserve, special deposit or similar requirement against letters of credit or guarantees issued by, or assets held by, or deposits in or for the account of, the Issuing Bank or any Lender or (ii) impose on the Issuing Bank any other condition regarding this Agreement or any Post-Petition Letter of Credit, and the result of any event referred to in the preceding clause (i) or (ii) shall be to increase the cost to the Issuing Bank or any Lender of issuing or maintaining any Post-Petition Letter of Credit or increase the cost to any Lender of participating in such Post-Petition Letter of Credit (other than any increased cost resulting from the imposition or an increase in the rate of any Taxes or Other Taxes unless such Taxes or Other Taxes are (A) payable by the Company under Section 2.08 or (B) assessed only as a result of such Issuing Bank or such Lender issuing or maintaining letters of credit), then, upon demand by the Issuing Bank, the Borrowers shall be jointly and severally liable for, and shall immediately pay to the Issuing Bank, from time to time as specified by the Issuing Bank, additional amounts that shall be sufficient to compensate the Issuing Bank for such increased cost. A certificate as to such increased cost incurred by the Issuing Bank as a result of any event mentioned in clause (i) or (ii) above, submitted by the Issuing Bank to the Company, shall be conclusive as to the amount thereof absent manifest error.

(e) Obligations Absolute. The obligations of the Borrowers under this Agreement and any other agreement or instrument relating to any Post-Petition Letter of Credit

shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement and such other agreement or instrument under all circumstances, including, without limitation, the following circumstances (it being understood that any such payment by the Borrowers is without prejudice to, and does not constitute a waiver of, any rights the Borrowers might have or might acquire as a result of the payment by the Issuing Bank of any draft or the reimbursement by the Borrowers thereof):

- (i) any lack of validity or enforceability of this Agreement, any Post-Petition Letter of Credit or any other agreement or instrument relating thereto (collectively, "the Post-Petition LC Related Documents");
- (ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the obligations of the Borrowers in respect of the Post-Petition Letters of Credit or any other amendment or waiver of or any consent to departure from all or any of the Post-Petition LC Related Documents;
- (iii) the existence of any claim, set-off, defense or other right that any Borrower may have at any time against any beneficiary or any transferee of a Post-Petition Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), the Issuing Bank or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by the Post-Petition LC Related Documents or any unrelated transaction;
- (iv) any statement or any other document presented under a Post-Petition Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;
- (v) payment by the Issuing Bank under a Post-Petition Letter of Credit against presentation of a draft or certificate that does not comply with the terms of the Post-Petition Letter of Credit;
- (vi) any exchange, release or non-perfection of any collateral, or any release or amendment or waiver of or consent to departure from any other guarantee, for all or any of the obligations of the Borrowers in

respect of the Post-Petition Letters of Credit; or

(vii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including, without limitation, any other circumstance that might otherwise constitute a defense available to, or a discharge of, any Borrower or a guarantor.

(f) Compensation. (i) The Borrowers shall pay to the Agent for the account of each Lender a commission on the average daily aggregate Post-Petition LC Exposure in an aggregate amount equal to 2 1/2% per annum of such amount but in no event less than \$25,000 per month, payable monthly in arrears on the first Business Day of each calendar month.

(ii) The Borrowers shall pay to the Issuing Bank, for its own account, such issuance fees and other fees and charges in connection with the issuance of each Post-Petition Letter of Credit as the Borrowers and the Issuing Bank shall agree.

SECTION 2.11. Capital Adequacy. If either (i) the introduction of, or any change in, or in the interpretation of, any law or regulation or (ii) compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law) promulgated or made after the date hereof (but including, in any event, any law, regulation, interpretation, guideline or request contemplated by the report dated July, 1988 entitled "International Convergence of Capital Measurement and Capital Standards" issued by the Basle Committee on Banking Regulations and Supervisory Practices) affects or would affect the amount of capital required or expected to be maintained by any Lender or any corporation controlling any Lender and such Lender reasonably determines that the amount of such capital is increased by or based upon the existence of such Lender's Post-Petition Loans hereunder or of such Lender's Post-Petition Commitment to lend hereunder or of such Lender's commitment to purchase letter of credit participations hereunder and other commitments of this type, then, upon demand by such Lender (with a copy of such demand to the Agent), the Borrowers shall be liable for, and shall pay to the Agent for the account of such Lender, from time to time as specified by such Lender, additional amounts sufficient to compensate such Lender in the light of such circumstances for the effects of such law, regulation, guideline or request, to the extent that such Lender

reasonably determines such increase in capital to be allocable to the existence of such Lender's Post-Petition Loans hereunder or of such Lender's Post-Petition Commitment to lend hereunder. If any Lender shall make any claim under this Section 2.11, the Borrowers may, on 10 Business Days' written notice to the Agent and such Lender, cause such Lender to (and such Lender shall) assign pursuant to Section 8.07 all of its rights and obligations under this Agreement to a bank or other entity selected by the Borrowers and approved by the Agent, provided that the Borrowers shall reimburse any such assigning Lender in connection with its costs incurred therewith. A certificate as to such amounts submitted to the Company and the Agent by such Lender, signed by a senior officer with knowledge of and responsibility for such matters, shall be conclusive and binding for all purposes, absent manifest error.

ARTICLE III

SECURITY, PRIORITY AND ADEQUATE PROTECTION

SECTION 3.01. Accounts.

(a) The Company shall maintain with the Agent at the Agent's office at 399 Park Avenue, New York, New York 10043, in the name of the Company but under the sole dominion and control of the Agent, a certain deposit account (account number 4054-48-38) (the "Cash Collateral Account").

(b) (i) From and after the date of the execution hereof by the Borrowers, each Borrower shall maintain accounts (the "Deposit Accounts") only with the banks set forth on Schedule IV (the "Deposit Banks") and shall make arrangements so that all funds held in the Deposit Banks are transferred to the Cash Collateral Account on a daily basis; provided, however, that all such Deposit Banks and dealings and procedures therewith shall at all times be acceptable to the Agent. Within 45 days following such date, each Borrower shall (A) open and thereafter continue to maintain accounts (the "Blocked Accounts") in the name of the Agent and each Division and Operating Subsidiary, at Citibank, which shall act as collecting bank (in such capacity, the "Collecting Bank"), and (B) irrevocably instruct each Deposit Bank (by letter in the form annexed hereto as Exhibit B) to deposit in such Borrower's respective Blocked Account immediately upon receipt thereof all monies, checks, notes, drafts or funds received by it, including, without

limitation, all proceeds of Post-Petition Collateral, Net Cash Proceeds and other cash proceeds from operations whether arising in the ordinary course of business or otherwise. Prior to the implementation of the procedures set forth above, the Borrowers shall utilize and implement such cash management procedures as shall be acceptable to the Agent.

(ii) All funds on deposit in a Blocked Account of a Borrower on each Business Day shall be transferred to the Cash Collateral Account and shall be applied to the Post-Petition Obligations or the Pre-Petition Obligations to the extent and at the times provided in Sections 2.05, 2.06, 2.07, 3.05 or 3.06 hereof.

(iii) On or before June 1, 1990, each of the Borrowers shall transfer to the Cash Collateral Account all of their Unencumbered Cash and shall deliver to the Agent a certificate of the chief financial officer or financial Senior Vice President of the Company stating that such obligation has been satisfied.

(iv) If requested by the Company, the Agent will from time to time for the account and at the risk of the Borrowers and upon the written instructions of the Company (a) invest amounts on deposit in the Cash Collateral Account which are not applied to the Post-Petition Obligations or the Pre-Petition Obligations pursuant to Sections 2.05, 2.06, 2.07, 3.05 or 3.06 hereof, in Permitted Investments and (b) invest and reinvest interest on and proceeds of such investments. Interest and proceeds that are not invested or reinvested as provided herein shall be held in the Cash Collateral Account.

(v) The Borrowers hereby pledge and grant to the Agent, as security for the Post-Petition Obligations, a security interest in all funds deposited in the Cash Collateral Account, all Investments made pursuant to the provisions of Section 3.01(b)(iv) hereof and all interest or other income on such funds or Investments. All of such interest or other income shall be held as cash collateral constituting security for the Post-Petition Obligations.

(vi) Each Borrower agrees to pay to the Agent any and all reasonable fees, costs and expenses which the Agent incurs in connection with opening and maintaining the Blocked Accounts, lock-box or other similar payment collection mechanism for such Borrower and depositing for

collection any check or item of payment received by and/or delivered to the Collecting Banks or the Agent on account of the Obligations of such Borrower. Each Borrower agrees to reimburse the Agent for any amounts paid to any Collecting Bank arising out of any required indemnification by the Agent of such Collecting Bank against damages incurred by the Collecting Bank in the operation of a Blocked Account for such Borrower.

(c) Except with respect to Unencumbered Cash prior to the date specified in clause (b)(iii) above, each Borrower agrees that it shall not make or maintain any deposits in any deposit account with any financial institution other than as provided herein.

(d) So long as no Event of Default and no Default shall have occurred and be continuing, in the event that more than \$3,500,000 shall be on deposit in the Cash Collateral Account, the Agent shall release to the Company on any Business Day such portion (including all) of the amount by which the amount on deposit exceeds \$3,500,000 as may be requested by the Company.

SECTION 3.02. Grant of Security Interest. As collateral security for the prompt and complete payment and performance when due (whether at stated maturity, by acceleration or otherwise) of all the Post-Petition Obligations and to induce the Agent and the Lenders to make the Post-Petition Loans and to issue Post-Petition Letters of Credit in accordance with the terms hereof, each of the Borrowers hereby assigns, creates, grants, conveys, mortgages, pledges, hypothecates and transfers to the Agent, for its benefit and the ratable benefit of the Lenders, first priority liens and security interests, subject only to any valid and enforceable liens and security interests of record existing immediately prior to the Petition Date, in all of such Borrower's right, title and interest in and to any and all property, assets and things of value of every kind or type, tangible, intangible, real, personal and fixed, whether now owned or hereafter acquired and wherever located (other than Unencumbered Cash, prior to June 1, 1990) (all of which being hereinafter collectively called the "Post-Petition Collateral"), including, without limitation:

- (i) all Inventory;
- (ii) all Real Estate;

(iii) all other goods and personal property, whether tangible or intangible, including, without limitation, all equipment, contract rights, general intangibles, chattel paper, shares of stock, cash (other than Unencumbered Cash), instruments and accounts (other than accounts purchased by the Credit Corporation);

(iv) all of the following (the "Account Collateral"):

(A) the Cash Collateral Account and the Letter of Credit Cash Collateral Account, all cash, Cash Equivalents and Investments held therein, and all certificates and instruments, if any, from time to time representing or evidencing the Cash Collateral Account and the Letter of Credit Cash Collateral Account;

(B) all Blocked Accounts, all funds held therein, and all certificates and instruments, if any, from time to time representing or evidencing the Blocked Accounts;

(C) all Deposit Accounts, all funds held therein, and all certificates and instruments, if any, from time to time representing or evidencing the Deposit Accounts;

(D) all Investments from time to time and all certificates and instruments, if any, from time to time representing or evidencing the Investments;

(E) all notes, certificates of deposit and other instruments from time to time hereafter delivered to or otherwise possessed by the Agent for and on behalf of any Borrower in substitution for or in addition to any of the then existing Account Collateral;

(F) all interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any and all of the then existing Account Collateral; and

(v) to the extent not otherwise included, all proceeds of each of the foregoing and all accessions to, substitutions and replacements for, and rents, profits and products of each of the foregoing.

SECTION 3.03. Adequate Protection for Indebtedness Under Pre-Petition Credit Agreement.

(a) As adequate protection for the Lenders (as defined in the Pre-Petition Credit Agreement) for any decrease in the value of their interest in the Pre-Petition Collateral securing the Pre-Petition Obligations and as additional collateral for the Pre-Petition Obligations of the Real Estate Corporation, the Real Estate Corporation and each of the Real Estate Subsidiaries hereby assigns, creates, grants, conveys, mortgages, pledges and transfers to the Agent, for its benefit and the ratable benefit of such Lenders, a lien against and security interest in all of their interests in the Real Estate to secure the Pre-Petition Obligations, which liens and security interests shall equally and ratably extend to secure the Existing Notes (as such term is defined in the Collateral Trust Agreement referred to in the Pre-Petition Credit Agreement).

(b) The liens and security interests hereby granted to the Lenders (as defined in the Pre-Petition Credit Agreement) are and shall be in addition to all security interests, liens and rights existing in favor of such Lenders on the Petition Date under the Pre-Petition Credit Agreement and the Pre-Petition Loan Documents and such Lenders shall retain all of the security interests and other liens of any nature whatsoever on the Pre-Petition Collateral pursuant to such agreements.

SECTION 3.04. Perfection of Security Interests.
Mortgages and Liens. At the request of the Agent, each of the Borrowers shall execute and deliver to the Lenders documentation satisfactory to the Lenders evidencing the security interests, mortgages and liens granted hereby and providing for the perfection of such security interests, mortgages and liens, and the automatic stay provisions of section 362 of the Bankruptcy Code are modified to permit the execution, delivery and filing of such documentation; provided that no such documentation shall be required as a condition to the validity, priority or perfection of any of the security interests, mortgages or liens created pursuant

to this Agreement which security interests and liens shall be deemed valid and properly perfected upon entry of the Authorizing Order. The claims arising under this Agreement and the Post-Petition Loan Documents shall constitute in accordance with section 364(c)(1) of the Bankruptcy Code, a claim having priority over any and all administrative expenses of the kind specified in sections 503(b) or 507(b) of the Bankruptcy Code. Subsequent to any Event of Default, such priority and security interests and liens shall be subordinate to the payment of fees and expenses of professionals engaged pursuant to sections 327 and 1103 of the Bankruptcy Code which are unpaid and subject to allowance by the Bankruptcy Court upon proper application therefor, in an amount not to exceed \$10 million. The foregoing proviso is without prejudice to any Lender's right to object to any such application.

SECTION 3.05. Application of Payments Received for Pre-Petition Collateral. (a) So long as any Post-Petition Obligations hereunder shall remain unpaid or any Lender shall have any Post-Petition Commitment, all payments received upon any Sale Transaction of all or any part of the Pre-Petition Collateral or other realization upon all or any part of the Pre-Petition Collateral shall be paid to the Agent and shall be applied (after payment of any fees, expenses, costs, charges, reimbursements and similar amounts, payable to the Agent pursuant to this Agreement) first, for the ratable benefit of the Lenders, to any prepayment of the Post-Petition Loans required pursuant to Section 2.05(b)(ii) as a result of such Sale Transaction or other realization, second, to the payment of the Pre-Petition Obligations owing to the Lenders (as defined in the Pre-Petition Credit Agreement) in accordance with the Pre-Petition Credit Agreement until such Pre-Petition Obligations have been paid in full, and third, to the payment of any Post-Petition Obligations.

(b) At such time as all Post-Petition Obligations hereunder have been satisfied in full and there shall no longer be any Post-Petition Commitments, all cash payments received by the Borrowers upon any sale, disposition, or other realization, upon all or any part of the interests in the Pre-Petition Collateral shall constitute "cash collateral" within the purview of section 363 of the Bankruptcy Code and the respective rights of the parties in and to such cash collateral shall be determined in accordance with the provisions of the Bankruptcy Code.

SECTION 3.06. Application of Payments Received from the Sale of Real Estate. (a) So long as any Post-Petition Obligations hereunder shall remain unpaid or any Lender shall have any Post-Petition Commitment hereunder, all proceeds received upon any sale, disposition or other realization upon all or any part of the interests in real property of the Real Estate Corporation and the Real Estate Subsidiaries shall be paid to the Agent and shall be applied by the Agent (after payment of any fees, expenses, costs, charges, reimbursements and similar amounts, payable to the Agent pursuant to this Agreement) first, to the permanent reduction of the Pre-Petition Obligations of the Real Estate Corporation owing to the Lenders party hereto and the Existing Notes (as such term is defined in the Collateral Trust Agreement referred to in the Pre-Petition Credit Agreement), in each case calculated in the manner that proceeds are distributed under the Collateral Trust Agreement, second, to the permanent reduction of the Post-Petition Obligations, and third, to the permanent reduction of the remaining Pre-Petition Obligations of the Real Estate Corporation.

