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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

RECD S.E.C.

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

MAY 3 - 1991

FOR THE FISCAL YEAR ENDED FEBRUARY 2, 1991

FEE 17

Commission File Number 1-163

FEDERATED DEPARTMENT STORES, INC. PROCESSED BY

7 West Seventh Street
Cincinnati, Ohio 45202
Telephone number: 513-579-7000

MAY 6 1991

DISCLOSURE
INCORPORATED

Incorporated in Delaware

I.R.S. No. 31-0513863

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The Company has no securities registered pursuant to Sections 12(b) or 12(g) of the Act, and none of the voting stock of the Company was held by nonaffiliates of the Company (1,000 shares of the Common Stock of the Company are outstanding as of the date hereof). The Company has filed all reports required to be filed by Section 13 or 15(d) of the Act during the preceding 12 months (or for such shorter period that the Company was required to file such reports) and has been subject to such filing requirements for such period.

Documents Incorporated by Reference:

Portions of the Company's Current Report on Form 8-K filed April 30, 1991, are incorporated into Part I.

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Exhibit index begins on page 98

PART I

Item 1. Business

Introduction. Federated Department Stores, Inc. (the "Company") operates department stores that sell a wide range of merchandise including women's, men's and children's apparel, cosmetics, home furnishings and other consumer goods through three general merchandise operating subsidiaries, Bloomingdale's, Burdine's and Rich's (which includes the Company's former Goldsmith's division), and two unincorporated divisions, Abraham & Straus and Lazarus. The Company is a Delaware corporation, incorporated in 1929, and has its principal office at 7 West Seventh Street, Cincinnati, Ohio.

The Company is an indirect subsidiary of Campeau Corporation, an Ontario corporation ("Campeau Corp."), as a result of Campeau Corp.'s acquisition of the Company in 1988. The Company is a direct wholly owned subsidiary of Federated Holdings, Inc. ("Holdings"). The common stock of Holdings is owned as follows: 50% by Allied Stores Corporation ("Allied"), 28.04% by Federated Holdings II, Inc. ("Holdings II"), 7.5% by each of Campeau Properties, Inc. ("Campeau Properties") and DeBartolo Properties, Inc. and 6.96% by the holders of the Company's 13.75% Series II Exchange Notes Due 1994. Each of Allied, Holdings II and Campeau Properties, Inc. is an indirect wholly owned subsidiary of Campeau Corp. DeBartolo Properties, Inc. is a subsidiary of The Edward J. DeBartolo Corporation ("EJDC"). See Note 2 to the Company's Consolidated Financial Statements.

As of February 2, 1991, the Company operated, in the aggregate, 127 stores in 16 states (excluding one store, the closing of which was announced on February 4, 1991). The Company's operations are diversified by size of store, merchandising character and character of community serviced. The stores are located at urban or suburban sites, principally densely populated areas in the northeast, mid-Atlantic, midwest and southeast regions of the United States, and are among the leading retailers in their respective geographic areas.

The following table sets forth certain information with respect to the Company's five operating divisions as of February 2, 1991, the end of its most recently completed fiscal year:

<u>Unit</u>	<u>Principal Geographic Location in U.S.</u>	<u>Number of Stores</u>	<u>Gross Square Footage (in thousands)</u>	<u>Net Sales for Year Ended February 2, 1991 (in millions)</u>
Abraham & Straus	Northeast	15	5,655	\$ 835.1
Bloomingdale's	East	16	4,280	\$1,165.9
Burdine's	Florida	29*	5,166*	\$ 799.6
Lazarus	Midwest	42	9,055	\$ 951.3
Rich's	Southeast	25	6,035	\$ 824.0

*Excludes one store, the closing of which was announced on February 4, 1991.

See Item 2 "Properties" for additional information concerning the Company's operating divisions.

While each of the Company's operating divisions is responsible for its day-to-day management and profitability, long-range strategies and objectives are developed together with central management. The Company provides centralized services to its operating divisions, including in such fields as tax, accounting, cash management and financing, insurance, statistical analysis and forecasting, personnel, legal, supply purchasing, plant maintenance and improvements, store planning and display and executive personnel functions. Additionally, the retailing operations of the Company are supported by (i) FAMS, which is operated as a division of the Company and provides merchandising research and information, private label development and buying services, and generally acts as merchandising consultant to the Company and Allied, (ii) Federated Credit Corp. ("Credit Corp."), which purchases revolving credit and installment accounts receivable balances from the operating divisions and obtains financing through borrowing under the terms of a receivables-based financing agreement, (iii) SABRE, which is operated as a division of the Company and provides electronic data processing services and advice and support regarding utilization of electronic systems to all divisions of the Company and Allied, and (iv) FACS, which is operated as a division of the Company and provides proprietary credit services to the operating divisions of the Company and Allied, such as statement mailing and processing, credit authorizations, new account development and processing, customer service and collections.

Chapter 11 Proceedings. On January 15, 1990 (the "Petition Date"), the Company and certain of its subsidiaries (the "Federated Debtors") and Allied and certain of its subsidiaries (the "Allied Debtors") commenced separate reorganization cases by filing voluntary

petitions for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Ohio, Western Division (the "Bankruptcy Court"). The separate chapter 11 cases of each of the Federated Debtors and the Allied Debtors have been consolidated for procedural purposes and are being jointly administered pursuant to an order of the Bankruptcy Court.

On March 30, 1990, Federated Stores, Inc. ("FSI") (formerly known as Campeau Corporation (U.S.) Inc.), a wholly owned subsidiary of Campeau Corp., which indirectly owns 85.54% of the outstanding common stock of the Company and is the parent company of Allied and Holdings II, filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Northern District of California. Certain subsidiaries of FSI, including Holdings, Holdings II and Federated Holdings, III, Inc. ("Holdings III," the sole shareholder of Holdings II and a direct wholly owned subsidiary of FSI) had previously filed similar petitions in such court on January 14, 1990. On July 2, 1990, the bankruptcy cases of FSI, Holdings, Holdings II and Holdings III (collectively with Campeau Properties, the "FSI Debtors") were transferred to the Bankruptcy Court. On November 15, 1990 Campeau Properties filed a voluntary petition for relief under chapter 11 in the Bankruptcy Court.

See Item 3 of this Report and Note 1 to the Company's Consolidated Financial Statements for additional information relating to the reorganization proceedings involving the Federated Debtors, the Allied Debtors and the FSI Debtors. See Note 10 to the Company's Consolidated Financial Statements for a description of certain credit facilities entered into by the Federated Debtors subsequent to the Petition Date.

Proposed Plan of Reorganization. On April 29, 1991, the Federated Debtors and the Allied Debtors filed a proposed joint plan of reorganization (the "Plan") with the Bankruptcy Court. The FSI Debtors also filed a proposed joint plan of reorganization (the "FSI Plan") with the Bankruptcy Court on that date.

The Plan provides for, among other things, the cancellation of certain indebtedness, including the Company's publicly traded debt securities ("Previously Issued Debt Securities"), in exchange for cash, new indebtedness and/or new equity interests, the cancellation of certain equity interests, the discharge of all prepetition claims against the Federated Debtors and the Allied Debtors, the settlement of certain contingent claims and mutual releases of certain contingent liabilities of the Federated Debtors and the Allied Debtors and other persons or entities (including certain affiliated persons or entities), the assumption or rejection of executory contracts and real estate leases to which any Federated Debtor or Allied Debtor is a party, the combination of the Company and Allied (the combined entity being hereinafter referred to as the "Surviving Corporation") and the election of a new board of directors of the Surviving Corporation. If the Plan were confirmed and consummated, substantially all of the common stock of the Surviving Corporation initially would be owned by prepetition creditors of the

Federated Debtors and the Allied Debtors, and the Surviving Corporation would no longer be affiliated with FSI.

While the Plan was filed following discussions with certain representatives of various creditor constituencies and represents the Federated Debtors' and Allied Debtors' good faith effort to resolve fairly the pending claims and interests, many of which are inconsistent, no creditor of the Federated Debtors or the Allied Debtors has agreed to or accepted the Plan or committed to do so. It is not uncommon for reorganization plans proposed by debtors in bankruptcy proceedings to be amended on one or more occasions in response to a variety of circumstances, including continuing negotiations among the debtors and their creditors. The Plan is therefore subject to amendment as a result of, among other things, continuing negotiations among the Federated Debtors and the Allied Debtors and various interested parties and proceedings in the Bankruptcy Court.

Even if the Plan as proposed were confirmed in its present form, it is presently anticipated that the Plan would not become effective until at least 1992. Moreover, the effectiveness of the Plan and the consummation of the transactions contemplated thereby are subject to various conditions, including (i) the confirmation of the Plan occurring no later than December 31, 1991, (ii) the confirmation and effectiveness of the FSI Plan, (iii) the resolution of certain federal income tax claims on terms satisfactory to the Federated Debtors and the Allied Debtors, (iv) the receipt from the Internal Revenue Service of a private letter ruling satisfactory to the Federated Debtors and the Allied Debtors concerning such matters as the Federated Debtors and the Allied Debtors deem appropriate, and (v) the amounts to be paid in respect of certain disputed claims being resolved in a manner satisfactory to the Federated Debtors and the Allied Debtors. Accordingly, there can be no assurance that the Plan, even as presently proposed, will become effective or as to the timing or ultimate terms thereof. In any event, the Plan will not become effective unless and until it is confirmed by the Bankruptcy Court following the solicitation by the Federated Debtors and the Allied Debtors of acceptances thereof by their respective creditors pursuant to a disclosure statement approved by the Bankruptcy Court and all other conditions to the Plan's effectiveness are satisfied or waived. Nothing contained herein should be construed as a solicitation of acceptances of the Plan or of any other plan of reorganization.

The Plan is summarized in the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 30, 1991 (the "4/30/91 Form 8-K"), which summary is incorporated herein by this reference. The 4/30/91 Form 8-K includes a summary of the proposed treatments in the Plan of the Company's Previously Issued Debt Securities. The 4/30/91 Form 8-K also includes as Exhibit 2.1 thereto a copy of the Plan as filed with the Bankruptcy Court, and a copy of the Plan as so filed is also filed herewith as Exhibit 2. The foregoing description is qualified in its entirety by reference to the full text of the Plan and the 4/30/91 Form 8-K. Copies of the Plan can be obtained by persons making their own arrangements through Queensgate Express (513/241-9228).

On April 29, 1991, the Bankruptcy Court entered an order which permits the Federated Debtors and the Allied Debtors to file their disclosure statement relating to the Plan on or prior to May 31, 1991. The period during which the Federated Debtors and the Allied Debtors have the exclusive right to propose and solicit acceptances of a plan of reorganization has been extended by order of the Bankruptcy Court to June 28, 1991. It is presently anticipated that a future extension of the June 28, 1991 date and the exclusivity period will be requested from the Bankruptcy Court, although there can be no assurance with respect thereto or as to the timing of any subsequent phases of the reorganization process.

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

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

Competition. The retailing industry, in general, and the department store business, in particular, are intensely competitive. Generally, the Company's stores are in competition not only with other department stores in the geographic areas in which they operate but also with numerous other types of retail outlets, including specialty stores, general merchandise stores and off-price and discount stores. Since the Petition Date, the Company's relationships with merchandise vendors, employees and others have normalized, and the Company's liquidity has improved substantially. (See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations.") However, the Company remains subject to the jurisdiction of the Bankruptcy Court. While this circumstance is not expected materially to affect the Company's competitive position, if the Company were unable to emerge from bankruptcy proceedings in a reasonable period of time, the Company's competitive position could be materially adversely affected.

Capital Expenditures. The Company's capital expenditures for fiscal 1990 were \$64.8 million, which were attributable to the remodeling and maintenance of existing stores and the opening of a new store. The Company opened one store in fiscal 1990 as compared to two new stores opened in fiscal 1989. (See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations.")

Employees. At March 1, 1991, the Company had approximately 54,200 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.

Item 2. Properties

The number of stores, and total gross square feet (in thousands) of store space, operated by the Company as of the end of each of the Company's last two fiscal years were as follows:

<u>Unit</u>	<u>February 2, 1991</u>		<u>February 3, 1990</u>	
	<u>Stores</u>	<u>Total Gross Square Feet</u>	<u>Stores</u>	<u>Total Gross Square Feet</u>
Abraham & Straus	15	5,655	15	5,651
Bloomingdale's	16	4,280	17	4,514
Burdine's	29*	5,166*	30	5,254
Lazarus	42	9,055	44	9,191
Rich's	25	6,035	26	6,216
	<u>127</u>	<u>30,191</u>	<u>132</u>	<u>30,826</u>

* Excludes one store, the closing of which was announced February 4, 1991.

At February 2, 1991, of the 127 department stores, 72 were entirely or mostly owned, and 55 were entirely or mostly leased. Additional information concerning the Company's properties is set forth in Note 8 to the Company's Consolidated Financial Statements.

On April 11, 1991, the Bankruptcy Court entered an order authorizing the Company and Allied to implement a long-term strategy (the "Florida Strategy") to restructure their Florida department store operations, including the potential sale of 20 store locations and the consolidation of merchandising and marketing operations for Maas (a subsidiary of Allied) and Burdine's. Pursuant to the Florida Strategy, a total of 18 Maas stores and two Burdine's stores will be offered for sale. The Company and Allied presently intend to continue to operate the affected stores pending the completion of their sale.

Item 3. Legal Proceedings

Chapter 11 Proceedings

General. Certain aspects of the Federated Debtors' chapter 11 proceedings are summarized below. For additional information regarding the effect of these proceedings on the Federated Debtors, see Note 1 to the Company's Consolidated Financial Statements.

