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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

/ X / ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended January 28, 1989

APR 28 1989

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 ____________________

Commission File Number 1-163

FEDERATED DEPARTMENT STORES, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	31-0513863 (I.R.S. Employer Identification No.)
7 West Seventh Street Cincinnati, Ohio (Address of principal executive offices)	45202 (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	

MAY 3 1989

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

None
(Title of class)

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 X No ____

As of March 28, 1989, 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

Exhibit Index on sequentially numbered page 116

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PART I

Item 1. Business.

The Registrant became a 92.5% owned indirect subsidiary of Campeau Corporation, an Ontario corporation ("Campeau"), on July 29, 1988, when CRTF Corporation ("CRTF"), an indirect Campeau subsidiary, merged with the Registrant (the "Merger") following a cash tender offer by CRTF (the "Tender Offer"). The other 7.5% of the Registrant's capital stock is indirectly owned by The Edward J. DeBartolo Corporation ("DeBartolo") through its indirect 7.5% interest in Federated Holdings, Inc. ("Holdings"), a Delaware corporation that owns all the capital stock of the Registrant (hereinafter the "Company").

Allied Stores Corporation ("Allied"), which Campeau acquired in late 1986, purchased 13.8% of the capital 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") (i) 72.3821 shares (the "Holdings Shares") of the outstanding common stock, $1.00 par value, of Holdings, so that Allied now owns 50% of the capital stock of Holdings and (ii) an option (the "Holdings Option") 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.

The Transaction

[References herein to the "Transaction" include references to the Tender Offer, the Merger, the transfers and sales of divisions of the Company described herein and, unless the context otherwise requires, the related financing transactions.]

Merger Agreement. On April 1, 1988, the Company entered into a Merger Agreement (the "Campeau Merger Agreement") with Campeau, Campeau Corporation (U.S.) Inc., a wholly owned subsidiary of Campeau ("Campeau (U.S.)"), and CRTF wherein the Company agreed to be acquired by Campeau pursuant to a tender offer and subsequent merger with a Campeau affiliate.

Tender Offer. The Tender Offer was consummated on May 3, 1988. The total cash paid to acquire the capital stock of the Company in the Tender Offer was $6,410.7 million, plus fees, expenses, prefunded interest on the Tender Offer Facility referred to below and certain other amounts totalling $296.0 million. The Tender Offer was financed by (i) $3,219.9 million of bank debt of CRTF (the "Tender Offer Facility"), (ii) $2,086.8 million of subordinated notes of CRTF (the "Bridge Facility") sold to affiliates of The First Boston Corporation, Paine Webber Incorporated and Dillon, Read & Co. Inc. (collectively the "Bridge Lenders"), and (iii) $1,400.0 million of cash contributions to the equity capital of CRTF. The contribution to the equity capital of CRTF was financed by (i) a $500.0 million bank loan (the "Bank Equity Loan") to Campeau (U.S.), (ii) a $480.0 million loan to Campeau (U.S.) from DeBartolo (the "DeBartolo Equity Loan"), (iii) $226.7 million of the proceeds from the sale of subordinated convertible debentures of Campeau (the "Campeau Debentures") to Olympia & York Developments Limited, which owns securities representing or convertible into approximately 24.5% of the total voting power of Campeau on a fully diluted basis, and (iv) $193.3 million from Allied's initial investment in Holdings. In connection with the DeBartolo Equity Loan, DeBartolo acquired 7.5% of the capital stock of Holdings, which initially was contributed to a partnership between an indirect wholly owned Campeau subsidiary and an indirect wholly owned DeBartolo subsidiary (the "Campeau/DeBartolo Partnership"), but subsequently was distributed back to a subsidiary of DeBartolo.

Asset Sales before the Merger. Immediately prior to the occurrence of the Transaction, the Company operated 14 general merchandise divisions. In connection with the Tender Offer, the Company sold its Bullock's/Bullocks Wilshire, Filene's (including accounts receivable of Filene's Basement), Foley's and I. Magnin divisions for a total of $1,829.9 million in cash and $800.0 million face amount in notes of the buyers (the "Macy and May Notes"), subject to certain post-closing adjustments. The effect of accepting the Macy and May Notes as part of the consideration was to defer a portion of the gain from the sales under the installment method of tax accounting. Of the cash proceeds of such sales, $1,031.5 million was used to repay a working capital facility of the Company on May 3, 1988, and $751.6 million was applied in connection with the Merger. On July 29, 1988, the Company sold Filene's Basement (other than the accounts receivable previously sold) to an investor group including members of its management for $125.0 million in cash, subject to certain adjustments, and the net proceeds were applied to the Cash Collateral Account (defined below). [Divisions which were divested as described above and those divisions which were subsequently sold or transferred as described below are collectively referred to herein as the "Transferred Divisions". All remaining divisions are hereinafter referred to as the "Retained Divisions".] In Fiscal 1987, the last full year of operation as divisions of the Company, the Transferred Divisions accounted for 58.6% of net sales and 43.7% of the Company's divisional profits (which represent pre-tax profits from operations of the divisions after allocation of central office costs, excluding interest expense).

The Merger and Related Financing. On July 29, 1988, CRTF merged with the Company, whereupon the separate corporate existence of CRTF ceased and the portion of the Bridge Facility remaining outstanding became an obligation of the Company. The Company was restructured at the time of the Merger as described below.

At the time of the Merger, all material assets of each of Ralphs, Gold Circle, MainStreet, and The Children's Place divisions (the latter three divisions defined as the "Divisions to be Sold") were contributed to wholly owned subsidiaries of Holdings in exchange for notes of subsidiaries (the "Divisional Transfer Notes"). The Divisional Transfer Notes have been repaid from the proceeds of the sales of the Divisions to be Sold and, in the case of Ralphs, the proceeds from the Ralphs Financing (defined below).

Also at the time of the Merger, (i) all material assets of each of the Bloomingdale's, Burdines and Rich's divisions (other than financeable real estate assets) were contributed to wholly owned subsidiaries of the Company (Abraham and Straus and Lazarus remain divisions of the Company), (ii) substantially all of the financeable real estate assets of the Company were contributed to a wholly owned special purpose subsidiary of the Company ("Real Estate Company") and (iii) substantially all customer accounts receivable of the Company were sold to a separate special purpose subsidiary of the Company ("Credit Corp").

Upon consummation of the Merger, the Company borrowed $3,150.0 million of a total $4,200.0 million available under the new bank facilities (the "Bank Facilities"), and in a separate transaction the Company received $704.0 million in cash by transferring the Macy and May Notes to grantor trusts of which the Company is beneficiary (the "Trusts") and the Trusts borrowed such amount, using the Macy and May Notes as collateral, under credit facilities (the "Note Monetization Facilities") that as to repayment are non-recourse to the Company or its assets (other than its interests in the Trusts). The Bank Facilities consisted of (i) a $1,650.0 million Asset Bridge Facility made available to the Real Estate Company, (ii) an $800.0 million Mortgage Bridge Facility, (iii) a $750.0 million Working Capital Facility, and (iv) a $1,000.0 million Receivables Facility.

The Bank Facilities are currently secured by, among other things, the capital stock of the subsidiaries of the Company to which the Retained Divisions (other than Abraham and Straus and Lazarus) have been transferred, the capital stock of the Real Estate Company and the subsidiary which owns Credit Corp., the Company's interests in the Trusts and substantially all the Company's accounts receivable from customers. The Mortgage Bridge Facility is guaranteed by the Company (the "Company Guaranty"). The Asset Bridge Facility, Working Capital Facility and the Company Guaranty are guaranteed by Holdings, which guarantee is secured by the capital stock of the Company. $773.4 million of the $876.6 million cash proceeds from the asset sales described above and the $3,854.0 million of borrowings described in the foregoing paragraph were applied to acquire the remaining equity interest in the Company, repay the Tender Offer Facility and $977.1 million of the Bridge Facility, plus accrued interest of $78.1 million and $59.1 million, respectively, and to pay $132.9 million of fees and expenses paid at the Merger or payable shortly thereafter. In addition, $103.2 million of the proceeds from the sale of Filene's Basement were deposited into a cash collateral account securing Holdings' guarantee of the Asset Bridge and Mortgage Bridge Facilities (the "Cash Collateral Account"). The deposit on August 26, 1988, of $146.8 million of the proceeds from the Ralphs Financing described below completed the required $250.0 million of deposits to the Cash Collateral Account. Amounts in the Cash Collateral Account (the "Restricted Cash") are expected to be applied in connection with certain contemplated real estate financings (the "mortgage financings") to the reduction of the Asset Bridge or Mortgage Bridge Facilities.

On November 9, 1988, the Company issued $500,000,000 16% Senior Subordinated Debentures Due 2000 and $582,887,000 17-3/4% Subordinated Discount Debentures Due 2004. The proceeds of these offerings were used to repay $722.5 million of the $1,109.7 million remaining principal balance amount outstanding under the Bridge Facility.

After the closing of these public offerings, there remained outstanding $387.2 million of short term bridge notes incurred by the Company to finance the Tender Offer. See Item 7 under "Liquidity and Capital Resources" for a discussion of the restructuring of these short term bridge notes.

Asset Sales After The Merger.

Ralphs Financing. $753.2 million of the Asset Bridge Facility was repaid and the required deposits of Restricted Cash were completed on August 26, 1988, from $900.0 million of the proceeds from the Ralphs Financing, in which Ralphs, then a subsidiary of Holdings, incurred $525.0 million of bank debt, issued $400.0 million of debt securities in a public offering and sold $3.0 million of redeemable preferred stock to its management. In connection with the Ralphs financing, Ralphs became a majority owned subsidiary of Federated Holdings III, Inc. ("Holdings III"), and a minority owned subsidiary of Allied.

Sale of Gold Circle Assets. On October 18, 1988, Kimco Development Corporation purchased the real property and certain miscellaneous assets relating to 73 Gold Circle store locations for $240.1 million in cash; the three remaining locations subsequently were purchased by Kimco, for an additional $10.9 million in cash, bringing the total sale price to $251.0 million in cash. The Gold Circle inventory (none of which was purchased by Kimco) was sold in liquidation sales for approximately $169.3 million of gross proceeds. The net proceeds from the Gold Circle asset and inventory sales have been applied to repay the Asset Bridge Facility as required. Gold Circle liabilities (consisting primarily of trade payables) were paid from other available corporate funds.

Sale of MainStreet and The Children's Place. The Company's MainStreet division was sold on November 23, 1988, to Kohl's Department Stores, Inc. for approximately $90.0 million in cash, subject to post-closing adjustments. From the sale of The Children's Place to TCP Acquisition Corp. on February 27, 1989, the Company received approximately $25.0 million in cash subject to post-closing adjustments. Proceeds of the MainStreet and The Children's Place asset sales have been applied to repay the Asset Bridge Facility as required.

<u>Other Assets to be Sold</u>. As part of the restructuring and long-term financing plan, the Company has identified certain assets (the "Other Assets to be Sold") which are not, or in the near future will not be, necessary to support its operations. To date, proceeds from the sale of certain of these properties amounting to $27 million have been applied to repayment of the Asset Bridge Facility. As part of its restructuring and long-term financing plan, the Company expects to continue to review its operations in order to determine whether any other miscellaneous assets are suitable for sale.

<u>Purchase of Holdings' Shares by Allied</u>. On April 7, 1989, Allied purchased from Holdings II the Holdings Shares (so that Allied now owns 50% of the capital stock of Holdings) and the Holdings Option. The aggregate purchase price paid by Allied for the Holdings Shares and the Holdings Option was $500 million in cash. Holdings II is an indirect wholly owned subsidiary of Campeau (U.S.), which in turn is wholly owned by Campeau. Immediately after the purchase by Allied of the Holdings Shares and the Holdings Option, Campeau (U.S.) contributed 100% of the outstanding shares of common stock of Allied to Holdings II.

The Holdings Option may not be exercised by Allied or its affiliates if such exercise would (i) result in a default under any of Allied's public indebtedness outstanding on April 7, 1989, or (ii) result in the Company becoming a "subsidiary" of Allied, within the meaning of the indentures governing such indebtedness, if the provisions of any such indenture would impose restrictions on the operation or conduct of the Company's business that are more restrictive than those contained in the indentures governing the Company's public indebtedness. As a result, the Holdings Option is not currently exercisable by Allied or its affiliates.

In connection with the purchase of the Shares and the Holdings Option, Allied and the other parties thereto entered into an amendment to the Stockholders Agreement dated as of May 3, 1988, (the "1988 Stockholders Agreement") among Holdings, Holdings II and Allied, which extended the anti-dilution rights granted to Allied pursuant to the 1988 Stockholders Agreement until the expiration of such agreement (rather than May 3, 1990, as was previously the case) and caused such rights to apply to issuances by Holdings to any person (rather than only to affiliates of Holdings II, as was previously the case). Also in connection with such purchase, Holdings II, Allied, Campeau Properties, Inc. and DeBartolo Properties, Inc., which together own 100% of the outstanding stock of Holdings, entered into a Stockholders Agreement dated as of April 7, 1989, (the "1989 Stockholders Agreement") which provides that the parties will vote their shares of Holdings and take other actions requested by a holder of the majority of the shares of Holdings (no such holder currently exists) in the manner requested by such majority holder with respect to certain matters that require supermajority approval under the Certificate of Incorporation or By-laws of Holdings. The effect of the 1989 Stockholders Agreement is to permit a majority holder unilaterally to take a number of actions that otherwise would require approval of other stockholders.

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The funds used to acquire the Shares and the Holdings Option included approximately $410 million of net proceeds realized by Allied from the sale on February 8, 1989, of its AnnTaylor, Inc. subsidiary. The remainder of the purchase price was funded by borrowings from Campeau (U.S.), which provided $150 million of the $1.2 billion refinancing.

Also on April 7, 1989, Allied completed a $1.2 billion refinancing of the working capital and receivables facilities provided by a syndicate of banks led by Security Pacific National Bank. Borrowings under a Working Capital Facility of $280 million are secured by a first priority security interest on the capital stock of Allied's subsidiaries, as well as the shares of Holdings owned by Allied, and on certain intercompany debt. Borrowings under an Inventory Facility of $70 million are secured by a second lien on the stock of Allied's direct subsidiaries and the shares of Holdings, which second lien is shared equally and ratably with the holders of certain previously outstanding Allied debt securities. Holdings II has also pledged 4% of the stock of Holdings to secure the advances under the Working Capital Facility and the Inventory Facility. A default resulting in a foreclosure on the security interest granted in Holdings stock could have adverse tax consequences to the Company. See "Certain Relationships and Related Transactions".

Holdings II used the proceeds of the sale of the Shares and the Holdings Option to pay a dividend to Federated Holdings III, Inc., which in turn dividended the proceeds to Campeau (U.S.). Campeau (U.S.) used such funds to prepay in full a $500 million bank loan incurred in May 1988 in connection with the acquisition of the Company.

General

The Company is a Delaware corporation, which was incorporated in 1929, and has its principal office at Seven West Seventh Street, Cincinnati, Ohio. The Retained Divisions of the Company are Bloomingdale's, Burdines, Rich's (which includes the Company's former Goldsmith's division), Abraham and Straus and Lazarus. Bloomingdale's, Burdines and Rich's are operated through newly formed subsidiaries of the Company, while Abraham and Straus and Lazarus are unincorporated divisions of the Company. At January 28, 1989, the Retained Divisions operated 130 stores in 19 states. The Company's operations are diversified by size of store, merchandising character and character of community served. 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 Retained 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.

Following the disposition of the Transferred Divisions and the consolidation of the former Rich's and Goldsmith's divisions, the Company has undertaken a major program of cost cutting. Approximately 60% of the anticipated dollar savings have involved personnel reductions, through layoffs, attrition and cancellation of planned hirings. Over 5,000 positions have been eliminated in the Retained Divisions and central office, representing an approximate 12% reduction. The personnel reductions have generally affected all aspects of the workforce and all seniority levels, but the percentage reductions in the administrative positions (approximately 20%) are more significant than those in the sales workforce (approximately 4%, not all of which related to the direct sales force). The Company has also taken other steps to lower costs, such as reductions in advertising, travel and supply costs. In addition, the Company and Allied are in the process of implementing a plan to coordinate certain services, such as warehousing and distribution facilities, electronic data and credit processing, store design and construction, as well as the coordination of certain merchandise purchasing. All such coordination has been and will continue to be implemented in accordance with the Statement of Principles, contained in the Bank Facilities, and related restrictions. The Company is in the process of implementing a program to convert to a more incentive-based compensation for its personnel, particularly selling personnel.