(b) At such time as all Post-Petition Obligations hereunder have been satisfied in full and there shall no longer be any Post-Petition Commitments, all cash payments received by the Borrowers upon any sale, disposition or other realization upon all or any part of the interests in real property of the Real Estate Subsidiaries, shall constitute "cash collateral" within the purview of section 363 of the Bankruptcy Code. In the event any of the Borrowers or the Real Estate Subsidiaries shall seek authority of the Bankruptcy Court to use such cash collateral without the consent of the lenders under the Pre-Petition Credit Agreement, any order authorizing such use shall provide that as adequate protection therefor, such lenders shall be granted an administrative claim against the Borrower receiving such cash collateral having priority in payment over all other costs and expenses of administration of the kind specified in sections 503(b) or 507(b) of the Bankruptcy Code, and a lien on and security interest in all assets of such Borrower receiving such cash collateral, subject only to valid, enforceable pre-existing liens. It is understood and agreed that the foregoing (i) is without prejudice to the rights of the Agent and/or such lenders to oppose any proposed use of any such cash collateral and (ii) does not constitute an admission that adequate protection can be provided in connection with any such proposed use.

SECTION 3.07. Release of Collateral. (a) Upon the indefeasible satisfaction in full by the Borrowers of all of the Post-Petition Obligations, the liens, security interests and mortgages granted pursuant to this Agreement

(other than the liens, security interests and mortgages granted pursuant to Section 3.03) shall terminate and (b) upon the indefeasible satisfaction in full by the Borrowers of all of the Post-Petition Obligations, the Pre-Petition Obligations and the Existing Notes, the liens, security interests and mortgages granted pursuant to Section 3.03 shall terminate and in each such case the Borrowers shall be entitled, upon their request and at their expense, to receive appropriate instruments of release and satisfaction.

SECTION 3.08. Terms. Unless otherwise defined herein, terms used in this Article III have the meanings specified in the UCC.

ARTICLE IV

CONDITIONS OF LENDING AND ISSUANCE

SECTION 4.01. Conditions Precedent to Initial Post-Petition Loans and Post-Petition Letters of Credit. The obligation of each Lender to make its initial Post-Petition Loan and the Issuance by any Issuing Bank of a Post-Petition Letter of Credit shall be subject to satisfaction of the conditions precedent that the Agent shall have received on the day of the initial Post-Petition Loan Borrowing or such Issuance the following, each dated such day (except as otherwise stated herein), in form and substance satisfactory to the Agent and (except for the Post-Petition Notes) in sufficient copies for each Lender:

(a) A true copy of the Authorizing Order, which order shall be in full force and effect and shall not have been vacated, reversed, modified or amended and in the event that such order is the subject of any pending motion or appeal, no performance of any obligation of any party hereto shall have been stayed pending motion or appeal.

(b) The Post-Petition Notes of the Borrowers to the order of each of the Lenders.

(c) Certified copies of the resolutions of the Board of Directors of each of the Borrowers approving agreements substantially on the terms of each of the Post-Petition Loan Documents and the transactions contemplated thereby.

(d) A certificate of the Secretary or an Assistant Secretary of each of the Borrowers certifying the names and true signatures of the officers of the Borrowers who have been authorized to sign the Post-Petition Loan Documents and the other documents to be delivered hereunder.

(e) Such additional information and materials as the Agent may reasonably request.

(f) Evidence satisfactory to the Agent that all fees and expenses owing to the Agent and Lenders in connection with this Agreement have been paid in full.

(g) Evidence satisfactory to the Agent that an order of the Bankruptcy Court approving the Sellers' continued sale of Receivables pursuant to the Receivables Purchase Agreement (as defined in the Amended and Restated Receivables Agreement) has been entered.

(h) A copy of the Company's financial model used in the preparation of the Projections or direct access for the Lenders' professionals for the use of such model.

SECTION 4.02. Conditions Precedent to Each Post-Petition Borrowing and Each Issuance. The obligation of each Lender to make any Post-Petition Loan (including its initial Post-Petition Loan), and the Issuance by each Issuing Bank of a Post-Petition Letter of Credit, shall be subject to the further conditions precedent that on the date of such Post-Petition Loan or Issuance:

(a) The following statements shall be true before and after giving effect thereto and to the application of the proceeds therefrom, and the Agent shall have received for the account of each Lender a certificate signed by the chief financial officer or a financial Senior Vice President of the Company, dated the date of such Post-Petition Loan or Issuance, stating that:

(i) The representations and warranties contained in Article V hereof and in the other Post-Petition Loan Documents are correct in all material respects on and as of such date as though made on and as of such date;

(ii) There is no Material Adverse Change;
and

(iii) No event has occurred and is continuing, or would result from the Post-Petition Loans being made on such date or Post-Petition Letters of Credit being issued on such date, which constitutes an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

(b) The Borrowers shall have delivered to the Agent the most recently delivered Borrowing Base Certificate certifying the amount of Eligible Inventory at such time and certifying that after giving effect to the proposed Post-Petition Loan or issuance of Post-Petition Letters of Credit, the aggregate amount of Post-Petition Loans and Post-Petition Letters of Credit then outstanding is not in excess of the lesser of (i) the Post-Petition Commitments and (ii) the then effective Borrowing Base.

(c) The Agent shall have received such other approvals, opinions or documents as any Lender through the Agent may reasonably request.

(d) In the case of any Issuance, there shall be no order, judgment or decree of any governmental authority or arbitrator which shall purport by its terms to enjoin or restrain any Lender from issuing a Post-Petition Letter of Credit or any requirement of law applicable to any Lender, or any request or directive (whether or not having the force of law) from any governmental authority with jurisdiction over any Lender which shall prohibit, or request that any Lender refrain from, the issuance of Post-Petition Letters of Credit generally or such Post-Petition Letter of Credit in particular or shall impose upon any Lender with respect to such Post-Petition Letter of Credit any restriction or capital requirement (for which any Lender is not otherwise compensated) not in effect on the date hereof, and there shall be no unreimbursed loss, cost or expense which was not applicable, in effect or known to any Lender on the date of this Agreement and which any Lender in good faith deems material to it; provided, however, that, in the case of reserve or capital requirements, each Lender shall, as soon as practicable, notify the Borrowers of any additional reserve or capital requirements imposed with respect to any Post-Petition Letter of Credit.

Notwithstanding the foregoing, the obligation of each Lender to make a Post-Petition Loan pursuant to Section 2.10(c) shall be unconditional and absolute and each

Post-Petition Loan which is to be made pursuant to Section 2.10(c) shall be made notwithstanding the failure of any condition in this Article IV to be satisfied.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

SECTION 5.01. Representations and Warranties of the Borrowers. The Borrowers represent and warrant as follows:

(a) Each of the Borrowers (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which the failure to so qualify would have a material adverse effect on the condition (financial or otherwise), operations, properties or prospects of the Company and its Subsidiaries taken as a whole or of the Operating Subsidiaries taken as a whole; (ii) has the requisite corporate power and authority to effect the transactions contemplated hereby, and by the other Post-Petition Loan Documents, and (iii) has all requisite corporate power and authority and the legal right to own, pledge, mortgage and operate its properties, and to conduct its business as now or currently proposed to be conducted.

(b) The execution, delivery and performance by each of the Borrowers of each of the Post-Petition Loan Documents to which it is a party (i) are within the respective corporate powers of each of the Borrowers, have been duly authorized by all necessary corporate action, including the consent of shareholders where required, and do not (A) contravene the charter or by-laws of any of the Borrowers, (B) violate any law (including, without limitation, the Securities Exchange Act of 1934) or regulation (including, without limitation, Regulations G, T, U or X of the Board of Governors of the Federal Reserve System), or any order or decree of any court or governmental instrumentality, (C) conflict with or result in a breach of, or constitute a default under, any material indenture, mortgage or deed of trust or any material lease, agreement or other instrument binding on the Borrowers, or any of their respective Subsidiaries or any of their properties, or (D) in the case of the Borrowers, result in or require the creation or imposition of any lien, charge, security interest, encumbrance or

any other type of preferential arrangement, including, without limitation, zoning restrictions, easements, licenses, covenants, rights-of-way, and restrictions on the use of real property and irregularities in the title thereto (any of the foregoing being referred to herein as a "Lien") upon any of the property of any of the Borrowers or any of their respective Subsidiaries, other than Liens permitted under Section 6.02(a); and do not require the consent, authorization by or approval of or notice to or filing or registration with any governmental body, agency, authority, regulatory body or any other Person, other than the entry of the Authorizing Order (which is in full force and effect) or, those which can be obtained by the Borrowers taking ministerial action or those which, if not obtained, individually or in the aggregate would not have a reasonable likelihood of having a Material Adverse Effect. This Agreement has been duly executed and delivered by each of the Borrowers. This Agreement is, and each of the other Post-Petition Loan Documents which purport to be binding contracts and to which the Borrowers, or any of their respective Subsidiaries, as the case may be, is or will be a party, when delivered hereunder or thereunder, will be, a legal, valid and binding obligation of such Borrowers, or such Subsidiary, as the case may be, enforceable against such Borrowers, or such Subsidiary, as the case may be, in accordance with its terms.

(c) No written statement made, prepared or furnished by any of the Borrowers, or any of their respective Subsidiaries, to the Lenders or to any governmental authority in connection with any Post-Petition Loan Document, any Post-Petition Collateral Document, Subsequent Information Document or any financial statement delivered pursuant hereto or thereto (other than to the extent any such statements constitute projections) contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading; and, to the extent that any such written statements constitute projections, such projections were prepared in good faith on the basis of assumptions, methods, data, tests and information believed by such Borrower or such Subsidiary to be valid and accurate at the time such projections were furnished to the Lenders or such governmental authority, as the case may be. There is no fact known to the Borrowers which would cause a Material Adverse Effect.

(d) The Company has furnished the Lenders with

copies of (i) the Annual Report on Form 10-K of the Company for its fiscal year ended January 30, 1989 and (ii) the unaudited pro forma consolidated balance sheets of the Company, and its consolidated Subsidiaries as of November 25, 1989, certified by the chief financial officer of the Company (which certification need not state that such balance sheets were prepared in accordance with U.S. GAAP but shall state that such balance sheets fairly present the pro forma financial condition of the Company). Since the Petition Date, there has been no Material Adverse Change in the condition (financial or otherwise), operations, properties or prospects of Company and its Subsidiaries, taken as a whole.

(e) The Company is a wholly-owned direct Subsidiary of Holdings, and the Real Estate Corporation, Credit Corporation, Bloomingdale's, Burdine's and Rich's are each wholly owned direct Subsidiaries of the Company.

(f) There are no Liens (including Liens or retained security titles of conditional vendors) of any nature whatsoever on any properties of any of the Borrowers including, without limitation, the Real Estate, other than Permitted Liens, Liens as set forth in Schedule V and those in favor of the Agent for the ratable benefit of the Lenders created by the Pre-Petition Loan Documents and the Post-Petition Loan Documents. The Borrowers are not parties to any contract, agreement, lease or instrument the performance of which, either unconditionally or upon the happening of an event, will result in or require the creation of a Lien on the property or assets of the Borrowers (except for the Liens described in Schedule V), other than Permitted Liens, or otherwise result in a violation of this Agreement. The Liens granted by the Borrowers to the Agent and the Lenders pursuant to this Agreement are fully perfected Liens in and to the Post-Petition Collateral described herein.

(g) (i) The operations of the Company and its Subsidiaries comply in all material respects with all applicable environmental, health and safety statutes and regulations, including, without limitation, regulations promulgated under the Resource Conservation and Recovery Act (42 U.S.C. §§ 6901 et seq.); (ii) to the best knowledge of the Company after reasonable inquiry, none of the operations of the Company or its Subsidiaries is the subject of any Federal or state investigation evaluating whether any remedial action involving a material expenditure is needed to respond to a release of any Hazardous Waste or Hazardous

Substance (as such terms are defined in any applicable state or Federal environmental law or regulations) into the environment; and (iii) the Company and its Subsidiaries do not have any material contingent liability in connection with any release of any Hazardous Waste or Hazardous Substance into the environment.

(h) All policies of insurance of any kind or nature owned by or issued to the Borrowers, including, without limitation, policies of life, fire, theft, product liability, public liability, property damage, other casualty, employee fidelity, worker's compensation, employee health and welfare, title, property and liability insurance, are in full force and effect and are of a nature and provide such coverage as is sufficient and as is customarily carried by companies of the size and character of the Borrowers. None of the Borrowers has been refused insurance for which it applied or had any policy of insurance terminated (other than at its request).

(i) Neither the business nor any of the properties of the Borrowers is affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (whether or not covered by insurance), which has individually or in the aggregate a reasonable likelihood of having a Material Adverse Effect.

(j) (i) Except as otherwise disclosed in Schedule VI, the Company, the Real Estate Subsidiaries and the Real Estate Corporation own fee simple absolute title to all of their respective real property described in Schedule VI. Each Borrower has good title to, or valid leasehold interests in, all of its respective properties and assets as set forth on Schedule VI. The Borrowers have received all deeds, assignments, waivers, consents, non-disturbance and recognition or similar agreements, bills of sale and other documents, and duly effected all recordings, filings and other actions necessary to establish, protect and perfect the Borrowers' right, title and interest in and to all such property.

(ii) Schedule VII sets forth all leases of real property held by the Real Estate Corporation as lessee. Each such lease is valid and enforceable in accordance with its terms and is in full force and effect. The Real Estate Corporation has delivered to the Agent true and complete copies of each lease referred to in Schedule VII and all

documents affecting the rights or obligations of any party thereto, including, without limitation, non-disturbance and recognition agreements, subordination agreements, attornment agreements and agreements regarding the terms and/or rentals under any of such leases.

(k) None of the Borrowers has any cash or Cash Equivalents or bank accounts except as permitted by Section 3.01 or as set forth on Schedule VIII.

(l) The Company currently is engaged in an effort to sell Bloomingdale's on or before April 30, 1990.

(m) (i) The outstanding principal balance under the Pre-Petition Credit Agreement through January 14, 1990 was \$1,516,325,128.00 and that the unpaid interest due on said principal balance through January 14, 1990 was \$13,693,035.55;

(ii) There are no known material unpaid costs and expenses which constitute Pre-Petition Obligations under the Pre-Petition Credit Agreement; and

(iii) The Pre-Petition Loan Documents were and are sufficient to create for the benefit of the Lenders (as defined therein) first liens on and security interests in the Pre-Petition Collateral.

(n) The Borrowers constitute all of the wholly owned Subsidiaries of the Company other than the Credit Corporation and Federated Credit Holdings Corporation.

ARTICLE VI

COVENANTS OF THE BORROWERS

SECTION 6.01. Affirmative Covenants. So long as any Post-Petition Obligations hereunder shall remain unpaid or any Lender shall have any Post-Petition Commitment hereunder, all of the Borrowers shall, unless the Majority Lenders shall otherwise consent in writing:

(a) Compliance with Laws, Etc. Comply, and cause each of their respective Subsidiaries to comply, in all

material respects with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, compliance with (i) ERISA and all applicable rules, regulations and orders thereunder, and (ii) all applicable environmental laws, rules, regulations and orders.

(b) Preservation of Corporate Existence. Preserve and maintain in all material respects, and cause each of their respective Subsidiaries to preserve and maintain in all material respects, their respective corporate existence, corporate rights (charter and statutory), and corporate franchises.

(c) Conduct of Business. (i) Conduct their post-petition businesses in the usual and customary manner, (ii) use their reasonable efforts, in the ordinary course and consistent with past practice, to preserve their businesses and the goodwill and business of the customers, advertisers, suppliers and others having business relations with the Borrowers, (iii) keep available the services and goodwill of such of their employees as are, in the Borrowers' reasonable opinion, necessary or desirable for the conduct of their business as it is currently conducted, and (iv) preserve all registered trademarks, trade names and service marks with respect to their respective businesses.