Claims Matters. Pursuant to Section 362 of the Bankruptcy Code, the commencement of reorganization proceedings under chapter 11 of the

Bankruptcy Code results in the imposition of an automatic stay against the commencement or prosecution of certain proceedings against the debtor. On June 12, 1990, the Bankruptcy Court issued an order granting limited relief from the automatic stay provisions to enable claimants to litigate or settle prepetition claims against the Federated Debtors. These claimants, like most other prepetition creditors, were (with certain exceptions) required to file proofs of claims with the Bankruptcy Court. It is expected that these claims will be treated as provided in the respective plan of reorganization of the appropriate Federated Debtor, except that claimants may proceed to collect from insurers prior to confirmation of a plan of reorganization those portions of settlements or judgments that are insured.

Liberty Mutual was the primary liability insurance carrier for the Federated Debtors and the Allied Debtors. The Federated Debtors and the Allied Debtors have entered into an agreement with Liberty Mutual in settlement of a declaratory judgment action commenced by Liberty Mutual. Under the agreement, Liberty Mutual will advance defense costs to the Federated Debtors and the Allied Debtors on an ongoing basis with respect to claims against them that are insured by Liberty Mutual. With respect to the first \$1.2 million in defense costs advanced by it in respect of such claims, Liberty Mutual will seek recovery thereof only as unsecured claims; 50% of the excess over \$1.2 million will be treated as administrative claims under the Bankruptcy Code and 50% as unsecured claims.

Approximately 48,000 proofs of claims were filed against the Federated Debtors on or prior to the August 1, 1990 general bar date established by the Bankruptcy Court. The Bankruptcy Court, however, has entered orders allowing certain proofs of claims to be filed after this general bar date. Although the Federated Debtors are in the process of reconciling and resolving proofs of claims that differ in amount from the Federated Debtors' records, including through negotiations with claimants and the filing of objections with the Bankruptcy Court, a large number of these claims remain unreconciled and unresolved. Many of these claims against the Federated Debtors are believed to be duplicative, erroneously filed or otherwise not allowable. After completion of reconciliations, any remaining differences may be resolved through negotiations or by the Bankruptcy Court as part of the chapter 11 proceedings or otherwise. A number of such claims are material and the total amounts claimed are materially in excess of the amounts of allowed claims assumed in the development of the Plan. (See Item 1 "Business -- Proposed Plan of Reorganization.") Accordingly, if the Federated Debtors and the Allied Debtors were unable satisfactorily to resolve such claims through negotiation or otherwise as part of chapter 11 proceedings, their ability to develop a consensual plan of reorganization (and/or the timing or ultimate terms thereof) would be materially adversely affected. For additional discussion of certain claims see "Tax Claims" and "Other Legal Proceedings" below.

Allied Bondholders Committee. The Official Committee of Bondholders of Allied Stores Corporation (the "Allied Bondholders Committee") has on several occasions expressed its intention to initiate litigation on behalf and in the name of Allied for the purpose of

asserting certain fraudulent conveyance and other claims involving certain prepetition transactions entered into by Allied. The Allied Bondholders Committee has indicated that, if and when it actually commences such litigation, the Company is likely to be named as a defendant therein. The Allied Bondholders Committee has been subject to orders of the Bankruptcy Court prohibiting, for their duration, the commencement of litigation, and has agreed not to attempt to commence litigation until at least May 30, 1991.

On March 12, 1991, the Allied Bondholders Committee filed a motion with the Bankruptcy Court for an order pursuant to sections 1104(b)(2) and 1104(c) of the Bankruptcy Code directing the United States Trustee to appoint an examiner in the chapter 11 case of Allied and authorizing such examiner to investigate and report on the claims asserted by the Allied Bondholders Committee. On April 2, 1991, the United States Trustee for Region IX, Ohio and Michigan, asked that, if an examiner as requested by the Allied Bondholders Committee were appointed and approved by the Bankruptcy Court, such examiner be required to investigate and report on certain additional claims and financial matters. The Bankruptcy Court is expected to hear the motion for an examiner on May 23, 1991, unless it is withdrawn. The Allied Bondholders Committee has not agreed at this time to withdraw the motion. However, the Allied Bondholders Committee and Allied have agreed that (i) the Allied Bondholders Committee would be supportive of a plan of reorganization that would provide for the aggregate distribution to the Allied Bondholders that, based upon the assumptions underlying the Plan, would be available under the Plan and (ii) if no plan of reorganization has been confirmed on or before May 31, 1992, and if no examiner has been appointed whose responsibilities include an investigation or evaluation of the Allied Bondholders Committee's claims, then Allied will not oppose any request on or after May 31, 1992 by the Allied Bondholders Committee to commence litigation over these claims.

Allied Preferred Stock Motion. On March 28, 1991, Allied filed a motion with the Bankruptcy Court seeking authority to amend the terms of Allied's \$3.3125 Redeemable Cumulative Exchangeable Preferred Stock, Series A (the "Preferred Stock"), to eliminate all prospective voting rights associated with the Preferred Stock during the pendency of Allied's chapter 11 proceedings and until such time as a plan of reorganization for Allied becomes effective (in which event the Preferred Stock would have only such rights as may be set forth in such plan). Although the holders of Preferred Stock presently have no voting rights, the existing terms of the Preferred Stock provide that such holders shall have the right, voting separately as a class, to elect two additional directors to Allied's board of directors upon any failure by Allied to pay dividends on the Preferred Stock for six consecutive quarters (a condition which would be satisfied on June 15, 1991). The vesting of such voting rights could raise complex issues under the federal income tax laws and, although these issues are subject to a number of uncertainties, the Internal Revenue Service (the "IRS") could take the position that the Allied Debtors would cease to be consolidated with the Federated Debtors and the FSI Debtors for federal income tax purposes as a consequence of such vesting. If the IRS prevailed in that position, the Federated Debtors, the Allied Debtors and the FSI Debtors could incur

additional income tax liability in an aggregate amount of up to \$234.0 million. A hearing on Allied's motion has been scheduled for May 7, 1991.

Tax Claims. Among other claims, the IRS has filed proofs of claims against the Federated Debtors, the Allied Debtors and the FSI Debtors for an aggregate of \$613.2 million in additional taxes, exclusive of interest, based on chapter 11-related audits of tax years 1984 through 1989. The aggregate \$613.2 million being sought by the IRS represents pre-acquisition claims of \$169.1 million and \$118.7 million against the Federated Debtors and the Allied Debtors, respectively, in addition to claims of \$325.4 million against the FSI Debtors. The claims against the FSI Debtors are inclusive of claims against Federated Debtors and the Allied Debtors for the post-acquisition periods, since federal tax law stipulates that members of a controlled group (such as the group of companies comprising the Federated Debtors, the Allied Debtors and the FSI Debtors) share tax liabilities for the whole. The IRS' claims involve a number of tax issues, including the deductibility of certain expenses incurred in connection with the acquisitions of the Company and Allied by Campeau Corp. and the deferral of taxes on the gain from the sale of certain assets subsequent to those acquisitions. In addition to the \$613.2 million in taxes being sought, the IRS has also filed claims for interest of \$125.4 million. The Company, Allied and FSI are engaged in negotiations with the IRS in respect of its claims, and are not able at this time to predict the ultimate outcome of such negotiations. It is the Company's intention to address all claims, including the IRS' claims, as part of the development of a consensual plan of reorganization, although there can be no assurance with respect to the results of that process.

In addition, various state and local tax authorities have filed proofs of claims against the Federated Debtors and the Allied Debtors for an aggregate of approximately \$150.0 million (after adjustment to date for duplicative, amended and withdrawn claims and for claims that have been disallowed by the Bankruptcy Court), inclusive in some cases of penalties and interest. The claims, which include claims for state and local income, franchise, sales, real estate and personal property taxes, involve a number of issues relating to prepetition periods and, in some cases, are being accompanied by postpetition tax audits. Some of the corporate income or franchise tax claims relate to matters similar to those underlying certain of the IRS claims discussed above. In some cases the claims are asserted jointly and severally against the Federated Debtors, the Allied Debtors and/or the FSI Debtors. Although some of the claims are not disputed, the Federated Debtors, the Allied Debtors and the FSI Debtors are involved in settlement negotiations with various tax authorities and anticipate settlements of some of the disputed claims. The Federated Debtors, the Allied Debtors and the FSI Debtors have objected to some of these claims and intend to pursue their objections vigorously. It is not possible at this time to predict the outcome of such negotiations and objections.

Other Legal Proceedings. On December 21, 1990, the Bankruptcy Court entered an order approving an agreement between the Federated Debtors, the Allied Debtors and B. Bros. Realty Limited Partnership ("B. Bros.") to resolve certain aspects of their disputes arising out of

the leases for the Bloomingdale's store located at 59th Street in New York and an associated warehouse, which B. Bros. had sought to terminate on the basis of alleged violations thereof, and to establish certain procedures concerning any future litigation involving the remainder of their disputes. Pursuant to the order, Federated Debtors, the Allied Debtors and B. Bros. have agreed, among other things, to the voluntary dismissal of their disputes before the District Court and that any and all legal proceedings concerning the leases, whether based upon bankruptcy laws or otherwise, will during the pendency of the Company's and Allied's chapter 11 proceedings be initiated by B. Bros. only before the Bankruptcy Court.

On April 20, 1989, Campeau Corp. and the Company commenced an action in the United States District Court for the Southern District of New York entitled Campeau Corporation and Federated Department Stores, Inc. v. The May Department Stores Company, No. 89 Civ. 2690 (CSH). The complaint seeks declaratory relief concerning the interpretation of an agreement pursuant to which Campeau Corp. and the Company sold the Filene's and Foley's divisions of the Company to The May Department Stores Company ("May"). The court issued an order staying the action in favor of arbitration. The agreement provides for certain adjustments to the purchase price previously paid by May, and the parties each dispute whether several adjustments proposed by the other are permitted by the agreement. The Company, Campeau Corp. and May are in the process of seeking to make arrangements to arbitrate the dispute. May has asserted in the arbitration proceeding claims of approximately \$27.0 million, and the Company has not yet asserted its claims but presently intends to assert claims in excess of \$20.0 million. The Company currently is unable to predict the outcome of the arbitration and, accordingly, no estimate of the Company's potential recovery or exposure can be made.

On July 30-31, 1990, JMB Realty Corporation ("JMB") and certain of its affiliates (together with JMB, the "JMB Claimants") filed 523 proofs of claim against the Federated Debtors and the Allied Debtors. Of these claims, 335 ("the Basic Agreement Claims") are based, in whole or in part, on an agreement ("the Basic Agreement"), dated March 31, 1983, among the Company, Federated Stores Realty, Inc., JMB and two affiliates of JMB: Center Partners, Ltd. ("Center Partners") and JMB/Federated Realty Associates, Ltd. The Basic Agreement provided for the purchase by JMB/Federated Realty Associates, Ltd. of the Company's interest in five existing retail development opportunities and established the parties' rights and obligations with respect to future real estate developments. Each of the Basic Agreement Claims filed against the Federated Debtors and the Allied Debtors seeks damages in excess of \$588.0 million for alleged breaches of the Basic Agreement and related tort claims. On April 30, 1991, the JMB Claimants agreed to settle all 523 proofs of claims on the following terms, among others: (i) Center Partners would be allowed a general unsecured claim against Rich's, Inc., Burdine's, Inc. and Bloomingdale's, Inc., in an amount fixed at \$19.0 million, with joint and several liability among these three entities and with the claim guaranteed by the Company, (ii) Center Partners would be allowed a general unsecured claim against the Company in an amount fixed at \$9.0 million, (iii) on the earlier of December 31, 1994 or the effective date

of a confirmed plan of reorganization, the Company would (a) convey to Center Partners or its designee a certain parcel of land in Memphis, Tennessee, (b) convey to JMB and Center Partners or their designees its interests in certain JMB-related limited partnerships, and (c) assume executory contracts and unexpired leases relating to 18 specified shopping centers, subject to a number of conditions, (iv) provided that any plan or plans of reorganization filed by the Debtors would provide to the JMB Claimants at least 90% of the value that they would receive for their allowed claims under the Plan, based upon the assumptions underlying the Plan, the JMB Claimants would remain free to refrain from voting to accept any such plan or plans, but would not vote to reject it or them, and (v) mutual releases would be exchanged between the JMB Claimants, on the one hand, and the Federated Debtors and the Allied Debtors, on the other hand, all of the JMB Claimants' proofs of claims against the Federated Debtors and the Allied Debtors would be dismissed with prejudice except as set forth above, and the Basic Agreement and all obligations thereunder would be terminated. The settlement agreement will be effective only if it receives final court approval.

As a debtor-in-possession under chapter 11 of the Bankruptcy Code, the Company is subject to Bankruptcy Court jurisdiction and is continually subject to various proceedings under the Bankruptcy Code. It is not practicable for the Company to describe or refer to all such proceedings or to predict the impact thereof on the Company or its efforts to develop a consensual plan of reorganization.

Other Proceedings

The Company and its subsidiaries are also involved in various proceedings incidental to the normal course of their business. Management does not expect that any of such proceedings will have a material adverse effect on the Company's financial position or its ability to formulate a consensual plan of reorganization.

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

None.

PART II

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

There is no established trading market for the Company's common stock, which is entirely owned by Holdings. See Item 1 "Business -- Introduction" and Item 12 "Security Ownership of Certain Beneficial Owners and Management." The Company has not paid any dividends on its common stock during its two most recent fiscal years, and no dividends will be paid on the Company's common stock during the period in which the Company is subject to chapter 11 of the Bankruptcy Code. Payment of such dividends is also prohibited by the terms of certain of the Company's indebtedness.