The Company intends to expand its private label program in order to achieve greater differentiation from its competitors and to improve and increase its control over private brand penetration to 20% by 1992 from the current 8%. The Company considers the foregoing to represent the appropriate balance between its own product and open market goods, and does not intend to expand its private label business beyond 20% of related merchandise sold.

Department Stores

Abraham and Straus operates 14 department stores in the New York metropolitan area and is planning to open a major new store in Manhattan in 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 1988 were $721.2 million and $742.9 million in Fiscal 1987.

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; one in McLean, Virginia; one in Kensington, Maryland; one in Dallas, Texas; one each in South Miami and Boca Raton, Florida; and one in downtown Chicago, Illinois, which opened in September 1988. Bloomingdale's offers a wide range of fashion merchandise in dramatic store settings. Its merchandise strategy is to concentrate on upscale fashion apparel and home-related products with an emphasis on distinctive and imported merchandise. Net sales for Bloomingdale's in Fiscal 1988 were $1,188.9 million and $1,154.3 million in Fiscal 1987.

Burdines operates 28 department stores and two clearance centers in Florida, where it has created a strong presence. A new store in Palm Beach Gardens opened in September 1988. Burdines' concept of capturing the distinctiveness of Florida in fashion, display and advertising is a key factor in differentiating itself from its competition. Net sales for Burdines in Fiscal 1988 were $835.4 million and $824.8 million in Fiscal 1987.

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 43 stores. The division has grown substantially in recent years through mergers and acquisitions and is increasing its emphasis on more upscale merchandise. Net sales for this division were $945.7 million in Fiscal 1988 and $937.6 million in Fiscal 1987.

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 six 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 1988 were $850.5 million and $862.7 million in Fiscal 1987.

Corporate Structure

Each Retained 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 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 central office in Cincinnati, Ohio, and New York, New York, and Atlanta, Georgia, provides extensive advisory services for all operating units in such fields as taxes, accounting, cash management and financing, insurance, credit, statistical analysis, utilization of electronic systems, personnel, legal, supply purchasing, plant maintenance and improvement, store planning and display. 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 stores; (ii) Federated Credit Corporation, which is a wholly owned subsidiary of Federated Credit Holdings Corporation, which in turn is a wholly owned subsidiary of the

Company, purchases revolving credit and installment account receivables from the merchandising divisions and obtains financing through borrowing under the terms of the receivables based financing agreement; and (iii) SABRE, which is operated as a division of the Company and provides electronic data processing services and advice and support in regard to utilization of electronic systems to all divisions.

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 assortments, value, customer service and ambience that makes them the preferred retailer for apparel, accessories and home related merchandise for the target customer. Success in achieving customer satisfaction will 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 function of FAMS is the development of private label merchandise programs (as discussed above) and the implementation of a preferred vendor list.

The Company's preferred vendor list includes approximately 400 resources and incorporates resources which merchandise customers are perceived to want most. The preferred vendor list was developed jointly by FAMS and the division's merchants. In return for the Company's and Allied's commitment, these resources have in many cases offered additional benefits such as lower price, better delivery, funded sales people and capital improvements for stores. Since the divisions will continue to purchase most merchandise other than private label directly from domestic vendors, the vendor list program allows the Company many of the benefits from centralization while retaining the strength of securing merchandise separately for the geographic areas.

The second 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 critically 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.

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. The Company's working capital requirements are expected to be met through the revolving working capital portions of the Bank Facilities and internal funds.

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 merchandisers and off-price/discount stores.

Employees

At March 1, 1989, the Company had approximately 63,700 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 and Allied are distinct legal entities, subject to certain affiliations described under "Business" and "Purchase of Holdings' Shares" in Item 1 and under "Certain Relationships and Related Transactions" in Item 13. Although they have management teams and boards of directors which are nearly identical, the Company and Allied are separate corporate entities.

Item 2. Properties

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

(square feet in thousands)	January 28, 1989 Units	January 28, 1989 Gross Space	January 30, 1988 Units	January 30, 1988 Gross Space
Abraham and Straus	14	5,344	14	5,344
Bloomingdale's	17	4,518	16	4,285
Burdines	30	5,254	29	5,039
Lazarus	43	8,265	43	8,268
Rich's*	26	6,216	26	6,216
Total Retained Department Stores	130	29,597	128	29,152
Bullock's/Bullocks Wilshire	--	--	29**	5,011
Filene's	--	--	18	2,278
Foley's	--	--	38	8,202
I. Magnin	--	--	25	1,797
Total Transferred Department Stores	--	--	110	17,288
Total Department Stores	130	29,597	238	46,440
Mass Merchandising - Gold Circle	--	--	76	8,239
Supermarkets - Ralphs	--	--	129	5,366
The Children's Place	--	--	190	911
Filene's Basement	--	--	22	796
MainStreet	--	--	20	1,450
Total Other Stores	--	--	232	3,157
TOTAL	130	29,597	675	63,202

* Includes Goldsmith's division.
** Excludes three small Bullock's Woman apparel specialty stores.

Additional information concerning the Company's properties is set forth in Item 1 under Business and under Note 6 to the consolidated financial statements on page F-7 of this report.

At January 28, 1989, of the 130 department stores, 72 were entirely or mostly owned, and 58 were entirely or mostly leased.

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Item 3. Legal Proceedings.

The Company and its subsidiaries are involved in 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.

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 alleges, 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 alleges that participants who converted shares before the Tender Offer were deprived of the Tender Offer price and requests 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 can be granted, or, in the alternative, for summary judgment. On April 24, 1989, the Court orally stated that it intended to grant the Company's motions and that an opinion and order would be issued shortly.

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 complaint alleges, among other things, that in January 1987, when Federated issued a Prospectus in connection with its plan to offer debt securities to the public, and in October 1987, when Federated issued a Prospectus Supplement that offered $200.0 million of debt securities to the public, Federated 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 alleges 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 asserts claims under the Federal securities laws and state common law that are similar to those asserted in the Hartford action. Campeau and the Company have moved to dismiss both actions for failure to state a claim for which relief can be granted, or in the alternative, for summary judgment. Those motions were heard on March 31, 1989, and the Court reserved judgment. Campeau and the Company intend to defend the proceedings vigorously.

Campeau and the Company commenced an action entitled Campeau Corporation and Federated Department Stores, Inc. v. The May Department Stores Company, No. 89 Civ. 2690 (CSH), in the United States District Court for the Southern District of New York, by filing a complaint on April 20, 1989. The complaint seeks declaratory relief concerning the construction 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 those 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 amount of the disputed adjustments is approximately $47 million. May has until May 18, 1989, to move or answer with respect to the complaint.

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 equity, which is entirely owned by Holdings. See "Security Ownership of Certain Beneficial Owners and Management".

The Company paid no dividends on its Common Stock in Fiscal 1988 and paid total cash dividends of $1.48 per share in Fiscal 1987 on a post-split basis.

Currently no dividends may be paid on the Company's Common Stock. Future cash dividends paid by the Company on its Common Stock would be restricted by the Bank Facilities, the Exchange Notes (see Item 7) and the Indentures for the $500,000,000 16% Senior Subordinated Debentures Due 2000 and $582,887,000 17-3/4% Subordinated Discount Debentures Due 2004.

Item 6. Selected Financial Data

(dollars in millions, except per share figures)	Successor January 28, 1989 (Nine Months)	Predecessor April 30, 1988 (13 Weeks)	January 30, 1988 (52 Weeks)	January 31, 1987 (52 Weeks)	February 1, 1986 (52 Weeks)	February 2, 1985 (53 Weeks)
Income Statement Data:						
Net sales	$3,571.7	$2,449.1	$11,117.8	$10,512.4	$9,978.0	$9,672.3
Depreciation and amortization	162.6	69.7	280.7	255.6	230.6	221.1
Interest expense - net	386.4	30.1	104.6	79.8	86.4	116.3
Income (Loss) before income taxes and extraordinary item	(158.1)	(279.4)	530.0	567.0	533.7	573.4
Income (Loss) before extraordinary item	(156.3)	(165.6)	313.0	301.9	286.6	329.3
Net income (loss)	(156.3)	(165.6)	313.0	237.6	286.6	329.3
Earnings (Loss) per Share of Common Stock:						
Income (Loss) before extraordinary item	(156,318)	(1.86)	3.40	3.12	2.94	3.38
Net income (loss)	(156,318)	(1.86)	3.40	2.97	2.94	3.38
Fully Diluted Earnings (Loss) per Share:						
Income (Loss) before extraordinary item	(156,318)	(1.86)	3.32	3.05	2.87	3.30
Net income (loss)	(156,318)	(1.86)	3.32	2.91	2.87	3.30
Other Data:						
Sales increase	.9 %*	(.6)%**	5.8%	5.4%	3.2%	11.3%
Comparable stores sales increase	(.3)%	(1.8)%	2.3%	2.4%	2.9%	7.9%
Cash dividends per share of common stock	$ ---	$ ---	$ 1.48	$ 1.34	$ 1.27	$ 1.20
Balance Sheet Data at year end:						
Working capital	(288.9)	1,093.1	1,447.1	1,495.6	1,535.7	1,307.6
Total assets	7,912.8	6,098.9	6,008.7	5,687.7	5,353.6	5,271.4
Short-term borrowing and long-term debt due within one year	1,554.8	611.1	399.6	240.1	42.8	315.4
Long-term debt	3,020.9	940.7	956.6	791.9	781.5	710.7
Shareholders' equity	1,129.9	2,474.0	2,629.1	2,662.6	2,707.3	2,544.1

*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.

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

As a result of the tender offer by and the merger with CRTF Corporation, 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, transferred to an affiliate of the Company.

Financial Results

Comparison of the Nine Months Ended January 28, 1989 (Successor Company) and January 30, 1988 (Predecessor Company)

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 retained divisions.

Cost of sales, including occupancy and buying costs, was 71.5% as a percent to 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 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 percent to 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 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. With the full implementation of streamlining, management expects expenses, as a percent to sales, to decrease in future periods.

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, 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 9 on page F-14 for a discussion regarding effective tax rates.

Comparison of the First Quarters of 1988 and 1987 (Predecessor Company)

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 percent 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 .8% and 11.3%, respectively.

Consolidated cost of sales, including occupancy and buying costs, as a percent to 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 percent to 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 Statement of Operations differ from the amounts arrived at by applying the federal income tax statutory 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.

Comparison of the Fiscal Years Ended January 30, 1988 and January 31, 1987 (Predecessor Company)

Earnings for 1987 were $313.0 million or $3.40 per share, compared to $287.6 million, or $2.97 per share, in 1986, including an extraordinary expense item. Net earnings for 1986 were $301.9 million or $3.12 per share, excluding the extraordinary item. The extraordinary loss of $14.3 million, net of income tax benefit of $14.5 million, represents the loss on the repurchase of $160.3 million of 10 1/4% Sinking Fund Debentures due 2010, $86.1 million of 10 5/8% Sinking Fund Debentures due 2013, $28.0 million of 11% Euronotes due 1990 and $22.6 million of 10 1/8% Euronotes due 1995.

Results for 1987 reflect the gain from the sale by Federated Stores Realty, Inc. of its interest in a shopping center in the fourth quarter ($7.1 million after income taxes) and reduction in the statutory federal income tax rate from 46% in 1986 to a blended rate of about 39% in 1987 under the Tax Reform Act of 1986.

Results for 1986 were impacted adversely by a $15.7 million provision, after income taxes, resulting from the merger of two department store divisions in the fourth quarter, an $8.1 million provision, after income taxes, for the loss on the disposition of two department stores in the Philadelphia area in the third quarter, and higher than normal pre-opening costs for the total company during the year ($4.4 million, after income taxes, above the 1987 level). These expenses were partially offset by $18.6 million, after income taxes, in gains from the sale by Federated Stores Realty, Inc., of its interest in two shopping centers.

Sales for 1987 increased 5.8% over the prior year. Sales increases reflect investment in new and expanded stores and the effects of inflation (which is estimated at 2.8%).

Consolidated cost of sales, including occupancy and buying costs, as a percent of sales for 1987 and 1986, was 73.7% and 73.2%, respectively.

Selling, publicity, delivery and administrative expenses as a percent of sales were 20.3% and 20.0% for 1987 and 1986, respectively.

Depreciation and amortization expense was $280.7 million in 1987, compared to $255.6 million in 1986. Advertising expense amounted to $345.9 million in 1987 and $321.3 million in 1986.

Provision for doubtful accounts was $45.9 million in 1987 and $50.6 million in 1986. Credit sales made through the division's credit plans increased .2% in 1987, compared to a .8% increase in 1986.

Interest expense was $104.6 million in 1987, compared to $79.8 million in 1986. The increase in interest expense from 1986 to 1987 is primarily due to higher levels of borrowing relating to the repurchase and retirement of 9.5 million shares of the Company's common stock.

Provision for income taxes was $217.0 million in 1987 and $265.1 million, excluding an extraordinary expense item in 1986. In addition to the previously mentioned reduction in the statutory Federal income tax rate, see Note 9 on page F-14 for a discussion of effective tax rates.

Liquidity and Capital Resources

The Company's total debt at January 28, 1989, was $4,575.7 million. Included in this amount are $500.0 million of 16% Senior Subordinated Debentures Due 2000 and $582.9 million (at face value) of 17 3/4% Subordinated Discount Debentures Due 2004 (carried at $259.7 million at January 28, 1989) which were issued on November 9, 1988.

Also included in the total debt at January 28, 1989, are asset/mortgage bridge facility borrowings in the amount of $1,179.1 million, working capital facility borrowings in the amount of $54.0 million, receivables facility borrowings in the amount of $730.0 million and borrowings under note monetization facilities in the amount of $704.0 million. Borrowings under the note monetization facilities are not recourse to the Company or its assets (other than its interests as beneficiary of the grantor trusts that are the obligors on the facilities).

The $750.0 million working capital facility (which contains annual "clean-up period" requirements in varying amounts) provides funds for working capital requirements, to make capital expenditures and for general corporate purposes, including issuance of letters of credit. Under the working capital facility, up to $600.0 million may be made available as advances and up to $250.0 million may be made available as letters of credit. The receivables facility allows the Company to borrow up to $1,000.0 million against its outstanding receivables (subject to meeting a borrowing base test). Amounts repaid under the asset bridge facility, mortgage bridge facility and note monetization facilities may not be reborrowed.

Capital expenditures for the nine months ended January 28, 1989, amounted to $156.0 million compared to $227.0 million on a comparable division basis for the nine months ended January 30, 1988.

The Company believes the working capital facility and receivables facility, together with funds from operations, will be adequate to cover its working capital needs. However, the Company's current capitalization is substantially more leveraged than its historical capitalization, and the Company's projections as to its ability to generate sufficient cash to make payments under all its debt are based upon assumptions that may not be realized.

After the closing in November 1988, of the public offering of the Company's senior subordinated debentures and subordinated discount debentures, there remained outstanding $387.2 million of short term bridge loans incurred by the Company to finance the Tender Offer. In accordance with the terms of those loans, as restructured in connection with the November public offering, on January 27, 1989, such loans were exchanged for $401.3 million of 13 3/4% senior notes due 1994, 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, and fees aggregating $15.5 million were paid to the Bridge Lenders through March 1, 1989. The private placement (first contemplated at the time of the public offering in November 1988) to refinance the outstanding exchange notes is not currently being actively pursued. The First Boston Corporation and the Company are discussing an arrangement whereby the Bridge Lenders would be paid a fee and agree to hold the exchange notes until the third or fourth quarter of 1989 (at which time the Company believes mortgage financing proceeds should be available to prepay such notes). If agreement cannot be reached on such an agreement, or if sufficient mortgage financing proceeds are not available within any agreed time frame, the Bridge Lenders will have the right to make available to purchasers of the exchange notes the shares of Holdings deposited in escrow in January 1989.