(d) Access. At any reasonable time during normal business hours and from time to time, permit the Agent, any of the Lenders and any agents or representatives thereof to examine and make copies of and abstracts from the resources and books of account of, and visit the properties of, the Borrowers and any of their respective Subsidiaries and, to discuss the affairs, finances and accounts of the Borrowers and any of their respective Subsidiaries, with any of their officers or directors and with their independent certified public accountants and advise such accountants that the Agent and the Lenders have been authorized to review and discuss with such accountants any and all financial statements and other information of any kind that they may have with respect to the Borrowers or any such Subsidiary and direct such accountants to comply with any reasonable request of the Agent or any Lender for such information.

(e) Payment of Taxes, Etc. Pay and discharge, and cause each of their respective Subsidiaries to pay and discharge, (A) all post-petition taxes, assessments and governmental charges or levies imposed upon them or upon their property and (B) all lawful post-petition claims that,

if unpaid, might by law become a Lien upon their property, provided, however, that neither the Borrowers nor any such Subsidiary shall be required to pay or discharge any such tax, assessment, charge or claim that is being contested in good faith and by proper proceedings; and maintain appropriate reserves in respect of taxes, assessments, governmental charges and levies.

(f) Keeping of Books. Keep, and cause each of their respective Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Borrowers and each of their respective Subsidiaries in accordance with U.S. GAAP consistently applied.

(g) Maintenance of Properties, Etc. Maintain and preserve, and cause each of their respective Subsidiaries to maintain and preserve, all of their respective properties including the Real Estate that are used or useful in the conduct of their respective businesses and with respect to which failure to so maintain and preserve would have a material adverse effect on the condition (financial or otherwise), business, operations or properties of any Borrower or the Operating Subsidiaries taken as a whole, in good working order and condition, ordinary wear and tear excepted.

(h) Asbestos Program. Implement and maintain a program of asbestos monitoring and abatement including examination of the Real Estate for the presence of asbestos-containing materials, take abatement, or other remedial action appropriate in light of actions taken by corporations of established reputation engaged in the same or similar businesses and similarly situated, of all friable asbestos-containing materials detected in the Real Estate and continued monitoring of the condition of all asbestos-containing materials not removed from the Real Estate.

(i) Maintenance of Insurance. Maintain, and cause each of its Subsidiaries to maintain, with financially sound and reputable insurers, insurance with respect to its properties and business against liability, loss or damage of the kinds customarily insured against by corporations of established reputation engaged in the same or similar businesses and similarly situated, of such types and in such amounts as are customarily carried under similar circumstances by such other corporations.

(j) Use of Proceeds. Use the proceeds of the Post-Petition Loans solely for Permitted Expenditures.

(k) Sale of Headquarters. Use their best efforts to cause the sale, prior to October 1, 1990, of the Headquarters Building for a sale price, which is at least 50% payable in cash, determined by the Board of Directors of the Company to be no less than the fair market value of such building and otherwise on terms and conditions reasonably acceptable to the Majority Lenders.

(l) Sale of Bloomingdale's. Continue their current efforts to cause on or before April 30, 1990 the sale of Bloomingdale's and all assets material to the operation of Bloomingdale's, for a price determined by the Board of Directors of the Company to be no less than the fair market value of Bloomingdale's and its assets and otherwise on terms and conditions reasonably acceptable to the Majority Lenders.

(m) Financial Statements. The Borrowers shall furnish to the Lenders:

(i) promptly after the same are prepared by the Borrowers or received by the Borrowers, any Subsequent Information Documents;

(ii) (a) not later than forty-five (45) days after the Petition Date, an expense budget of the Company and its Subsidiaries for the six-month period succeeding the Petition Date in form and substance satisfactory to the Agent, (b) not later than sixty (60) days after the Petition Date, a full operating budget of the Company and its Subsidiaries for the period from the Petition Date through August 4, 1990, in form and substance satisfactory to the Agent, and (c) not later than July 31, 1990 a full operating budget of the Company and its Subsidiaries for the period from August 5, 1990 through February 2, 1991, in form and substance satisfactory to the Agent;

(iii) on a weekly basis, not later than the third Business Day following the end of each week, the (a) Weekly Sales Report, (b) Retail Receipts Report and (c) Weekly Cash Flow Projection - Forecast and Variance Analysis substantially in the form of Exhibit C, for such week;

(iv) not later than the last week of each fiscal

quarter, the Weekly Cash Flow Projection and the Retail Receipt Plan covering the following fiscal quarter;

(v) promptly after the same are received by the Borrowers, management letters provided to the Borrowers by their independent certified public accountants which refer in whole or in part to any inadequacy, defect, problem, qualification or other lack of fully satisfactory accounting controls utilized by the Borrowers; and

(vi) (a) within 20 days after the end of each fiscal month (other than the months of January and February in which case 30 days), the Monthly Financial and Statistical Report (Blue Book) and (b) within 23 days after the end of each fiscal month (other than the months of January and February in which case within 33 days) in a form identical to the form of the Projections, a consolidated balance sheet of the Company and its Subsidiaries (including the Credit Corporation), and statements of earnings and retained earnings and of the source and application of funds of the Company and its Subsidiaries (including Credit Corporation), for the preceding month, and the information included in pages 1-5, 9-10, 15-17 and 19 of the Projections. All of the foregoing reports shall be in reasonable detail and duly certified by the chief financial officer of the Company (subject to year-end audit adjustments) as having been prepared substantially in accordance with U.S. GAAP and shall be accompanied by (A) a certificate of said officer stating that no Event of Default has occurred and is continuing or, if an Event of Default has occurred and is continuing, a statement as to the nature thereof and the action which the Company proposes to take with respect thereto, (B) a schedule in a form satisfactory to the Agent of the computations used by the Company in determining compliance with the covenants contained in Section 6.03, (C) a schedule of Consolidated Cash Flow for such month and on a year to date basis, (D) a schedule of Consolidated Excess Cash Flow for such month calculated on a cumulative basis and (E) a report indicating the actual amount of Permitted Expenditures for such month in each of the categories below:

- (a) Store payroll expenses
- (b) Total store expenses minus store payroll expenses
- (c) Corporate office work center payroll expenses
- (d) Total corporate office work center expenses minus corporate office work center payroll expenses

- (e) Total data processing expenses (SABRE)
- (f) Total merchandise group expenses (FAMs)

For the purposes of providing the information set forth in (A), (B), (C), (D) and (E) above, all calculations shall be based upon the most recent available financial statements.

(n) Reporting Requirements. Furnish:

(i) to the Lenders, as soon as available and in any event within 45 days after the end of the first three fiscal quarters and within 90 days after the end of the fourth fiscal quarter of each fiscal year of the Company, an unaudited consolidated and consolidating balance sheet of the Company and its Subsidiaries (including the Credit Corporation) as of the end of such quarter and unaudited consolidated and consolidating statements of earnings and retained earnings and of source and application of funds of the Company and its Subsidiaries (including the Credit Corporation) for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, all in reasonable detail and duly certified by the chief financial officer of the Company (subject to year-end audit adjustments) as having been prepared in accordance with U.S. GAAP;

(ii) to the Agent (a) as soon as available and in any event within 20 days after the end of each fiscal month (other than the months of January and February in which case within 30 days) a Borrowing Base Certificate as at the end of such fiscal month, and (b) from and after the 60th day following the Petition Date, on the third Business Day of each week, a Borrowing Base Certificate as at the end of the immediately preceding week;

(iii) to the Lenders, as soon as available and in any event within 90 days after the end of each fiscal year of the Company, a consolidated balance sheet of the Company and its Subsidiaries (including the Credit Corporation) as of the end of such year and consolidated statements of income and retained earnings and of source and application of funds of the Company and its Subsidiaries (including the Credit Corporation) for the period commencing at the end of the previous fiscal year

and ending with the end of such year, certified in a manner satisfactory to the Lenders by KPMG Peat Marwick or other independent public accountants acceptable to the Agent and the Majority Lenders, together with a certificate of such accounting firm stating that in the course of the regular audit of the business of the Company and its Subsidiaries, which audit was conducted in accordance with U.S. GAAP, such accounting firm has obtained no knowledge that an Event of Default has occurred and is continuing, or if, in the opinion of such accounting firm, a Default or an Event of Default has occurred and is continuing, a statement as to the nature thereof;

(iv) to the Lenders, as soon as possible and in any event (A) within 30 days after the Company or any of its ERISA Affiliates knows or has reason to know that any Termination Event described in clause (i) of the definition of Termination Event set forth in Section 1.01 hereof with respect to any Plan of the Borrower or such ERISA Affiliate has occurred and (B) within 10 days after the Company or any of its ERISA Affiliates knows or has reason to know that any other Termination Event with respect to any such Plan has occurred, a statement of the chief financial officer or financial Senior Vice President of the Company describing such Termination Event and the action, if any, which the Company or such ERISA Affiliate proposes to take with respect thereto;

(v) to the Lenders, promptly and in any event within 10 days after receipt thereof by the Company or any of its ERISA Affiliates from the PBGC copies of each notice received by the Company or any such ERISA Affiliate of the PBGC's intention to terminate any Plan of the Company or such ERISA Affiliate or to have a trustee appointed to administer any Plan;

(vi) to the Agent, promptly and in any event within 30 days after the filing thereof with the Internal Revenue Service, copies of each Schedule B (Actuarial Information) to the annual report (Form 5500 Series) with respect to each Plan of the Company or any of its ERISA

Affiliates:

(vii) to the Lenders, within 10 days after notice is given or required to be given to the PEGC under Section 302(f)(4)(A) of ERISA of the failure to make timely payments to a Plan, a copy of any such notice filed and a statement of the chief financial officer or financial Senior Vice President of the Company setting forth (A) sufficient information necessary to determine the amount of the lien under Section 302(f)(3), (B) the reason for the failure to make the required payments and (C) the action, if any, which the Company or its ERISA Affiliate proposes to take with respect thereto;

(viii) to the Lenders, promptly and in any event within 10 days after receipt thereof by the Company or any ERISA Affiliate from a Multi-employer Plan sponsor, a copy of each notice received by the Company or any ERISA Affiliate concerning (A) the imposition of Withdrawal Liability under a Multiemployer Plan, (B) the determination that a Multiemployer Plan is, or is expected to be, in reorganization within the meaning of Title IV of ERISA, (C) the termination of a Multiemployer Plan within the meaning of Title IV of ERISA, or (D) the amount of liability incurred, or which may be incurred, by the Company or any ERISA Affiliate in connection with any event described in clause (A), (B) or (C) above;

(ix) to the Lenders, promptly after the commencement thereof, notice of all actions, suits and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting the Company or any of its Subsidiaries;

(x) to the Lenders, promptly and in any event within five Business Days after any Borrower becomes aware of the existence thereof, written notice, which may be communicated by telex, cable or telecopier specifying the nature of any Default, Event of Default, any breach or non-performance of any Post-Petition Loan Document or any Post-Petition Collateral Document, or any development or other information which such

Borrower reasonably determines in good faith might have a Material Adverse Effect;

(xi) to the Lenders, promptly after the sending or filing thereof, copies of all reports which the Company sends to its security holders generally, and copies of all reports and registration statements which the Company or any of its Subsidiaries files with the Securities and Exchange Commission or any national securities exchange;

(xii) to the Agent, upon its request, copies of all federal, state and local tax returns and reports filed by any Borrower or in which any Borrower was included on a consolidated or combined basis (excluding sales, use and, like taxes);

(xiii) to the Agent, within 10 days after the receipt of Revenue Agent Reports (Internal Revenue Service Form 886), or other written proposals of the Internal Revenue Service, which propose, determine or otherwise set forth positive adjustments to the Federal income tax liability of the affiliated group (within the meaning of Section 1504(a)(1) of the Code) of which the Company is a member which equal or exceed \$25,000,000 in the aggregate, written notice which may be communicated by telex, cable or telecopier specifying the nature of the items giving rise to such adjustments and the amounts thereof; and

(xiv) to the Agent and such Lender, such other information respecting the condition (financial or otherwise), operations, properties or prospects of the Borrowers or any of their respective Subsidiaries as any Lender through the Agent may from time to time reasonably request.

(o) Real Estate Notices. Furnish within 30 days after the Petition Date evidence satisfactory to the Agent that each of the Borrowers has filed a copy or notice of its chapter 11 petition in each location where a transfer of the Real Estate may be recorded to perfect such transfer.

SECTION 6.02. Negative Covenants. As long as any of the Post-Petition Obligations or Post-Petition Commitments remain outstanding, each of the Borrowers shall not,

without the written consent of the Majority Lenders:

(a) Liens. Create or suffer to exist or permit any of its Subsidiaries to create or suffer to exist, any Lien on any of the Post-Petition Collateral except those in favor of the Agent for the benefit of the Lenders and Permitted Liens.

(b) Mergers, Etc. Directly or indirectly, by operation of law or otherwise, merge with, consolidate with, acquire all or substantially all of the assets or capital stock of, or otherwise combine with, any Person or form any subsidiary.

(c) Conduct of Business. Engage in or conduct any business materially inconsistent with the conduct of the current post-petition business or make any change in the nature of the business.

(d) Events of Default. Take or omit to take any action which act or omission would constitute a Default or an Event of Default pursuant to the terms of any of the Post-Petition Loan Documents.

(e) Debt. Create or suffer to exist, or permit any of its Subsidiaries other than Federated Credit Holdings Corporation and Credit Corporation to create or suffer to exist any Debt, whether recourse or non-recourse, and whether superior or junior, whether resulting from borrowings, loans, advances or the granting of credit other than trade credit and whether secured or unsecured, except (i) indebtedness to the Lenders arising under or as a consequence of this Agreement and the other Post-Petition Loan Documents; (ii) indebtedness existing on the Petition Date; (iii) indebtedness among the Borrowers and indebtedness to the Credit Corporation incurred in the ordinary course of business, provided that appropriate entries and records are maintained with respect to such indebtedness; and (iv) indebtedness in respect of the deferred purchase price of property or arising under any conditional sale or other title retention agreement arising in the ordinary course of business.

(f) Dividends, Etc. Declare or make, or permit any of its Subsidiaries to declare or make, any dividend payment or other distribution of assets, properties, cash, rights, obligations or securities on account of any shares of any class of capital stock of any Borrower or any

Subsidiary, or return any capital to its shareholders as such, or purchase, return, defease, redeem or otherwise acquire for value or make any payment in respect of (or permit any of its Subsidiaries to do so) any shares of any class of capital stock of any Borrower or any warrants, rights or options to acquire any such shares, now or hereafter outstanding.

(g) Investments in Other Persons. Make, own or hold, or permit any of its Subsidiaries to make, own or hold, any loan or advance to any Person; or own or hold, or permit any of its Subsidiaries to own or hold, any capital stock, equity interest, obligations or other securities of, or make, own or hold, or permit any of its Subsidiaries to make, own or hold, any capital contribution to, or otherwise invest in, any Person (any such transaction being an "Investment"), except for (i) Permitted Investments, (ii) those investments listed on Schedule VIII, and (iii) investments permitted under Section 6.02(e)(iii) provided that appropriate entries and records are maintained with respect to such loans.

(h) Transactions with Affiliates. Enter into or be a party to, or permit any of its Subsidiaries to enter into or be a party to, any transaction with any Affiliate of any Borrower or any Subsidiary, other than (i) transactions with Operating Subsidiaries or the Real Estate Corporation entered for fair consideration and on terms no less favorable to the Borrowers or such Subsidiary than those which would prevail if such transactions were with unrelated third parties; (ii) transactions permitted under Section 6.02(e)(iii); or (iii) transactions under the Amended and Restated Receivables Agreement.

(i) Sales of Assets. Consummate any Sale Transaction with respect to any assets or permit any of its Subsidiaries to do so other than (i) sales permitted under the Amended and Restated Receivables Agreement, (ii) sales of Inventory in the ordinary course of business, (iii) sales permitted or contemplated under Section 6.01(k) and (l) of this Agreement, provided, that, any proceeds thereof shall be applied as provided in this Agreement, (iv) sales of obsolete equipment, (v) sales of assets set forth in a schedule furnished to the Agent no later than the date of execution of this Agreement and (vi) sales of Receivables to the Credit Corporation.