Item 6. Selected Financial Data

	Successor			Predecessor		
	Nine			13 Weeks Ended April 30, 1988	52 Weeks Ended January 30, 1988	52 Weeks Ended January 31, 1987
	52 Weeks Ended February 2, 1991	53 Weeks Ended February 3, 1990	Months Ended January 28, 1989			
<u>(dollars in millions, except per share figures)</u>						
Consolidated Statement of Operations Data:						
Net sales.....	\$4,575.9	\$4,867.2	\$3,571.7	\$2,449.1	\$11,117.8	\$10,512.4
Depreciation and amortization.....	185.3	221.7	162.6	69.7	280.7	255.6
Interest expense - net.....	355.2	516.1	386.4	30.1	104.6	79.8
Income (Loss) before income taxes and extraordinary item.....	(325.1)	(1,635.9)	(158.1)	(279.4)	530.0	567.0
Income (Loss) before extraordinary item....	(208.6)	(1,503.9)	(156.3)	(165.6)	313.0	301.9
Net income (loss).....	(208.6)	(1,503.9)	(156.3)	(165.6)	313.0	287.6
Earnings (Loss) per Share of Common Stock:						
Income (Loss) before extraordinary item....	(208,596)	(1,503,872)	(156,318)	(1.86)	3.40	3.12
Net income (loss).....	(208,596)	(1,503,872)	(156,318)	(1.86)	3.40	2.97
Fully Diluted Earnings (Loss) per Share:						
Income (Loss) before extraordinary item....	(208,596)	(1,503,872)	(156,318)	(1.86)	3.32	3.05
Net income (loss).....	(208,596)	(1,503,872)	(156,318)	(1.86)	3.32	2.91
Other Data:						
Sales increase (decrease).....	(6.0)%	7.2%*	0.9%*	(0.6)%**	5.8%	5.4%
Comparable stores sales increase (decrease). .	(6.4)%	4.4%	(0.3)%	(1.8)%	2.3%	2.4%
Cash dividends per share of common stock....	\$ -	\$ -	\$ -	\$ -	\$ 1.48	\$ 1.34
Balance Sheet Data at year end:						
Working capital.....	1,140.3	1,680.2	(288.9)	1,093.1	1,447.1	1,495.6
Total assets.....	6,125.7	6,572.2	7,912.8	6,098.9	6,008.7	5,687.7
Short-term borrowings and long-term debt due within one year.....	130.0	136.2	1,554.8	611.1	399.6	240.1
Liabilities subject to settlement under reorganization proceedings.....	4,012.4	3,921.8	-	-	-	-
Long-term debt.....	704.0	1,204.0	3,020.9	940.7	956.5	791.9
Shareholders' equity (deficit).....	(515.6)	(307.0)	1,129.9	2,474.0	2,629.1	2,662.6

* Retained divisions and subsidiaries only.

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

Note: All per share data for the Predecessor reflect the two-for-one common stock split on April 13, 1987.

For information regarding the general lack of comparability between the periods shown for the Predecessor with those shown for the Successor, see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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

Results of Operations

Operations of the Company were negatively impacted immediately preceding and subsequent to the Company's filing for reorganization under chapter 11 due to the distractions caused by the uncertainties regarding the Company's financial condition. Management believes that the chapter 11 process has had, and in the short-term will continue to have, a stabilizing influence on operations by enabling the Company better to concentrate on selling merchandise and serving customers. At the same time, under chapter 11 protection, corporate management has been provided additional time within which to address aggressively the problems that exist at the corporate level as a result of the Company's highly leveraged capital structure. However, management continues to believe that a prolonged chapter 11 process could cause significant employee, vendor and customer uncertainty with a resulting negative impact on operations. In addition, the Company's results have been and will continue to be adversely affected by reorganization items, and could be affected by potential legal actions and other factors resulting from chapter 11. The ultimate impact of these items on the Company's business, results of operations and financial condition cannot presently be determined.

On April 29, 1991, the Company, Allied and certain affiliates filed a proposed joint plan of reorganization with the Bankruptcy Court (see Item 1 "Business -- Proposed Plan of Reorganization"). The discussion that follows does not purport to anticipate the consequences of the Plan on the Company's financial condition or results of operations in light of, among other factors, the fact that there necessarily can be no assurance as to the final terms or timing thereof.

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. Subsequent to April 30, 1988, the operating results of the Company consist of the operating results of Abraham & Straus and Lazarus divisions and the Bloomingdale's, Burdine's and Rich's (including Goldsmith's) subsidiaries. All other operating divisions or subsidiaries, which were included in results prior to April 30, 1988, have been sold or, in the case of Ralphs Grocery Company ("Ralphs"), transferred to an affiliate of the Company. Unless indicated to the contrary for purposes of this discussion, all references to "1990", "1989" and "1988" shall mean the Company's fiscal years ended February 2, 1991, February 3, 1990 and January 28, 1989, respectively.

Comparison of the 52 Weeks Ended February 2, 1991 and the 53 Weeks Ended February 3, 1990. Net sales in 1990 were \$4,575.9 million compared to \$4,867.2 million for 1989, a decrease of 6.0%. On a comparable 52-week year basis, sales decreased 4.7% from 1989.

Management believes that the decrease is due primarily to the sluggish economy, the transition to a new merchandising strategy and distractions caused by uncertainties regarding the Company's financial position.

Cost of sales, including occupancy and buying costs, was 73.9% as a percent of net sales for 1990, compared to 73.0% for 1989. The increase is due primarily to increased occupancy costs.

Selling, publicity, delivery and administrative expenses were 24.2% as a percent of net sales for 1990, compared to 23.9% for 1989. The increase is primarily the result of a decline in net sales and increased medical costs from the prior year. In contrast, 1990 reflects the reduction in amortization of goodwill by \$31.6 million from the prior year.

Net interest expense was \$355.2 million for 1990, compared to \$516.1 million for 1989. As a result of the chapter 11 filing, the Company did not accrue \$200.0 million of interest on unsecured prepetition debt obligations in 1990.

Reorganization items represent expenses incurred by the Company resulting from the bankruptcy and are specific to the reorganization process. These expenses are presented separately due to their significant non-operating nature. See Note 5 to the Consolidated Financial Statements.

The effective income tax rate of 35.8% for 1990 differs from the federal income tax statutory rate of 34.0% principally because of the effect of carrying back net operating losses to years with higher federal income tax rates, state and local income taxes and permanent differences arising from the amortization of goodwill and certain reorganization items. See Note 13 to the Consolidated Financial Statements.

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

Cost of sales, including occupancy and buying costs, was 73.0% as a percent to sales for 1989, compared to 71.6% for the prior year on a comparable division and subsidiary basis. The increase is primarily the result of competitive pricing strategies and an increase in promotional efforts in 1989 driven by the need to clear excessive merchandise. On an

historical basis, cost of sales, including occupancy and buying costs, was 72.8% for 1988.

Selling, publicity, delivery and administrative expenses were 23.9% as a percent to sales for 1989, compared to 22.6% for the prior year, including finance charge revenues, on a comparable division and subsidiary basis. The increase is due, in part, to enhanced selling services which do not generate enough incremental sales immediately to cover the added expense. On an historical basis, selling, publicity, delivery and administrative expenses were 22.3% as a percent to sales for 1988, excluding finance charge revenues for the period prior to May 3, 1988.

Net interest expense was \$516.1 million for 1989, compared to \$416.4 million for the prior year. This increase is due primarily to higher levels of borrowing and higher average interest rates for 1989 over 1988 related to the merger in May 1988.

Reorganization items represent expenses incurred by the Company resulting from the bankruptcy and specific to the reorganization process. The amounts reported for 1989, which have been presented separately because of their significant non-operating nature, include a non-recurring charge of \$119.2 million to write-off financing costs related to debt incurred as part of the Company's May 1988 acquisition, \$1.7 million for professional fees and expenses and \$.4 million in interest income earned on excess cash attributable to the chapter 11 deferral of liabilities as of the Petition Date.

Income taxes were a \$132.0 million benefit for 1989, compared to a \$115.6 million benefit for the prior year. See Note 13 to the Consolidated Financial Statements for a discussion regarding effective tax rates.

Liquidity and Capital Resources

The Company's cash position remained strong during 1990 primarily due to the deferral of current interest payments with respect to all prepetition secured and unsecured debt (except for the bank receivables facility, the note monetization facilities and interest paid on certain prepetition debt in connection with the debtor-in-possession ("DIP") financing facility described below) and federal income tax refunds.

On February 9, 1990, the Bankruptcy Court approved a \$400.0 million DIP working capital financing facility. This facility provided for interest to be paid quarterly on the prepetition working capital, asset and mortgage bridge facilities to the extent of 50% of consolidated excess cash flow (as defined in the financing documents) for each of the first three fiscal quarters of 1990 and 100% of such consolidated excess cash flow for the entire year at the end of 1990. Under this requirement \$67.8 million was paid on June 19, 1990, \$43.4 million was paid on September 18, 1990, \$43.7 million was paid on December 18, 1990 and \$43.0 million is to be paid on May 3, 1991. This facility expired on

February 4, 1991. There were no letters of credit or cash borrowings outstanding under it. On February 9, 1990, the Bankruptcy Court approved the purchase agreement relating to the Receivables Credit Agreement for Credit Corp., which allowed Credit Corp. to borrow up to \$1,000.0 million against its outstanding receivables (subject to meeting a borrowing base test). This facility also expired on February 4, 1991. For additional information regarding this facility, see Note 10 to the Company's Consolidated Financial Statements.

On November 13, 1990, Credit Corp. entered into a Receivables-Backed Credit Agreement with Pine Hill Funding Corporation and General Electric Credit Corporation, as agent (the "New Receivables Facility"), pursuant to which Credit Corp. may borrow up to \$1,000.0 million against its outstanding receivables (subject to meeting a borrowing base test). The New Receivables Facility was funded on February 4, 1991 to pay off the \$130.0 million balance under Credit Corp.'s previous receivable facility upon its expiration and to finance additional receivables subsequent to that date. For additional information regarding the New Receivables Facility, see Note 10 to the Company's Consolidated Financial Statements.

On December 21, 1990, the Bankruptcy Court approved a new letter of credit facility pursuant to which IBJ Schroder Bank & Trust Company will issue at the request of the Company letters of credit in an aggregate amount of \$100.0 million, subject to increase to \$150.0 million under certain circumstances. For additional information regarding this letter of credit facility, see Note 10 to the Consolidated Financial Statements.

In 1991, the Company plans to remodel thirteen existing stores in mature market areas. During the reorganization process, capital expenditure plans outside the ordinary course of business will be subject to Bankruptcy Court approval.

The Company believes the receivables facility (discussed above), cash on hand and funds from operations will be adequate to cover its working capital and capital expenditure needs for 1991. However, the Company's projections as to its ability to generate sufficient cash to make payments under bankruptcy are based upon assumptions that may not be realized. Until a plan of reorganization is approved by the creditors and confirmed by the Bankruptcy Court, the long-term liquidity and the adequacy of the Company's capital resources cannot be determined. As noted above, the Company, Allied and certain affiliates filed a proposed joint plan of reorganization with the Bankruptcy Court on April 29, 1991. There can be no assurance that this plan, or any amendment to this plan, will be accepted by the creditors, or if accepted, confirmed and become effective or as to the timing or terms thereof.

Item 8. Consolidated Financial Statements and Supplementary Data

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

<u>Index</u>	<u>Page Number</u>
Independent Auditors' Report (The Successor and The Predecessor).....	F-1
Consolidated Statements of Operations - 52 Weeks Ended February 2, 1991, 53 Weeks Ended February 3, 1990, Nine Months Ended January 28, 1989 and 13 Weeks Ended April 30, 1988.....	F-3
Consolidated Balance Sheets - February 2, 1991 and February 3, 1990.....	F-4
Consolidated Statements of Cash Flows - 52 Weeks Ended February 2, 1991, 53 Weeks Ended February 3, 1990 and Nine Months Ended January 28, 1989.....	F-5
Consolidated Statement of Changes in Financial Position - 13 Weeks Ended April 30, 1989.....	F-7
Notes to Consolidated Financial Statements.....	F-8

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

None.

Part III

Item 10. Directors and Executive Officers of the Registrant

Directors. The names, ages as of May 1, 1991 and certain other information concerning the Company's current directors are as follows:

<u>Name of Director</u>	<u>Principal Occupation, Five-Year Employment History and Other Information</u>	<u>Director Since</u>
Allen I. Questrom	Chairman of the board and chief executive officer of the Company and Allied since February 1990; president and chief executive officer of the Neiman Marcus division of The Neiman Marcus Group, Inc. from September 1988 to February 1990; vice chairman of the board of the Company from January 1988 to July 1988; executive vice president of the Company from March 1987 to January 1988; prior thereto chairman of the Bullock's division of the Company since 1984; and director of Allied and FSI. Age 51.	1990
Ronald W. Tysoc	Vice chairman and chief financial officer of the Company and Allied since April 1990; president and treasurer of FSI since November 1987 and chief financial officer since April 1990; president of Campeau Corp. from April 1989 to January 1990; executive vice president, corporate development of Campeau Corp. from June 1988 to April 1989; vice president, treasurer, principal financial officer and assistant secretary of Allied from November 1986 to June 1988; senior vice president, corporate development of Campeau Corp. from April 1986 to January 1987; senior director, finance of Campeau Corp. from June 1985 to April 1986; and director of FSI, Allied and Ralphs. Age 38.	1988

James M. Zimmerman President and chief operating officer 1988
 of the Company and Allied since May
 1988; prior thereto chairman of the
 Rich's division (now a subsidiary)
 since January 1984; and director of
 Allied. Age 47.

Executive Officers. The names, ages as of May 1, 1991 and titles of the current executive officers of the Company are as follows (all executive officers, other than Messrs. Rose and Traub, hold substantially similar positions with Allied):

<u>Name</u>	<u>Office</u>	<u>Age</u>	<u>Years with Federated</u>
Allen I. Questrom	Chairman of the board and chief executive officer	51	1
James M. Zimmerman	President and chief operating officer	47	25
Ronald W. Tysoe	Vice chairman and chief financial officer	38	3
Marvin S. Traub	Vice chairman of the board	65	41
Thomas G. Cody	Executive vice president	49	8
Dennis J. Broderick	Senior vice president and general counsel	42	4
John E. Brown	Senior vice president	51	28
Glen H. Griffith	Senior vice president	56	16
Karen M. Hoguet	Senior vice president	34	9
Rudolph V. Javosky	Senior vice president	54	2
Mark R. Kennedy	Senior vice president and treasurer	34	4
Boris Auerbach	Vice president and secretary	59	29
John A. Muskovich	Vice president and controller	44	15
Gary Nay	Vice president	47	2

<u>Name</u>	<u>Office</u>	<u>Age</u>	<u>Years with Federated</u>
H. Stewart Rose	Vice president	57	33
Warren Rothman	Vice president	45	8
Carol Sanger	Vice president	43	7
Robert C. Seppelt	Vice president	37	4
John A. Sims	Vice president	41	11
Joseph K. Vella	Vice president	51	8

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

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

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

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

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

Mr. Griffith was elected senior vice president of the Company and of Allied in September 1988, having served as chairman of SABRE (the electronic data processing division of the Company) since December 1985.