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, were to be repaid from sales of miscellaneous assets and a conventional mortgage financing of up to $900.0 million. Original borrowings of $1,650.0 million under the asset bridge facility has been reduced to $250.0 million (which amount is equal to $250.0 million of restricted cash on deposit in connection with the asset/mortgage bridge facilities) from the proceeds of asset sales and by an optional prepayment on March 7, 1989. The Company is currently considering the possibility of arranging, rather than the conventional mortgage financing contemplated in November 1988, a convertible or participating mortgage financing in a substantially greater amount (as indicated above, if all necessary consents are obtained, a portion of the proceeds of such a financing may be applied to the outstanding exchange notes). There can be no assurance, however, that any such financing will be completed. If the convertible or participating mortgage cannot be arranged on terms satisfactory to the Company, the Company will consider other available alternatives for meeting its outstanding mortgage bridge facility obligations (including but not limited to, the conventional mortgage financing originally contemplated and the sale of assets).

At January 28, 1989, the $800.0 million mortgage bridge facility, which is due January 31, 1990, was classified as a current liability since the due date falls within the Company's 1989 fiscal year which ends on February 3, 1990 (53 weeks). As stated above, management expects to refinance this debt. Excluding the $800.0 million mortgage bridge facility, working capital at January 28, 1989, would be $511.1 million.

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.

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

Changes in Accountants

The Company filed a Current Report on Form 8-K dated as of September 14, 1988, which reported the Company's change in independent public accountants to Peat Marwick Main & Co. from Touche Ross & Co.

Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

Directors of the Registrant

Name of Director	Principal Occupation, Five-Year Employment History and Other Information	Director Since
John B. Boorn	Chairman and chief executive officer of Campeau Development Corporation since September 1988; from 1983 to August 1988, chairman and chief executive officer of JMB/Federated Realty Associates, Ltd., a retail development firm based in Cincinnati, and from 1979 to 1983, president of Federated Stores Realty (predecessor firm of JMB/Federated Realty); and director of Allied and Ameritrust Company National Associates. Age 49.	1986
John W. Burden III	Chairman of the board and chief executive officer of the Company since May 1988; vice chairman of the board of the Company from 1985 through April, 1988; prior thereto, chairman and chief executive officer of the Company's Abraham and Straus division; and director of Campeau and Allied. Age 52.	1985
Daniel Campeau	Director of Campeau since November 1987; general manager, overseas development of Campeau since January 1988; manager, shopping centre operations, of Campeau from December 1985 to October 1987; construction co-ordinator of Campeau from September 1984 to December 1985; co-ordinator maintenance operations, shopping centres, of Campeau from January 1984 to September 1984; operations supervisor, shopping centres, of Campeau from February 1983 to December 1984; and director of Campeau and Allied. Age 30. Mr. Campeau is the son of Robert Campeau.	1988

Robert Campeau	Chairman of the board and chief executive officer of Campeau for more than the past five years; chairman of the executive committee of the board of directors of the Company since May 1988; officer of Campeau for more than the last five years; director and chairman of the board and chief executive officer of Allied from January 1987 to May 1988, chairman of the executive committee of the board of directors of Allied since May 1989, and director of Campeau, Allied and Ralphs. Age 64.	1988
Robert A. Charpie	Retired chairman of Cabot Corporation (a producer of chemicals, metals, oil and gas), chairman 1986 - 1988, prior thereto president of Cabot Corporation; and director of Cabot, Allied, Campeau, Ashland Coal, Inc., Champion International Corporation and Northwest Airlines, Inc. Age 63.	1984
Thomas G. Cody	Executive vice president, legal and human resources, of the Company since May 1988; prior thereto, senior vice president of the Company; and director of Allied. Age 47.	1986
Mark A. Cohen	Chairman and chief executive officer of Lazarus since February 1989, president of Lazarus from May 1988 to February 1989, president of Goldsmith's from October 1987 to May 1988, senior vice president of Mervyns, division of Dayton-Hudson, June 1986 to October 1987 and president of South Central Territory of Mervyns prior thereto; and director of Allied. Age 40.	1989
Russell S. Davis	Executive vice president and chief financial officer of the Company since May 1988; senior vice president of the Company since 1984; prior thereto, vice president for strategic planning for Union Pacific Corporation; and director of Allied. Age 53.	1988

Robert Despres	President of DRM Holdings, Inc. (a family-owned, Canadian holding company) since September 1987; counsel to executive management of Raymond, Chabot, Martin, Pare' (chartered accountants and management consultants) from January 1987 to September 1987; chairman of the board of Atomic Energy of Canada Limited from November 1980 to December 1986; and director of Campeau, Allied, Canada Malting Co. Ltd, Disnat Investment Inc., Greyvest Financial Services Inc., LavallinTech Inc., The Manufacturers Life Insurance Company, McNeil, Mantha, Inc., Minnova Inc., Mitel Corporation, National Victoria & Grey Trust Company Limited, Norcen Energy Resources Limited, Provigo Inc., Tecrad Inc., and Wajax Limited. Age 64.	1988
Frank Doroff	Chairman of FAMS (formerly Federated Merchandising Services) since July 1988; president of the Company's Bullock's/Bullocks Wilshire division (which was sold to Macy on May 3, 1988) from January 1988, to May 1988; executive vice president from April 1987 to January 1988, and senior vice president and general merchandise manager from 1983 to April 1987 of Bullock's/Bullocks Wilshire; and director of Allied. Age 40.	1988
Chaim Y. Edelstein	Chairman and chief executive officer of Abraham and Straus division of the Company since February 1985; executive vice president of Abraham and Straus from 1984 to February 1985; prior thereto, vice president and general merchandise manager of Abraham and Straus; and director of Allied. Age 46.	1988
Roger N. Farah	Chairman and chief executive officer of Rich's division (now a subsidiary) of the Company since June 1988; president of Rich's since September 1987; from 1983 until 1987, senior vice president and general merchandise manager for men's, boys', children's and women's shoes at Saks Fifth Avenue; and director of Allied. Age 36.	1988

Allen Finkelson	Member of the firm of Cravath, Swaine & Moore from July 1977 through October 1983 and since October 1985; managing director, mergers and acquisitions, of Shearson Lehman Hutton Inc. (then Lehman Brothers Kuhn Loeb Incorporated) from October 1983 through September 1985; and director of Campeau and Allied. Age 42.	1988
Wilbur J. Fix	Chairman since 1987 and for more than the last five years chief executive officer of The Bon (a subsidiary of Allied); senior vice president of Allied since 1987, and since 1986 senior vice president of Allied; and director of Allied. Age 61.	1988
Daniel W. LeBlond	Chairman since 1984 of the board of LeBlond Makino Machine Tool Company; and prior thereto president thereof; and director of Allied, Eagle-Picher Industries, Inc., and The Ohio National Life Insurance Company. Age 62.	1974
Carolyn Buck Luce	Senior vice president of Campeau and Allied since January 1988; director of First Boston during January 1988; vice president of First Boston from April 1987 to January 1988; vice president of Citibank, N.A., prior thereto; and director of Allied and Ralphs. Age 36.	1988
G. William Miller	Chairman of the board of G. William Miller & Co., Inc. (merchant banking), for more than the last five years; and director of Repligen corporation, International Power Machines Corporation, Kleinwort Benson Australian Income Fund, Inc., and Harman International Industries, Incorporated, Campeau and Allied. Age 63.	1976; 1981
James T. Roddy	President and chief operating officer of Campeau since July 1987; executive vice president, finance and administration, of Campeau from March 1985 to July 1987; executive vice president of Peoples Jewellers Limited (retail jewelry) from January 1983 through February 1985; and director of Campeau, Allied and Ralphs. Age 46.	1988

Howard Socol	Chairman of Burdines division (now a a subsidiary) of the Company since August 1984; and prior thereto president of Burdines; and director of Allied. Age 43.	1988
Donald J. Stone	Consultant to the Company; retired as vice chairman of the board of directors of the Company in January 1988; vice chairman of the board of the Company for more than the last five years; and director of MCorp (a bank holding company) and Allied. Age 59.	1980
Elliot J. Stone	Vice chairman of the board of the Company since May 1988; chairman and chief executive officer of The Jordan Marsh Company (a subsidiary of Allied) from 1986 through October 1988; and prior thereto president and chief executive officer of The Jordan Marsh Company; and director of Allied. Age 68.	1988
Lawrence Stone	Chairman and chief executive officer of Stern's (a subsidiary of Allied); and director of Allied. Age 62.	1988
Marvin S. Traub	Vice chairman of the board of the Company since May 1988; chairman and chief executive officer of Bloomingdale's division (now a subsidiary) of the Company for more than the last five years; vice president of the Company for more than the last five years until May 1988; and director of Campeau and Allied. Age 63.	1979
Ronald W. Tysoe	Chairman of the board, president and treasurer of Campeau (U.S.); executive vice president, corporate development, of Campeau since June 1988; senior vice president, corporate development, of Campeau from January 1987 to May 1988; 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	1988

	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; vice president and assistant secretary of Allied since June 1988; and director of Campeau, Allied and Ralphs. Age 36.	
Richard F. Van Pelt	Chairman and chief executive officer of the Jordan Marsh Company (a division of Allied) since January 1989; vice chairman and chief operating officer of the Jordan Marsh Company from June 1988 through January 1989; executive vice president and chief financial officer of Allied from March 1988 through June 1988; president and chief operating officer of the Jordan Marsh Company from October 1986 through March 1988; executive vice president of the Jordan Marsh Company prior thereto; and director of Allied. Age 50.	1989
J. Roy Weir	Member of the firm of Blake, Cassels & Graydon for more than the last five years; and director of Campeau and Allied. Age 56.	1988
James M. Zimmerman	President and chief operating officer of the Company since May 1988; prior thereto chairman of Rich's division (now a subsidiary) of the Company since January 1984; and prior thereto president of Rich's; and director of Campeau and Allied. Age 45.	1988

J. Roy Weir is a partner of Blake, Cassels & Graydon, which performs legal services for Campeau. Allen Finkelson is a partner of Cravath, Swaine & Moore, which performs legal services for the Company, Campeau and its affiliates.

Executive Officers of the Registrant

The following are the executive officers of the Company and their age determined as of April 1, 1989.

Name	Office	Age	Years with the Company
John W. Burden III	Chairman of the board and chief executive officer	52	18
James M. Zimmerman	President and chief operating officer	45	22
Robert Campeau	Chairman of the executive committee of the board	64	1
Elliot J. Stone	Vice chairman of the board	68	*
Marvin S. Traub	Vice chairman of the board	63	39
Thomas G. Cody	Executive vice president	47	6
Russell S. Davis	Executive vice president and chief financial officer	53	5
John E. Brown	Senior vice president	49	26
Glen H. Griffith	Senior vice president	54	14
Rudolph V. Javosky	Senior vice president	52	*
Boris Auerbach	Vice president and secretary	57	27
Dennis J. Broderick	Vice president and general counsel	40	2
Karen Hoguet	Vice president	32	7
Mark R. Kennedy	Vice president and treasurer	31	2
John A. Muskovich	Vice president and controller	41	13
H. Stewart Rose	Vice president	55	31
Warren Rothman	Vice president	43	6
Robert C. Seppelt	Vice president	34	2
Joseph K. Vella	Vice president	49	6

* With the Company less than one year.

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The principal occupation and employment of the officers listed above (other than Messrs. Burden, Campeau, Cody, Davis, Stone, Traub and Zimmerman, whose employment histories are set forth under the heading "Directors of the Registrant") has remained unchanged for the last five years except as set forth below.

Mr. Brown was elected senior vice president in September 1988, having served as vice president and controller of the Company since October 1984. Before then he served as operating vice president for internal audit.

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.

Mr. Javosky in June 1988, was elected senior vice president for store planning of the Company. He served as executive vice president for Campeau (U.S.) from 1987 until this time, 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 Bregman, Hamann, Architects, Toronto, Canada.

Mr. Broderick was selected as general counsel in May 1988, after serving as the Company's 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.

Ms. Hoguet was elected a vice president of the Company in December 1988, after serving the Company as operating vice president-financial planning.

Mr. Kennedy was elected vice president and treasurer in June 1988, after serving 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. Muskovich was elected vice president-controller in December 1988, having served as operating vice president-accounting and data control for the Company from April 1986 to December 1988 and, prior to this, in various other control positions within the Company.

Mr. Rothman was elected a vice president in December 1988. Prior to that he served in various human resource capacities with the Company.

Mr. Seppelt was elected a 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. Vella was elected a vice president in December 1988. 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 January 28, 1989, 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)
John W. Burden III	Chairman of the board and chief executive officer	$ 950,224
James M. Zimmerman	President and chief operating officer	649,935
Robert Campeau	Chairman of the executive committee of the board	-- (4)
Thomas G. Cody	Executive vice president	335,608
Russell S. Davis	Executive vice president and chief financial officer	318,814
Executive Officers as a Group (26)		$ 5,239,118

(1) Includes amounts deferred under the Thrift Incentive portion of the Company's Retirement Income and Thrift Incentive program qualified under Section 401(k) of the Internal Revenue Code, installments paid during the year with respect to deferred cash awards previously made, and for certain officers certain amounts paid under the Company's moving and relocation policy and, in the case of Mr. Burden, a living allowance.

(2) Each of the officers named and in the group, with one exception, has also served as an officer in the same capacity at Allied since May 1988. As a result the compensation shown above includes amounts which are allocated to Allied and for which Allied reimburses the Company. This allocation is based on services rendered to Allied since August 1, 1988, and is in accordance with an agreement dated November 29, 1988, between the Company and Allied.

The following amounts were allocated to Allied, Mr. Burden $225,000, Mr. Zimmerman $144,000, Mr. Cody $63,000, Mr. Davis $63,000, and for executive officers as a group $653,632.

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(3) Amounts paid to officers as a result of the takeover are shown under the appropriate categories under this Item and not in the table. See "Compensation From Prior Contracts", "Severance Agreements", "Deferred Cash Awards", "Special Deferment Arrangement", "Executive Deferred Compensation Plan", and "Past Stock Options and Restricted Stock".

(4) See the description of the arrangement with Mr. Campeau set forth below under "Employment Contracts and Arrangements".

Employment Contracts and Arrangements

All of the executive officers of the Company named in the table hold employment contracts with the Company. The terms of all such contracts end no later than May 31, 1992.

Mr. Campeau has an agreement with the Company and Allied under which he is to be compensated for carrying out his duties as a senior officer of each corporation. Under the agreement, the Company and Allied will pay on April 30 of each year, commencing April 30, 1989, (or in such other installments as are mutually agreeable), a gross amount determined to provide to Mr. Campeau a base compensation of $1,000,000, after payment of all applicable U.S. and Canadian income taxes (including income taxes in respect of the interest free aspect of the loan referred to below) and adjustments to compensate for any exchange rate losses in respect of such loan. (All dollar amounts in this description are U.S. dollar amounts.) If Mr. Campeau's responsibilities cease because of his death, long-term disability or certain changes in control of Campeau (with or without his consent), he or his estate will receive special compensation sufficient to retire the principal amount then outstanding of a $5.0 million interest free loan made by Campeau to Mr. Campeau in 1988, together with compensation for currency exchange losses (if any) and income taxes as described above. The Company and Allied will allocate financial responsibility for the agreement in accordance with the Statement of Principles contained in the Bank Facilities and related limitations. The agreement provides for Mr. Campeau to repay the loan in accordance with its terms (the loan is repayable in five annual installments of $1,000,000 commencing in 1989), and the agreement may be terminated upon 30-days' written notice by Mr. Campeau. The agreement may also be terminated upon such notice by the Company and Allied if the total base compensation and any special compensation paid under the agreement (without regard to the income tax and other "gross-up" payments) is at least $5.0 million, or there exists material cause. The agreement does not contain a non-competition clause.