(j) Accounting Changes. Change its fiscal year

or make any significant change (i) in accounting treatment and reporting practices except as permitted by U.S. GAAP and disclosed to the Lenders, or (ii) in tax reporting treatment except as permitted by law and disclosed to the Lenders.

SECTION 6.03. Financial Covenants. So long as any of the Post-Petition Obligations or Post-Petition Commitments remain outstanding, unless the Majority Lenders shall otherwise consent in writing:

(a) Net Sales. The aggregate amount of retail sales to customers in the ordinary course of business by the Company and the Operating Subsidiaries during each fiscal month less returns, allowances, and discounts, shall not be less than the amount set forth below for such month, determined as at the end of such fiscal month (hereinafter referred to as "Minimum Sales"):

Fiscal Month Ending	Minimum Sales
February and March, 1990	\$515,000,000
April, 1990	265,000,000
May, 1990	274,000,000
June, 1990	350,000,000
July, 1990	257,000,000
August, 1990	325,000,000
September, 1990	445,000,000
October, 1990	360,000,000
November, 1990	420,000,000
December, 1990	835,000,000
January, 1991	240,000,000

(b) Upon the consummation of any Sale Transaction outside the ordinary course of business with respect to any Operating Subsidiary or Division, the above Minimum Sales figures shall be reduced by an amount equal to the product of (x) the amount of such Minimum Sales times (y) a fraction, of which the numerator is the sales attributable to such assets sold of such Operating Subsidiary or Division for the four preceding fiscal quarters and the denominator is the sales of the Divisions and Operating Subsidiaries on a consolidated basis for the four preceding fiscal quarters.

(c) Divisional EBITDA. Divisional EBITDA during each period set forth below shall not be less than the amount set forth opposite such period:

<u>Fiscal Month</u>	<u>Amount</u>
February and March, 1990	\$ (35,000,000)
April, 1990	(8,000,000)
May, 1990	2,000,000
June, 1990	8,200,000
July, 1990	(2,100,000)
August, 1990	21,300,000
September, 1990	45,900,000
October, 1990	27,100,000
November, 1990	36,200,000
December, 1990	201,900,000
January, 1991	2,300,000

(d) Corporate EBITDA. Corporate EBITDA at the end of each fiscal month shall not be less than the amount set forth for such month in the Projections by more than 20%, and Corporate EBITDA calculated on a cumulative basis at the end of each fiscal month (other than February of 1990) for the period commencing on the first day of the fiscal year in which such month occurs and ending at the end of such fiscal month shall not be less than the amount set forth for such period in the Projections by more than 10%; provided, however, that a variance of less than \$2,000,000 for any month or year to date shall not constitute a Default or Event of Default.

(e) Capital Expenditures. The Company shall not permit any Capital Expenditures to be made during each of the fiscal quarters set forth below to be in excess of the maximum amount set forth below opposite such division or Subsidiary for such period:

<u>Fiscal Quarter Ending</u>	<u>Maximum Amount of Capital Expenditures</u>
April, 1990	\$22,300,000
July, 1990	25,000,000
October, 1990	18,000,000
January, 1991	12,200,000

provided, however, that to the extent that actual Capital Expenditures for any such fiscal quarter shall be less than the maximum amount set forth above for such fiscal quarter (without giving effect to the carryover permitted by this proviso), the difference between said stated maximum amount and such actual Capital Expenditures shall, in addition, be available for Capital Expenditures in the next succeeding

fiscal quarter.

(f) Inventory. The Company shall not permit the value of Inventory (valued at the lower of cost or market determined in accordance with the Retail Method of Inventory Accounting) at the end of each fiscal month to exceed the following amounts for any two consecutive fiscal months:

<u>Fiscal Month</u>	<u>Amount</u>
January, 1990	\$ 970,000,000
February, 1990	1,045,000,000
March, 1990	1,085,000,000
April, 1990	1,065,000,000
May, 1990	1,045,000,000
June, 1990	1,000,000,000
July, 1990	1,065,000,000
August, 1990	1,135,000,000
September, 1990	1,175,000,000
October, 1990	1,215,000,000
November, 1990	1,255,000,000
December, 1990	970,000,000
January, 1991	975,000,000

ARTICLE VII

EVENTS OF DEFAULT

SECTION 7.01. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) The Borrowers shall fail to pay any principal of any Post-Petition Note when such principal is due and payable; or

(b) The Borrowers shall fail to pay any interest on any Post-Petition Note or any fee or any other amount due hereunder or under the other Post-Petition Loan Documents when such interest, fee or other amount is due and payable; or

(c) Any representation or warranty made by any of the Borrowers in any Post-Petition Loan Document or by any of the Borrowers (or any of their respective officers or directors) in writing in connection with any Post-Petition Loan Document shall prove to have been incorrect or

misleading in any material respect when made; or

(d) Any of the Borrowers or any of their Subsidiaries shall fail to perform or observe any term, covenant or agreement contained in Section 6.01(j), 6.02(a), 6.02(b), 6.02(e), 6.02(f), 6.02(g), 6.02(h), 6.02(i) or 6.03; or

(e) Any of the Borrowers or any of their Subsidiaries shall fail to perform or observe any other term, covenant or agreement contained in this Agreement, in any other Post-Petition Loan Document on its part to be performed or observed if such failure shall remain unremedied for 20 days after the earlier of the date on which (i) any principal executive officer of any of the Borrowers becomes aware of such failure or (ii) written notice thereof shall have been given to any of the Borrowers by the Agent or any Lender; or

(f) An "Event of Default" (as defined in the Amended and Restated Receivables Agreement) shall have occurred and be continuing under the Amended and Restated Receivables Agreement; or

(g) Any material provision of any Post-Petition Loan Document or any Post-Petition Collateral Document shall, for any reason, cease to be valid and binding on any of the Borrowers, or any of the Borrowers shall so state in writing; or

(h) Any Lien purported to be created by any Post-Petition Loan Document or the Authorizing Order in any of the Post-Petition Collateral purported to be covered thereby shall, for any reason, cease to be valid; or

(i) Entry of an order of the Bankruptcy Court converting the chapter 11 case of the Company, any Operating Subsidiary or the Real Estate Corporation to a case under chapter 7 of the Bankruptcy Code; or

(j) Entry of an order of the Bankruptcy Court dismissing or suspending the chapter 11 case of the Company, any Operating Subsidiary or the Real Estate Corporation; or

(k) Entry of an order or orders of the Bankruptcy Court confirming a plan of reorganization in any Borrower's chapter 11 case; or

(l) Entry of an order of the Bankruptcy Court in

any Borrower's chapter 11 case appointing a trustee under section 1104 of the Bankruptcy Code; or

(m) Entry of an order of the Bankruptcy Court in any Borrower's chapter 11 case appointing an examiner with enlarged powers (powers beyond those set forth in section 1106(a)(3) and (4) of the Bankruptcy Code) under section 1106(b) of the Bankruptcy Code; or

(n) Entry of an order of the Bankruptcy Court amending, supplementing, staying for more than an aggregate of 10 days, vacating or otherwise modifying the Authorizing Order, without the Agent's prior written consent; or

(o) The chief executive officer (or any person performing similar functions) of the Company or Allied Stores Corporation shall be unacceptable to the Agent; or

(p) There shall be a change in the majority of the Board of Directors of the Company or Allied Stores Corporation from that which existed on the Petition Date which is unacceptable to the Agent. For purposes of this subsection (p) the election of Chance Bahadur shall be deemed to have occurred prior to the Petition Date; or

(q) There shall occur any Material Adverse Change; or

(r) Any judgment or order as to a post-petition liability or debt for the payment of money in excess of \$10,000,000 shall be rendered against any Borrower or any of its Subsidiaries and either (i) enforcement proceedings shall have been commenced and shall be continuing by any creditor upon such judgment or order or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(s) Any non-monetary judgment or order with respect to a post-petition event shall be rendered post-petition against any Borrower or any of its Subsidiaries, which does or could reasonably be expected to (i) cause a Material Adverse Change, (ii) have a Material Adverse Effect or (iii) have a material adverse effect on the rights and remedies of the Agent or the Lenders under any Post-Petition Loan Document, and either (A) enforcement proceedings shall have been commenced by any Person upon such judgment or order or (B) there shall be any period of 10 consecutive

days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(t) Any Termination Event with respect to a Plan shall have occurred and, 30 days after notice thereof shall have been given to the Company by the Agent, such Termination Event shall still exist and the sum (determined as of the date of occurrence of such Termination Event) of the Insufficiency of such Plan and the Insufficiency of any and all other Plans with respect to which a Termination Event shall have occurred and then exist (or in the case of a Plan with respect to which a Termination Event described in clause (ii) of the definition of Termination Event shall have occurred and then exist, the liability related thereto) is equal to or greater than \$10,000,000; or

(u) (i) The Company or any ERISA Affiliate thereof shall have been notified by the sponsor of a Multiemployer Plan that it has incurred Withdrawal Liability to such Multiemployer Plan, (ii) the Company or such ERISA Affiliate does not have reasonable grounds to contest such Withdrawal Liability and is not in fact contesting such Withdrawal Liability in a timely and appropriate manner, and (iii) the amount of such Withdrawal Liability specified in such notice, when aggregated with all other amounts required to be paid to Multiemployer Plans in connection with Withdrawal Liabilities (determined as of the date of such notification), exceeds \$5,000,000 or requires payments exceeding \$500,000 per annum in excess of the annual payments made by the Company or such ERISA Affiliate for the plan year in which such notification is received; or

(v) The Company or any ERISA Affiliate thereof shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, if as a result of such reorganization or termination the aggregate annual contributions of the Company and its ERISA Affiliates to all Multiemployer Plans that are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the plan years that include the date hereof by an amount exceeding \$5,000,000; or

(w) The Company or any ERISA Affiliate shall have committed a failure described in Section 302(f)(1) of ERISA and the amount determined under Section 302(f)(3) of ERISA

is equal to or greater than \$1,000,000; or

(x) The commitments under the Amended and Restated Receivables Agreement shall be optionally reduced by Credit Corporation to an amount less than \$100,000,000 pursuant to Section 2.04 thereof;

then, and in any such event, the Agent (A) shall at the request, or may with the consent, of the Majority Lenders, by notice to the Borrowers, declare the Post-Petition Commitments and the obligations of each Lender to make Post-Petition Loans or issue any Post-Petition Letters of Credit to be terminated, whereupon the same shall forthwith terminate, and/or (B) shall at the request, or may with the consent, of the Majority Lenders, by notice to the Borrowers, declare the Post-Petition Notes, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Post-Petition Notes, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrowers and/or to exercise any other rights and remedies available to the Agent and/or the Lenders, including, without limitation, all those rights and remedies with respect to Post-Petition Collateral that are provided to the Agent and/or the Lenders in this Agreement. The Agent shall be permitted to exercise any of the rights and remedies described in this Article VII without the necessity of obtaining any further order from the Bankruptcy Court.

SECTION 7.02. Remedies as to Collateral. If any Event of Default shall have occurred and be continuing:

(a) (i) The Agent may, without notice to the Borrower except as required by law and at any time or from time to time, charge, set off and otherwise apply all or any part of the Post-Petition Obligations against the Cash Collateral Account.

(ii) The Agent may exercise in respect of the Post-Petition Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party upon default under the UCC and all of the rights of a mortgagee of real property, (including, but not limited to, all rights of a real property mortgagee under the statutory

mortgage of each state in which real property included in the Post-Petition Collateral may be located) and the Agent may also, without notice except as specified below, sell the Post-Petition Collateral or any part thereof in one or more parcels at public or private sale, at any exchange, broker's board or at any of the Agent's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Agent may deem commercially reasonable. The Borrowers agree that, to the extent notice of sale shall be required by law, at least 10 days' notice to the Borrowers of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Agent shall not be obligated to make any sale of Post-Petition Collateral regardless of notice of sale having been given. The Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(iii) Any cash held by the Agent as Account Collateral and all cash proceeds received by the Agent in respect of any sale of, collection from, or other realization upon all or any part of the Post-Petition Collateral may, in the discretion of the Agent be held as collateral for, and/or then or at any time thereafter be applied (after payment of any fees, expenses, costs, charges, reimbursements and similar amounts payable to the Agent pursuant to this Agreement) in whole or in part by the Agent for the ratable benefit of the Lenders against, all or any part of the Post-Petition Obligations in such order as the Agent shall elect. Any surplus of such cash or cash proceeds held by the Agent and remaining after the indefeasible cash payment in full of all the Post-Petition Obligations shall be paid over to the Borrowers or to whomsoever may be lawfully entitled to receive such surplus.

(b) The Agent shall be permitted to exercise any of the rights and remedies described in this Section 7.02 without the necessity of obtaining any relief from the automatic stay extant under section 362(a) of the Bankruptcy

Code.

ARTICLE VIII

THE AGENT

SECTION 8.01. Authorization and Action. Each Lender hereby appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers as are reasonably incidental thereto. Without limitation of the foregoing, each Lender hereby expressly authorizes the Agent to execute, deliver and perform its obligations under each of the Post-Petition Loan Documents to which the Agent is a party, and to exercise all rights, powers and remedies that the Agent may have thereunder. As to any matters not expressly provided for by the Post-Petition Loan Documents (including, without limitation, enforcement or collection of the Post-Petition Notes), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Lenders, and such instructions shall be binding upon all Lenders and all holders of Post-Petition Notes; provided, however, that the Agent shall not be required to take any action which exposes the Agent to personal liability or which is contrary to any Post-Petition Loan Document or applicable law. Without limitation of the foregoing, if the Agent receives funds for application to the Advances (as defined in the Pre-Petition Credit Agreement) in circumstances under which the Pre-Petition Credit Agreement does not specify the Advances or the Facility (as defined in the Pre-Petition Credit Agreement) to which such funds are to be applied, the Agent may elect to distribute such funds to each Lender ratably in accordance with such Lender's proportionate share of all outstanding Advances, in payment or prepayment of such of the outstanding Advances of such Lender as the Agent shall direct. The Agent agrees to give to each Lender prompt notice of each notice given to it by any of the Borrowers pursuant to the terms of any Post-Petition Loan Document.

SECTION 8.02. Agent's Reliance, Etc. Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with any Post-

Petition Loan Document, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agent: (i) may treat the payee of any Post-Petition Note as the holder thereof until the Agent receives and accepts an Assignment and Acceptance entered into by the Lender which is the payee of such Post-Petition Note, as assignor, and an Eligible Assignee or an Affiliate of such assignor, as assignee, as provided in Section 8.07; (ii) may consult with legal counsel (including counsel for the Borrowers), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranty or representations made in or in connection with any Post-Petition Loan Document; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of any Post-Petition Loan Document on the part of any Borrower or to inspect the property (including the books and records) of any Borrower; (v) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of any Post-Petition Loan Document or any other instrument or document furnished pursuant thereto; and (vi) shall incur no liability under or in respect of any Post-Petition Loan Document by acting upon any notice, consent, certificate or other instrument or writing (which may be by telegram, cable, telex or teletype) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 8.03. Citibank and Affiliates. With respect to its Post-Petition Commitments, the Post-Petition Loans made by it, the Post-Petition Letters of Credit issued by it and the Post-Petition Notes issued to it, Citibank shall have the same rights and powers under the Post-Petition Loan Documents as any other Lender and may exercise the same as though it were not the Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include Citibank in its individual capacity. Citibank and its Affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, the Borrowers, any of their respective Subsidiaries and Affiliates and any Person who may do business with or own securities of any Borrower or any such Subsidiary, all as if Citibank were not the Agent and without any duty to account therefor to the Lenders.

SECTION 8.04. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Agent or any other Lender and based on such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Post-Petition Loan Documents.