Mrs. Hoguet was elected senior vice president of the Company and Allied in April 1991 after serving as vice president of the Company and Allied since December 1988. Prior to her election as vice president, Mrs. Hoguet served as operating vice president-financial planning and in other planning capacities for the Company since 1984.

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

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

Mr. Auerbach was elected vice president and secretary of Allied in September 1988 and of FSI in June 1989, a position he has also held with the Company for more than five years.

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

Mr. Nay was elected vice president of the Company and of Allied in May 1990 after serving as operating vice president - real estate since September 1988. Prior thereto he was director of development for Conroy Co., a shopping center developer and prior thereto he was with Mervyn's as a divisional vice president.

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

Mr. Rothman was elected vice president of the Company and of Allied in December 1988. Prior thereto, he served in various human resource capacities with the Company.

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

Mr. Seppelt was elected vice president of the Company and Allied in March 1989. Prior thereto, he served in various capacities in the Company's tax department from July 1986, and as a certified public accountant with Arthur Andersen & Co.

Mr. Sims was elected vice president of the Company and Allied in January 1990. Prior thereto, he served in various capacities in the Company's legal department since joining the Company in 1980.

Mr. Vella was elected vice president of the Company and Allied in December 1988. For at least 5 years prior thereto, he was an operating vice president-employee relations for the Company.

Item 11. Executive Compensation

Cash Compensation

The following table sets forth the cash compensation, including cash bonuses, for the fiscal year ended February 2, 1991 of the five most highly compensated executive officers of the Company and of all executive officers of the Company as a group:

<u>Name of Individual or Group</u>	<u>Capacities in which Served During the Period</u>	<u>Cash Compensation</u>	
		<u>Salary and Other Except Performance Bonus (1)(2)</u>	<u>Performance Bonus (3)</u>
Allen I. Questrom	Chairman of the board and chief executive officer	\$997,500 (4)	\$-0- (4)
James M. Zimmerman	President and chief operating officer	529,050	100,000
Ronald W. Tysoc	Vice chairman and chief financial officer	341,250	-0-
Thomas G. Cody	Executive vice president	250,000	75,000
Marvin S. Traub	Vice chairman of the board of the Company and chief executive officer of Bloomingdale's	725,000	217,500
Executive Officers as a Group (20 persons)		\$4,682,074	\$674,179

(1) Includes amounts deferred under the Thrift Incentive portion of the Company's Retirement Income and Thrift Incentive Program. Personal benefits, if any, received by the individuals named in the table and for the executive officers as a group are valued below the levels which require disclosure under the rules of the Securities and Exchange Commission.

- (2) Each of the officers named (other than Mr. Traub) and 18 of the 20 officers included in the Group also served as officers in substantially the same capacities with Allied. The compensation shown above does not include amounts paid by the Company but allocated to Allied in connection with such service as officers of Allied and for which Allied has reimbursed the Company. This allocation is based on services rendered to Allied in accordance with an agreement, dated November 29, 1988, between the Company and Allied. The amounts so allocated to Allied for which the Company has been reimbursed are as follows: Mr. Questrom \$997,500; Mr. Zimmerman \$529,050; Mr. Tysoe \$341,250; Mr. Cody \$250,000; Mr. Traub \$-0-; and all executive officers as a group \$3,285,007. The amounts shown above for Mr. Tysoe and certain of the officers included in the Group do not include amounts allocated to FSI in connection with services provided for FSI. See "Key Employee Performance/Retention Program -- Employment Agreements -- Generally."
- (3) For a discussion of the Performance Bonus Plan see "Key Employee Performance/Retention Program -- Performance Bonus Plan."
- (4) Mr. Questrom is compensated in accordance with the provisions of an employment agreement with the Company which was approved by the Bankruptcy Court, including cash payments made in addition to regular compensation. See "Key Employee Performance/Retention Program -- Agreement with Mr. Questrom" for a discussion of this agreement, including non-refundable payments due thereunder.

Key Employee Performance/Retention Program

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

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

consummation of any plan of reorganization of the Company or Allied in their chapter 11 proceedings.

Each of the employment agreements entered into pursuant to the Program provides for payment of base salary equal to at least the amount specified in the agreement for a specified term of up to three years. The agreements with Messrs. Zimmerman, Tysoe, Cody and Traub specify the following respective annual base salary rates (before allocation of any amounts to Allied) and expiration dates: \$1,000,000, April 30, 1994; \$650,000, April 19, 1993; \$500,000, May 15, 1993; and \$725,000, May 31, 1991, respectively. Mr. Tysoe also has an agreement with FSI pursuant to which he is to receive compensation at an annual rate of \$350,000 for service as president and chief financial officer of FSI until six months after confirmation of a plan of reorganization.

Arrangement with Mr. Questrom. Upon receipt of Bankruptcy Court approval, the Company and Allied entered into an agreement with Mr. Questrom to serve as chairman of the board and chief executive officer of the Company and Allied for a term beginning February 2, 1990 and expiring on January 28, 1995 (the "Initial Term") (with successive optional 1-year renewals thereafter). The agreement provides for annual base compensation of \$1.2 million. The agreement also provides that Mr. Questrom will be entitled to receive a value-added payment upon completion of the Initial Term based on the percentage of appreciation in the aggregate market value of the common stock of the Company and Allied during the Initial Term (adjusted to account for debt restructuring as a result of a plan or plans of reorganization). The value-added payment will equal the amount determined by the following formula: 0.75% of the first \$500.0 million of equity appreciation; 1.5% of all equity appreciation between \$500.0 and \$1,000.0 million; and 2.0% of any equity appreciation in excess of \$1,000.0 million (less amounts previously paid as described below). An initial, non-refundable value-added payment of \$2.0 million was made upon commencement of the Initial Term and subsequent non-refundable value-added payments of \$800,000 will be made on each subsequent January 31 during the Initial Term. The first payment was made on January 31, 1991.

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

Master Severance Plan. The new employment agreements (other than the agreement with Mr. Questrom) also provide that an executive whose services are terminated (other than for "cause," as defined therein) may elect to receive benefits under the Company's Master Severance Plan in lieu of salary continuation pursuant to his employment agreement. The Master Severance Plan, which was adopted as part of the

Program to provide enhanced severance protection for approximately 2,300 key employees of the Company and Allied, would provide for a lump sum payment equal to one year's base salary to an executive under those circumstances.

Performance Bonus Plan. Pursuant to the Program, the Company also adopted a Performance Bonus Plan (the "Bonus Plan"), in which each of the executive officers participates (other than Mr. Questrom). The purpose of the Bonus Plan is to reward certain key employees who remain with the Company during a period of two Bonus Plan years if certain corporate objectives are met. Approximately 300 employees of the Company and Allied are eligible to participate in the Bonus Plan, which provides for payment of a specified percentage of each participant's base salary (30.0% in the case of store principals and 20.0% in all other cases) as a bonus if he continued in the employ of the Company until February 2, 1991, the end of the first Bonus Plan year, but only if the Company satisfied the cash flow covenants contained in certain of its debt instruments. Participants who continue to be employed by the Company through the second Bonus Plan year, which will end on February 1, 1992, will be entitled to a second bonus payment of up to 30.0% of base salary in the case of store principals (20.0% in all other cases), but only if predetermined performance goals have been met. In addition, the Bonus Plan also establishes a \$5.0 million discretionary fund in each of 1990 and 1991 for use by the chairman and the president of the Company and Allied to meet special needs, including awards to retain employees in special circumstances where they might otherwise terminate their employment, provide incentive for those critical to successful resolution of the chapter 11 process, or to attract special talent to fill a particular position.

Loans to Executives

In August 1988, the Company made a loan in the amount of \$1,000,000 to Mr. Zimmerman 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 one year after the termination of Mr. Zimmerman's employment. In June 1989, the Company made an additional loan to Mr. Zimmerman in the amount of \$175,000. The loan is interest free as long as he is an employee of the Company and is due the earlier of June 2, 1999 or the termination of his employment.

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

Senior Executive Medical Plan

The Company maintains a Senior Executive Medical Plan, which provides for the reimbursement of substantially all of the medical expenses of eligible senior executive officers named in the table.

During the fiscal year, 28 senior executives participated in the plan at an average cost per participant of \$12,127. The plan was modified on July 1, 1990 to provide coverage under the Company's basic health plan, and participants were provided with a \$5,000 supplemental coverage to cover out-of-pocket expenses not covered by the basic plan.

Executive Merchandise Purchase Discount Program

Many of the Company's divisions and subsidiaries offer their employees a discount on the purchase of merchandise sold by the division and subsidiary. In addition, certain executive officers of the Company receive an additional discount based on total purchases made during the year. As a result of these discounts being considered imputed income under the Internal Revenue Code and the rules and regulations thereunder, the Company makes annual cash payments to eligible executive officers equaling all or a portion of the income tax liability arising as a result of the recognition of such imputed income. The total additional executive discounts and income tax liability payments made to the Company officers named in the table and all executive officers as a group in Fiscal 1990 aggregated:

	<u>Total Discount and Tax Payment(1)</u>
Allen I. Questrom	\$ 14,533
James M. Zimmerman	\$ 5,753
Ronald W. Tysoe	\$ 15,739
Thomas G. Cody	\$ 21,548
Marvin S. Traub	\$112,490
Executive Officers as a Group	\$236,817

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- (1) The amounts shown in the table (other than for Mr. Traub) do not reflect amounts allocated to Allied for which Allied has reimbursed the Company.

Retirement Program

The Company's Retirement Program is the 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 is a defined benefit pension plan effective as of January 1, 1984.

Prior to adoption of this plan, the Company's primary means of providing retirement benefits to employees was through the Retirement Income and Thrift Incentive Plan ("RITI"), a defined contribution profit sharing plan. With the Pension Plan in place, the Company continues to

make contributions to the Thrift Incentive portion of RITI as described below. An employee's accumulated retirement profit sharing interests ("Retirement Profit Sharing Credits") in the Retirement Income portion of RITI, which accrued prior to January 1, 1984, continue to be maintained and invested until retirement when they are distributed.

As of January 1, 1991, approximately 31,800 employees participate in the Pension Plan.

A participant retiring at normal retirement age is eligible to receive monthly benefit payments calculated using a plan formula which is based on the participant's years of service and final average compensation, and takes into consideration the participant's Retirement Profit Sharing Credits.

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 ("EDCP") cannot be included in calculating a participant's benefits under the Pension Plan. To allow the Program to provide benefits based on a participant's total compensation and total years of service, the Company adopted the Supplementary Executive Retirement Plan ("SERP") when it adopted the Pension Plan. This non-qualified unfunded plan, which, 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. As of January 1, 1991, the approximate number of employees eligible under the terms of SERP is 350. The Company suspended payments under the SERP at the commencement of chapter 11 proceedings.

Assuming: (i) that a retiring participant elects a single life annuity distribution of his Retirement Profit Sharing Credits and the annual payments under such distribution would not exceed the level set forth below and (ii) that the participant would not qualify to receive any additional benefits under the SERP transitional provisions, then the following table shows the estimated annual benefits payable¹ under the Pension Plan and SERP to persons retiring at their normal retirement age on January 1, 1991, in specified compensation and years of service classification.

Annual Benefits
Assuming Age 65 at December 31, 1990

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

1. Payment of benefits would come from the Retirement Profit Sharing Credits of RITI, the Pension Plan and, if the participant qualifies, the SERP. The Company suspended payments under the SERP at the commencement of chapter 11 proceedings.

Messrs. Questrom, Zimmerman, Tyscoe, Cody and Traub have completed 24, 24, 3, 8 and 41 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 \$732,739, \$364,526, \$391,211, \$166,086 and \$71,823, respectively.

The Thrift Incentive portion of RITI provides for voluntary contributions by participating employees and for the 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, 1991, approximately 31,800 employees were eligible to participate in the Thrift Incentive portion of RITI. As of that date, approximately 14,500 employees were contributing participants.

For 1990, it is estimated that there will be allocated by the Company to the Thrift incentive accounts of executives named in the table the following amounts: Mr. Questrom, \$2,439; Mr. Zimmerman, \$2,439; Mr. Tyscoe, \$2,439; Mr. Cody, \$2,439; Mr. Traub, \$2,439; to executive officers as a group, \$27,222; and to all participants, \$3,502,013.

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 and Allied have adopted a stock appreciation rights plan under which certain officers and key employees of the Company and Allied have been granted stock appreciation rights. No appreciation rights were granted under this plan in 1990, and it is not anticipated that any grants made under the plan in prior years will have any significant value to the holders thereof. See Note 15 to the Company's Consolidated Financial Statements.

Directors' Fees

Directors of the Company do not receive directors' fees.

Item 12. Security Ownership and Certain Beneficial Owners and Management

All 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. See Item 1 "Business -- Introduction." If the Plan were to become effective, the Company and Allied would be combined into the Surviving Corporation, substantially all of the securities of which would be issued to non-affiliates of FSI. The Plan also provides that a majority of the initial members of the board of directors of the Surviving Corporation will be persons who are not (and in the immediately preceding three years have not been) full-time employees of the Company, Allied, FSI or their respective subsidiaries. See Item 1 "Business -- Proposed Plan of Reorganization."