Mr. Burden has an employment agreement with the Company and Allied providing for a term expiring May 31, 1991, an annual salary of $1.0 million and an annual living allowance of $250,000. If there is a change in control of Campeau or of the Company, Mr. Burden will be entitled to receive all amounts payable to him during the term of the agreement in a lump sum. Mr. Burden's agreement calls for him to act as chairman and chief executive officer of the Company and of Allied. Separately, Mr. Burden may earn, pursuant to the stock appreciation rights plan described below, the value of up to 400,000 stock appreciation rights (each such right having a value equal to the price of one share of Campeau Ordinary Shares reduced by $20 (Canadian)). The agreement does not contain a non-competition clause.

Mr. Zimmerman has an employment agreement with the Company and Allied providing for a term expiring May 31, 1992 (subject to year to year automatic renewals), a salary of $800,000 for the first year, to be increased by a minimum of 10 percent annually, a ten-year loan of $1.0 million and an allowance equal to the annual interest payments due on the loan. Mr. Zimmerman may also earn, pursuant to the stock appreciation rights plan, up to 300,000 stock appreciation rights, of which 90,000 will have zero base value per right and 210,000 will have a base value per right of $20 (Canadian). If Mr. Zimmerman's employment is terminated before June 1, 1991, for certain specified reasons, Mr. Zimmerman will forfeit any rights credited to him under the plan and will be paid the greater of $1.8 million or the value, as of the date of the termination of his contract, of 90,000 Campeau Ordinary Shares. If any of the following events occur, Mr. Zimmerman will be entitled to receive all amounts payable to him during the term of the agreement in a lump sum: a change in control of Campeau or the Company, insolvency of Campeau or the Company, termination of Mr. Zimmerman's employment other than for cause or resignation of Mr. Zimmerman for certain specified reasons. Mr. Zimmerman's agreement calls for him to act as president of the Company and of Allied. The agreement does not contain a non-competition clause.

Mr. Cody and Mr. Davis each have employment contracts providing for an annual salary of $425,000 each. Such contracts terminate on May 15, 1991, and do not contain a non-competition clause. All executive officers as a group have contracts providing for annual salaries of $5,405,500.

Compensation from Prior Contract

Employment contracts entered into prior to the Tender Offer provided for the payment of annual benefits upon retirement of contract holders. The allowance was payable for a maximum of ten years. The employment contract of Mr. John Burden and one other former director provided that their retirement allowances would be an amount equal to the actuarial equivalents of the single lump sum payment that they would be entitled to under their severance agreements. As a result of the Tender Offer, Mr. Burden received a payment of $26,800, which is included in the payments shown under Severance Agreements below.

Severance Agreements

In 1985 and 1986 the Company entered into severance compensation agreements with eight executives, including Mr. Burden and Mr. Cody. The severance agreements were designed to retain the services of certain executives and to provide for continuity of management in the event of an actual or threatened change of control of the Company (as defined in the severance agreements), and provided that in the event of a change of control of the Company each such executive would have specific rights and receive certain benefits if after such change of control either the executive's employment were terminated by the Company without "cause" (as defined in the agreement) or the executive were to terminate his employment for "good cause" (as defined in the agreement). In such circumstances, the benefits consisted of a lump sum cash payment equal to the executive's then current salary (plus 20 percent to account for incentive compensation) for a period of three years less the period during which he remained employed after the change of control. The executive would not be entitled to receive payments under his employment agreement upon termination unless the period remaining under the employment agreement were greater than the period for which payments were being made under the severance agreement. Protection under insurance and welfare plans continued for the period provided in the agreements and any executive then 55 or more would have continued coverage under the Company's Senior Executive Medical Plan as if he had then retired. In the case of Mr. Cody amounts were paid, since he had not met the vesting requirements of the Pension Plan and SERP described below, based on what he would have received had he then been vested under such Plans. The Company made an additional payment sufficient on an after-tax basis to satisfy any tax liability incurred by the executive under the "parachute" tax rules of the Internal Revenue Code. As a result of the change of control, payments totalling $22,589,667 were made to such executives, including $2,916,544 to Mr. Burden and $1,522,025 to Mr. Cody. Mr. Burden and Mr. Cody were the only persons covered by such agreements who were employed by the Company after the Merger.

Deferred Cash Awards

Prior to the Transaction, the Stock Option and Management Compensation Review Committee of the board of directors had from time to time made awards of deferred cash to key executives. The awards made before 1987 were generally payable in five equal installments beginning on the first or third anniversary of the date of grant. Beginning in 1987 deferred cash awards were made payable three years from the award date and increased or decreased substantially based upon a key executive's performance. In the event of a change of control of the Company, all deferred cash awards became immediately due and payable. As a result of the change of control in 1988, deferred cash awards were paid out in the amount of $4,053,172 to 54 executives, including $46,500 to Mr. Burden, $65,560 to Mr. Cody and $40,950 to Mr. Davis.

Special Deferment Agreement

As a result of the change of control, payment was made pursuant to an individual deferred compensation agreement dated November 1, 1981, in the amount of $705,929 to Mr. Burden.

Directors' Fees

Directors of the Company presently receive $500.00 for each meeting of the Board they attend. See "Executive Merchandise Purchase Discount Program" for discounts and income tax liability payments made to directors of the Company.

Loans to Executives

In October 1981, the Company made an unsecured loan in the amount of $425,000 to Mr. Burden in connection with his relocation from Miami, Florida to New York. The note, originally interest-free, was amended in October 1987 to bear interest at the rate of 7-1/2% per annum. His employment with the Company ended at the time of the Transaction. Mr. Burden was subsequently employed as chairman of the board of the Company.

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. The loan bears interest at the rate of 7.81% per annum and is due the earlier of August 16, 1998 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 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.

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 relocaiton to Cincinnati. 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.

Executives Deferred Compensation Plan

Through November 6, 1987, officers and directors who were employees of the Company could defer a portion of their annual compensation pursuant to the Company's Executives Deferred Compensation Plan ("EDCP"). This Plan, as revised and approved by the shareholders of the Company at their 1969 and 1975 annual meetings and as amended from time to time by the Board of Directors, permitted executives of divisions, subsidiaries and the central office of the Company to elect, prior to the beginning of each calendar year, to defer a portion of their compensation instead of receiving it all currently in cash. The amount deferred can only be in any multiples of 5% of their total compensation up to a maximum of 35%. The amounts so deferred were, at the executive's election, credited to him in stock credits or a combination of stock and cash credits. Distributions from the plan were made upon a participant's termination of service with the Company in a stated number of annual installments. In the event of a change of control of the Company, provisions were made in the plan to provide for conversion of all stock credits into cash credits and to provide for immediate payment. EDCP was also amended to provide for conversion of all stock credits into cash credits and to provide for immediate payment of amounts under the EDCP upon a designated change in circumstances, which was deemed to have occurred under the terms of the EDCP if Moody's Investors Services, Inc., or its successor, rated the Company's publicly held debt securities at less than investment grade. As of November 6, 1987, the officers of the Company were no longer allowed to participate in this Plan and all stock credits in the accounts were converted to cash credits based on the average price of the Company's stock computed on a daily basis on the ninety-day calendar period immediately preceding November 6, 1987. As a result of the change of control of the Company, all amounts under the Plan were paid out in April 1988. All executive officers as a group received $15,281,731 and all participants received $232,034,385. Mr. Burden received $422,329, Mr. Zimmerman received $199,342, Mr. Davis received $292,754, and Mr. Cody received $30,184.

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 40 senior executives participated in the plan and the cost of maintaining the plan per participant was $13,200.

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 executives and directors 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 executives and directors 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 executives with respect to the officers named in the table in 1988 were as follows:

	Additional Discount	Tax Payment
John W. Burden III	$ 20,075	$ 15,297
Robert Campeau	9,704	7,413
Thomas G. Cody	10,874	7,251
Russell S. Davis	1,603	1,126
Officers as a Group	$108,587	$ 65,791
Directors who are not Officers as a Group	$ 71,508	$ 27,793

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 which was approved by the shareholders of the Company at their annual meeting on May 31, 1984, to be retroactively 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 completed 1,000 hours of service during a twelve-month period may participate in the Pension Plan. As of January 1, 1989, approximately 30,000 employees participate in the Pension Plan.

Participants' interests in the Pension Plan are contingent upon completing five (5) years of service or of age 65.

A participant retiring at normal retirement age is eligible to receive monthly benefits 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. The 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 EDCP 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, 1989, the approximate number of employees eligible under the terms of SERP is 980.

Assuming: (i) that a retiring participant elects a single life annuity distribution of his Retirement Profit Sharing Credits[1] 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 SRP transitional provisions[2], then the following table shows the estimated annual benefits payable[3] under the Pension Plan and SERP to persons retiring at their normal retirement age on January 1, 1989, in specified compensation and years of service classification.

Annual Benefits
Assuming Age 65 at December 31, 1988

Final Average Compensation	10	15	20	25	30
50,000	5,900	8,850	11,800	14,750	17,700
100,000	13,400	20,100	26,800	33,500	40,200
200,000	28,400	42,600	56,800	71,000	85,200
300,000	43,400	65,100	86,800	108,500	130,200
400,000	58,400	67,600	116,800	146,000	175,200
500,000	73,400	110,100	146,800	183,500	220,200
600,000	88,400	132,600	176,800	221,000	265,200
700,000	103,400	155,100	206,800	258,500	310,200
800,000	118,400	117,600	236,800	296,000	355,200
900,000	133,400	200,100	266,800	333,500	400,200
1,000,000	148,400	222,600	296,800	371,000	445,200
1,100,000	163,400	245,100	326,800	408,500	490,200
1,200,000	178,400	267,600	356,800	446,000	535,200

(1) 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.

(2) SRP, 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.

(3) Payment of benefits would come from the Retirement Profit Sharing Credits of RITI, the Pension Plan and if the participant qualifies, the Supplementary Executive Retirement Plan.

Messrs. Burden, Zimmerman, Cody and Davis have completed 18, 22, 6, and 5 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 $429,984, $354,811, $126,926 and $81,232.

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, 1989, approximately 40,000 employees were eligible to participate in the Thrift Incentive portion of RITI. As of this date, approximately 20,000 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 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 59-1/2 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 1988, 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. Zimmerman, $3,933; Mr. Cody, $3,595 and Mr. Davis, $4,289; to executive officers as a group, $30,351; and to all participants, $3,112,699.

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 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, at the option of the board of directors of either company or a committee thereof administrating 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 was $20 (Canadian), except as set forth below as to Mr. Zimmerman, 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. 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 may be exercised after January 29, 1991, and rights granted after 1988 may be exercised after the third anniversary of the date of grant, or such other date as the Board may establish. The Board will administer the plan and will have 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 6,500,000, and the maximum number of shares of Campeau Ordinary Shares that may be delivered under the plan is 2,700,000 subject to adjustment for stock splits and similar events.

The following table shows for all executive officers listed under "Compensation" and as to all executive officers as a group the number of rights granted, all of which were granted at a per share base price of $20 (Canadian) except as noted below.

	John W. Burden III	James M. Zimmerman	Russell S. Davis	Thomas G. Cody	All Executive Officers As a Group (24 Persons)
Rights Granted in Fiscal 1988*	400,000	300,000**	70,000	70,000	1,395,000

* 50% of the shares granted were allocated to Allied.

** The base price as to 90,000 shares of the grant to Mr. Zimmerman is zero.

On April 25, 1989, Campeau stock closed on the Toronto Stock Exchange at $17.75 (Canadian).

Past Stock Options and Restricted Stock

As a result of the change of control of the Company all stock options and stock appreciation rights granted prior to 1988 were cashed out. The following represents the amounts paid as a result of such action: Mr. Burden $926,392, Mr. Cody $63,950, Mr. Davis $155,872, and all other executive officers $12,576,375. Under the terms of the Company's restricted stock grant plan a number of shares had been issued to officers as to which restrictions had not lapsed at the time of the change of control. As a result of such change the restrictions were removed from such shares and the shares were tendered by the Company. The following are the amounts that were received in payment of such shares: Mr. Burden $250,194, Mr. Cody $315,756, Mr. Davis $158,025, and all other executive officers $3,113,607.

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. With respect to the group, it 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 April 7, 1989, Allied owned 50% of the Capital Stock of Holdings. 7.5% of Holdings Capital Stock is indirectly owned by DeBartolo through a wholly owned subsidiary. Campeau (U.S.) owns the remaining capital stock of Holdings, 6.96% of which is an escrow account. See Item 7 under "Liquidity and Capital Resources" for a discussion of the terms governing this escrow account.

In connection with the financing of the Transaction, Holdings issued a guarantee of the Asset Bridge Facility, Working Capital Facility and the Company Guaranty, which guarantee is secured by the capital stock of the Company.

Item 13. Certain Relationships and Related Transactions

The Company and Allied

The boards of directors of the Company and Allied are almost 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 (x) 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 (y) 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, 1988.

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 will join in the consolidated Federal income tax return filed by Campeau (U.S.), which is the parent corporation of the United States affiliated tax group of which the Company is a member. Pursuant to the tax sharing agreement between Holdings and Campeau (U.S.), neither Holdings nor any of its subsidiaries, including the Company, will file separate Federal income tax returns, but Holdings will generally be required to pay to Campeau (U.S.) the amount that its Federal income tax liability would be if Holdings and its subsidiaries, including the Company, filed a separate consolidated return. In addition, the Company is a party to a tax sharing agreement with Holdings pursuant to which the Company generally will be required to pay to Holdings an amount determined by reference to the amount that the Company's Federal income tax liability would be if it were a separate taxpayer. Pursuant to the tax sharing arrangements between Ralphs and Campeau (U.S.), Ralphs will be treated for the purpose of determining the amount it must pay in respect of Federal income tax liability as if it were an unrelated purchaser with the tax basis of its assets increased to fair market value, which is substantially higher than their aggregate tax basis had been to the Company. Thus, generally, the amount that Ralphs is required to pay to Campeau (U.S.) in respect of Federal income taxes will be less than the actual amount of Federal income taxes owed with respect to Ralphs. As a result of these tax sharing agreements, the Company will generally bear the liability for payment of amounts in respect of the Federal income tax liability on income relating to the step-up in tax basis of Ralphs' depreciable assets and, if Ralphs' non-depreciable assets were no longer held by a corporation that is a member of the affiliated group that includes both Ralphs and the Company, on income relating to a portion of the step-up in tax basis of Ralphs' non-depreciable assets.

However, until the Asset Bridge and Mortgage Bridge Facilities are paid in full and the Working Capital Facility commitments are reduced by a specified amount (the "Reduction Date"), the Company is not required to pay any such amounts in respect of the step-up in tax basis of Ralphs' assets or in respect of any gain recognized with respect to the Macy or May Notes. After the Reduction Date, as long as the Company has any outstanding obligations under the Bank Facilities, it may generally pay such amounts only from a portion of its "Consolidated Excess Cash Flow" (as defined in the Bank Facilities). Any such amounts that are not paid by reason of these limitations will cumulate (without interest) and will be payable when such restrictions either allow such payments or lapse.

If Campeau (U.S.) fails to indemnify any of Allied, Holdings, Holdings II, Ralphs 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 Campeau (U.S.) has agreed to do pursuant to the applicable tax sharing agreements between Campeau (U.S.) and those entities), then the burden of such liability will be shared as provided in a separate agreement among the Company, Allied Holdings, Holdings II, and Ralphs. In general, that agreement provides that such liability will be allocated to each party in proportion to its gross receipts (or 40% of its gross receipts with respect to Ralphs) for a specified period. However, the Company, Ralphs and Holdings will be primarily responsible for any liability with respect to the Macy Note and the May Note, and Allied will be primarily responsible for any liability with respect to the note Allied received when it sold Brooks Brothers to Marks and Spencer p.l.c.

Similar arrangements are in effect for state and local taxes.

Allied's Rights as Stockholder of Holdings

In connection with its acquisition of 13.8% of the capital stock of Holdings in May 1988, Allied entered into the 1988 Stockholders Agreement with Holdings and Holdings II, and Allied and Holdings entered into a Registration Rights Agreement.