SECTION 8.05. Indemnification. The Lenders agree to indemnify the Agent (to the extent not reimbursed by the Borrowers), ratably according to the respective principal amounts of the Post-Petition Notes then held by each of them (or if no Post-Petition Notes are at the time outstanding or if any Post-Petition Notes are held by Persons which are not Lenders, ratably according to the respective amounts of their Post-Petition Commitments), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of the Post-Petition Loan Documents or any action taken or omitted by the Agent under the Post-Petition Loan Documents, provided, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's gross negligence or wilful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse the Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including reasonable counsel fees) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, the Post-Petition Loan Documents, or any of them, to the extent that the Agent is not reimbursed for such expenses by the Borrower.

SECTION 8.06. Successor Agent. The Agent may resign at any time as Agent under the Post-Petition Loan Documents by giving written notice thereof to the Lenders and the Borrowers and may be removed at any time with or

without cause by the Majority Lenders. Upon any such resignation or removal, the Majority Lenders shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Majority Lenders, and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Majority Lenders' removal of the retiring Agent, then the retiring Agent may, on behalf of the Lenders appoint a successor Agent, which shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$500,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

SECTION 8.07. Assignments and Participations.

(a) Each Lender may assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement, ~~provided, however,~~ that (i) each such assignment shall be of a constant, and not a varying, percentage of all of the assigning Lender's rights and obligations under and in respect of this Agreement; (ii) except in the case of an assignment of all of a Lender's rights and obligations under this Agreement, the sum of the amount of the Post-Petition Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment), shall in no event be less than \$5,000,000, (iii) each such assignment shall be to an Eligible Assignee or to an Affiliate of the assignor, and (iv) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with any Post-Petition Note or Post-Petition Notes subject to such assignment, and a processing and recordation fee of \$2,000. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least four Business Days after the execution thereof, or, if so specified in such Assignment and Acceptance, the date of acceptance thereof by the Agent; (x)

the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender under the Post-Petition Loan Documents and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under the Post-Petition Loan Documents (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under the Post-Petition Loan Documents, such Lender shall cease to be a party thereto).

(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Post-Petition Loan Documents or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Post-Petition Loan Documents or any other instrument or document furnished pursuant thereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrowers or the performance or observance by the Borrowers of any of their respective obligations under the Agreement or any instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of the Post-Petition Loan Documents, together with copies of the financial statements referred to in Section 6.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee or is an Affiliate of the assignor; (vi) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Post-Petition Loan Documents as are delegated to the Agent by the terms thereof, together with such powers as

are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Post-Petition Loan Documents are required to be performed by it as a Lender.

(c) The Agent shall maintain at its address referred to in Section 9.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Post-Petition Commitment of, and principal amount of the Post-Petition Loans owing to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrowers, the Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of the Post-Petition Loan Documents. The Register shall be available for inspection by the Borrowers or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee or is an Affiliate of such assigning Lender, together with any Note or Notes subject to such assignment, the Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit D hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrowers. Within five Business Days after its receipt of such notice, the Borrowers, at their own expense, shall execute and deliver to the Agent in exchange for the surrendered Post-Petition Notes new Post-Petition Notes to the order of such Eligible Assignee each in an amount equal to the Post-Petition Commitment assumed by it pursuant to such Assignment and Acceptance and, if the assigning Lender has retained a Post-Petition Commitment, new Post-Petition Notes to the order of the assigning Lender each in an amount equal to the commitment retained by it hereunder. Such new Post-Petition Notes shall be in an aggregate principal amount of such surrendered Post-Petition Notes, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of Exhibit A.

(e) Each Lender may sell participations (but not assign) to one or more banks or other entities in or to all

or a portion of its rights and obligations under and in respect of any and all Post-Petition Loans under this Agreement; provided, however, that (i) such Lender's obligations under this Agreement (including, without limitation, its Post-Petition Commitment to the Borrowers hereunder) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of any such Post-Petition Note for all purposes of this Agreement, (iv) the Borrowers, the Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, and (v) no such participation shall be sold by any Lender to any bank or entity which was not a participant of such Lender in the Pre-Petition Credit Agreement.

(f) Any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 8.07, disclose to the assignee or participant or proposed assignee or participant, any information related to the Borrowers, or their Subsidiaries furnished to such Lender by or on behalf of the Borrowers, or such Subsidiaries; provided that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to preserve the confidentiality of any confidential information relating to the Borrowers received by it from such Lender in accordance with Section 9.10.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. Amendments, Etc. No amendment or waiver of any provision of any Post-Petition Loan Document, nor consent to any departure by any Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Majority Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that (x) no amendment, waiver or consent shall, unless in writing and signed by all the Lenders, (a) waive any of the conditions specified in Section 4.01, (b) change the percentage of the Post-Petition Commitments or of the aggregate unpaid principal amount of the Post-Petition Notes, or the number of Lenders, which shall be

required for the Lenders or any of them to take any action hereunder, (c) release any Post-Petition Collateral or (d) amend this Section 9.01; and (y) no amendment, waiver or consent shall, unless in writing and signed by the Majority Lenders and each affected Lender, (i) increase the Post-Petition Commitments of such Lender or subject such Lender to any additional obligations, (ii) reduce the principal of, or interest on, the Post-Petition Notes held by such Lender or any fees or other amounts payable hereunder to such Lender, (iii) postpone any date fixed for any payment of principal of, or interest on, the Post-Petition Notes held by such Lender or any fees or other amounts payable hereunder to such Lender, or (iv) change the order of application of any prepayment set forth in Article III in any manner that materially affects such Lenders and provided, further, that (i) no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Agent under this Agreement or any Post-Petition Loan Document; and (ii) the definition of Applicable Limit may be amended by the consent of the Majority Lenders.

SECTION 9.02. Notices, Etc. All notices and other communications provided for hereunder shall be in writing (including telegraphic, telex, facsimile or cable communication) and mailed, telegraphed, telexed, transmitted, cabled or delivered, if to any Borrower, at its address at 7 West Seventh Street, Cincinnati, Ohio 45202, Attention: Treasurer; with a copy to Jones, Day, Reavis & Pogue, North Point, 901 Lakeside Avenue, Cleveland, Ohio 44114, Attention: David G. Heiman, Esq. and Cravath, Swaine & Moore, Worldwide Plaza, 825 Eighth Avenue, New York, New York 10019, Attention: E. Robbins Kiespling, Esq.; if to any Lender, at its Applicable Lending Office specified opposite its name on Schedule I hereto; if to any other Lender, at its Lending Office specified in the Assignment and Acceptance pursuant to which it became a Lender; and if to the Agent, at its address at 399 Park Avenue, New York, New York 10043, Attention: Ms. Rosanne Coppola and Mr. Thomas J. Doyle, Jr., Sort No. 6139; with a copy to Weil, Gotshal & Manges, 767 Fifth Avenue, New York New York 10153, Attention: Harvey R. Miller, Esq. or, as to each party, at such other address as shall be designated by such party in a written notice to the other parties. All such notices and communications shall, when mailed, telegraphed, telexed, transmitted or cabled, be effective when deposited in the mails, delivered to the telegraph company, confirmed by

telex answerback, transmitted by telecopier or delivered to the cable company, respectively, except that notices and communications to the Agent pursuant to Article II or VIII shall not be effective until received by the Agent.

SECTION 9.03. No Waiver; Remedies. (a) No failure on the part of any Lender or the Agent to exercise, and no delay in exercising, any right under any Post-Petition Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

(b) This Agreement does not, and shall not, constitute a waiver by the Lenders or by the Borrowers of any rights which they have or may have with respect to the Pre-Petition Loan Documents or under applicable law.

SECTION 9.04. Costs and Expenses. (a) The Borrowers jointly and severally agree to pay on demand, whether or not the transaction contemplated by this Agreement is consummated, (i) all reasonable costs and expenses of the Agent in connection with the preparation, execution, delivery, administration, modification and amendment of this Agreement, or the Post-Petition Loan Documents and the other documents to be delivered thereunder, including, without limitation, the reasonable fees and disbursements of professionals for the Agent, and of local professionals, domestic or foreign, who may be retained by the Agent, with respect thereto and with respect to advising the Agent as to its rights and responsibilities under the Post-Petition Loan Documents (ii) all reasonable costs and expenses (including, without limitation, reasonable professionals fees and disbursements) of the Lenders, in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of the Post-Petition Loan Documents and the other documents to be delivered thereunder and (iii) all reasonable costs and expenses of the Agent in connection with due diligence, transportation, computer, duplication, appraisals, audits, insurance, consultants, and search reports, and all filing and recording fees.

(b) The Borrowers jointly and severally agree to indemnify and hold harmless the Agent and each Lender and each of their respective directors, officers, employees,

agents and affiliates from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, fees and disbursements of professionals) which may be incurred by or asserted against the Agent or such Lender or any such director, officer, employee, agent, or Affiliate which would not have been incurred by or asserted against such Person but for the Agent or such Lender being a party to any Post-Petition Loan Document, in connection with or arising out of any investigation, litigation or proceeding (i) related to any transaction or proposed transaction (whether or not consummated) in which any proceeds of any Post-Petition Loans are applied or proposed to be applied, directly or indirectly, by any Borrower, whether or not the Agent or such Lender or any such director, officer, employee, agent or Affiliate is a party to such transactions, (ii) related to any Borrower's entering into the Post-Petition Loan Documents, or to any actions or omissions of either Borrower, any Subsidiary or Affiliate thereof or any of their respective directors, officers, employees or agents in connection therewith, or (iii) by reason of or in connection with the execution and delivery or transfer of, or payment or failure to make lawful payment under, any Post-Petition Letter of Credit, unless and to the extent such claim, damage, loss, liability or expense was attributable to such indemnified party's gross negligence or wilful misconduct as determined by a final judgment of a court of competent jurisdiction. The obligations of the Borrowers under this Section 9.04(b) shall survive the Termination Date.

SECTION 9.05. Right of Set-off. Upon the occurrence and during the continuance of any Event of Default, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of any Borrower against any and all of the obligations of such Borrower now or hereafter existing under the Post-Petition Loan Documents, irrespective of whether or not such Lender shall have made any demand under any Post-Petition Loan Document and although such obligations may be unmatured. Each Lender agrees promptly to notify the Borrowers after any such set-off and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender under this Section are in addition to other rights and remedies which such

Lender may have.

SECTION 9.06. Survival of Representations and Warranties. Except as otherwise specifically provided herein, all representations and warranties made in this Agreement and the other Post-Petition Loan Documents and in any document, certificate or statement delivered in connection herewith or therewith shall survive the execution and delivery of this Agreement and the Post-Petition Notes.

SECTION 9.07. Binding Effect. This Agreement shall become effective when (i) it shall have been executed by the Borrowers and the Agent, (ii) the Agent shall have been notified by each Lender that such Lender has executed it, and (iii) the Authorizing Order is entered by the Bankruptcy Court. From and after the date that this Agreement shall have become effective, it shall be binding upon and inure to the benefit of each of the Borrowers, the Agent and each Lender and their respective successors; provided, however, no Borrower shall have the right to assign its rights hereunder or any interests herein.

SECTION 9.08. GOVERNING LAW; SEVERABILITY.

(a) THIS AGREEMENT AND THE POST-PETITION NOTES AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HERETO AND THERETO SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE INTERNAL LAWS (AS OPPOSED TO CONFLICT OF LAWS PROVISIONS) OF THE STATE OF NEW YORK. WHEREVER POSSIBLE, EACH PROVISION OF THIS AGREEMENT SHALL BE INTERPRETED IN SUCH MANNER AS TO BE EFFECTIVE AND VALID UNDER APPLICABLE LAW, BUT IF ANY PROVISION OF THIS AGREEMENT SHALL BE PROHIBITED BY OR INVALID UNDER APPLICABLE LAW, SUCH PROVISION SHALL BE INEFFECTIVE TO THE EXTENT OF SUCH PROHIBITION OR INVALIDITY, WITHOUT INVALIDATING THE REMAINDER OF SUCH PROVISION OR THE REMAINING PROVISIONS OF THIS AGREEMENT.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR THE POST-PETITION NOTES OR ANY DOCUMENT RELATED HERETO OR THERETO MAY BE BROUGHT IN THE BANKRUPTCY COURT, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH BORROWER HEREBY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURT. THE PARTIES HERETO HEREBY IRREVOCABLY WAIVE ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF *FORUM NON CONVENIENS*, WHICH ANY OF THEM MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION OR

PROCEEDING IN SUCH JURISDICTION.

(c) NOTHING CONTAINED IN THIS SECTION 9.08 SHALL AFFECT ANY RIGHT OF THE AGENT, ANY LENDER OR ANY HOLDER OF A POST-PETITION NOTE TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST ANY OF THE BORROWERS IN ANY OTHER JURISDICTION.

(d) EACH OF THE PARTIES HERETO WAIVES ANY RIGHT IT MAY HAVE TO TRIAL BY JURY.

SECTION 9.09. Further Assurances. (a) Whenever and so often as reasonably requested by the Majority Lenders, the Borrowers will promptly execute and deliver or cause to be executed and delivered all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and further things as may be necessary and reasonably required in order to further and more fully vest in the Agent and the Lenders all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred by this Agreement and the other Post-Petition Loan Documents.

(b) The Borrowers agree that at any time and from time to time, at the expense of the Borrowers, Borrowers will promptly execute and deliver all further instruments and documents, and take all further action that may be necessary or desirable, or that the Agent may request, to perfect and protect any lien, security interest or mortgage granted or purported to be granted hereby or to enable the Agent to exercise and enforce its rights and remedies hereunder with respect to any collateral. Without limiting the generality of the foregoing, the Borrowers will (i) if any Post-Petition Collateral shall be evidenced by a promissory note or other instrument, deliver and pledge to the Agent hereunder such note or instrument duly indorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to the Agent and (ii) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or that the Agent may request, to protect and preserve the assignment and security interest granted or purported to be granted hereby.

(c) The Borrowers hereby authorize the Agent to file one or more financing or continuation statements, and

amendments thereto, relative to all or any part of the Post-Petition Collateral without the signature of the Credit Corporation where permitted by law. A carbon, photographic or other reproduction of this Agreement or any financing statement covering the Post-Petition Collateral or any part thereof shall be sufficient as a financing statement where permitted by law. The Agent will promptly send the Borrowers any financing or continuation statements thereto which it files without the signature of the Borrowers except in the case of filings of copies of this Agreement as financing statements, the Agent will promptly send the Borrowers the filing or recordation information with respect thereto.

(d) The Borrowers will furnish to the Agent from time to time statements and schedules further identifying and describing the Post-Petition Collateral and the collateral described in Section 3.03 and such other reports in connection with the Post-Petition Collateral and the collateral described in Section 3.03 as the Agent may reasonably request, all in reasonable detail.

SECTION 9.10. Confidentiality. Unless otherwise agreed to in writing by the Company, the Agent and each Lender hereby agree to keep all Subsequent Information Documents confidential and not to disclose or reveal any Subsequent Information Documents to any Person other than the Agent's or such lender's directors, officers, employees, Affiliates and agents and to actual or potential Eligible Assignees and participants, and then only on a confidential basis; provided, however, that the Agent or any Lender may disclose Subsequent Information Documents (a) as required by law, rule, regulation or judicial process, (b) to its attorneys and accountants, (c) as requested or required by any state, federal or foreign authority or examiner regulating banks or banking, or (d) as permitted by Section 8.07(f). Subsequent Information Documents shall not be subject to the confidentiality requirement if the information contained

therein (x) is or becomes generally available to the public other than as a result of a disclosure by the Agent or any Lender not permitted by this Agreement, (y) was available to the Agent or any Lender on a nonconfidential basis prior to its disclosure to the Agent or such lender by the Company or any of its Affiliates or (z) becomes available to the Agent or any Lender on a nonconfidential basis from a Person other than the Company or its Affiliates who, to the best knowledge of the Agent or such Lender, as the case may be, is not otherwise bound by a confidentiality agreement with the Company or any of its Affiliates, or is not otherwise prohibited from transmitting the information to the Agent or such Lender.