Item 13. Certain Relationships and Related Transactions

The arrangements described below are subject to certain provisions of the Bankruptcy Code regarding (i) the ability of third parties to enforce obligations of a debtor-in-possession and (ii) the right of a debtor-in-possession to reject certain prepetition executory contracts. In addition, under the proposed Plan, the arrangements described below would be terminated or amended. See Item 1 "Business -- Proposed Plan of Reorganization."

The Company and Allied

The boards of directors of the Company and Allied are identical, as are most of their officers. Terms of material transactions between

the Company and Allied are required to be no less favorable than would apply to similar transactions with unaffiliated third parties. Compliance with this requirement is effected (a) as to service arrangements, shared costs and shared assets, by (i) any reasonable allocation that takes into account actual costs (including indirect costs) and other relevant facts and (ii) mutual agreement with the affiliate and (b) as to repayment of material interaffiliate advances, by settlement within 45 days after quarter-end, as of quarter-end, or more frequently.

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

Tax Sharing Arrangements

The Company is included in the consolidated federal income tax return of FSI, which is the parent corporation of the U.S. affiliated tax group of which the Company is a member. The tax sharing agreements, entered into by the Company, Allied, Holdings, Federated Credit Holdings Corporation and FSI before the bankruptcy filings, require the Company to calculate its individual income tax liability (subject to exceptions) as if it were a separate taxpayer and to settle that liability with Holdings. The tax sharing agreements entered into by Ralphs Grocery Company ("Ralphs") and FSI before the bankruptcy filings (the "Ralphs Tax Sharing Agreement") requires Ralphs to be treated for tax sharing purposes as if it had a basis of \$1,020.0 million in the assets it acquired from the Company, an amount which is substantially higher than the aggregate tax basis that the Company had in those assets prior to the acquisition. In the absence of other arrangements, the net effect of treating Ralphs for tax sharing purposes as if its asset basis were \$1,020.0 million reduced Ralphs' share of FSI's consolidated federal income tax liability and increased the Company's share of that liability. However, until the Asset Bridge and Mortgage Bridge portions of the Company's prepetition bank facility are paid in full and the working capital portion of the bank facility is reduced by a specified amount, the Company will not be required to make any tax sharing payments in respect of the step-up in tax basis of Ralphs' assets.

Holdings is also a party to a separate agreement (the "Protected Corporations Agreement") that was entered into by Allied, Holdings, Holdings II, and Ralphs prior to the chapter 11 filings. Pursuant to the Protected Corporations Agreement, in the event that FSI fails to indemnify any of the signatories to the Protected Corporations Agreement (or their subsidiaries, including the Company) for a tax liability on any portion of the actual federal income tax liability of the affiliated group (as FSI had agreed to do pursuant to the applicable tax sharing

agreements between FSI and those entities), then the burden of such liability is to be shared in proportion to the gross receipts (or 40% of the gross receipts with respect to Ralphs) of each signatory to the Protected Corporations Agreement for a specified period. The Protected Corporations Agreement also provided, however, that the Company, Ralphs and Holdings would be primarily responsible for any liability with respect to the acceleration of the gain or income attributable to the receipt and pledge of the notes received in connection with the sale of certain assets by the Company to May and the R. H. Macy Company in May 1988 and Allied would be primarily responsible for any liability with respect to the acceleration of the gain or income attributable to the receipt and pledge of the note that Allied received when it sold Brooks Brothers to Marks and Spencer p.l.c. in April 1988. Similar arrangements are in effect for state and local taxes.

Arrangements with EJDC

Campeau Corp. has a number of significant relationships with EJDC, including with respect to the Company and Allied. In connection with an equity loan made by EJDC at the time of Campeau Corp.'s acquisition of the Company (the "EJDC Equity Loan"), a subsidiary of EJDC and a subsidiary of Campeau Properties formed a partnership (the "Campeau/EJDC Partnership"). Subject to certain exceptions, the Campeau/EJDC Partnership served as the exclusive vehicle of Campeau Corp., EJDC and their affiliates for the future acquisition, development and ownership of certain 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 EJDC calls the EJDC 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 Company and Allied entered into an agreement with the Campeau/EJDC Partnership (the "Department Store Agreement") pursuant to which the Campeau/EJDC 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/EJDC Partnership will not participate in decisions involving office, warehouse, or land not having an actual or reasonable potential for retail use and other non-retail real estate, expenditures of less than \$1.0 million with respect to completed stores, the acquisition or disposition of store fixtures or personal property and routine administrative matters. The Department Store Agreement also does not apply to certain specified real estate decisions, including dispositions of divisions or subsidiaries, any purchase or other acquisition of additional lines of business or store divisions by Campeau Corp. and its

affiliates other than the Company, and decisions relating to the financing of the Company's and Allied's assets, businesses and operations (except for financing described in (iv) above). The Department Store Agreement requires the Company to continue operating certain store divisions for at least ten years (from the date of the agreement), subject to certain exceptions.

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

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

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

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

PART IV

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

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

1. Financial Statements

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

2. Financial Statement Schedules:

		<u>Location in this Report</u>
Schedule II	- Amounts Receivable from Related Parties and Underwriters, Promoters and Employees Other than Related Parties	S-1
Schedule V	- Property, Plant and Equipment	S-2
Schedule VI	- Accumulated Depreciation, Depletion, and Amortization of Property, Plant and Equipment	S-4
Schedule VIII	- Valuation and Qualifying Accounts	S-6
Schedule IX	- Short-Term Borrowings	S-7
Schedule X	- Supplementary Income Statement Information	S-8

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

3. Exhibits:

<u>Exhibit No.</u>	<u>Description</u>	<u>Reference if Incorporated by Reference</u>
2	Joint Plan of Reorganization of the Company, Allied and Certain of their Subsidiaries, dated April 29, 1991	--
3.1	Restated Certificate of Incorporation, as amended May 28, 1987, of the Company	Exhibit 3.1 to the Company's Registration Statement on Form S-2, File No. 33-23529, for \$500,000,000 principal amount of 16% Senior Subordinated Debentures Due 2000, and \$582,887,000 principal amount of 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 CRTF	Exhibit 3.2 to the Debenture Registration Statement
3.3	By-Laws of the Company	Exhibit 3.3 to the Debenture Registration Statement

<u>Exhibit No.</u>	<u>Description</u>	<u>Reference if Incorporated by Reference</u>
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.	Exhibits 4.3 to the Company's Form 10-K Annual Report for the year ended January 28, 1989
4.4	Indenture, dated as of January 15, 1987, between the Company and Manufacturers Hanover Trust Company, as Trustee, relating to the 9-3/8% Notes due 1992	Exhibit 4a to the Company's Registration Statement on Form S-3, File No. 33-11346, dated January 15, 1987
4.5	Indenture, dated as of March 20, 1986, between the Company and Chemical Bank, as Trustee, relating to the 7-7/8% Notes due 1996	Exhibit 4a to the Company's Registration Statement on Form S-3, File No. 33-04197, dated March 21, 1986

<u>Exhibit No.</u>	<u>Description</u>	<u>Reference if Incorporated by Reference</u>
4.6	Indenture, dated as of July 9, 1985, between the Company and Morgan Guaranty Trust Company of New York, as Trustee, relating to the 10-1/8% Euronotes due 1995	--
4.7	Indenture, dated as of February 1, 1985 between the Company and Morgan Guaranty Trust Company of New York, as Trustee, relating to the 11% Euronotes due 1990	--
4.8	Indenture, dated as of October 15, 1982, between the Company and Chemical Bank, as Trustee, relating to the 9-1/2% Sinking Fund Debentures due March 1, 2016 and the 10-5/8% Sinking Fund Debentures due May 1, 2013	Exhibit 4a to the Company's Registration Statement on Form S-3, File No. 2-79843, dated October 15, 1982
4.9	Indenture, dated as of June 15, 1980, between the Company and Bankers Trust Company, as Trustee, relating to the 10-1/4% Sinking Fund Debentures due June 15, 2010	Exhibit 2 to the Company's Registration Statement on Form S-16, File No. 2-68050, dated June 9, 1980
4.10	Note Agreement, dated March 1, 1977, between the Company and Metropolitan Life Insurance Company, relating to the 7.95% Notes due March 1, 2002	--
4.11	Indenture, dated as of March 15, 1972, between the Company and First National City Bank, relating to the 7-1/8% Sinking Fund Debentures due March 15, 2002	Exhibit 2a to the Company's Registration Statement on Form S-9, File No. 2-43209, dated February 2, 1972

<u>Exhibit No.</u>	<u>Description</u>	<u>Reference if Incorporated by Reference</u>
4.12	Indenture, dated as of September 15, 1970, between the Company and First National City Bank, relating to the 8-3/8% Sinking Fund Debentures due September 15, 1995	Exhibit 2a to the Company's Registration Statement on Form S-15, File No. 2-38373, dated September 15, 1970
10.1.1	Form of employment agreement (Principal's Form)	Exhibit 10.1.1 to the Company's Form 10-K Annual Report for the year ended February 3, 1990
10.1.2	Form of employment agreement (Non-Principal's Form)	Exhibit 10.1.2 to the Company's Form 10-K Annual Report for the year ended February 3, 1990
10.1.3	Form of termination agreement (Department Store Employee's Form)	Exhibit 10.1.3 to the Company's Form 10-K Annual Report for the year ended February 3, 1990
10.1.4	Form of termination agreement (Non-Department Store Employee's Form)	Exhibit 10.1.4 to the Company's Form 10-K Annual Report for the year ended February 3, 1990
10.1.5	Master Severance Plan for Key Employees	Exhibit 10.1.5 to the Company's Form 10-K Annual Report for the year ended February 3, 1990
10.1.6	Performance Bonus Plan for Key Employees	Exhibit 10.1.6 to the Company's Form 10-K Annual Report for the year ended February 3, 1990
10.1.7	Senior Executives Medical Plan	Exhibit 10.1.7 to the Company's Form 10-K Annual Report for the year ended February 3, 1990

<u>Exhibit No.</u>	<u>Description</u>	<u>Reference if Incorporated by Reference</u>
10.1.8	Employment agreement, dated February 2, 1990, between Allen I. Questrom and the Company	Exhibit 10.1.8 to the Company's Form 10-K Annual Report for the year ended February 3, 1990
10.1.9	Supplementary Executive Retirement Plan	Exhibit 10.1.9 to the Company's Form 10-K Annual Report for the year ended February 3, 1990
10.1.10	Amendment dated February 16, 1988, to Supplemental Executive Retirement Plan	Exhibit 4 to the Company's Schedule 14D-9 dated March 11, 1988
10.1.11	Retirement Income and Thrift Incentive Plan, as amended through January 1, 1985, with 1986 amendments	Exhibit 10.10 to the Company's Form 10-K Annual Report for the year ended January 30, 1988
10.1.12	Pension Plan, as amended through January 1, 1986, with 1986 amendments	Exhibit 10.10 to the Company's Form 10-K Annual Report for the year ended January 30, 1988
10.1.13	Form of Restatement of Allied/Federated 1987/88 Stock Appreciation Rights Plan	Exhibit 10.2.9.2.5 to the Debenture Registration Statement
10.2.1	Settlement Agreement among the Company, Macy, FDS Acquisition Corporation, Campeau, FSI and CRTF dated April 1, 1988	Exhibit 114 to the Company's Schedule 14D-9 Amendment No. 22 dated April 5, 1988

<u>Exhibit No.</u>	<u>Description</u>	<u>Reference if Incorporated by Reference</u>
10.2.2	Asset Purchase Agreement among the Company, Macy, Campeau, FSI and CRTF dated April 1, 1988	Exhibit 115 to the Company's Schedule 14D-9 Amendment No. 22 dated April 5, 1988
10.2.3	Letter Agreement dated April 1, 1988, among Campeau, FSI, CRTF, the Company and Macy	Exhibit 10.2.3 to the Company's Debenture Registration Statement
10.3.1	May Note	Exhibit 10.3.1 to the Debenture Registration Statement
10.3.2	Irrevocable Letter of Credit relating to Exhibit 10.3.1	Exhibit 10.3.2 to the Debenture Registration Statement
10.3.3	Omnibus Agreement dated as of April 30, 1988, among Campeau, CRTF, May and the Company	Exhibit 10.3.3 to the Debenture Registration Statement
10.3.4	Separation Agreement dated as of April 30, 1988, among Campeau, CRTF, May and the Company	Exhibit 10.3.4 to the Debenture Registration Statement
10.3.5	Filene's Basement License Agreement dated as of April 30, 1988, between May and the Company	Exhibit 10.3.5 to the Debenture Registration Statement
10.3.6	Merchant Service Agreement dated as of April 30, 1988, between May and the Company	Exhibit 10.3.6 to the Debenture Registration Statement

<u>Exhibit No.</u>	<u>Description</u>	<u>Reference if Incorporated by Reference</u>
10.4.1	Stock Purchase Agreement dated as of June 9, 1988, between the Company and FBA Corp.	Exhibit 10.4.1 to the Debenture Registration Statement
10.4.2	Omnibus Agreement dated as of May 3, 1988, among Campeau, FSI, CRTF, Macy, the Company, Bullock's Inc., Bullock's-Wilshire, Inc., Bullock's Specialty Stores, Inc., and I. Magnin, Inc.	Exhibit 10.4.4 to the Debenture Registration Statement
10.5	Credit Agreement dated as of April 29, 1988, among Citibank, N.A., The Sumitomo Bank, Limited, New York branch, other banks and CRTF relating to financing of the Tender Offer	Exhibit 10.5.1 to the Debenture Registration Statement
10.6	Credit Agreement dated as of April 29, 1988, among FSI, Campeau, Bank of Montreal and Banque Paribas	Exhibit 10.6.1 to the Debenture Registration Statement
10.7.1	Securities Purchase Agreement dated May 1, 1988, between DeBartolo, FSI and Campeau	Exhibit 10.7.1 to the Debenture Registration Statement
10.7.2	Stockholders Agreement dated May 2, 1988, among Campeau, FSI, the Company, DeBartolo and the Campeau/DeBartolo Partnership (including Right of First Refusal Agreement dated as of May 2, 1988, among Campeau, FSI, CRTF, Holdings, the Company and DeBartolo)	Exhibit 10.7.2 to the Debenture Registration Statement