The 1988 Stockholders Agreement (i) prohibits Holdings II and certain of its affiliates from transferring their direct or indirect ownership of Holdings unless Allied is given the opportunity to transfer a proportionate amount of its ownership to the proposed transferee, (ii) prohibits Holdings II and certain of its affiliates from reducing their direct or indirect ownership of Holdings to below 50% unless the proposed purchaser, Holdings II or one of such affiliates offers to purchase all shares owned by Allied on equally favorable terms, (iii) Requires Holdings II and Allied to vote the voting stock of Holdings owned by them so that at least 20% of the board of directors of Holdings consists of nominees of Allied, with similar representation on board committees, (iv) provides that the certificate of incorporation of Holdings must require the vote of the holders of at least 90% of the common stock of Holdings to effect certain mergers and asset sales, to vote stock of subsidiaries or take certain other important actions, (v) requires Holdings II to purchase, at a defined Appraisal Value, all common stock of Holdings owned by Allied on the second and subsequent anniversaries of the agreement if Allied so elects, (vi) grants Allied certain antidilution rights if Holdings II or certain of its affiliates acquire additional stock of Holdings (or rights to purchase common stock of Holdings) and (vii) grants Holdings and Holdings II certain rights of refusal with respect to proposed transfers of common stock owned by Allied. These covenants are subject to a number of additional provisions, and some of them are inapplicable after the expiration of certain time periods or at certain times relating to the existence of a defined Public Market. See Item 1, under "Purchase of Holdings' Shares by Allied" for a discussion of an amendment to the 1988 Stockholders Agreement and the 1989 Stockholders Agreement, both entered into in connection with Allied's purchase of Holdings' Shares.

The Registration Rights Agreement grants to Allied and certain of its affiliated transferees "demand" and "piggyback" registration rights with respect to certain securities of Holdings owned by them. These rights are subject to a number of additional provisions, including customary indemnities.

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 on May 12, 1988.

In connection with the DeBartolo Equity Loan, DeBartolo and Campeau formed 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. Such Campeau subsidiary 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 "DeBartolo 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 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 Federated to continue operating certain store divisions for at least ten years, 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 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, Campeau (U.S.), Holdings and the Campeau/DeBartolo Partnership. The Stockholders Agreement (i) requires Campeau Corporation to take all steps within its power to ensure the election of one DeBartolo designee to the Campeau Corporation 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 Campeau (U.S.) a right of first refusal on all transfers of such shares, (iii) prohibits Campeau Corporation 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 Campeau (U.S.) in Holdings is reduced and (vi) requires DeBartolo to exchange its interest in Holdings for an interest in Campeau (U.S.) on demand by Campeau (U.S.) subject to certain qualifications.

Pursuant to a Right of First Refusal Agreement with Campeau, Campeau (U.S.), CRTF, Holdings and the Company, DeBartolo has a right of first refusal before 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 division of the Company) or Lazarus, subject to certain terms and conditions.

<u>Loans to Executives</u>

See Item 11 under "Loans to Executives" and Schedule II, for information relating to loans to executives.

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PART IV

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

(a) Documents filed as a part of this Report:

(1) Financial Statements.

See Financial Statements Index on page 20 included in Item 8 of Part II of this Form 10-K which is incorporated herein by reference.

(2) Financial Statement Schedules

		Location in this Report
Schedule II	- Amounts Receivable from Related Parties and Underwriters, Promoters and Employees Other than Related Parties	S-1 to S-3
Schedule V	- Property, Plant and Equipment	S-4 and S-5
Schedule VI	- Accumulated Depreciation, Depletion, and Amortization of Property, Plant and Equipment	S-6 and S-7
Schedule VIII	- Valuation and Qualifying Accounts	S-8
Schedule IX	- Short-Term Borrowings	S-9
Schedule X	- Supplementary Income Statement Information	S-10

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

Exhibit No.	Description	Reference if Incorporated by Reference
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

Exhibit No.	Description	Reference if Incorporated by Reference
		principal amount of 17-3/4% 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 CRTP	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
4.2	Indenture dated as of November 1, 1988, between the Company and The Fifth Third Bank, as Trustee, relating to the 17-3/4% 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.	--
10.1.1	1984 Stock Option Plan of the Company	Exhibit C of the Company's definitive proxy statement for its annual meeting held May 31, 1984, and Exhibit 10.1 of Company's Form 10-K Annual Report for the year ended January 28, 1984

Exhibit No.	Description	Reference if Incorporated by Reference
10.1.2	1980 Stock Option Plan of the Company, as amended	Exhibit A of the Company's definitive proxy statement for its annual meeting held May 29, 1980, and Exhibit 10.4 of Company's Form 10-K Annual Report for the year ended January 30, 1982
10.1.3	1976 Stock Option Plan of the Company	Exhibit 3 of Registration Statement No. 2-58845
10.1.4	Restricted Stock Grant Plan of the Company, as amended	Exhibit 1 of Registration Statement No. 2-68586 and Exhibit 10.4 of Registration Statement No. 2-72283
10.1.5	Executives Deferred Compensation Plan of the Company, as amended	Exhibit 10.5 of the Company's Form 10-K Annual Report for the year ended February 1, 1986
10.1.6	Form of deferred compensation agreement for directors who are not employees of the Company	Exhibit 10.6 of the Company's Form 10-K Annual Report for the year ended January 31, 1981
10.1.7	February 15, 1988, amendment to deferred compensation agreement for directors who are not employees of the Company	Exhibit 8 of the Company's Schedule 14D-9 dated March 11, 1988
10.1.8	Senior Executives Medical Plan	Exhibit 10.8 of the Company's Form 10-K Annual Report for the year ended January 31, 1981
10.1.9.1	Forms of employment agreement between the Company and certain directors who are employees and executive officers of the Company	Exhibit 10.8 of the COmpany's Form 10-K Annual Report for the year ended February 1, 1986
10.1.9.2.1	Employment agreement dated June 1, 1988, between James M Zimmerman and the Company	Exhibit 10.1.9.2.1 to the Company's Debenture Registration Statement
10.1.9.2.2	Letter agreement dated July 18, 1988, between the Company and Allied relating to Exhibit 10.1.9.2.1	Exhibit 10.1.9.2.2 to the Company's Debenture Registration Statement

Exhibit No.	Description	Reference if Incorporated by Reference
10.1.9.2.3	Form of employment agreement dated as of June 1, 1988, between John W. Burden III and the Company	Exhibit 10.1.9.2.3 to the Company's Debenture Registration Statement
10.1.9.2.4	Compensation agreement dated as of July 18, 1988, between Robert Campeau, Allied and the Company	Exhibit 10.2.9.2.4 to the Company's Debenture Registration Statement
10.1.9.2.5	Form of Restatement of Allied/Federated 1987/88 Stock Appreciation Rights Plan	Exhibit 10.2.9.2.5 to the Company's Debenture Registration Statement
10.1.10	Supplementary Executive Retirement Plan	Exhibit 10.10 of the Company's Form 10-K Annual Report for the year ended January 28, 1984
10.1.11	Amendment dated February 16, 1988, to Supplemental Executive Retirement Plan	Exhibit 4 of the Company's Schedule 14D-9 dated March 11, 1988
10.1.12	Retirement Income and Thrift Incentive Plan, as amended through January 1, 1985, with 1986 amendments	Exhibit 10.10 of the Company's Form 10-K Annual Report for the year ended January 30, 1988
10.1.13	Pension Plan, as amended through January 1, 1986, with 1986 amendments	Exhibit 10.10 of the Company's Form 10-K Annual Report for the year ended January 30, 1988
10.1.14	Officers Deferred Compensation Plan of the Company effective as of January 1, 1988	Exhibit 10.10 of the Company's Form 10-K Annual Report for the year ended January 30, 1988
10.1.15	Agreement dated November 1, 1981, between John W. Burden, III, and the Company and amendment thereto dated February 16, 1988	Exhibits 5 and 6 of the Company's Schedule 14D-9 dated March 11, 1988

Exhibit No.	Description	Reference if Incorporated by Reference
10.1.16	Employee Benefit Protection Program	Exhibit 9 of the Company's Schedule 14D-9 dated March 11, 1988
10.1.17	Form of Amended Severance Agreement	Exhibit 10 of the Company's Schedule 14D-9 dated March 11, 1988
10.1.18	Corporate Headquarters Severance Policy	Exhibit 11 of the Company's Schedule 14D-9 dated March 11, 1988
10.1.19	Form of Indemnification Agreement among the Company and directors of the Company	Exhibit 10.1.19 to the Company's Debenture Registration Statement
10.2.1	Settlement Agreement among the Company, Macy, FDS Acquisition Corporation, Campeau, Campeau (U.S.) and CRTF dated April 1, 1988	Exhibit 114 of the Company's Schedule 14D-9 Amendment No. 22 dated April 5, 1988
10.2.2	Asset Purchase Agreement among the Company, Macy, Campeau, Campeau (U.S.) and CRTF dated April 1, 1988	Exhibit 115 of the Company's Schedule 14D-9 Amendment No. 22 dated April 5, 1988
10.2.3	Letter Agreement dated April 1, 1988, among Campeau, Campeau (U.S.), CRTF, the Company and Macy	Exhibit 10.2.3 to the Company's Debenture Registration Statement
10.3.1	May Note	Exhibit 10.3.1 to the Company's Debenture Registration Statement
10.3.2	Irrevocable Letter of Credit relating to Exhibit 10.3.1	Exhibit 10.3.2 to the Company's 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 Company's Debenture Registration Statement

Exhibit No.	Description	Reference if Incorporated by Reference
10.3.4	Separation Agreement dated as of April 30, 1988, among Campeau, CRTF, May and the Company	Exhibit 10.3.4 to the Company's 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 Company's 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 Company's 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 Company's Debenture Registration Statement
10.4.4	Omnibus Agreement dated as of May 3, 1988, among Campeau, Campeau (U.S.), 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 Company's Debenture Registration Statement
10.5.1	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 the Tender Offer Facility	Exhibit 10.5.1 to the Company's Debenture Registration Statement
10.6.1	Credit Agreement dated as of April 29, 1988, among Campeau (U.S.), Campeau, Bank of Montreal and Banque Paribas relating to the Bank Equity Loan	Exhibit 10.6.1 to the Company's Debenture Registration Statement
10.7.1	Securities Purchase Agreement dated May 1, 1988, between DeBartolo, Campeau (U.S.) and Campeau	Exhibit 10.7.1 to the Company's Debenture Registration Statement

Exhibit No.	Description	Reference if Incorporated by Reference
10.7.2	Stockholders Agreement dated May 2, 1988, among Campeau, Campeau (U.S.), the Company, DeBartolo and the Campeau/DeBartolo Partnership (including Right of First Refusal Agreement dated as of May 2, 1988, among Campeau, Campeau (U.S.), CRTF, Holdings, the Company and DeBartolo)	Exhibit 10.7.2 to the Company's Debenture Registration Statement
10.7.3	Partnership Agreement dated May 1, 1988, among the Campeau/DeBartolo Partnership, DeBartolo Properties, Inc. and Campeau Properties, Inc.	Exhibit 10.7.3 to the Company's 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 Company's Debenture Registration Statement
10.8.1.1	Note Purchase Agreement dated as of April 29, 1988, among CRTF, First Boston Securities Corporation, Paine Webber Fundings Inc. and Dillon, Read Interfunding Inc., including certain exhibits thereto	Exhibit 10.8.1.1 to the Company's 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 Company's Debenture Registration Statement
10.8.1.3	Additional Supplemental Agreement, dated January 27, 1989 relating to Exhibit 10.8.1.2	--

Exhibit No.	Description	Reference if Incorporated by Reference
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 Company's 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 Company's 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 Company's Debenture Registration Statement
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 Company's Debenture Registration Statement
10.9.1	DeBartolo Purchase Agreement dated March 21, 1988, between Campeau and Olympia & York Development Limited	Exhibit 10.9.2 to the Company's 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 Company's 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 Company's Debenture Registration Statement

Exhibit No.	Description	Reference if Incorporated by Reference
10.10.3	Security Agreement between Holdings II and Citicorp Investment Bank Limited relating to Exhibit 10.10.1	Exhibit 10.10.3 to the Company's Debenture Registration Statement
10.11.1	Stockholders' Agreement dated as of May 3, 1988, among Holdings, Holdings II, and Allied (including the Registration Rights Agreement as Exhibit B)	Exhibit 10.11.1 to the Company's Debenture Registration Statement
10.11.2	Amendment No. 1 dated May 3, 1988, relating to Exhibit 10.11.1	--
10.11.3	Amendment No. 2 dated April 7, 1989 relating to Exhibit 10.11.1	--
10.11.4	Stockholders Agreement dated April 7, 1989 among Holdings II, Allied, Campeau Properties, Inc., and DeBartolo Properties, Inc.	--
10.11.5	Stock Option Agreement dated April 7, 1989 between Holdings II and Allied	--
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 Company's 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 Company's Debenture Registration Statement
10.13.1	Stock Purchase Agreement dated October 26, 1988, between Federated Holdings, Inc. and Kohl's Department Stores, Inc.	--

Exhibit No.	Description	Reference if Incorporated by Reference
10.13.2	Letter Agreement dated November 23, 1988, between Federated Holdings, Inc.and Kohl's Department Stores, Inc. relating to Exhibit 10.13.1	--
10.14.1	Stock Purchase Agreement dated November 8, 1988, between Federated Holdings, Inc. and TCP Acquisition Corp.	--
10.14.2	Amendment dated November 23, 1988, between Federated Holdings, Inc. and TCP Acquisition Corp. relating to Exhibit 10.14.1	--
10.14.3	Amendment 2, dated February 24, 1989, between Federated Holdings, Inc. and TCP Acquisition Corp. relating to Exhibit 10.14.1	--
10.15.1	Mortgage Bridge Guaranty dated July 29, 1988, made by the Company in favor of the Lenders under Credit Agreement and Citibank, N.A.	Exhibit 11.11.1 to the Company's Debenture Registration Statement
10.15.2	Contribution Agreement dated July 29, 1988, among the Company, The Real Estate Company and Citibank, N.A.	Exhibit 11.1.2 to the Company's Debenture Registration Statement
10.15.3	Holdings Guaranty dated July 29, 1988, by the Company in favor of the Lenders Under The Credit Agreement and Citibank, N.A.	Exhibit 11.1.3 to the Company's 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 Company's Debenture Registration Statement

Exhibit No.	Description	Reference if Incorporated by Reference
10.15.5	Amendment No. 1 dated as of July 29, 1988, to Exhibit 11.1.4	Exhibit 11.1.4.1 to the Company's Debenture Registration Statement
10.15.6	Amendment No. 2 dated as of September 30, 1988, to Exhibit 11.1.4	Exhibit 11.1.4.2 to the Company's Debenture Registration Statement
10.15.6	Consent and Amendment dated April 6, 1989 relating to Exhibit 10.15.4	--
10.15.7	Form of Amendment No. 4 relating to Exhibit 10.15.4	--
10.16.1	Credit Agreement dated as of July 28, 1988, among the Company, the Real Estate Company, Banks named therein, the Sumitomo Bank, Limited, the Citibank, N.A., including certain exhibits thereto relating to the Merger.	Exhibit 11.1.5 to the Company's Debenture Registration Statement
10.16.2	Principles of Intercompany Service Arrangements (the Statement of Principles)	Exhibit 11.1.5.1 to the Company's 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 Company's 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 Company's Debenture Registration Statement
10.16.5	Amendment No. 3 dated as of November 1, 1988, relating to Exhibit 10.16.1	Exhibit 11.1.5.4 to the Company's Debenture Registration Statement
10.16.6	Form of Amendment No. 4 relating to Exhibit 10.16.1	--