SECTION 9.11. Execution in Counterparts. This Agreement may be executed in any number of counterparts (including by telecopy) and by different 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.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

FEDERATED DEPARTMENT STORES, INC.
Debtor in Possession

By _____

FEDERATED REAL ESTATE, INC.
Debtor in Possession

By _____

FEDERATED ACCEPTANCE CORPORATION
Debtor in Possession

By _____

BLOOMINGDALE'S BY MAIL LTD.
Debtor in Possession

By _____

BLOCK'S, INC.
Debtor in Possession

By _____

RETAIL SERVICE, INC.
Debtor in Possession

By _____

22 EAST REALTY CORPORATION
Debtor in Possession

By _____

22 EAST ADVERTISING CORPORATION
Debtor in Possession

By _____

A&S GALLERIA REAL ESTATE, INC.
Debtor in Possession

By _____

A&S EXTRA REAL ESTATE, INC.
Debtor in Possession

By _____

A&S REAL ESTATE, INC.
Debtor in Possession

By _____

A&S WALT WHITMAN REAL ESTATE, INC.
Debtor in Possession

By _____

BLOOMINGDALE'S BOCA RATON REAL
ESTATE, INC.
Debtor in Possession

By _____

BLOOMINGDALE'S EXTRA REAL ESTATE,
INC.
Debtor in Possession

By _____

BLOOMINGDALE'S, INC.
Debtor in Possession

By _____

BLOOMINGDALE'S KING OF PRUSSIA REAL
ESTATE, INC.
Debtor in Possession

By _____

BLOOMINGDALE'S REAL ESTATE INC.
Debtor in Possession

By _____

BLOOMINGDALE'S SHORT HILLS REAL
ESTATE, INC.
Debtor in Possession

By _____

BLOOMINGDALE'S THIRD AVENUE REAL
ESTATE, INC.
Debtor in Possession

By _____

BLOOMINGDALE'S WHITE FLINT REAL
ESTATE, INC.
Debtor in Possession

By _____

BLOOMINGDALE'S WILLOW GROVE REAL
ESTATE, INC.
Debtor in Possession

By _____

BURDINE'S, INC.
Debtor in Possession

By _____

BURDINE'S MAIN STORE REAL ESTATE,
INC.
Debtor in Possession

By _____

BURDINE'S REAL ESTATE, INC.
Debtor in Possession

By _____

BURDINE'S REAL ESTATE II, INC.
Debtor in Possession

By _____

GOLDSMITH'S, INC.
Debtor in Possession

By _____

GOLDSMITH'S REAL ESTATE, INC.
Debtor in Possession

By _____

LAZARUS EXTRA REAL ESTATE, INC.
Debtor in Possession

By _____

LAZARUS REAL ESTATE, INC.
Debtor in Possession

By _____

LAZARUS REAL ESTATE II, INC.
Debtor in Possession

By _____

**RICH'S AUGUSTA MALL REAL ESTATE
INC.**
Debtor in Possession

By _____

**RICH'S BROOKWOOD VILLAGE REAL
ESTATE, INC.**
Debtor in Possession

By _____

RICH'S COLUMBIA MALL REAL ESTATE,
INC.
Debtor in Possession

By _____

RICH'S, INC.
Debtor in Possession

By _____

RICH'S LENOX SQUARE REAL ESTATE,
INC.
Debtor in Possession

By _____

RICH'S MAIN STORE REAL ESTATE, INC.
Debtor in Possession

By _____

RICH'S NORTH DEKALB REAL ESTATE,
INC.
Debtor in Possession

By _____

RICH'S REAL ESTATE, INC.
Debtor in Possession

By _____

RICH'S SHANNON MALL REAL ESTATE,
INC.
Debtor in Possession

By _____

GOLD CIRCLE, INC.
Debtor in Possession

By _____

FEDERATED STORES REALTY, INC.
Debtor in Possession

By _____

BLOOMINGDALE'S PROPERTIES, INC.
Debtor in Possession

By _____

CITIBANK, N.A., as Agent

By _____

SCHEDULE I
APPLICABLE LENDING OFFICES

SCHEDULE II
POST-PETITION COMMITMENT PERCENTAGES

SCHEDULE III

REAL ESTATE SUBSIDIARIES

A&S Extra Real Estate, Inc.
A&S Galleria Real Estate, Inc.
A&S Real Estate, Inc.
A&S Welt Whitman Real Estate, Inc.
Bloomingdale's Boca Raton Real Estate, Inc.
Bloomingdale's Extra Real Estate, Inc.
Bloomingdale's King of Prussia Real Estate, Inc.
Bloomingdale's Real Estate, Inc.
Bloomingdale's Short Hills Real Estate, Inc.
Bloomingdale's Third Avenue Real Estate, Inc.
Bloomingdale's White Flint Real Estate, Inc.
Bloomingdale's Willow Grove Real Estate, Inc.
Burdine's Main Store Real Estate, Inc.
Burdine's Real Estate, Inc.
Burdine's Real Estate II, Inc.
Goldsmith's Real Estate, Inc.
Goldsmith's, Inc.
Lazarus Extra Real Estate, Inc.
Lazarus Real Estate, Inc.
Lazarus Real Estate II, Inc.
Rich's Augusta Mall Real Estate, Inc.
Rich's Brookwood Village Real Estate, Inc.
Rich's Columbia Mall Real Estate, Inc.
Rich's Lennox Square Real Estate, Inc.
Rich's Main Store Real Estate, Inc.

RICH'S NORTH DAKOTA REAL ESTATE, INC.
RICH'S REAL ESTATE, INC.
RICH'S SHANNON MALL REAL ESTATE, INC.
BLOOMINGDALE'S PROPERTIES, INC.

SCHEDULE XV

FEDERATED BANK LISTING

DEPOSITORY ACCOUNTS

BANK NAME	ACCOUNT NUMBER	STREET	CITY	ST	ZIP
BANK OF NEW YORK	32-200544	100 MAIN STREET	WHITE PLAINS	NY	10602
CHEMICAL BANK	104-0-14555	395 PLATTEK AVENUE	BROOKLYN	NY	11201
EUROPEAN AMERICAN BANK	046-401-048	400 OLD COUNTRY ROAD	GARDEN CITY	NY	11430
EUROPEAN AMERICAN BANK	05-610154	400 OLD COUNTRY ROAD	GARDEN CITY	NY	11430
MIDLANTIC NATIONAL BANK/MORRINTOWN BRANCH	041-0304-7	95 OLD SPOT HILLS ROAD	MONT ORANGE	NJ	07052
UNITED JERSEY BANK	00108-1394	270 MAIN STREET	HACKENSACK	NJ	07601
BANK AND TRUST COMPANY OF NEW YORK 2000	1220179001	P.O. BOX 8	VALLEY STREAM	NY	11590
BANK OF NEW YORK	44-120034	198 WESTCHESTER AVENUE	WHITE PLAINS	NY	10601
BANK OF NEW YORK (LONG ISLAND)	405-003-702	1401 FRANKLIN AVENUE	GARDEN CITY	NY	11530
BARNETT BANKS, INC.	10-00000-42	100 LAURA STREET	JACKSONVILLE	FL	32221
BAYBANK/RIDGEWOOD N.A.	613-303-7	199 BOYLSTON STREET	NEWTON	MA	02467
CITIZENS BANK AND TRUST CO.	087-5018	11301 MCCOYVILLE PK WAT FLINT HALL	KENSINGTON	MD	20895
EUROPEAN AMERICAN BANK	046-401-035	400 OLD COUNTRY ROAD	GARDEN CITY	NY	11430
FIRST NATIONAL BANK OF CHICAGO	38-02543	1 FIRST NATIONAL PLAZA	CHICAGO	IL	60670
MERIDIAN BANCORP, INC.	1273-2043	P.O. BOX 1162	READING	PA	19603
MIDLANTIC NATIONAL BANK/NORTH	142-03092-4	16 HARRISON AVENUE	TERRELL	NJ	07673
MIDLANTIC NATIONAL BANK/NORTH	045-03184	170 ERIE STREET	WILLIAMS	NJ	07661
REPUBLIC NATIONAL BANK OF NEW YORK	0570221141	45-49 149TH STREET	PRESTON MEADOWS	NY	11565
TEXAS COMMERCE BANK - PARK CENTRAL	074-02030203	P.O. BOX 30127	DALLAS	TX	75230
UNION TRUST	1-003-086	P.O. BOX 700	STAMFORD	CT	06904
BARNETT BANK OF SOUTH FLORIDA N.A.	100-000-2346	500 BRICKELL AVENUE	MIAMI	FL	33165
EUROPEAN AMERICAN BANK	046-409265	400 OLD COUNTRY ROAD	GARDEN CITY	NY	11530
FIFTH THIRD BANK	713-70203	38 FOUNTAIN SQUARE PLAZA	CINCINNATI	OH	45202
BANK ONE BLOOMINGTON, N.A.	12-1427-6	P.O. BOX 408	BLOOMINGTON	IN	47432
BANK ONE INDIANAPOLIS, N.A.	25-34233	101 MONUMENT CIRCLE	INDIANAPOLIS	IN	46277
BANK ONE LAFAYETTE, N.A.	104-7796-1	FIFTH AND MAIN STREETS	LAFAYETTE	IN	47902
CENTRAL TRUST COMPANY, N.A.	107-0796-67	117 W. MAIN STREET	CINCINNATI	OH	45263
CENTRAL TRUST OF MEMPHIS, OHIO	04110026	P.O. BOX 33000	LANCASTER	OH	43130
CITIZENS FIDELITY BANK AND TRUST CO.	0046-1415	P.O. BOX 206	LOUISVILLE	KY	40232
CITIZENS STATE BANK	406-921-8	125 CINCINNATI	CHAMBERL	NY	42302
COMMERCIAL NATIONAL BANK	704-000-18	FIFTH AND MAIN CENTER	LEXINGTON	KY	40507
FIFTH THIRD BANK	700-13022	38 FOUNTAIN SQUARE PLAZA	CINCINNATI	OH	45201
FIFTH THIRD BANK	713-77968	100 EAST BROAD STREET	CINCINNATI	OH	45202
FIFTH THIRD BANK - COLUMBUS	008-01460	P.O. BOX 179	COLUMBUS	OH	43215
FIRST HUNTINGTON NATIONAL BANK	02-0471-7	875 SOUTH MEREDITH AV.	MONTGOMERY	WV	25704
FIRST NATIONAL BANK OF SOUTHEASTERN OHIO	099-348-7	ONE INDIANA DRIVE	MIDDLETOWN	OH	45044
INDIANA NATIONAL BANK	30-000-025	127 EAST ELIZABETH STREET	INDIANAPOLIS	IN	46260
METROPOLITAN BANK OF LIMA	11-26004	P.O. BOX 160	LIMA	OH	45802
OLD KENT BANK AND TRUST COMPANY	202-420-9	620 MAIN STREET	GRAND RAPIDS	MI	49501
OLD NATIONAL BANK IN EVANSTON	412-00007-5	3 NORTH MAIN STREET	EVANSTON	IL	47703
RICHLAND TRUST COMPANY	05-075408-02	34 NORTH MAIN STREET	RAMSEYFIELD	OH	44902
SOCIETY BANK N.A.	07-000013-7		DAYTON	OH	45401

FIRST UNION OF AUGUSTA	013-245-3	499 BROAD STREET	AUGUSTA	GA	30913
FIRST MACROVIA	07-001-977	P.O. BOX 3099	WINSTON-SALEM	NC	27150
SOUTH CAROLINA NATIONAL BANK	320-242-231	101 GRAYSTONE BLVD.	COLUMBIA	SC	29220
SOUTH CAROLINA NATIONAL BANK	340-213-613	P.O. BOX 940	GREENVILLE	SC	29601
TRUST COMPANY BANK	880-04-99-478	P.O. BOX 4418, CORP. SERVICES	ATLANTA	GA	30302
JACKIE NATIONAL BANK	28-000-2304	301 E. MAIN STREET, P.O. BOX 549	JACKSON	TN	38301
NATIONAL BANK OF COMMERCE	041-9798	1 COMMERCE SUITE	MEMPHIS	TN	38150
NATIONAL BANK OF COMMERCE	020-0000012	1 COMMERCE SUITE	MEMPHIS	TN	38150
FIFTH THIRD BANK	200-17002	30 PEAKTAIN SQUARE PLAZA	CINCINNATI	OH	45243
FIFTH THIRD BANK	200-16671	30 PEAKTAIN SQUARE PLAZA	CINCINNATI	OH	45243
SIGNET BANK	754-0000012	FIRST & CHURCH ST BOX 57000	ROANOKE	VA	24022
FIFTH THIRD BANK	700-05413	FIFTH THIRD CENTRE	CINCINNATI	OH	45201
FIRST NATIONAL OHIO	10-220004-2	P.O. BOX 5347	PORT LAUDERDALE	FL	33310
FIRST MACROVIA ^a	13-205-251	P.O. BOX 3099	WINSTON-SALEM	NC	27150
FIFTH THIRD BANK ^b	703-71029	30 PEAKTAIN SQUARE PLAZA	CINCINNATI	OH	45243
FIRST NATIONAL BANK OF CHICAGO ^c	5919010	1 FIRST NATIONAL PLAZA	CHICAGO	IL	60670
FIFTH THIRD BANK ^d	703-71026	30 PEAKTAIN SQUARE PLAZA	CINCINNATI	OH	45202
FIRST MACROVIA ^e	17-348-476	P.O. BOX 3099	WINSTON-SALEM	NC	27150

^a Current concentration accounts which will be transferred to Citibank.

SCHEDULE V

LIENS

<u>Secured Indebtedness</u>	<u>Principal Amount Outstanding at December 31, 1989</u>
County of Allegheny, Pennsylvania Commercial Development Revenue Bonds	\$ 4,375,000
Note secured by deed of trust on property in Dallas, Texas, payable to MBank Dallas and BMA Properties, Inc.	2,000,000
Two notes secured by mortgage on property in Lafayette, Indiana, payable to Lincoln National Life Insurance Co.	1,263,629
Debt secured by telephone equipment payable to Bell Telephone	<u>71,577</u>
TOTAL:	\$ 7,710,306

<u>Capitalized Leases</u>	<u>Amount Capitalized at December 30, 1989</u>
Total capitalized leases	Approx. \$37.3 million (This amount will be reduced by \$10.4 thousand each day in January, 1990.)