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

<u>Exhibit No.</u>	<u>Description</u>	<u>Reference if Incorporated by Reference</u>
10.8.3	Guaranty and Put Agreement dated as of April 29, 1988, among Campeau, First Boston Securities Corporation, Paine Webber Funding Inc., and Dillon, Read Interfunding, Inc.	Exhibit 10.8.3 to the Debenture Registration Statement
10.8.4	Holdings Agreement dated as of April 29, 1988, among Holdings, First Boston Securities Corporation, Paine Webber Funding, Inc. and Dillon, Read Interfunding, Inc.	Exhibit 10.8.4 to the Debenture Registration Statement
10.8.5	Indemnification Undertaking dated as of May 3, 1988, by the Company, for the benefit of First Boston, Inc., Paine Webber Group Inc. and Dillon, Read Interfunding Inc.	Exhibit 10.8.5 to the Debenture Registration Statement
10.8.6	Agreement, dated May 9, 1989, among the Company, Holdings, FSI, Campeau, First Boston Securities Corporation, Paine Webber Funding, Inc. and Dillon, Read Interfunding, Inc.	Exhibit 10.8.6 to the Company's Form 10-K Annual Report for the year ended February 2, 1990
10.8.7	Modification Agreement, dated as of May 10, 1989, among the Company, Holdings, FSI, Campeau, First Boston Securities Corporation, Paine Webber Funding, Inc. and Dillon, Read Interfunding, Inc.	Exhibit 10.8.7 to the Company's Form 10-K Annual Report for the year ended February 2, 1990

<u>Exhibit No.</u>	<u>Description</u>	<u>Reference if Incorporated by Reference</u>
10.8.8	Letter Agreement, dated September 18, 1989, among Campeau, FSI, the Company, First Boston Securities Corporation and Dillon, Read Interfunding, Inc.	Exhibit 10.8.8 to the Company's Form 10-K Annual Report for the year ended February 2, 1990
10.8.9	Form of Letter Agreement, dated September 18, 1989, among Campeau, FSI, the Company and Paine Webber Funding, Inc.	Exhibit 10.8.9 to the Company's Form 10-K Annual Report for the year ended February 2, 1990
10.9	DeBartolo Purchase Agreement dated March 21, 1988, between Campeau and Olympia & York Development Limited	Exhibit 10.9.2 to the Debenture Registration Statement
10.10.1	Guaranteed Note dated April 29, 1988, in the amount of \$450.0 million of Marks and Spencer U.S. Holdings, Inc. to the holders thereof	Exhibit 10.10.1 to the Debenture Registration Statement
10.10.2	Loan Agreement among Holdings II, Citicorp Investment Bank Limited and others relating to Exhibit 10.10.1	Exhibit 10.10.2 to the Debenture Registration Statement
10.10.3	Security Agreement between Holdings II and Citicorp Investment Bank Limited relating to Exhibit 10.10.1	Exhibit 10.10.3 to Debenture Registration
10.11	Stock Option Agreement dated April 7, 1989 between Holdings II and Allied	Exhibit 10.11.5 to the Company's Form 10-K Annual Report for the year ended January 28, 1989

<u>Exhibit No.</u>	<u>Description</u>	<u>Reference if Incorporated by Reference</u>
10.12.1	Asset Purchase Agreement dated as of September 6, 1988, between Gold Circle, Inc. and GC Acquisition Corp.	Exhibit 10.12.1 to the Debenture Registration Statement
10.12.2	Agency Agreement dated as of September 6, 1988, between Gold Circle, Inc. and Sam Nassi Company, Inc.	Exhibit 10.12.2 to the Company's Debenture Registration
10.13.1	Stock Purchase Agreement dated October 26, 1988, between Holdings and Kohl's Department Stores, Inc.	Exhibit 10.13.1 to the Company's Form 10-K Annual Report for the year ended January 28, 1989
10.13.2	Letter Agreement dated November 23, 1988, between Holdings and Kohl's Department Stores, Inc. relating to Exhibit 10.13.1	Exhibit 10.13.2 to the Company's Form 10-K Annual Report for the year ended January 28, 1989
10.14.1	Stock Purchase Agreement dated November 8, 1988, between Holdings and TCP Acquisition Corp.	Exhibit 10.14.1 to the Company's Form 10-K Annual Report for the year ended January 28, 1989
10.14.2	Amendment dated November 23, 1988, between Holdings and TCP Acquisition Corp. relating to Exhibit 10.14.1	Exhibit 10.14.2 to the Company's Form 10-K Annual Report for the year ended January 28, 1989
10.14.3	Amendment 2, dated February 24, 1989, between Holdings and TCP Acquisition Corp. relating to Exhibit 10.14.1	Exhibit 10.14.3 to the Company's Form 10-K Annual Report for the year ended January 28, 1989

<u>Exhibit No.</u>	<u>Description</u>	<u>Reference if Incorporated by Reference</u>
10.15.1	Mortgage Bridge Guaranty dated July 29, 1988, made by the Company in favor of lenders under the prepetition credit agreement and Citibank, N.A.	Exhibit 11.11.1 to the Debenture Registration Statement
10.15.2	Contribution Agreement dated July 29, 1988, among the Company, The Federated Real Estate, Inc. and Citibank, N.A.	Exhibit 11.1.2 to the Debenture Registration Statement
10.15.3	Holdings Guaranty dated July 29, 1988, by the Company in favor of the Pre-Petition Lenders under the Pre-Petition Credit Agreement and Citibank, N.A.	Exhibit 11.1.3 to the Debenture Registration Statement
10.15.4	Credit Agreement dated as of July 28, 1988, among Federated Credit Corporation, Banks named therein, The Sumitomo Bank, Limited, and Citibank, N.A., including certain exhibits thereto, relating to the Merger	Exhibit 11.1.4 to the Debenture Registration Statement
10.15.5	Amendment No. 1, dated as of July 29, 1988, to Exhibit 10.15.4	Exhibit 11.1.4.1 to the Debenture Registration Statement
10.15.6	Amendment No. 2 dated as of September 30, 1988, to Exhibit 10.15.4	Exhibit 11.1.4.2 to the Debenture Registration Statement

<u>Exhibit No.</u>	<u>Description</u>	<u>Reference if Incorporated by Reference</u>
10.15.7	Consent and Amendment dated April 6, 1989 relating to Exhibit 10.15.4	Exhibit 10.15.6 to the Company's Form 10-K Annual Report for the year ended January 28, 1989
10.15.8	Form of Amendment No. 4 relating to Exhibit 10.15.4	Exhibit 10.15.7 to the Company's Form 10-K Annual Report for the year ended January 28, 1989
10.16.1	Credit Agreement dated as of July 28, 1988, among the Company, Federated Real Estate, Inc., Banks named therein, The Sumitomo Bank, Limited, Citibank, N.A., including certain exhibits thereto relating to the Merger.	Exhibit 11.1.5 to the Debenture Registration Statement
10.16.2	Principles of Intercompany Service Arrangements (the Statement of Principles)	Exhibit 1.1.5.1 to the Debenture Registration Statement
10.16.3	Amendment No. 1 dated as of July 29, 1988, relating to Exhibit 10.16.1	Exhibit 11.1.5.2 to the Debenture Registration Statement
10.16.4	Amendment No. 2 dated as of September 30, 1988, relating to Exhibit 10.16.1	Exhibit 11.1.5.4 to the Debenture Registration Statement
10.16.5	Amendment No. 3 dated as of November 1, 1988, relating to Exhibit 10.16.1	Exhibit 10.16.5 to the Company's Form 10-K Annual Report for the year ended February 3, 1990

<u>Exhibit No.</u>	<u>Description</u>	<u>Reference if Incorporated by Reference</u>
10.16.6	Form of Amendment No.4 relating to Exhibit 10.16.1	Exhibit 10.16.6 to the Company's Form 10-K Annual Report for the year ended January 28, 1989
10.16.7	Amendment No. 5 and waiver relating to Exhibit 10.16.1	Exhibit 10.16.7 to the Company's Form 10-K Annual Report for the year ended February 3, 1990
10.16.8	Agreement dated November 28, 1988 between the Company and Allied relating to Exhibit 10.16.2	Exhibit 10.16.7 to the Company's Form 10-K Annual Report for the year ended January 28, 1989
10.17.1.1	Receivables Purchase Agreement dated as of July 28, 1988, among The Sellers Listed On Schedule I attached thereto and Credit Corp.	Exhibit 11.1.6 to Debenture Registration Statement
10.17.1.2	Waiver and Amendment dated as of January 18, 1990, relating to Exhibit 10.17.1.1	Exhibit 10.17.1.2 to the Company's Form 10-K Annual Report for the year ended February 3, 1990
10.17.1.3	Receivables Purchase Agreement, dated as of September 28, 1990 among the Company; Bloomingdales, Inc.; Burdine's, Inc.; Rich's Inc. and Credit Corp.	Exhibit 1 to the Company's Form 10-Q Quarterly Report for the quarter ended November 3, 1990

<u>Exhibit No.</u>	<u>Description</u>	<u>Reference if Incorporated by Reference</u>
10.17.2	Collateral Trust Agreement dated July 29, 1988, among the Company, Wilmington Trust Company and William J. Wade	Exhibit 11.1.7 to the Debenture Registration Statement
10.17.3	Receivables Security Agreement dated July 29, 1988, between Credit Corp. and Citibank, N.A., relating to the Merger	Exhibit 11.1.8 to the Debenture Registration Statement
10.17.4	Non-Shared Collateral Pledge and Assignment dated July 29, 1988, between the Company and Citibank, N.A.	Exhibit 11.1.9 to the Debenture Registration Statement
10.17.5	Holdings Pledge Agreement dated July 29, 1988, between Holdings and Citibank, N.A.	Exhibit 11.1.10 to the Debenture Registration Statement
10.17.6	Shared Collateral Pledge Agreement dated July 29, 1988, among the Company, Wilmington Trust Company and William J. Wade	Exhibit 11.1.11 to the Debenture Registration Statement
10.17.7	Credit Holdings Guaranty dated July 29, 1988, among Credit Holdings, the Lenders Under the Receivables Credit Agreement and Citibank, N.A.	Exhibit 11.1.12 to the Debenture Registration Statement
10.17.8	Credit Holdings Pledge Agreement dated July 19, 1988, between Federated Credit Holdings Corporation and Citibank N.A.	Exhibit 11.1.13 to the Debenture Registration Statement

<u>Exhibit No.</u>	<u>Description</u>	<u>Reference if Incorporated by Reference</u>
10.17.9	Real Estate Corporation Guaranty dated July 29, 1988, among Federated Real Estate, Inc., the Lenders Under the Credit Agreement and Citibank, N.A.	Exhibit 11.1.14 to the Debenture Registration Statement
10.18.1	Holdings Agreement dated as of April 29, 1988, between Holdings, First Boston Securities Corporation, Paine Webber Funding Inc. and Dillon, Read Interfunding Inc.	Exhibit 11.1.15 to the Debenture Registration Statement
10.18.2	Credit Agreement dated as of July 28, 1988, between Wilmington Trust Company and Citibank, N.A. relating to the Macy Note Monetization	Exhibit 11.2.1 to the Debenture Registration Statement
10.18.3	Trust Agreement dated as of July 26, 1988, between the Company and Wilmington Trust Company relating to the Macy Note Monetization	Exhibit 11.2.2 to the Debenture Registration Statement
10.18.4	Promissory Note dated July 29, 1988, in the amount of \$352.0 million of Wilmington Trust Company payable to Citibank, N.A., relating to the Macy Note Monetization	Exhibit 11.2.3 to the Debenture Registration Statement
10.18.5	Irrevocable Letter of Credit relating to Exhibit 10.18.4	Exhibit 11.2.4 to the Debenture Registration Statement

<u>Exhibit No.</u>	<u>Description</u>	<u>Reference if Incorporated by Reference</u>
10.18.6	Pledge, Assignment and Security Agreement dated as of July 28, 1988, between Wilmington Trust Company and Citibank, N.A. relating to the Macy Note Monetization	Exhibit 11.2.5 to the Debenture Registration Statement
10.18.7	Interest Rate Swap Agreement dated as of July 28, 1988, between Wilmington Trust Company and Citibank, N.A.	Exhibit 11.2.6 to the Debenture Registration Statement
10.18.8	Credit Agreement dated as of July 28, 1988, between Wilmington Trust Company and The Dai-Ichi Kangyo Bank, Ltd. relating to the May Note Monetization	Exhibit 11.2.7 to the Debenture Registration Statement
10.18.9	Trust Agreement dated as of July 26, 1988, between the Company and Wilmington Trust Company relating to the May Note Monetization	Exhibit 11.2.8 to the Debenture Registration Statement
10.19.1	Promissory Note dated July 28, 1988, in the amount of \$352.0 million of Wilmington Trust Company payable to The Dai-Ichi Kangyo Bank, Ltd. relating to the May Note Monetization	Exhibit 11.2.9 to the Debenture Registration Statement
10.19.2	Irrevocable Letter of Credit relating to Exhibit 10.19.2	Exhibit 11.2.10 to the Debenture Registration Statement

<u>Exhibit No.</u>	<u>Description</u>	<u>Reference if Incorporated by Reference</u>
10.19.3	Pledge, Assignment and Security Agreement dated as of July 28, 1988, between Wilmington Trust Company and Citibank, N.A. relating to the May Note Monetization	Exhibit 11.2.11 to the Debenture Registration Statement
10.19.4	Facility Agreement dated as of July 28, 1988, between Wilmington Trust Company and Citibank, N.A.	Exhibit 11.2.12 to the Debenture Registration Statement
10.19.5	Omnibus Amendment No. 1 dated as of July 29, 1988, among Wilmington Trust Company, Citibank N.A., The Dai-Ichi Kangyo Bank, Ltd. and the Company	Exhibit 11.2.13 to the Debenture Registration Statement
10.19.6	Assignment and Amendment Agreement dated as of October 18, 1988, among Wilmington Trust Company, Citibank, N.A., The Tokai Bank, Limited, New York Branch and the Company	Exhibit 11.2.14 to the Debenture Registration Statement
10.19.7	Amendment dated as of October 18, 1988, relating to Exhibit 10.18.3	Exhibit 11.2.15 to the Debenture Registration Statement
10.19.8	Facility Agreement dated as of October 18, 1988, between Wilmington Trust Company and Citibank, N.A.	Exhibit 11.2.16 to the Debenture Registration Statement