Exhibit No.	Description	Reference if Incorporated by Reference
10.16.7	Agreement dated November 29, 1988 between the Company and Allied relating to Exhibit 11.1.5.1	--
10.17.1	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 Company's Debenture Registration Statement
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 Company's 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 Company's Debenture Registration Statement
10.17.4	Non-Shared Collateral Pledge and Assignment Agreement dated July 29, 1988, between the Company and Citibank, N.A.	Exhibit 11.1.9 to the Company's 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 Company's Debenture Registration Statement
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 Company's Debenture Registration Statement
10.17.7	Credit Holdings Guaranty dated July 29, 1988, among Federated Credit Holdings Corporation, the Lenders Under the Receivables Credit Agreement and Citibank N.A.	Exhibit 11.1.12 to the Company's Debenture Registration Statement
10.17.8	Credit Holdings Pledge Agreement dated July 19, 1988, between Federated Credit Holdings Corporation and Citibank N.A.	Exhibit 11.1.13 to the Company's Debenture Registration Statement

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IMAGE EVALUATION TEST TARGET (MT-3)

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150mm

6"

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Information Services

15740 Shady Grove Road
Gaithersburg, Maryland 20877-1454

Exhibit No.	Description	Reference if Incorporated by Reference
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 Company's 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 Company's 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 Company's 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 Company's 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 Company's Debenture Registration Statement
10.18.5	Irrevocable Letter of Credit relating to Exhibit 11.2.3	Exhibit 11.2.4 to the Company's 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 Company's 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 Company's Debenture Registration Statement

Exhibit No.	Description	Reference if Incorporated by Reference
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	Exhibit 11.2.7 to the Company's Debenture Registration Statement
110.18.9	Trust Agreement dated as of July 26, 1988, between the Company and Wilmington Trust Company relating to the May Note Monetization Facility	Exhibit 11.2.8 to the Company's 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 Company's Debenture Registration Statement
10.19.2	Irrevocable Letter of Credit relating to Exhibit 11.2.9	Exhibit 11.2.10 to the Company's 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 Facility	Exhibit 11.2.11 to the Company's 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 Company's 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 Company's Debenture Registration Statement

Exhibit No.	Description	Reference if Incorporated by Reference
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 Company's Debenture Registration Statement
10.19.7	Amendment dated as of October 18, 1988, relating to Exhibit 11.2.2	Exhibit 11.2.15 to the Company's 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 Company's Debenture Registration Statement
10.19.9	Amendment dated as of October 18, 1988, relating to Exhibit 11.2.7	Exhibit 11.2.17 to the Company's Debenture Registration Statement
10.20.1	Amendment dated as of October 18, 1988, relating to Exhibit 11.2.5	Exhibit 11.2.18 to the Company's 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 Company's Debenture Registration Statement
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 Company's Debenture Registration Statement
10.20.4	Federated Tax Sharing Agreement dated as of July 28, 1988, among Campeau (U.S.) and Holdings	Exhibit 11.3.1 to the Company's 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 Company's Debenture Registration Statement

Exhibit No.	Description	Reference if Incorporated by Reference
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 Company's Debenture Registration Statement
10.20.7	Tax Side Letter dated as of July 28, 1988, among Campeau (U.S.) and Holdings	Exhibit 11.3.4 to the Company's Debenture Registration Statement
10.20.8	Ralphs Tax Sharing Agreement dated as of July 28, 1988, between Campeau (U.S.) and Holdings II	Exhibit 11.3.5 to the Company's Debenture Registration Statement
10.20.9	Holdings II Tax Sharing Agreement dated as of July 28, 1988, between Campeau (U.S.) and Holdings II	Exhibit 11.3.6 to the Company's Debenture Registration Statement
11.1	Exhibit of Primary and Fully Diluted Earnings Per Share of Predecessor Company	--
22.1	Subsidiaries of the Company (revised)	--
25.1	Powers of Attorney of a majority of the directors of the Company	

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

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

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: April 27, 1989

By John W. Burden III
John W. Burden III
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
John W. Burden III John W. Burden III	Chairman of the Board and Director (Principal Executive Officer)	April 27, 1989
Russell S. Davis	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	April 27, 1989
John A. Muskovich	Vice President and Controller Principal Accounting Officer)	April 27, 1989

Members of the Board of Directors:

		Title	Date
John P. Boorn	Daniel W. LeBlond		
John W. Burden III	Carolyn Buck Luce		
Robert A. Charpie	G. William Miller		
Thomas G. Cody	James T. Roddy		
Mark A. Cohen	Howard Socol		
Russell S. Davis	Elliot J. Stone	Directors	April 27, 1989
Robert Despres	Lawrence Stone		
Frank Doroff	Marvin S. Traub		
Chaim Edelstein	Richard F. Van Pelt		
Roger N. Farah	James Zimmerman		
Wilbur J. Fix			

By Boris Auerbach
(Boris Auerbach, Attorney-in-Fact)

*Boris Auerbach, by signing his name hereto, does sign this document on behalf of each of the persons named above, pursuant to the powers of attorney duly executed by such persons, filed with the Securities and Exchange Commission herewith.

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: April 27, 1989

By ______________________
John W. Burden III
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.

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Members of the Board of Directors:

John P. Boorn	Daniel W. LeBlond		
John W. Burden III	Carolyn Buck Luce		
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Roger N. Farah	James Zimmerman		
Wilbur J. Fix			

By ______________________
(Boris Auerbach, Attorney-in-Fact)

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*Boris Auerbach, by signing his name hereto, does sign this document on behalf of each of the persons named above, pursuant to the powers of attorney duly executed by such persons, filed with the Securities and Exchange Commission herewith.

POWERS OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned directors of FEDERATED DEPARTMENT STORES, INC. (the "Company"), a Delaware corporation, does hereby constitute and appoint BORIS AUERBACH and PADMA TATTA CARIAPPA, or either of them, their true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which said attorneys and agents, or either of them, may deem necessary or advisable or which may be required to enable said Company to comply with the Securities Exchange Act of 1934, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing with the Securities and Exchange Commission and the New York Stock Exchange of the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 1989, including specifically, but without limiting the generality of the foregoing, the power and authority to sign in the names and on behalf of the undersigned directors of said Company in their capacities as directors, the said Annual Report on Form 10-K and any and all amendments and supplements and any other instruments or documents filed as a part of or in connection with said Annual Report on Form 10-K, amendments or supplements; and each of the undersigned does hereby ratify and confirm all that said attorneys and agents or either of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has subscribed these presents this 21 day of March, 1989.

John P. Boorn

John W. Burden III

Robert Campeau

Daniel Campeau

Robert A. Charpie

Thomas G. Cody

Mark A. Cohen

Russell S. Davis

Robert Despres

Frank Doroff

Chaim Edelstein

Roger N. Farah

Allen Finkelson

Wilbur J. Fix

Daniel W. LeBlond

Carolyn Buck Luce

G. William Miller

James T. Roddy

Howard Socol

Donald J. Stone

Elliot J. Stone

Lawrence Stone

Marvin S. Traub

Ronald W. Tysoe

Richard F. Van Pelt

J. Roy Weir

James Zimmerman

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheet of Federated Department Stores, Inc. and subsidiaries (The Successor) as of January 28, 1989 and the related consolidated statements of operations and cash flows for the period from May 1, 1988 to January 28, 1989 (The Successor period) 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 aforementioned consolidated financial statements, we also examined the related supporting schedules. These consolidated financial statements and schedules are the responsibility of the Companies' management. Our responsibility is to express an opinion on these consolidated financial statements 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 aforementioned Successor consolidated financial statements present fairly, in all material respects, the financial position of Federated Department Stores, Inc. and subsidiaries at January 28, 1989 and the results of their operations and their cash flows for the Successor period, in conformity with generally accepted accounting principles. Further, in our opinion, the aforementioned Predecessor 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 1 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 1 and 9, Federated Department Stores, Inc. (The Successor) changed its method of accounting for income taxes to adopt the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes", and has adopted Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows" in connection with the acquisition on May 3.

Peat Marwick Main & Co.

Cincinnati, Ohio
March 24, 1989
Except for the last paragraph on page F-12 of Note 7 as to which the date is April 24, 1989.

FEDERATED DEPARTMENT STORES, INC.
(THE SUCCESSOR)
CONSOLIDATED STATEMENT OF OPERATIONS

(in thousands, except per share data)	Nine Months Ended January 28, 1989
Net Sales, including leased department sales of $135,600	$3,571,692
Cost of sales, including occupancy and buying costs	2,553,966
Selling, publicity, delivery and administrative expenses	770,612
Provision for doubtful accounts	18,858
Interest expense	445,644
Interest income	(59,283)
Total costs and expenses	3,729,797
Income (Loss) Before Income Taxes	(155,105)
Federal, state and local income tax (benefit) expense	(1,787)
Net Income (Loss)	$ (156,318)
Earnings (Loss) Per Share of Common Stock	$ (156,318)

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

FEDERATED DEPARTMENT STORES, INC.
(THE SUCCESSOR)
CONSOLIDATED BALANCE SHEET

(in thousands)	January 28, 1989
ASSETS	
Current Assets:	
Cash	$ 54,630
Restricted cash	255,696
Accounts receivable	971,467
Merchandise inventories	943,135
Supplies and prepaid expenses	32,399
Divisional transfer notes	25,000
Total Current Assets	2,282,327
Property and Equipment - net	2,173,460
Excess of Cost Over Net Assets Acquired	2,460,934
Notes Receivable	814,751
Other Assets	181,280
Total Assets	$7,912,782
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current Liabilities:	
Mortgage bridge due January 31, 1990	$ 800,000
Other short-term borrowing and long-term debt due within one year	754,803
Accounts payable and accrued liabilities	740,749
Income taxes	275,637
Total Current Liabilities	2,571,189
Deferred Income Taxes	1,074,252
Other liabilities	116,597
Long-Term Debt	3,020,888
Shareholders' Equity:	
Preferred stock	--
Common stock	1
Capital in excess of par value of common stock	1,286,173
Retained earnings (deficit)	(156,318)
Total Shareholders' Equity	1,12[illegible],856
Total Liabilities and Shareholders' Equity	$7,912,782

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

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FEDERATED DEPARTMENT STORES, INC.
(THE SUCCESSOR)
CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands)	Nine Months Ended January 28, 1989
Cash flows from operations:	
Net income/(loss)	$ (156,318)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	116,036
Amortization of financing costs	100,582
Amortization of goodwill	46,530
Amortization of debt discount	9,726
Change in assets and liabilities:	
Increase in accounts receivable	(971,467)
Increase in merchandise inventories	(943,135)
Increase in supplies and prepaid expenses	(32,399)
Increase in account payables and accrued liabilities	740,749
Increase in current income taxes	275,637
Increase in deferred income taxes	54,516
Decrease in other liabilities	79,296
Net cash used by operating activities	(680,247)
Cash flows from investing activities:	
Purchase of property and equipment	(155,980)
Disposition of property and equipment	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 $[illegible]38,799	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
Increase in divisional transfer notes	(25,000)
Net cash used by investing activities	(3,045,020)
Cash flows from financing activities:	
Capital contribution	1,406,173
Debt issued	5,105,563
Debt issue cost	(287,903)
Debt repaid	(1,268,240)
Notes receivable and restricted cash from sales of divisions	(1,055,696)
Dividends paid	(120,000)
Net cash provided by financing activities	3,779,897
Net increase in cash	54,630
Cash beginning of period	0
Cash end of period	$ 54,630

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

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FEDERATED DEPARTMENT STORES, INC.
(THE SUCCESSOR)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

The Company

The Company, Federated Department Stores, Inc., and subsidiaries (The Successor), 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 CRTF Corporation 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.

Summary of Significant Accounting Policies

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

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. Customers may also 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.

The Company is included in the consolidated federal income tax return of Campeau Corporation (U.S.) Inc., a wholly owned subsidiary of Campeau Corporation. Pursuant to a tax sharing agreement with Campeau Corporation (U.S.) Inc., the Company records provisions for income tax expense as though it were a separate taxpayer subject to certain adjustments and settles such taxes with Campeau Corporation (U.S.) Inc. 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.

Deferred debt expense is being amortized over the life of the related debt.

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 Agreement.

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

2. Merger Transaction

The total purchase price is summarized as follows:

(millions)	
Cost to acquire 88,911,110 common shares of the Company	$ 6,520
Merger and acquisition fees and expenses incurred in connection with the tender offer and merger	71
Total purchase price	$ 6,591

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

(millions)	
Purchase price	$ 6,591
Less historical net book value	2,474
Excess purchase price allocated to net assets	$ 4,117

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

(millions)		
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		1,322
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 existing current deferred taxes	(190)	
		(472)

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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
		$ 4,117

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

(millions)	52 Weeks Ended January 28, 1989
Net sales	$4,541.7
Cost of sales	3,244.8
Selling, publicity, delivery and administrative expenses	1,014.5
Interest expense - net	491.1
Total costs and expenses	4,750.4
Loss before income taxes	(208.7)
Federal, state and local income tax benefit	(49.8)
Net loss	$ (158.9)

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 applications 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.

3. Accounts Receivable

(millions)	January 28, 1989
Due from customers:	
30-day	$ 6.6
Deferred payment	911.2
Other	74.5
Gross receivables	992.3
Less:	
Allowance for doubtful accounts	20.8
Net receivables	$ 971.5
Allowance for doubtful accounts as % of gross receivables	2.1%

Sales through credit plans of Federated divisions were $1.8 billion for the nine months ended January 28, 1989.

Finance charge revenues amounted to $95.1 million for the nine months ended January 28, 1989.

4. Inventories

At January 28, 1989, merchandise inventories valued at retail LIFO were $943.1 million. As a result of the merger, the LIFO inventory approximated the amount of such inventory using the first-in, first-out basis.

5. Divisional Transfer Notes and Sales of Certain Divisions

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 included $800.0 million in notes receivable and $103.2 million in restricted cash which are reflected in the Consolidated Balance Sheet at January 28, 1989. 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. Restricted cash may only be applied to reduce the asset/mortgage bridge facilities as required by the bank agreements.

$400.0 million of the notes receivable bear interest at 9 1/2% and $400.0 million bears interest at 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 debt issuance 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.

Pursuant to tax sharing arrangements, Ralphs will be treated for the purpose of determining the amount it must pay in respect of federal income tax liability as if it were an unrelated purchaser with the tax basis of its assets increased to fair market value, which is substantially higher than its aggregate tax basis had been to the Company. In addition, the Company has recorded the tax liability on income relating to the step-up in the tax basis of Ralphs' depreciable assets (approximately $25.0 million reflected in deferred income taxes which will be payable over the depreciable lives of the respective assets) and the potential tax liability on income relating to a portion of the step-up in tax basis of Ralphs' non-depreciable assets (approximately $245.0 million reflected in deferred income taxes), which will be payable under certain circumstances if Ralphs' non-depreciable assets were no longer held by a corporation that is a member of the affiliated group that includes both Ralphs and the Company. The Company is not currently aware of any transaction that would give rise to this potential liability.

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.

6. Properties and Leases

(millions)	January 28, 1989
Land	$ 417.3
Buildings on owned land	698.3
Buildings on leased land and leasehold improvements	466.9
Store fixtures and equipment	584.7
Property not used in operations	83.2
Leased properties under capitalized leases	33.3
	2,283.7
Less accumulated depreciation and amortization	110.3
	$ 2,173.4

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.

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.

Major commitments for the future purchase or construction of facilities at January 28, 1989, amounted to approximately $45.0 million.

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 January 28, 1989, for noncancellable leases are:

(millions)	Capital Leases	Operating Leases	Total
Fiscal year:			
1989	$ 8.1	$ 27.1	$ 35.2
1990	7.4	27.9	35.3
1991	7.0	26.3	33.3
1992	6.5	25.9	32.4
1993	5.5	24.3	29.8
After 1993	31.2	292.0	323.2
Total minimum lease payments	$ 65.7	$ 423.5	$489.2
Less amount representing interest .	23.9		
Present value of net minimum capital lease payments	$ 41.8		

Capitalized leases are included in the Consolidated Balance Sheet as property and equipment while the related obligation is included as short-term ($4.9 million) and long-term ($36.9 million) debt. 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 $.3 million on capital leases and $10.9 million on operating leases.