SCHEDULE VI

REAL ESTATE OF COMPANY AND SUBSIDIARIES

<u>Property No.</u>	<u>Location</u>	<u>Interest Held By</u>	<u>Owned/Rented Ground/Rented</u>	<u>Effective Date of Acquisition</u>
Division: ABRAHAM & STRAUS				
030001(A)	422 Fulton Street Brooklyn, NY	FDS	L	
030001(B)	Hirsch Building 422 Fulton Street Brooklyn, NY	FDS	O	
030001(C)	Fulton Building 1 Hoyt Street Brooklyn, NY	FDS	L	
030001(D)	Garage/Annex Brooklyn, NY	FDS	O	
030002	130 Fulton Avenue Hempstead, NY	ADS Extra Real Estate, Inc.	CL O	1/12/89
030004	Walt Whitman Shopping Center Huntington, NY	ADS Walt Whitman Real Estate, Inc.	L O	7/29/88
030005	1100 Northern Blvd Manhasset, NY	ADS Real Estate, Inc.	O	7/29/88
030005	Manhasset, NY (Vacant Land)	ADS Real Estate, Inc.	O	7/29/88
030006	855 Franklin Ave Garden City, NJ	FDS	L	
030007	Smithtown Mall Lake Grove, NY	FDS	L	
030008	Woodbridge Center Woodbridge, NY	ADS Real Estate, Inc.	CL	7/29/88
030009	Queens Center - Rego Park Kingsbury, NY	FDS	O	
030010	Paramus Park Mall Paramus, NJ	ADS Real Estate, Inc.	CL	7/29/88
030011	Newmouth Mall Eatontown, NJ	ADS Extra Real Estate, Inc.	CL	7/29/88

<u>Property No.</u>	<u>Location</u>	<u>Interest Held by</u>	<u>Owned/Leased Ground/Lessee</u>	<u>Effective Date of Transfer</u>
030012	The Galleria White Plains, NY	A&S Galleria Real Estate, Inc	O	7/29/88
030013	Short Hills Mall Short Hills, NJ	FDS	GL	
030020	500 Meadowland Pkwy Secaucus, NJ	FDS	L	
030040	Sunrise Mall Massapequa, NY	FDS	L	
030041	Green Acres Shopping Center Valley Stream, NY	FDS	L	
030042	155 Glen Cove Rd H. Hempstead, NY	FDS	L	
030043	Jay Street Warehouse 20 - 40 Jay Street Brooklyn, NY	FDS	L	
030044	A & S Plaza 33rd Street and Ave of Americas New York, NY	FDS	L	
Division: BLOOMINGDALE'S				
020001	1000 3rd Avenue New York, NY	FDS	GL	
020003	Main Shopping Ctr Fresh Meadows, NY	Bloomingdale's. Inc.	L	7/29/88
020004(A)	20 Broad Street Stamford, CT	Bloomingdale's Real Estate, Inc	L	7/29/88
020004(B)	Corner Washington & Broad Stamford, CT	Bloomingdale's Real Estate, Inc (Parking deck property)	O	7/29/88
020004(C)	Corner Franklin & Broad Stamford, CT	Bloomingdale's Real Estate, Inc (small parking lot)	O	7/29/88
020005	Riverside Square Shopping Center Mahwah, NJ	Bloomingdale's Real Estate, Inc	GL	7/29/88
020006	Short Hills Mall Millburn, NJ	Bloomingdale's Short Hills Real Estate, Inc	GL	7/29/88

<u>Property No.</u>	<u>Location</u>	<u>Interest Held by</u>	<u>Owned/Leased Ground/Lessee</u>	<u>Effective Date of Leasing</u>
020007	Manhasset, NY	Bloomingdale's Extra Real Estate, Inc. (Office space and sublease to Filene's Basement)	L	11/16/85
020010	1111 Franklin Ave Garden City, NY	Bloomingdale's Extra Real Estate, Inc.	L	5/26/89
020011(A)	The Mall at Chestnut Hill Boston, MA	Bloomingdale's Real Estate, Inc. (Home Store)	O	7/29/85
020011(C)	Dedham Boston, MA	Bloomingdale's, Inc. (Warehouse)	L	7/29/85
020012	175 Bloomingdale Road White Plains, NY	FDS	CL	
020013	Tysons Corner Ctr Fairfax, VA	Bloomingdale's, Inc.	L	7/29/85
020014	White Flint Shopping Center North Bethesda, MD	Bloomingdale's White Flint Real Estate, Inc.	CL	7/29/85
020015	Chestnut Hill Shopping Center Chestnut Hill, MA	Bloomingdale's, Inc. (Store)	L	7/29/85
020016	King of Prussia Shopping Center Philadelphia, PA	Bloomingdale's King of Prussia Real Estate, Inc.	O	7/29/85
020017	Willow Grove Park Philadelphia, PA	Bloomingdale's Willow Grove Real Estate, Inc.	O	7/29/85
020018	240 E. 39th Street New York, NY	Bloomingdale's, Inc. (Office Space)	L	7/29/85
020020	Murphy's Point Queens, NY	FDS (Warehouse)	L	
020021	55th Avenue & 50th Street Maspeth, NY	Bloomingdale's, Inc. (Warehouse)	L	7/29/85

<u>Property No.</u>	<u>Location</u>	<u>Interest Held By</u>	<u>Owned/Leased Ground/Lessee</u>	<u>Effective Date of Inclusive</u>
C20022	Town Center at Boca Raton Boca Raton, FL	Bloomingdale's Boca Raton Real Estate, Inc.	O	7/29/88
020023	7614 NW 6th Ave Boca Raton, FL	Bloomingdale's, Inc. (Small Warehouse)	L	7/29/88
020024	Valley View Shopping Center Dallas, TX	Bloomingdale's Extra Real Estate, Inc.	CL O	7/29/88
020025	The Falls Shopping Center Miami, FL	Bloomingdale's Extra Real Estate Inc.	CL	7/29/88
020027	Carle Place 155 Glen Cove Road N. Hempstead, NY	Bloomingdale's, Inc.	L	
C20028	475 Knatter Drive Cheshire, CT	Bloomingdale's By Mail, Ltd.	L	7/29/88
020030	900 N Michigan Ave Chicago, IL	FDS	L	
020031	The Gardens Palm Beach Gardens, FL	Bloomingdale's Properties, Inc.	L	
020032	132 W. 31st St., 9th Floor, Rm 200, 202, 217, 218 New York, NY	FDS (Office Space)	L	
020033	Old Orchard Chicago, IL	FDS	L	
020036	Rockville Washington, DC	FDS	L	
020037	770 Lexington Ave. New York, NY	Bloomingdale's, Inc. (Office Space)	L	10/30/
020038	130 E 39th St New York, NY	Bloomingdale's Inn. (Office Space)	L	9/6/89
020039	133 E 40th St New York, NY	Bloomingdale's Real Estate, Inc (Office Space)	O	7/29/8

<u>Property No.</u>	<u>Location</u>	<u>Interest Held By</u>	<u>Owned/Leased GroundLeased</u>	<u>Effective Date of Transfer</u>
020040	12609-13 S.W. 130th Street Miami, FL	Bloomingdale's, Inc. (Small Warehouse)	L	10/30/87
020041	635 Devilsville Rd. Philadelphia, PA	Bloomingdale's, Inc. (Small Warehouse)	L	7/29/88
020042	450 Park Avenue New York, NY	Bloomingdale's, Inc. (Office Space)	L	7/29/88
020043	301 E 57th St New York, NY	Bloomingdale's, Inc. (Office Space)	L	8/15/88
020044	7530 S. Caldwell Ave. Niles, IL	FDS (Small Warehouse) Expires 6/30/90	L	
020045	Mall of America Bloomington, MN	FDS (Stores)	L	

Division: BURDINE'S

110001	22 E Flagler St Miami, FL	Burdine's Main Store Real Estate, Inc.	O CL	7/29/88
110003	The Galleria 2400 E Sunrise Blvd Ft Lauderdale, FL	Burdine's Real Estate, Inc.	G L	7/29/88
110004	1675 Meridian Avenue Miami Beach, FL	Burdine's, Inc.	L	8/15/88
110005	163rd St Shopping Center S Miami Beach, FL	Burdine's, Inc.	L	7/29/88
110006	Dadeland Mall Miami, FL	Burdine's Real Estate, Inc.	O	1/12/89
110007	Westland Shopping Center Hialeah, FL	Burdine's Real Estate, Inc.	O L	1/12/89
110008	Pompano Fashion Square Pompano Beach, FL	Burdine's Real Estate, Inc.	O	7/29/88

<u>Property No.</u>	<u>Location</u>	<u>Interest Held by</u>	<u>Owned/Rented Ground Leased</u>	<u>Effective Date of Transfer</u>
110009	Hollywood Fashion Center Hollywood, FL	Burdine's Real Estate, Inc.	O	7/29/88
110011	Orlando Fashion Square Orlando, FL	Burdine's Real Estate, Inc.	GL	7/29/88
110012	Altamonte Mall Orlando, FL	Burdine's Real Estate, Inc.	O	7/29/88
110013	Clearwater Mall Clearwater, FL	Burdine's Real Estate, Inc.	O	7/29/88
110014	Tampa Bay Center Tampa, FL	Burdine's Real Estate, Inc.	O	9/13/88
110015	Broward Mall Plantation, FL	Burdine's Real Estate, Inc.	O	7/29/88
110016	Southgate Plaza Sarasota, FL	Burdine's, Inc.	L	7/29/88
110017	Boca Town Center Boca Raton, FL	Burdine's Real Estate, Inc.	O	7/29/88
110018	Edison Mall Pt. Meyers, FL	Burdine's Real Estate, Inc.	O	7/29/88
110019	4501 North Federal Highway Pt. Lauderdale, FL	Burdine's Real Estate, Inc.	O	7/29/88
110021	13251 S Dixie Hwy Miami, FL	Burdine's Real Estate, Inc.	O	7/29/88
110022	Melbourne Square Melbourne, FL	Burdine's Real Estate, Inc.	O	7/29/88
110023	Palm Beach Mall West Palm Beach, FL	Burdine's Real Estate, Inc.	O	7/29/88
110024	Crossroads Shopping Center St. Petersburg, FL	Burdine's Real Estate, Inc.	GL	8/15/88
110026	University Square Tampa, FL	Burdine's Real Estate, Inc.	O	7/29/88
110027	Velusia Mall Daytona Beach, FL	Burdine's Real Estate, Inc.	O	7/29/88

<u>Property No.</u>	<u>Location</u>	<u>Interest Held by</u>	<u>Owned/Leased or Subleased</u>	<u>Effective Date of Transfer</u>
110029	Cutler Ridge Mall Cutler Ridge, FL	Burdine's, Inc.	L	7/19/88
110029	Miami International Mall Miami, FL	Burdine's Real Estate, Inc.	O L	1/11/89
110031	The Oaks Mall Gainesville, FL	Burdine's Real Estate, Inc.	CL	7/29/88
110032	Mayfair Center Miami, FL	Burdine's, Inc.	L	7/29/88
110034	Coral Square Coral Springs, FL	Burdine's Real Estate, Inc.	O	7/29/88
110035	Boynton Beach Mall Boynton Beach, FL	Burdine's Real Estate, Inc.	O	7/29/88
110036	The Gardens Palm Beach Gardens	Burdine's Real Estate, Inc.	CL	7/29/88
110050	S & D West 7100 NW 32nd Ave NW Miami, FL	FDS	L	
110052	Tampa Substation 4737 Transport Drive Tampa, FL	Burdine's, Inc.	L	7/29/88
110053(1)	Ryder Property 3001 NW 71st St Miami, FL	Burdine's Real Estate II, Inc.	O	7/29/88
110053(2)	Employee Parking NW 71st&NW 32nd Ave Miami, FL	Burdine's Real Estate II, Inc.	O	7/29/88
110053(3)	Plesawski Property 3001 NW 71st St Miami, FL	Burdine's Real Estate II, Inc.	O	7/29/88
110053(4)	Samel Property NW 71st&NW 32nd Ave Miami, FL	Burdine's Real Estate II, Inc.	O	7/29/88
110054	S & D North 3123 NW 73rd St Miami, FL	Burdine's Real Estate II, Inc.	O	7/29/
110055	S & D East 7101 NW 32nd Ave Miami, FL	Burdine's Real Estate II, Inc.	O	7/29/

<u>Property No.</u>	<u>Location</u>	<u>Interest Held by</u>	<u>Owned/Leased or Encumbered</u>	<u>Effective Date of Transfer</u>
110056	Squitable Warehouse NW 119th St and 32nd Ave Miami, FL	FDS	L	
110057	Miami Ave & 2nd St Miami, FL	FDS	O	
Division: CORPORATE				
500001	Vine & 7th Streets Cincinnati, OH	FDS	O	
	Springfield, OH	FDS	O	
	Milwaukee, WI	FDS	O	
	Memphis, TN	FDS	O	
	Hamilton, OH	FDS	O	
	1640 Broadway	FDS	L	
	1631 Broadway	FDS	L	
Division: GOLDSMITH'S				
130001	Main Store 387 S Main Street Memphis, TN	Goldsmit's Real Estate, Inc.	O L	7/29/88
130001	Peoples Warehouse 387 S Main Street Memphis, TN	FDS	L	7/29/88
130001	Customer & Callahan Memphis, TN	Goldsmit's Real Estate, Inc.	O	7/29/88
(130001 130020)	Everly Warehouse 157 S Main Street Memphis, TN	Goldsmit's Real Estate, Inc.	O	7/29/88
130001	157 S Main Street Memphis, TN (Land South of Downtown Warehouse)	Goldsmit's Real Estate, Inc.	O	7/29/88

<u>Property No.</u>	<u>Location</u>	<u>Interest Held by</u>	<u>Owned/Rented Ground/Raised</u>	<u>Effective Date of Manifest</u>
130002	Oak Court Memphis, TN	Goldsmith's Real Estate, Inc.	O, L L	7/29/88 3/22/89
130002	4545 Poplar Avenue Memphis, TN	Goldsmith's Real Estate, Inc.	O	7/29/88
130003	Southland Mall Whitehaven, TN	Goldsmith's Real Estate, Inc.	O	7/29/88
130004	Raleigh Springs Mall Memphis, TN	Goldsmith's Real Estate, Inc.	O	7/29/88
130005	Old Hickory Mall Jackson, TN	Goldsmith's Real Estate, Inc.	CL	7/29/88
130006	Hickory Ridge Mall Memphis, TN	Goldsmith's Real Estate, Inc.	O	7/29/88
Division: LAZARUS				
080001	Downtown Store 101-142 W 7th St Cincinnati, OH	Lazarus Real Estate, Inc.	O	7/29/88
080001	Parking Garage 222 W 7th St Cincinnati, OH	FDS	L	
080002	Warehouse 4330 Winton Road Cincinnati, OH	Lazarus Real Estate, Inc.	O	7/29/88
080003	Tri-County Mall Springdale, OH	Lazarus Real Estate, Inc.	O	1/12/89
080004	Western Woods Stores Cincinnati, OH	Lazarus Real Estate, Inc.	O, L	7/29/88
080005	Kenswood Mall Montgomery Road Cincinnati, OH	FDS	CL	
080007	Beechmont Mall Cincinnati, OH	Lazarus Extra Real Estate, Inc.	CL	7/29/88
080008	Owner Center Louisville, KY	Lazarus Extra Real Estate, Inc.	CL	7/29/88
080009	Fayette Mall Lexington, KY	Lazarus Real Estate, Inc.	O	7/29/88

<u>Property No.</u>	<u>Location</u>	<u>Interest Held By</u>	<u>Owned/Rented Ground/Rented</u>	<u>Effective Date of Transfer</u>
080011	Florence Mall Florence, KY	Lazarus Real Estate, Inc.	O	7/29/88
080011	(Expansion Land) 173 & St Rt 18 Florence, KY	Lazarus Real Estate, Inc.	O	7/29/88
080012	Jefferson Mall Louisville, KY	Lazarus Real Estate, Inc.	O	7/29/88
080013	Wesleyan Park Plaza Owensboro, KY	FDS	L	
080014	Kenwood Town Center Cincinnati, OH	Lazarus Extra Real Estate, Inc.	GL	7/29/88
080019	Kemper Road Warehouse Dayton, OH	Lazarus Real Estate, Inc.	GL	7/29/88
080021	Downtown Store Dayton, OH	Lazarus Real Estate, Inc.	O	7/29/88
080022	Kettering Shopping Center Dayton, OH	Lazarus Real Estate, Inc.	O	7/29/88
080023	Salem Mall W. Salem Avenue Troywood, OH	Lazarus Real Estate, Inc.	O	7/29/88
080024	Dayton Mall Centerville, OH	Lazarus Real Estate II, Inc.	O	7/29/88
080025	Upper Valley Mall Springfield, OH	Lazarus Real Estate II, Inc.	O	7/29/88
080026	Bulk Service Building #1 343 W. Wittier St. Columbus, OH	FDS	L	
080030	Downtown Columbus Columbus, OH	Lazarus Extra Real Estate, Inc.	O	7/29/88
080031	Westland Shopping Center 4161 W. Broad St. Columbus, OH	Lazarus Real Estate II, Inc.	O	7/29/88