<u>Exhibit No.</u>	<u>Description</u>	<u>Reference if Incorporated by Reference</u>
10.19.9	Amendment dated as of October 18, 1988, relating to Exhibit 10.18.8	Exhibit 11.2.17 to the Debenture Registration Statement
10.20.1	Amendment dated as of October 18, 1988, relating to Exhibit 10.18.6	Exhibit 11.2.18 to the Debenture Registration Statement
10.20.2	Issuing and Paying Agency Agreement dated as of October 18, 1988, between Wilmington Trust Company and the Company	Exhibit 11.2.19 to the Debenture Registration Statement
10.20.3	Placement Agency Agreement dated as of October 18, 1988, between Wilmington Trust Company and Citibank, N.A.	Exhibit 11.2.20 to the Debenture Registration Statement
10.20.4	Federated Tax Sharing Agreement dated as of July 28, 1988, among FSI and Holdings	Exhibit 11.3.1 to the Debenture Registration Statement
10.20.5	Holdings Group Tax Sharing Agreement dated as of July 28, 1988, among Holdings, Federated Credit Holdings, Inc. and the Company	Exhibit 11.3.2 to the Debenture Registration Statement
10.20.6	Protected Corporations Agreement dated as of July 28, 1988, among Allied, Holdings, Holdings II and Ralphs	Exhibit 11.3.3 to the Debenture Registration Statement
10.20.7	Tax Side Letter dated as of July 28, 1988, among FSI and Holdings	Exhibit 11.3.4 to the Debenture Registration Statement

<u>Exhibit No.</u>	<u>Description</u>	<u>Reference if Incorporated by Reference</u>
10.20.8	Ralphs Tax Sharing Agreement dated as of July 28, 1988, between FSI and Holdings II	Exhibit 11.3.5 to the Debenture Registration Statement
10.20.9	Holdings II Tax Sharing Agreement dated as of July 28, 1988, between FSI and Holdings II	Exhibit 11.3.6 to the Debenture Registration Statement
10.21	Post-Petition Credit Agreement, dated as of January 18, 1990, among the Company, Federated Real Estate, Inc. and other borrowers named therein, the financial institutions named therein and Citibank, N.A., as agent	Exhibit 10.21 to the Company's Form 10-K Annual Report for the year ended February 3, 1990
11.1	Exhibit of Primary and Fully Diluted Earnings Per Share of Predecessor Company	--
22	Subsidiaries of the Company	--
25	Powers of Attorney	--

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

Secretary
 Federated Department Stores, Inc.
 7 West Seventh Street
 Cincinnati, Ohio 45202

(b) During the quarter ended February 2, 1991, the Company filed no Reports on Form 8-K. The Company did, however, file the 4/30/91 Form 8-K on April 30, 1991. See Item 1 "Business -- Proposed Plan of Reorganization."

SIGNATURES

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

FEDERATED DEPARTMENT STORES, INC.

Date: May 3, 1991

By 
Boris Auerbach
Vice President and Secretary

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.

	<u>Title</u>	<u>Date</u>
<u>/s/ Allen I. Questrom*</u> Allen I. Questrom	Chairman of the Board and Director (Principal Executive Officer)	May 3, 1991

<u>/s/ Ronald W. Tysoc*</u> Ronald W. Tysoc	Vice Chairman of the Board, Director and Chief Financial Officer (Principal Financial Officer)	May 3, 1991
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<u>/s/ John A. Muskovich*</u> John A. Muskovich	Vice President and Controller (Principal Accounting Officer)	May 3, 1991
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<u>/s/ James M. Zimmerman*</u> James M. Zimmerman	Director	May 3, 1991
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*By 
Boris Auerbach, pursuant to
Powers of Attorney filed with
the Securities and Exchange
Commission herewith

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Federated Department Stores, Inc. and subsidiaries (The Successor) as of February 2, 1991 and February 3, 1990 and the related consolidated statements of operations and cash flows for the fifty-two weeks ended February 2, 1991, the fifty-three weeks ended February 3, 1990 and the nine month period ended January 28, 1989 (The Successor periods) and the related consolidated statements of operations and changes in financial position from January 29, 1988 to April 30, 1988 (The Predecessor period). In connection with our audits of the consolidated financial statements, we also have audited the accompanying financial statement schedules. These consolidated financial statements and financial statement schedules are the responsibility of management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules based on our audits.

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

In our opinion, the Successor consolidated financial statements referred to above present fairly, in all material respects, the financial position of Federated Department Stores, Inc. and subsidiaries at February 2, 1991 and February 3, 1990 and the results of their operations and their cash flows for the Successor periods, in conformity with generally accepted accounting principles. Further, in our opinion, the consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of Federated Department Stores, Inc. and subsidiaries for the Predecessor period, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

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

As discussed in Note 1 to the consolidated financial statements, Federated Department Stores, Inc. and all of its active subsidiaries, excluding Federated Credit Corporation and Federated Credit Holdings Corporation, filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court on January 15, 1990. As discussed in Note 2 to the consolidated financial statements, Federated Department Stores, Inc. (The Successor) is indirectly owned by Federated Stores, Inc. ("FSI") through Federated Holdings, Inc. ("Holdings"), Allied Stores Corporation ("Allied"), Federated Holdings II, Inc. ("Holdings II"), and Federated Holdings III, Inc. ("Holdings III"). On January 14, 1990, Holdings, Holdings II, and Holdings III, filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court. On January 15, 1990 and March 30, 1990, Allied and FSI, respectively, also voluntarily filed for reorganization under Chapter 11. The effects, if any, arising from these filings by the Company's affiliates on the Successor's operations or their consolidated financial statements and financial statement schedules as of and for the fifty-two weeks ended February 2, 1991 cannot be determined.

The accompanying consolidated financial statements and financial statement schedules have been prepared assuming that the Company will continue as a going concern. As discussed in the preceding paragraph, the Company and all of its active subsidiaries, excluding Federated Credit Corporation and Federated Credit Holdings Corporation, filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court on January 15, 1990. This event and circumstances relating to this event, including the Company's highly leveraged financial structure, recurring losses from operations resulting in cumulative shareholder's deficit and significant potential liabilities relating to income taxes and other matters, raise substantial doubt about their ability to continue as going concerns. Although the Company and its principal operating subsidiaries are currently operating their businesses as debtors-in-possession under the jurisdiction of the Bankruptcy Court, the continuation of their businesses as going concerns is contingent upon, among other things, the ability to (1) formulate a Plan of Reorganization which will gain approval of the creditors and shareholders and confirmation by the Bankruptcy Court, (2) maintain compliance with all debt covenants under the debtor-in-possession financing and the bank receivables facility, (3) achieve satisfactory levels of future operating profit, and (4) achieve satisfactory resolution of potential liabilities relating to income taxes and other matters. The consolidated financial statements and financial statement schedules neither include any adjustments relating to the recoverability and classification of reported asset amounts or the amounts and classification of liabilities that might be necessary should the Company or its subsidiaries be unable to continue as going concerns, nor do those consolidated financial statements and financial statement schedules include any adjustments relating to the recoverability and classification of reported asset amounts or adjustments relating to the establishment, settlement and classification of liabilities that may be required in connection with restructuring the Company and its subsidiaries as they reorganize under Chapter 11 of the United States Bankruptcy Code.

KPMG Peat Marwick

KPMG PEAT MARWICK

Cincinnati, Ohio
April 15, 1991, except as
to note 20, which is as of
April 29, 1991.

FEDERATED DEPARTMENT STORES, INC.
(Debtor-in-Possession)
CONSOLIDATED STATEMENTS OF OPERATIONS
 (thousands, except per share data) |

	Successor			
	52 Weeks Ended February 2, 1991	53 Weeks Ended February 3, 1990	Nine Months Ended January 28, 1989	13 Weeks Ended April 30, 1988
Net Sales, including leased department sales.....	\$4,575,861	\$ 4,867,191	\$3,571,692	\$ 2,449,096
Cost of sales, including occupancy and buying costs	3,379,625	3,553,133	2,553,966	1,827,501
Selling, publicity, delivery and administrative expenses	1,107,243	1,163,401	789,470	555,235
Interest expense	436,540	616,161	445,644	30,853
Interest income	(81,389)	(100,094)	(59,283)	(766)
Unusual item	+	1,150,000	-	315,680
Total costs and expenses	<u>4,842,019</u>	<u>6,382,601</u>	<u>3,729,797</u>	<u>2,728,503</u>
Loss Before Reorganization Items and Income Taxes	(266,158)	(1,515,410)	(158,105)	(279,407)
Reorganization items	<u>(58,901)</u>	<u>(120,528)</u>	<u>-</u>	<u>-</u>
Loss Before Income Taxes	(325,059)	(1,635,938)	(158,105)	(279,407)
Federal, state and local income tax benefit	<u>116,463</u>	<u>132,066</u>	<u>1,787</u>	<u>113,827</u>
Net Loss	<u>\$ (208,596)</u>	<u>\$ (1,503,872)</u>	<u>\$ (156,318)</u>	<u>\$ (165,580)</u>
Loss Per Share of Common Stock	<u>\$ (208,596)</u>	<u>\$ (1,503,872)</u>	<u>\$ (156,318)</u>	<u>\$ (1.86)</u>

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

FEDERATED DEPARTMENT STORES, INC.
 (Debtor-in-Possession)
 CONSOLIDATED BALANCE SHEETS
 (thousands)

	Successor	
	February 2, 1991	February 3, 1990
ASSETS		
Current Assets:		
Cash	\$ 118,519	\$ 285,249
Accounts receivable	996,231	1,017,721
Merchandise inventories	851,381	943,235
Supplies and prepaid expenses	<u>31,312</u>	<u>30,198</u>
Total Current Assets	<u>1,997,443</u>	<u>2,276,403</u>
Property and Equipment - net	1,914,214	2,089,837
Excess of Cost Over Net Assets Acquired	1,251,079	1,284,665
Notes Receivable	803,679	806,674
Other Assets	<u>159,253</u>	<u>114,610</u>
Total Assets	<u>\$6,125,668</u>	<u>\$6,572,189</u>
LIABILITIES AND SHAREHOLDER'S DEFICIT		
Current Liabilities:		
Short-term borrowings and long-term debt due within one year	\$ 130,039	\$ 136,216
Accounts payable and accrued liabilities	574,237	389,133
Income taxes	<u>152,837</u>	<u>70,847</u>
Total Current Liabilities	<u>857,113</u>	<u>596,196</u>
Liabilities Subject to Settlement Under Reorganization		
Proceedings	4,012,362	3,921,803
Long-Term Debt	704,000	1,204,000
Deferred Income Taxes	1,008,905	1,098,227
Other Liabilities.....	58,874	58,953
Shareholder's Deficit.....	<u>(515,586)</u>	<u>(306,990)</u>
Total Liabilities and Shareholder's Deficit...	<u>\$6,125,668</u>	<u>\$6,572,189</u>

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

FEDERATED DEPARTMENT STORES, INC.
(Debtor-in-Possession)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(thousands)

	Successor		
	<u>52 Weeks Ended</u>	<u>53 Weeks Ended</u>	<u>Nine Months Ended</u>
	<u>February 2, 1991</u>	<u>February 3, 1990</u>	<u>January 28, 1989</u>
Cash flows from operations:			
Net loss.....	\$ (208,596)	\$(1,503,872)	\$ (156,318)
Adjustments to reconcile net loss to net cash provided/(used) by operating activities:			
Depreciation and amortization.....	151,724	156,561	116,036
Amortization of financing costs.....	32,484	33,269	100,582
Amortization of goodwill.....	33,586	65,175	46,530
Amortization of debt discount.....	-	46,463	9,726
Write down of excess of cash over net assets acquired.....	+	1,150,000	-
Change in assets and liabilities:			
(Increase)/Decrease in accounts receivable.....	21,490	(46,254)	(971,467)
(Increase)/Decrease in merchandise inventories.....	91,854	(100)	(943,135)
(Increase)/Decrease in supplies and prepaid expenses.....	(1,114)	2,201	(32,399)
(Increase)/Decrease in other assets not separately identified.....	(65,144)	26,823	-
Decrease in accounts payable and accrued liabilities due to reorganization activities.....	-	(389,464)	-
Increase in accounts payable and accrued liabilities not separately identified.....	162,660	78,204	669,617
Increase/(Decrease) in current income taxes....	81,990	(204,790)	275,637
Increase/(Decrease) in deferred income taxes....	(89,322)	23,975	54,516
Decrease in other liabilities due to reorganization activities.....	-	(16,422)	-
Increase/(Decrease) in other liabilities not separately identified.....	(79)	(41,222)	79,296
	211,533	(619,453)	(751,379)
Changes due to reorganization activities:			
Write-off of financing costs.....	-	119,187	-
Net cash provided/(used) by operating activities	<u>211,533</u>	<u>(500,266)</u>	<u>(751,379)</u>
Cash flows from investing activities:			
Purchase of property and equipment.....	(64,840)	(111,073)	(155,980)
Disposition of property and equipment.....	10,972	38,135	25,652
Property and equipment transferred to other assets.	77,767	-	-
Acquisition of company net of working capital acquired of \$774,856.....	-	-	(5,816,144)
Proceeds from sale of divisions, net of working capital sold of \$713,344 and current tax liability incurred of \$238,799.....	-	-	1,803,969
Divisional transfer notes (with respect to divisions to be sold and Ralphs), net of working capital sold of \$188,517 and estimated current income tax benefit of \$26,000.....	-	-	1,122,483
(Increase)/Decrease in divisional transfer notes...	-	25,000	(25,000)
Other changes in excess of cost over net assets acquired.....	-	(38,906)	-
Net cash provided/(used) by investing activities	<u>23,899</u>	<u>(86,844)</u>	<u>(3,045,020)</u>