Rental expense consists of:

(millions)	Nine Months Ended January 28, 1989
Capital leases -	
Contingent rentals	$ 1.1
Operating leases -	
Minimum rentals	19.9
Contingent rentals	1.5
	22.5
Less income from subleases -	
Capital leases	.4
Operating leases	5.4
	5.8
	$ 16.7
Personal property -	
Operating leases	$ 5.2

7. Financing

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 approximately $977.1 million of the subordinated notes were repaid from bank facilities borrowings and the cash proceeds from the sale of certain divisions.

Other short-term borrowings and long-term debt due within one year at January 28, 1989, includes $379.1 million of asset bridge facility, $230.0 million of bank receivables facility and $54.0 million of bank working capital facility. Under the $750.0 million working capital facility, up to $600.0 million may be made available as advances and up to $200.0 million may be made available as letters of credit. The receivables facility allows the Company to borrow up to $1,000.0 million against its outstanding receivables.

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, were to be repaid from sales of miscellaneous assets and a conventional mortgage financing of up to $900.0 million. Original borrowings of $1,650.0 million under the asset bridge facility has been reduced to $250.0 million (which amount is equal to $250.0 million of restricted cash on deposit in connection with the asset/mortgage bridge facilities) from the proceeds of asset sales and by an optional prepayment on March 7, 1989. The Company is currently considering the possibility of arranging, rather than the conventional mortgage financing contemplated in November 1988, a convertible or participating mortgage financing in a substantially greater amount. There can be no assurance, however, that any such financing will be completed. If the convertible or participating mortgage cannot be arranged on terms satisfactory to the Company, the Company will consider other available alternatives for meeting its outstanding mortgage bridge facility obligations (including, but not limited to, the conventional mortgage financing originally contemplated and the sale of assets).

At January 28, 1989, the $800.0 million mortgage bridge facility, which is due January 31, 1990, was classified as a current liability, since the due date falls within the Company's 1989 fiscal year which ends on February 3, 1990 (53 weeks). As stated above, management expects to refinance this debt. Excluding the $800.0 million mortgage bridge facility, working capital at January 28, 1989, would be $511.1 million.

Long-term debt outstanding at year end includes:

(millions)	January 28, 1989
Note monetization facilities	$ 704.0
Bank receivables facility	500.0
Senior subordinated debentures due 2000, 16%	500.0
Subordinated discount debentures due 2004, 17 3/4%	259.7*
Senior Securities:	
Series II exchange notes due 1994, 13 3/4%	401.3
Notes due 1992, 9 3/8%	200.0
Notes due 1996, 7 7/8%	200.0
Sinking fund debentures due 2016, 9 1/2%	100.0
Euronotes due 1995, 10 1/8%	77.4
Notes due 2002, 7.95%	65.0
Sinking fund debentures due 2010, 10 1/4%	39.7
Sinking fund debentures due 2002, 7 1/8%	32.5
Sinking fund debentures due 1995, 8 3/8%	15.0
Sinking fund debentures due 2013, 10 5/8%	13.9
Other, average 9%	10.9
	3,119.4
Obligations under capitalized leases	36.9
	3,156.3
Less discount on historical debt	(135.4)
	$ 3,020.9

*$582.9 million at face value.

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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 grantor trusts).

The bank facilities are secured and bear interest at either 1 1/2% (1% for the receivables facility) over the applicable base lending rate or 2 1/2% (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 1/2% 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 8 1/2% maturing in late December 1989 and January 1990; and, $300.0 million at 9% maturing in December 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. The Company can borrow against outstanding receivables up to $1,000.0 million (subject to borrowing base requirements) under the receivable facility which must be repaid on January 31, 1993, when the facility terminates.

The bank facilities contain a number of restrictive covenants and events of defaults including covenants limiting capital expenditures, incurrence of debt, dividends and sales of assets. Additionally the Company is required to comply with certain financial covenants relating to leverage, fixed charge and interest coverage and working capital as well as maintain minimum levels of net worth. Such covenants become progressively more restrictive over the term of the agreement.

Outstanding advances under the working capital facility are required to be reduced to specified levels during a five consecutive day period within the Company's fourth quarter. Additionally, permanent reductions in the amounts available under the working capital facility will result from certain asset sales.

The senior securities are 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 grantor trusts and (ii) an assumption of the liability under the senior securities (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 securities. The senior subordinated debentures are entitled to mandatory sinking fund payments of $150.0 million on November 1, 1998, and November 1, 1999. The subordinated discount debentures are 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 identical 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 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 13 3/4% senior notes due 1994, 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. The private placement (first contemplated at the time of the public offering in November 1988) to refinance the outstanding exchange notes is not currently being actively pursued. The First Boston Corporation and the Company are discussing an arrangement whereby the Bridge Lenders would be paid a fee and agree to hold the exchange notes until the third or fourth quarter or 1989 (at which time the Company believes mortgage financing proceeds should be available to prepay such notes). If agreement cannot be reached on such an arrangement, or if sufficient mortgage financing proceeds are not available within any agreed time frame, the Bridge Lenders will have the right to make available to purchasers of the exchange notes the shares of Holdings deposited in escrow in January 1989.

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As a result of the tender offer and merger, the Company experienced significant increases in interest and deferred debt expense. Cash interest paid during the nine months ended January 28, 1989, approximated $222.1 million. Interest and deferred debt expense are as follows:

(millions)	Nine Months Ended January 28, 1989
Interest on debt	$ 451.2
Amortization of deferred debt expense	197.9
Interest on capitalized leases	2.2
Subtotal	651.3
Less:	
Financing costs capitalized relating to sold or transferred divisions:	
Interest	(106.9)
Deferred debt expense	(97.3)
Interest capitalized on construction	(1.6)
Interest income	(59.3)*
	$ 386.4

*Excludes $34.2 million of interest income on division sales proceeds which were used to finance the merger.

The deferred debt costs with respect to the various new debt instruments have been allocated to the Company's investments in its Retained and Transferred Divisions. This allocation was based on actual and estimated cash inflows within one year of the merger resulting from, or anticipated to result from, the disposition of the Transferred Divisions, which funds are used to immediately repay incremental debt incurred to purchase the divisions. Specifically, the total ratio of such anticipated cash inflows to total original Bank and Bridge Facilities was applied to the total related financing fees which amount was allocated to the Transferred Divisions and capitalized as additional interest costs. Those remaining unallocated fees relating to the bank tender offer financing were written off in the quarter ended July 30, 1988. Fees allocated to Retained Divisions are amortized on a level yield basis over the term of the related debt. A summary of debt costs incurred and deferred in the nine months ended January 28, 1989, follows:

(millions)	
Debt costs incurred or assumed as a result of the tender offer, merger and anticipated subsequent financings	$ 295.7
Amounts allocated to divisions sold, divisions to be sold and Ralphs	(97.3)
Amortization included in interest expense	(100.6)
Balance deferred at January 28, 1989	$ 97.8

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

(millions)	Amount
Fiscal year:	
1989	$1,265.9
1990	11.8
1991	11.7
1992	562.6
1993	911.7
After 1993	1,621.6

8. Accounts Payable and Accrued Liabilities

(millions)	January 28, 1989
Merchandise and expense accounts payable	$ 428.1
Restructuring and other merger costs..............	89.6
Accrued interest..................................	82.3
Taxes other than income taxes	25.9
Other	114.8
	$ 740.7

9. Taxes

The financial statements of the Successor reflect the adoption of Statement of Financial Accounting Standards No. 96 (SFAS No. 96), "Accounting for Income Taxes". Applicaton 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 acquistion has no cumulative effect on net income for the nine months ended January 28, 1989.

Cash payments of taxes during the nine months ended January 28, 1989, approximated $96.0 million. Income tax (benefit) expense for the nine months ended January 28, 1989, is as follows:

(millions)	Current	Deferred	Total
Federal....................	$ (48.4)	$ 43.9	$(4.5)
State and local...........	(7.9)	10.6	2.7
	$ (56.3)	$ 54.5	$(1.8)

Current income taxes include approximately $151.0 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 $511.0 million), the deferred tax gains from the sales and transfer of divisions (approximately $529.0 million) and the tax effects of other temporary differences.

The income tax expense (benefit) reported differs from the amount 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:

(millions)	Nine Months Ended January 28, 1989
Computed at the expected tax rate......................	$(53.7)
Permanent differences arising from:	
Acquisition.......	34.2
Amortization of goodwill.............................	15.8
State and local income taxes, net of federal income tax benefit....................................	1.9
	$ (1.8)

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The Internal Revenue 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 has been paid on these 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 28, 1989.

10. 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 $7.3 million for 1988.

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 $5.0 million and included the following actuarially determined components:

(millions)	December 31, 1988
Service Cost	$ 8.1
Interest cost	6.7
Actual return on assets	(16.1)
Net amortization and deferrals	6.3
	$ 5.0

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.

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

(millions)	December 31, 1988
Accumulated benefit obligations	$171.9
Less: Present value of net accumulated benefits available under the Profit Sharing Plan	74.5
Net accumulated benefit obligations, including vested benefits of $61.4 million	97.4
Projected compensation increases	28.5
Projected benefit obligations	125.9
Plan assets (primarily stocks, bonds and U.S. government securities)	211.4
Less: Unrecognized gain	19.1
	192.3
Prepaid pension expense	$ 66.4

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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, 1988, the Company had met the full funding limitation.

Supplementary Retirement Expense

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

(millions)	1988
Service cost..	$ .5
Interest cost on projected benefit obligations.........	.8
Net amortization and deferral..........................	(.7)
	$ .6

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%.

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

(millions)	December 31, 1988
Accumulated benefit obligations, including vested benefits of $6.9 million............	$ 8.4
Projected compensation increases..............	1.0
Projected benefit obligations.................	$ 9.4
Accrued pension liability....................	$ 9.4

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. 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 $1.7 million. The Profit Sharing Plan had net assets at December 31, 1988, aggregating $568.9 million held in an independent trust.

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 total cost of such benefits, after employee contributions, was $29.0 million for the nine months ended January 28, 1989.

In accordance with the purchase accounting adjustments, a liability of $60.0 million was recorded for the future cost of life and medical benefits for current retirees.

12. Employee Stock 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 1988 was $20 (Canadian), except for 90,000 rights which have a zero base value, 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. The maximum number of rights that may be granted under the plan with respect to both the Company and Allied is 6,500,000, and the maximum number of shares of Campeau Ordinary Shares that may be delivered under the plan is 2,700,000, 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 2,925,000 shares were issued under the plan and allocated to Company employees and 35,000 shares were cancelled, leaving a balance of 2,890,000 shares outstanding at year end.

13. Shareholders' Equity

(millions)	
Preferred stock	$ -------
Common stock:	
Balance, May 3, 1988	-------
Issuance of common stock	-------
Balance, January 28, 1989	-------
Additional paid-in capital:	
Balance, May 3, 1988	-------
Issuance of common stock	1,406.2
Dividend	(120.0)
Balance, January 28, 1989	1,286.2
Retained earnings:	
Balance, May 3, 1988	-------
Net income (loss)	(156.3)
Balance, January 28, 1989	(156.3)
Total shareholders' equity	$ 1,129.9

At January 28, 1989, 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 1,000 shares issued and outstanding.

14. Quarterly Results (unaudited)

Quarterly results, restated for purchase accounting adjustments and SFAS No. 96, for the nine months ended January 28, 1989, were as follows:

(millions, except per share data)	Second Quarter	Third Quarter	Fourth Quarter
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)	(1.8)	31.8
Net income (loss)	$ (142.3)	$ (41.6)	$ 27.6
Earnings (Loss) per share of common stock	$(142,313)	$(41,560)	$ 27,555

15. Legal Proceedings

In October 1988, the Company's Retirement Income and Thrift Incentive Plan was named as a defendant in a class action suit filed in the U.S. District Court of New Jersey by certain participants who alleged the Company advised them to convert stock in their plan accounts in contemplation of the October 1987 stock market decline without disclosing knowledge of the tender offer. The plaintiffs are requesting relief and unspecified money damages. Additionally, in the fourth quarter of 1988, law suits were filed by holders of the Company's $200.0 million notes (offered in October 1987) which allege the Company failed to disclose knowledge that it was a possible takeover target and that it ultimately wrongfully accepted Campeau Corporation's offer. The Company has moved to dismiss these cases and intends to defend the proceedings vigorously. No estimate of any potential liability, if any, arising from these suits can currently be made.

The Company is currently litigating its final settlement of the sales of its Foley's and Filene's divisions with May Company. The Company has asserted claims of approximately $24.0 million and May has asserted claims of approximately $23.0 million. Although management believes the Company will prevail, no estimate of any potential settlement can currently be made.

Additionally, the Company and its subsidiaries are involved in proceedings incidental to the normal course of their business. Management does not expect that any 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)

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FEDERATED DEPARTMENTS 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 $46,400, $338,500 and $324,200.	$ 2,449,096	$11,117,840	$10,512,425
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.......................	315,680	(7,124)	13,082
Total costs and expenses..........	2,728,503	10,587,858	9,945,384
Income (Loss) Before Income Taxes and Extraordinary Item......................	(279,407)	529,982	567,041
Federal, state and local income tax (benefit) expense......................	(113,827)	217,000	265,100
Income (Loss) Before Extraordinary Item...	(165,580)	312,982	301,941
Extraordinary item - loss on early extinguishment of debt, net of tax effect of $14,527......................	------	------	(14,341)
Net Income (Loss).........................	$ (165,580)	$ 312,982	$ 287,600
Earnings Per Share of Common Stock:			
Income (Loss) before extraordinary item.	$ (1.86)	$ 3.40	$ 3.12
Extraordinary item.....................	-----	-----	(.15)
Net Income (Loss).................	$ (1.86)	$ 3.40	$ 2.97
Fully Diluted Earnings Per Share:			
Income (Loss) before extraordinary item.	$ (1.86)	$ 3.32	$ 3.05
Extraordinary item.....................	-----	-----	(.14)
Net Income (Loss).................	$ (1.86)	$ 3.32	$ 2.91

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

FEDERATED DEPARTMENT STORES, INC.
(THE PREDECESSOR)
CONSOLIDATED BALANCE SHEETS

(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	66,219
Total Current Assets	3,250,543
Property and Equipment - net	2,648,746
Other Assets	109,428
Total Assets	$6,008,717
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	106,715
Total Current Liabilities	1,803,422
Deferred Income Taxes	380,641
Deferred Compensation and Supplementary Retirement	238,968
Long-Term Debt	956,619
Shareholders' Equity:	
Preferred stock	......
Common stock	112,516
Retained earnings	2,525,876
Less treasury stock at cost	9,325
Total Shareholders' Equity	2,629,067
Total Liabilities and Shareholders' Equity	$6,008,717

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)	13 Weeks Ended April 30, 1988	52 Weeks Ended January 30, 1988	52 Weeks Ended January 31, 1987
CASH FROM OPERATIONS			
Income before extraordinary item	$ (165,580)	$ 312,982	$ 301,961
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)	(19,861)
Cash provided from operations before extraordinary item	(86,798)	656,244	605,919
Extraordinary item	-----	-----	(14,341)
Total	(86,798)	656,244	591,578
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	195,477	318,900	207,692
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	(10,512)	346,469	332,314
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	(375,631)	384,781	363,131
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.

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 deferment 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 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 1/4% Sinking Fund Debentures due 2010, $86.1 million of 10 5/8% Sinking Fund Debentures due 2013, $23.0 million of 11% Euronotes due 1990 and $22.6 million of 10 1/8% 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

(millions)	January 30, 1988
Due from customers:	
30-day	$ 42.9
Deferred payment	1,429.9
Other	109.7
Gross receivables	1,582.5
Less:	
Allowance for doubtful accounts	32.8
Deferred service charges	1.9
	34.7
Net receivables	$1,547.8
Allowance for doubtful accounts as % of gross receivables	2.1%

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 $52.3 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. 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

(millions)	January 30, 1988
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	194.4
	4,054.6
Less accumulated depreciation and amortization	1,405.9
	$2,648.7

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 noncancellable leases are:

(millions)	Capital Leases	Operating Leases	Total
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	128.1	519.9	648.0
Total minimum lease payments	$ 213.9	$ 898.4	$ 1,112.3
Less amount representing interest	93.1		
Present value of net minimum capital lease payments	$ 120.8		

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:

(millions)	13 Weeks Ended April 30, 1988	1987	1986
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 leases......................	.7	2.8	3.0
Operating leases....................	2.3	10.6	9.7
	$ 17.1	$76.7	$62.2
Personal property -			
Operating leases....................	$ 5.1	$20.6	$24.0

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.