<u>Property No.</u>	<u>Location</u>	<u>Interest Held By</u>	<u>Owned/Leased Or Sublet</u>	<u>Effective Date of Transfer</u>
080032	Northland Shopping Center 1640 Morse Road Columbus, OH	Lazarus Real Estate, Inc.	O (SUBCL)	7/10/88
080033	Eastland Shopping Center 2677 S. Hamilton Rd Columbus, OH	Lazarus Real Estate II, Inc.	O	7/29/88
080034	Richland Mall Mansfield, OH	Lazarus Real Estate II, Inc.	O	7/29/88
080035	Kingsdale Shopping Center Columbus, OH	Lazarus Real Estate II, Inc.	O	7/29/88
080036	Lima Mall 2600 Elida Road Lima, OH	Lazarus Real Estate II, Inc.	O	7/29/88
080037	Eastland Home Store Refugee Road Columbus, OH	Lazarus Real Estate II, Inc.	O	7/29/88
080038	Town and Country 3812 E Broad St. Whitehall, OH	FDS	L	
080039	Henderson-Merchwest Branch Store Columbus, OH	FDS	L	
080040	Westerville-Branch Store Columbus, OH	FDS	L	
080041	Heath Store Heath, OH	FDS	GL	
080042	Limaester Store Limaester, OH	FDS	GL	
080043	Galaxy Square Mall Zanesville, OH	Lazarus Real Estate II, Inc.	O	7/29/88
080044	Downtown Store Springfield, OH	Block's, Inc.	GL O	
080045	Upper Valley Mall Springfield, OH	Block's, Inc.	L	

<u>Property No.</u>	<u>Location</u>	<u>Interest Held By</u>	<u>Owned/Leased or Groundleasing</u>	<u>Effective Date of Transfer</u>
080060	Huntington Mall Barbersville, WV	Lazarus Real Estate II, Inc.	O	7/29/88
080061	Downtown Indianapolis Indianapolis, IN	Block's, Inc.	L	
080062	Lafayette Square Shopping Center Indianapolis, IN	Block's, Inc.	L	
080068	Tippacanoe Mall Lafayette, IN	Block's, Inc.	L	
080076	Southland Shopping Center Wyoming, MI	Block's, Inc.	L	
080077	City Center Plaza Grand Rapids, MI	Block's, Inc.	L	
080080	Castleton Mall 6020 E. 82nd St Indianapolis, IN	Lazarus Real Estate, Inc.	O	7/29/88
080082	Washington Square 10202 E Washington Indianapolis, IN	Lazarus Real Estate, Inc.	O	7/29/88
080083	Greenwood Park Mall 1250 U.S. 31 Indianapolis, IN	Lazarus Real Estate, Inc.	O	7/29/88
080084	Eastland Mall Evansville, IN	Lazarus Real Estate, Inc.	O	7/29/88
080086	Glendale Store Glendale, IN	Block's, Inc.	L	
080087	College Mall Bloomington, IN	Block's, Inc.	L	
080088 (080100)	Maryland Mall Zionsville, IN	Block's, Inc.	L	
080089	Block's Warehouse Milburn Avenue Indianapolis, IN	Block's, Inc.	O	

<u>Property No.</u>	<u>Location</u>	<u>Interest Held By</u>	<u>Owned Leased or Unleased</u>	<u>Effective Date of Classification</u>
090097	Oetzt, OH	FDS	O	
090097	Oxford Shop 13 N. Poplar St Oxford, OH	FDS	L	
Division: RICH'S				
150001	Main Store Atlanta, GA	Rich's Main Store Real Estate, Inc.	O	7/29/88
150001	12-14 Alabama St SW Atlanta, GA	Rich's Main Store Real Estate, Inc.	O	7/29/88
150001	Spring & Hunter St Atlanta, GA	Rich's Main Store Real Estate, Inc.	O	7/29/88
150002	Lenox Square 3393 Peachtree St Atlanta, GA	Rich's Lenox Square Real Estate, Inc.	O	7/29/88
150004	Cobb Center 2144 S. Cobb Dr Smyrna, GA	Rich's Real Estate, Inc.	O	7/29/88
150005	North DeKalb Center 2144 Lawrenceville DeKalb, GA	Rich's North DeKalb Real Estate, Inc.	O	7/29/88
150006	Greenbrier Shopping Center 2841 Greenbrier Pkwy Atlanta, GA	FDS	L	
150007	South DeKalb Mall 2731 Chandler Road DeKalb, GA	Rich's Real Estate, Inc.	O	7/29/88
150007	2731 Chandler Road DeKalb, GA	FDS	O	
150008	Perimeter Mall Atlanta, GA	Rich's Real Estate, Inc.	O	7/29/88
150009	Cumberland Mall Atlanta, GA	Rich's, Inc.	O	7/29/88

<u>Property No.</u>	<u>Location</u>	<u>Interest Held by</u>	<u>Owned/Leased or Unleashed</u>	<u>Effective Date of Manifest</u>
150009	Parking I-285 & U.S. 41 Atlanta, GA	FDS	L	
150010	Brockwood Village Birmingham, AL	Rich's Brookwood Village Real Estate, Inc.	O	7/29/88
150011	Century Plaza Birmingham, AL	Rich's, Inc.	L	7/29/88
150012	Southlake Mall 1500 Southlake Pkwy Morrow, GA	Rich's Real Estate, Inc.	O	7/29/88
150013	Augusta Mall Augusta, GA	Rich's Augusta Mall Real Estate, Inc.	O	7/29/88
150014	Columbia Mall 7201-100 Two Notch Rd. Columbia, SC	Rich's Columbia Mall Real Estate, Inc.	O	7/29/88
150016	Shannon Mall Union City, GA	Rich's Shannon Mall Real Estate, Inc.	O	7/29/88
150017	Haywood Mall Haywood Road & Woods Greenville, SC	Rich's Real Estate, Inc.	CL	7/29/88
150020	Peachtree Center 231 Peachtree St NW Atlanta, GA	FDS	L	
150021	Colony Square Shopping Center 1197 Peachtree St Atlanta, GA	FDS	L	
150024	Gwinnett Mall Atlanta, GA	Rich's Real Estate, Inc.	O	7/29/88
150025	Town Center at Cobb Kennesaw, GA	Rich's Real Estate, Inc.	O	7/29/88
150026	Riverchase Galleria Birmingham, AL	Rich's Real Estate, Inc.	O	7/29/88
150028	Furniture Showroom at Perimeter Mall Atlanta, GA	Rich's Real Estate, Inc.	O	7/29/88
150060	4401 Stone Mountain Pkwy Stone Mountain, GA	Rich's, Inc.	SUBL	7/29/88

<u>Property No.</u>	<u>Location</u>	<u>Interest Held by</u>	<u>Owned, Leased or Mandated</u>	<u>Effective Date of Change</u>
Division: GOLD CIRCLE				
170050	General Office 6121 Huntley Road Worthington, OH	Gold Circle, Inc.	L	
170051	Distribution Center 307 Schrock Road Worthington, OH	Gold Circle, Inc.	O	
170087	Fixture Warehouse 1695 Walkins Road Columbus, OH	Gold Circle, Inc.	L	
170088	Central Annex Huntley Road Worthington, OH	Gold Circle, Inc.	L	
170132	Warehouse Clayton County, GA	FDS	O	
170134	Delray Square Military Trail Delray Beach, FL	FDS	O	
170135	Colonial Drive	FDS	O	
170137	Delray Beach Office Delray Beach, FL	FDS	L	
170138	Office Charlotte, NC	FDS	L	
Division: MAINSTREET				
280017	Glenbrook Commons Ft. Wayne, IN	FDS	L	
280031	Orland Park Place Orland Park, IL	FDS	O	

raw30

SCHEDULE VII

REAL ESTATE CORPORATION -- LEASES

<u>Property No.</u>	<u>Location</u>	<u>Interest Held By</u>	<u>Owned/Leased or Subleased</u>	<u>Effective Date of Transfer</u>
Division: ABRAHAM & STRAUS				
030002	150 Fulton Avenue Hempstead, NY	A&S Extra Real Estate, Inc.	CL	1/12/83
030004	Walt Whitman Shopping Center Huntington, NY	A&S Walt Whitman Real Estate, Inc.	L	7/29/83
030006	Woodbridge Center Woodbridge, NY	A&S Real Estate, Inc.	CL	7/29/83
030010	Paramus Park Mall Paramus, NJ	A&S Real Estate, Inc.	CL	7/29/83
030011	Morristown Mall Lafayette, NJ	A&S Extra Real Estate, Inc.	CL	7/29/83
Division: BLOOMINGDALE'S				
020004(A)	20 Broad Street Stamford, CT	Bloomingdale's Real Estate, Inc.	L	7/29/83
020005	Riverside Square Shopping Center Hackensack, NJ	Bloomingdale's Real Estate, Inc.	CL	7/29/83
020006	Short Hills Mall Millburn, NJ	Bloomingdale's Short Hills Real Estate, Inc.	CL	7/29/83
020007	Manhasset, NY	Bloomingdale's Extra Real Estate, Inc. (Office space and sublease to Filene's Basement)	L	11/16/83
020010	1111 Franklin Ave Garden City, NY	Bloomingdale's Extra Real Estate, Inc.	L	3/26/83
020014	White Flint Shopping Center North Bethesda, MD	Bloomingdale's White Flint Real Estate, Inc.	CL	7/29/83
020024	Valley View Shopping Center Dallas, TX	Bloomingdale's Extra Real Estate, Inc.	CL	7/29/83

<u>Account No.</u>	<u>Description</u>	<u>Interest Held by</u>	<u>Owned lessee or lessor</u>	<u>Effective Date of Contract</u>
1100015	The Falls Shopping Center Miami, FL	Bloomingdale's Extra Real Estate Inc.	CL	7/29/88
Division: BURDINE'S				
110001	22 E Flagler St Miami, FL	Burdine's Main Store Real Estate, Inc.	CL	7/29/88
110003	The Galleria 2400 E Sunrise Blvd Ft Lauderdale, FL	Burdine's Real Estate, Inc.	C L	7/29/88
110007	Westland Shopping Center Hialeah, FL	Burdine's Real Estate, Inc.	L	1/11/89
110011	Orlando Fashion Square Orlando, FL	Burdine's Real Estate, Inc.	CL	7/29/88
110024	Crossroads Shopping Center St. Petersburg, FL	Burdine's Real Estate, Inc.	CL	8/15/88
110029	Miami International Mall Miami, FL	Burdine's Real Estate, Inc.	L	1/11/89
110031	The Oaks Mall Gainesville, FL	Burdine's Real Estate, Inc.	CL	7/29/88
110036	The Gardens Palm Beach Gardens	Burdine's Real Estate, Inc.	CL	7/29/88
Division: GOLDSMITH'S				
130001	Main Store 387 S Main Street Memphis, TN	Goldsmitch's Real Estate, Inc.	L	7/29/88
130002	Oak Court Memphis, TN	Goldsmitch's Real Estate, Inc.	L	7/29/88
130005	Old Hickory Mall Jackson, TN	Goldsmitch's Real Estate, Inc.	CL	7/29/88

<u>PROPERTY NO.</u>	<u>LOCATION</u>	<u>INTEREST HELD BY</u>	<u>TENURE LESSON ASSOCIATED</u>	<u>Effective Date of Transfer</u>
Division: LAZARUS				
080001	Western Woods Store Cincinnati, OH	Lazarus Real Estate, Inc.	L	7/29/88
080007	Beechmont Mall Cincinnati, OH	Lazarus Extra Real Estate, Inc.	CL	7/29/88
080008	Oxmoor Center Louisville, KY	Lazarus Extra Real Estate, Inc.	CL	7/29/88
080014	Kemwood Town Center Cincinnati, OH	Lazarus Extra Real Estate, Inc.	CL	7/29/88
080019	Kasper Road Warehouse Dayton, OH	Lazarus Real Estate, Inc.	CL	7/29/88
080021	Downtown Store Dayton, OH	Lazarus Real Estate, Inc.	L	7/29/88
080030	Downtown Columbus Columbus, OH	Lazarus Extra Real Estate, Inc.	CL (9)	7/29/88
080032	Northland Shopping Center 1640 Morse Road Columbus, OH	Lazarus Real Estate, Inc.	(SUBCL)	1/11/89
Division: RICH'S				
130017	Haywood Mall Haywood Road & Woods Greenville, SC	Rich's Real Estate, Inc.	CL	7/29/88

PTC02

SCHEDULE VIII

FEDERATED DEPARTMENT STORES, INC.

Schedule of Unencumbered Cash
(in millions of dollars)

<u>Bank Name</u>	<u>Account Number</u>	<u>Amount</u>
Central Trust, N.A.	192-0038-72	\$ 0.6
The Fifth Third Bank	999-34515	70.3
The First National Bank of Chicago	50-54869	16.3
First Wachovia	17-374-009	9.9

EXHIBIT 11.1

EXHIBIT 11.1

FEDERATED DEPARTMENT STORES, INC.
(The Predecessor)

EXHIBIT OF PRIMARY AND FULLY DILUTED EARNINGS PER SHARE

	13 Weeks Ended April 30, 1988		52 Weeks Ended January 30, 1988		52 Weeks Ended January 31, 1987	
	Shares	Income	Shares	Income	Shares	Income
(thousands, except per share data)						
Net income* and average number of shares outstanding	88,829	\$165,580	92,148	\$312,982	96,905	\$287,600
Earnings per share		\$1.86		\$3.40		\$2.91
Primary Computation						
Average number of common share equivalents:						
Stock options	*		435		466	
Gross share obligation for deferred compensation plan	*		2,104		2,553	
Appreciation of treasury stock method-proceeds from tax savings due to market appreciation at average market price applied to purchase of treasury shares	*		(298)		(394)	
Adjustment of net income for dividend equivalents				1.743		1.711
Adjusted number of common and common equivalent shares outstanding and adjusted net income	88,828	\$165,580	94,389	\$314,725	99,530	\$289,311
Primary earnings per share		\$1.86		\$3.33		\$2.91
Fully Diluted Computation						
Additional adjustments to a fully diluted basis:						
Stock options	*		377		32	
Reduction in shares repurchased with tax savings	*		72		13	
Adjusted number of shares outstanding and net income on a fully diluted basis	88,828	\$165,580	94,838	\$314,725	99,575	\$289,311
Fully diluted earnings per share		\$1.86		\$3.32		\$2.91

*The financial statements for the 13 weeks ended April 30, 1988 reflect expense to accrue for the settlement of common share equivalents in connection with the change in control, and therefore, they are excluded from these computations.

Note: All share and per share data reflect the 2-for-1 common stock split on April 13, 1987.

EXHIBIT 22

422

SUBSIDIARIES OF FEDERATED DEPARTMENT STORES, INC.

A & S Extra Real Estate, Inc.
A & S Galleria Real Estate, Inc.
A & S Real Estate, Inc.
A & S Walt Whitman Real Estate, Inc.
Blocks, Inc.
Bloomingdale's Boca Raton Real Estate, Inc.
Bloomingdale's By Mail Ltd.
Bloomingdale's Extra Real Estate, Inc.
Bloomingdale's, Inc.
Bloomingdale's King of Prussia Real Estate, Inc.
Bloomingdale's Properties, Inc.
Bloomingdale's Real Estate, Inc.
Bloomingdale's Short Hills Real Estate, Inc.
Bloomingdale's Third Avenue Real Estate, Inc.
Bloomingdale's White Flint Real Estate, Inc.
Bloomingdale's Willow Grove Real Estate, Inc.
Burdines, Inc.
Burdines Main Store Real Estate, Inc.
Burdines Real Estate, Inc.
Burdines Real Estate II, Inc.
Federated Acceptance Corporation
Federated Credit Corporation*
Federated Credit Holdings Corporation*
Federated Real Estate, Inc.
Federated Stores Realty, Inc.
Gold Circle, Inc.
Goldsmith's Inc.
Goldsmith's Real Estate, Inc.
Lazarus Extra Real Estate, Inc.
Lazarus Real Estate, Inc.
Lazarus Real Estate II, Inc.
Retail Services, Inc.
Rich's Augusta Mall Real Estate, Inc.
Rich's Brookwood Village Real Estate, Inc.
Rich's Columbia Mall Real Estate, Inc.
Rich's, Inc.
Rich's Lenox Square Real Estate, Inc.
Rich's Main Store Real Estate, Inc.
Rich's North DeKalb Real Estate, Inc.
Rich's Real Estate, Inc.
Rich's Shannon Mall Real Estate, Inc.
22 East Advertising Corporation
22 East Realty Corporation

*Denotes subsidiaries that did not commence chapter 11 proceedings.

END