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:

(millions)	January 30, 1988
Notes due 1992, 9 3/8%........................	$200.0
Notes due 1996, 7 7/8%........................	200.0
Sinking fund debentures due 2016, 9 1/2%......	100.0
Euronotes due 1995, 10 1/8%...................	77.4
Notes due 2002, 7.95%.........................	70.0
Euronotes due 1990, 11%.......................	72.0
Sinking fund debentures due 2010, 10 1/4%.....	39.7
Sinking fund debentures due 2002, 7 1/8%......	35.0
Sinking fund debentures due 1995, 8 3/8%......	17.5
Sinking fund debentures due 2013, 10 5/8%.....	13.9
Notes due 1991, 10%...........................	3.0
Other, average 7%	15.8
	844.3
Obligations under capitalized leases..........	112.3
	$956.6

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

(millions)	Amount
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

(millions)	January 30, 1988
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	248.6
	$1,297.1

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:

(millions)	13 Weeks Ended April 30, 1988	1987	1986
Federal	$ (96.9)	$173.3	$220.5
State and local	(16.9)	43.7	44.6
	$ (113.8)	$217.0	$265.1
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.

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

(millions)	13 Weeks Ended April 30, 1988	1987	1986
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 expense	.3	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	(1.8)	(1.3)	(9.7)
	$(119.8)	$(24.0)	$ 14.6

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 Expence

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.

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:

(millions)	13 Weeks Ended April 30, 1988		1987		1986	
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	10.2		(13.7)		17.3	
		(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
		$ 5.7		$ 22.1		$ 30.2

Service cost and interest cost were calculated using a discount rate of 8 1/2% 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:

(millions)		December 31, 1987
Accumulated benefit obligations		$277.0
Less: Present value of net accumulated benefits available under the Profit Sharing Plan		104.0
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		194.1
Plan assets*	$188.6	
Unamortized net obligation at January 1, 1986	45.1	
Unrecognized gain	(45.6)	
		188.1
Accrued pension liability		$ 6.0

*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.

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:

(millions)	13 Weeks Ended April 30, 1988	1987	1986
Service cost	$ .2	$1.4	$1.5
Interest cost on projected benefit obligations	.3	1.6	1.6
Amortization of unrecognized net asset existing at adoption of SFAS No. 87 (amortized over 15 years)	(.2)	(.7)	(.6)
Unrecognized gain	(.4)	----	----
	$(.1)	$2.3	$2.5

Service cost and interest cost were calculated using a discount rate of 8 1/2% 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:

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

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.

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 in thousands)	Shares	Grant 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.....................	2,297.4	$12-48
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.

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

(millions)	13 Weeks Ended April 30, 1988	1987	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	112.5	112.5	118.9
Capital in excess of par value of common stock:			
Balance, beginning of year	-----	25.6	98.5
Net charge from treasury stock	6.4	(24.3)	(9.1)
Retirement of common stock	-----	(1.3)	(4.4)
2-for-1 stock split	-----	-----	(59.4)
Balance, end of year	6.4	-----	25.6
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	2,360.3	2,525.9	2,538.6
Less treasury stock:			
Balance, beginning of year	9.3	20.5	22.8
Additions	-----	5.4	23.1
Deductions	(4.1)	(16.6)	(25.4)
Balance, end of year	5.2	9.3	20.5
Total shareholders' equity	$2,474.0	$2,629.1	$2,662.6

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 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:

(thousands)	1987	1986
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	1,468	1,819

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.

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:

(millions)	January 30, 1988	January 31, 1987
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	128.7	119.3
	$6,008.7	$5,687.7

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

Capital expenditures include:

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

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

(millions)	13 Weeks Ended April 30, 1988	1987	1986
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
	$ 69.7	$280.7	$255.6

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

(millions)	Department Stores		Mass Merchandising		Supermarkets		Other	
Fiscal Year	Amount	% of Total	Amount	% of Total	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:

(millions) Fiscal Year	Department Stores Amount	Department Stores % of Sales	Mass Merchandising Amount	Mass Merchandising % of Sales	Supermarkets Amount	Supermarkets % of Sales	Other Amount	Other % 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:

(millions) Fiscal Year	Department Stores Amount	Department Stores % of Total	Mass Merchandising Amount	Mass Merchandising % of Total	Supermarkets Amount	Supermarkets % of Total	Other Amount	Other % of Total
1988*.........	$1,588.4	64.0%	$ 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 Pennsylvania which were closed on January 26, 1986. Comparable store sales include only stores open for the full periods being compared.

% Increase from Prior Year	Department Stores	Mass Merchandising	Supermarkets	Other	Total
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:

(in millions, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
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.

FEDERATED DEPARTMENT STORES, INC.
SCHEDULE II-AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS AND EMPLOYEES OTHER THAN RELATED PARTIES

Column A	Column B	Column C	Column D		Column E	
			Deductions		Balance at end of period	
			(1)	(2)	(1)	(2)
Name of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current
SUCCESSOR						
Nine Months Ended January 28, 1989:						
John W. Burden III	$ 382,500	$ -	$ 382,500	$ -	$ -	$ -
Allen Questrom	600,000	-	600,000	-	-	-
James E. Gray	-	500,000	-	-	-	500,000
James Zimmerman	-	1,000,000	-	-	-	1,000,000
Frank Doroff	-	500,000	-	-	-	500,000
Daniel Rowe	-	200,000	-	-	-	200,000
Robert Kemeny	-	139,000	-	-	-	139,000
Gordon R. Cooke	-	200,000	-	-	-	200,000
Rudy Javosky	-	225,000	-	-	25,000	200,000

In October 1981, the Company made an unsecured loan in the amount of $425,000 to Mr. John W. Burden III, Vice Chairman of the Board, in connection with his relocation from Miami, Florida to New York. The note, originally interest-free, was amended in October 1987, to bear interest at the rate of 7 1/2% per annum. Under that note, $42,500 of principal is forgiven as of February 1 of each year commencing February 1, 1988, as long as he is an employee of the Company. His employment with the Company ended with its acquisition and was rehired and the balance of the loan was paid at that time.

The Company made loans in the amount of $638,000 to Mr. Allen Questrom at the time he was Executive Vice President of the Company and Chairman of the Bullock's division in connection with his relocation from Atlanta, Georgia to California. A loan in the amount of $600,000 bears interest at 6% per annum and requires a payment to the Company of 40% of the new appreciation value, if any, that Mr. Questrom will realize upon the sale of his California home. The loan was secured by an interest in the home. His employment with the company ended with its acquisition and the balance of the loan was paid at that time.

In July 1988, the Company made a relocation loan in the amount of $500,000 to Mr. James E. Gray, President of Burdines. The note is interest free as long as he is an employee of the Company 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 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.

FEDERATED DEPARTMENT STORES, INC.
SCHEDULE II-AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS AND EMPLOYEES OTHER THAN RELATED PARTIES - Continued

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 12 1/2% per annum and is due the earlier of August 14, 1990 or termination.

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.

In August 1988, the Company made a loan in the amount of $200,000 to Mr. Gordon R. Cooke, of the Company. The loan bears interest at a rate of 8% per annum and is due in installments from August 19, 1994 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.

FEDERATED DEPARTMENT STORES, INC.
SCHEDULE II-AMOUNTS RECEIVABLE FROM RELATED
PARTIES AND UNDERWRITERS, PROMOTERS AND
EMPLOYEES OTHER THAN RELATED PARTIES - Continued

Column A	Column B	Column C	Column D		Column E	
			Deductions		Balance at end of period	
			(1)	(2)	(1)	(2)
Name of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current
PREDECESSOR						
13 Weeks Ended April 30, 1988:						
John W. Burden III	$425,000	$ -	$ -	$ 42,500	$ -	$382,500
Allan Questrom	600,000	-	-	-	-	600,000

FEDERATED DEPARTMENT STORES, INC.

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT

Column A	Column B	Column C	Column D		Column E	
			Deductions		Balance at end of period	
			(1)	(2)	(1)	(2)
Name of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current
SUCCESSOR						
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
		$ -----	$3,783,602	$ 1,499,868	$ ------	$2,283,734
PREDECESSOR						
13 Weeks Ended April 30, 1988:						
Land............................		$ 143,346	$ 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	------	190,80[illegible]
		$4,054,647	$ 61,221	$32,170	$ ------	$4,0[illegible]3,698
52 Weeks Ended January 30, 1988:						
Land...........................		$ 135,147	$ 1,514	$ 1,496	$ 8,681	$ 143,346
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
		$3,739,443	$505,757	$190,553	$ -----	$4,054,647

FEDERATED DEPARTMENT STORES, INC.
SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT - Continued

Column A	Column B	Column C	Column D	Column E	Column F
(thousands) Description	Balance at beginning of period	Additions at cost (Note A)	Retirements	Other changes - debit and/or credit - describe (Transfers)	Balance at close of period
52 Weeks Ended January 31, 1987:					
Land	$ 140,076	$ 1,256	$ 3,868	$ 2,317*	$ 135,147
Buildings, substantially all on owned land	1,039,637	69,717	43,350	5,543*	1,060,461
Buildings on leased land, improvements to leased properties and leaseholds	552,141	110,730	13,296	7,149*	642,426
Store fixtures and equipment	1,421,771	286,320	109,128	13	1,598,976
Property not used in operations	84,452	14,274	21,413	14,996	92,309
Capitalized leases	191,157	32,537	13,570	------	210,124
	$3,429,234	$514,834	$204,625	$ ------	$3,739,443

* Deductions.

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 2/3% to 33 1/3%

FEDERATED DEPARTMENT STORES, INC.
SCHEDULE VI - ACCUMULATED DEPRECIATION, DEPLETION AND
AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

Column A	Column B	Column C		Column D		Column E
		Additions		Deductions from reserves		
		(1)	(2)	(1)	(2)	
(thousands) Description	Balance at beginning of period	Charged to profit and loss or income	Charged to other accounts-describe (Note B)	Retirements	Other-describe (Transfers)	Balance at close of period
SUCCESSOR						
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
	$ -----	$116,036	$ -----	$ 5,762	$ -----	$110,274
		(Note A)				
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
	$1,405,901	$ 69,601	$ ------	$ 10,709	$------	$1,464,793
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	196,039	34,386	------	11,394	351*	220,700
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
	$1,287,814	$280,253	$ ------	$162,166	$------	$1,405,901

FEDERATED DEPARTMENT STORES, INC.
SCHEDULE VI - ACCUMULATED DEPRECIATION, DEPLETION AND
AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT - Continued

Column A	Column B	Column C		Column D		Column E
		Additions		Deductions from reserves		
		(1)	(2)	(1)	(2)	
(thousands) Description	Balance at beginning of period	Charged to profit and loss or income	Charged to other accounts-describe	Retirements	Other-describe	Balance at close of period
		(Note A)	(Note B)		(Transfers)	
52 Weeks Ended January 31, 1987:						
Buildings, substantially all on owned land......................	$ 326,691	$ 43,221	$ 245	$ 25,242	$ 810	$ 345,725
Buildings on leased land, improvements to leased properties and leaseholds......................	174,914	32,769	------	9,163	2,461*	196,059
Store fixtures and equipment.....	563,568	166,458	235	102,012	------	628,249
Property not used in operations..	4,238	3,418	6	222	1,651	9,091
Capitalized leases..............	110,199	9,247	------	10,756	------	108,690
	$1,179,610	$255,113	$ 486	$147,395	$------	$1,287,814

* Deductions.

NOTES:

(A) Before addition of amortization of goodwill, miscellaneous deferred income and other items of $116,000, $463,000, $464,000 included in depreciation and amortization expense in the 13 weeks ended April 30, 1988 and the years ended January 30, 1988 and January 31, 1987, respectively.

(B) Charged to loss reserve for division in liquidation.

FEDERATED DEPARTMENT STORES, INC.

SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS

Column A	Column B	Column C		Column D	Column E
		Additions			
(thousands) Description	Balance at beginning of period	(1) Charged to profit and loss or income	(2) Charged to other accounts - describe (Note A)	Deductions from reserves - describe (Note B)	Balance at close of period
Accounts receivable - allowance for doubtful accounts (applied as a reduction of assets):					
SUCCESSOR					
Nine Months Ended:					
January 28, 1989....................	$ ----	$18,858	$21,264	$19,362	$20,760
PREDECESSOR					
Thirteen Weeks Ended:					
April 30, 1988......................	$32,780	$ 9,934	$ -----	$ 9,801	$32,933
Years Ended:					
January 30, 1988....................	$32,647	$45,900	$ 1,053	$46,820	$32,780
January 31, 1987....................	$33,144	$50,558	$ 39	$51,094	$32,647

Notes:

(A) For the 39 weeks 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. For the year ended January 31, 1987, represents amounts charged to loss reserve for division in liquidation.

(B) Excess of uncollectible balances written off over recoveries on accounts previously written off.

FEDERATED DEPARTMENT STORES, INC.
SCHEDULE IX-SHORT-TERM BORROWINGS

Column A	Column B	Column C	Column D	Column E	Column F
(thousands, except interest rate data) Category of aggregate short-term borrowings	Balance at end of period	Weighted average interest rate	Maximum amount outstanding during the period	Average amount outstanding during the period (A)	Weighted average interest rate during the period (B)
SUCCESSOR					
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%
Year Ended January 31, 1987:					
Commerical paper.................	$ 220,111	6.02%	$ 589,245	$160,151	6.10%
Master trust notes...............	$ -------	----%	$ 25,000	$ 10,233	7.11%
Bank loans........................	$ -------	----%	$ 200,000	$ 15,385	6.63%
Composite.........................	$ -------	----%	$ 788,376	$185,769	6.20%

Notes:

(A) Average amount outstanding during the period is computed by dividing the total of daily outstanding principal balances by 364 for the 52 week fiscal years.

(B) Average interest rate for the year is computed by dividing the actual short-term interest expense by the average short-term debt outstanding.

FEDERATED DEPARTMENT STORES, INC.
SCHEDULE X - SUPPLEMENTARY INCOME STATEMENT INFORMATION

Column A	Column B			
	Charged to costs and expenses			
	Successor	Predecessor		
(thousands) Item	Nine Months Ended January 28, 1989	13 Weeks Ended April 30, 1988	52 Weeks Ended January 30, 1988	52 Weeks Ended January 31, 1987
Advertising costs................	$ 126,037	$ 81,478	$ 345,870	$ 321,268

Note:

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

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

FEDERATED DEPARTMENT STORES

EXHIBITS

EXHIBIT VOLUME INDEX

Exhibit Number	Description	Sequentially Numbered Page (for signed copy only)
10.14.1	Stock Purchase Agreement dated November 8, 1988, between Federated Holdings, Inc. and TCP Acquisition Corp.	p. 446
10.14.2	Amendment dated November 23, 1988, between Federated Holdings, Inc. and TCP Acquisition Corp. relating to Exhibit 10.14.1	p. 584
10.14.3	Amendment 2, dated February 24, 1989, between Federated Holdings, Inc. and TCP Acquisition Corp. relating to Exhibit 10.14.1	p. 596
10.15.6	Consent and Amendment dated April 6, 1989 relating to Exhibit 10.15.4	p. 603
10.15.7	Form of Amendment No. 4 relating to Exhibit 10.15.4	p. 613
10.16.6	Form of Amendment No. 4 relating to Exhibit 10.16.1	p. 619
10.16.7	Agreement dated November 29, 1988 between the Company and Allied relating to Exhibit 11.1.5.1	p. 629
11.1	Exhibit of Primary and Fully Diluted Earnings Per Share of Predecessor Company	p 632
22.1	Subsidiaries of the Company (revised)	p. 634
25.1	Powers of Attorney of a majority of the directors of the Company	p. 636

EXHIBITS FOLLOW