(Continued)

FEDERATED DEPARTMENT STORES, INC.
(Debtor-in-Possession)
CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued
(thousands)

	Successor		
	52 Weeks Ended February 2, 1991	53 Weeks Ended February 3, 1990	Nine Months Ended January 28, 1989
Cash flows from financing activities:			
Capital contribution.....	-	67,026	1,406,173
Debt issued.....	-	618,258	5,105,563
Debt issue costs.....	(8,988)	(104,502)	(287,903)
Debt repaid.....	(506,342)	(384,279)	(1,268,240)
Increase in debt due to court approval of pre-petition debt.....	165	-	-
Deferral of debt due to reorganization activities.....	-	(3,515,917)	-
Notes receivable and restricted cash.....	-	255,696	(1,055,696)
Dividends paid.....	-	-	(120,000)
Increase/(Decrease) in outstanding checks.....	<u>22,444</u>	<u>(40,356)</u>	<u>71,132</u>
Net cash provided/(used) by financing activities.....	<u>(492,721)</u>	<u>(3,104,074)</u>	<u>3,851,029</u>
Cash flow effect of reorganization activities:			
Increase in liabilities subject to settlement under reorganization proceedings.....	<u>90,559</u>	<u>3,921,803</u>	-
Net cash effect of reorganization activities.....	<u>90,559</u>	<u>3,921,803</u>	-
Net increase/(decrease) in cash.....	<u>(166,730)</u>	<u>230,619</u>	<u>54,630</u>
Cash beginning of period.....	<u>285,249</u>	<u>54,630</u>	0
Cash end of period.....	<u>\$ 118,519</u>	<u>\$ 285,249</u>	<u>\$ 54,630</u>
Supplemental cash flow information:			
Cash paid during the year:			
Interest paid (net of amounts capitalized of \$612, \$9,283 and \$108,279, respectively).....	\$ 293,929	\$ 489,634	\$ 268,917
Interest received (net of amounts capitalized of \$0, \$6,120 and \$34,170, respectively).....	\$ 82,173	\$ 100,802	\$ 48,208
Income taxes (net of refunds received).....	\$ (108,840)	\$ 24,388	\$ 96,024

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

FEDERATED DEPARTMENT STORES, INC.
(Debtor-in-Possession)
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
(thousands)

Predecessor
13 Weeks Ended
April 30, 1988

CASH FROM OPERATIONS

Net loss.....	\$ (165,580)
Items not requiring outlay of cash:	
Depreciation and amortization.....	69,717
Deferred compensation and deferred income taxes.....	9,159
Equity in income of unconsolidated subsidiary.....	<u>(96)</u>
Total.....	<u>(86,798)</u>

FINANCING

Net additions - notes payable and long-term debt due within one year.....	211,434
Reductions of long-term debt.....	<u>(15,957)</u>
Total.....	<u>195,477</u>

EQUITY TRANSACTIONS.....	<u>(10,512)</u>
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INVESTMENTS

Capital investment:	
Purchase of property and equipment.....	61,221
Disposition of property and equipment.....	<u>(21,461)</u>
Decrease in investment in, and advances to, unconsolidated subsidiaries.....	<u>(76)</u>
	39,684

Working capital used in operations:

Decrease in accounts receivable.....	(119,086)
Increase in merchandise inventories.....	47,371
Increase in supplies and prepaid expenses.....	7,951
Increase in accounts payable and accrued liabilities.	<u>(351,551)</u>
Total.....	<u>(375,631)</u>

CURRENT INCOME TAX LIABILITY - decrease.....	<u>198,143</u>
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DEFERRED INCOME TAX LIABILITY - decrease.....	<u>2,733</u>
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OTHER LIABILITIES - decrease.....	<u>192,962</u>
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OTHER CASH APPLICATIONS - NET.....	<u>26,441</u>
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INCREASE IN CASH.....	<u>\$ 74,543</u>
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The accompanying notes are an integral part of these consolidated financial statements.

FEDERATED DEPARTMENT STORES, INC.
(Debtor-in-Possession)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Proceedings Under Chapter 11

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

As of the petition date, most actions to collect pre-petition indebtedness are stayed (subject to the lifting of such stay by order of the Bankruptcy Court). In addition, the Company may reject pre-petition executory contracts and lease obligations, and parties affected by these rejections may file claims with the Bankruptcy Court in accordance with the reorganization process. On June 12, 1990, the Bankruptcy Court entered a Decision and Order granting limited relief from the automatic stay imposed by section 362 of the Bankruptcy Code permitting claimants to litigate or settle pre-petition claims against the Company to liquidation. These claimants, like most other pre-petition creditors, were (with certain exceptions) required to file a proof of claim with the Bankruptcy Court. It is expected that the proofs of claim will be treated in connection with the Company's plan of reorganization. Liabilities of the Company as of the petition date are subject to being treated under a plan of reorganization to be voted upon by all impaired classes of creditors and equity security holders and approved by the Bankruptcy Court.

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of operations, realization of assets and liquidation of liabilities in the ordinary course of business. However, as a result of the Chapter 11 filings and circumstances relating to this event, including the Company's highly leveraged financial structure and recurring losses from operations as reflected in the Consolidated Statements of Operations, such realization of assets and liquidation of liabilities (including significant potential liabilities relating to income taxes and other matters) is subject to significant uncertainty. As a Chapter 11 debtor, (subject, in certain circumstances, to Bankruptcy Court approval) the Company may sell or otherwise dispose of assets, and liquidate or settle liabilities, for amounts other than those reflected in the consolidated financial statements. Further, the amounts reported in the consolidated financial statements do not give effect to any adjustments to the carrying value of assets or amounts of liabilities that might result as a consequence of actions taken pursuant to a plan of reorganization, which adjustments are expected to be material. Finally, the appropriateness of using the going concern basis is dependent upon, among other things, confirmation of a plan of reorganization including satisfactory resolution of significant potential liabilities relating to income taxes and other matters, future profitable operations, the ability to comply with debtor-in-possession and other financing agreements and the ability to generate sufficient cash from operations and financing sources to meet obligations.

Substantially all of the Company's pre-petition debt subject to settlement under reorganization proceedings is in default of the terms of the applicable loan agreements, notes, debentures and indentures. For financial statement reporting purposes, those liabilities and obligations whose disposition is dependent upon the outcome of the Chapter 11 case have been segregated and reclassified as liabilities subject to settlement under reorganization proceedings on the Consolidated Balance Sheets presented herein (see Note 12). Certain pre-petition liabilities were approved by the Bankruptcy Court for payment in the ordinary course of business and accordingly have been included in the appropriate liability captions on the Consolidated Balance Sheets. The Company has discontinued accruing interest on its unsecured pre-petition debt obligations. The determination of the adequacy of the security for certain secured pre-petition debt obligations has not been made. For financial statement reporting purposes, all secured debt is being accounted for on the basis of the assumption that it is fully secured; however, such assumption is not intended to

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constitute any determination regarding the actual value of any security for such indebtedness or the adequacy of any security therefore. See Note 10 for a discussion of bank and other credit arrangements entered into subsequent to the Chapter 11 filings.

2. Organization and Summary of Significant Accounting Policies

The Company

The Company is a retail organization operating department stores through divisions and subsidiaries selling a wide range of merchandise including women's, men's and children's apparel, cosmetics, home furnishings and other consumer goods. The Company became an indirect subsidiary of Campeau Corporation ("Campeau") on July 29, 1988, when CRTF Corporation ("CRTF"), an indirect subsidiary of Campeau, merged into the Company (the "Merger"), following a cash tender offer (the "Tender Offer" and, together with the Merger, the "Acquisition") by CRTF that was consummated on May 3, 1988. The Company is a wholly owned subsidiary of Federated Holdings, Inc. ("Holdings"), also an indirect subsidiary of Campeau. On September 15, 1989, Federated Holdings II, Inc. ("Holdings II"), the direct parent of Holdings, transferred shares representing 6.96% of the common stock of Holdings to First Boston Securities Corporation, PaineWebber Funding Inc. and Dillon, Read Interfunding, Inc. (collectively, the "Bridge Lenders"), making them indirect owners of the Company. The Edward J. DeBartolo Corporation indirectly owns 7.5% of the Company's common stock through its 7.5% interest in Holdings.

The Acquisition was accounted for as a purchase. The accompanying consolidated financial statements reflect the results of operations of CRTF from May 3, 1988 (including the incurrence of debt by CRTF to finance the Tender Offer). Such debt (or the debt that refinanced it) was assumed (or incurred) by the Company in connection with the Merger. The accompanying consolidated financial statements also reflect the results of operations of the Company for the thirteen weeks ended April 30, 1988 prior to the Acquisition.

As a result of the Acquisition as well as other related events discussed below, the Company's results of operations subsequent to April 30, 1988 ("Successor") are not comparable to the results of operations prior to April 30, 1988 ("Predecessor").

On January 14, 1990, Holdings, Federated Holdings III, Inc. ("Holdings III") and Holdings II filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Northern District of California. On January 15, 1990, the Company, Allied Stores Corporation ("Allied"), a 50% owner of Holdings, and substantially all of their respective subsidiaries filed voluntary petitions for relief under Chapter 11 in the United States Bankruptcy Court for the Southern District of Ohio. On March 30, 1990, Federated Stores, Inc. (formerly Campeau Corporation (U.S.) Inc.), the ultimate United States parent of the Company, also filed a voluntary petition for relief under Chapter 11 in the United States Bankruptcy Court for the Northern District of California. On July 2, 1990, the Chapter 11 cases of Holdings, Holdings II, Holdings III and Federated Stores, Inc. were transferred to the Bankruptcy Court for the Southern District of Ohio. The effects, if any, on the Company's operations arising from these filings cannot be determined at present.

Summary of Significant Accounting Policies

All subsidiaries are consolidated in the financial statements of the Successor. In the consolidated financial statements of the Predecessor, all subsidiaries are consolidated, except Federated Stores Realty, Inc., a wholly owned real estate subsidiary, which was accounted for on the equity method.

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

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

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

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

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

The Successor is included in the consolidated federal income tax return of Federated Stores, Inc., a wholly owned subsidiary of Campeau. (See Note 13). Deferred income taxes are provided for at the statutory rates on the difference between financial statement basis and tax basis of assets and liabilities in accordance with Statement of Financial Accounting Standards No. 96. The Predecessor provided for deferred income taxes on non-permanent differences between reported and taxable income in accordance with Accounting Principles Board Opinion No. 11.

The Successor adopted Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows." Therefore, statements of cash flows are presented rather than a statement of changes in financial position which is presented for the Predecessor.

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

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

The Successor shares specific administrative expenses with certain affiliates. Such costs are allocated among these affiliates based upon the estimated cost of the underlying services.

Certain reclassifications were made to prior year financial statements to conform to current year presentation.

3. The Acquisition

The total purchase price in the Acquisition was 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

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 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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

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

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.....	1,382
Increase in Divisional Transfer Notes with respect to divisions to be sold and Ralphs, including \$120 million capital contribution to Ralphs.....	587
Increase in property and equipment.....	1,005
Deferred debt costs allocated to divisions sold and transferred	(97)
Increase in other assets, primarily prepaid pension costs resulting from plan curtailments and settlements.....	47
Increase in accounts payable and accrued expenses for severance and other costs primarily related to corporate office reorganization, divisional consolidations and post-retirement benefits.....	(134)
Decrease in carrying value of existing long-term debt and obligations under capital leases--retained divisions.....	145
Increase in current income taxes resulting from: Divisions sold or to be sold.....	(282)
Implementation of SFAS No. 96, net of elimination of existing current deferred taxes.....	<u>(190)</u>
	(472)
 Increase in non-current deferred income taxes resulting from: Divisions sold.....	(312)
Transfer of Ralphs.....	(270)
Implementation of SFAS No. 96, net of elimination of existing deferred taxes.....	<u>(303)</u>
	(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.....	<u>2,507</u>
	<u>\$ 4,117</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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

	52 Weeks Ended January 28, 1989
	(millions)
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 application of the proceeds therefrom.
- (ii) Interest expense on debt incurred to finance the Acquisition.
- (iii) Amortization of deferred debt expense related to the Acquisition debt.
- (iv) Amortization, over 40 years, of the excess of cost over net assets acquired.
- (v) Amortization of discount recorded in the valuation of long-term debt.
- (vi) Depreciation of incremental fair values assigned to property and equipment.
- (vii) Elimination of nonrecurring items.
- (viii) Certain anticipated cost savings and the sales of certain miscellaneous assets.

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

4. Unusual Item

During 1989 the overall financial condition of the Company declined significantly. The additional debt burden related to the Acquisition contributed to this decline. Earnings from operations before interest and income taxes substantially declined in fiscal 1989. The Acquisition price and therefore the resultant excess of cost over net assets acquired was based on higher projected earnings and cash flows which at February 3, 1990 did not appear realizable. Additionally, with the announcements in September 1989 of a cash shortfall and in December 1989 of potential covenant violations for certain bank agreements, coupled with subsequent general speculation regarding the commencement of bankruptcy proceedings, operations of the Company further deteriorated. As a result of these and other factors, the Company wrote down the excess of cost over net assets acquired by \$1,150.0 million at February 3, 1990 after considering a range of valuations.

The unusual item in the first quarter of 1988 represents expenses, before income tax benefits, related to the tender offers for shares of the Predecessor's 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 Acquisition (approximately \$167.0 million).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

5. Reorganization Items

The net expense occurring as a result of the Company's Chapter 11 filing and subsequent reorganization efforts have been segregated from ordinary operations in the Consolidated Statements of Operations.

	<u>52 Weeks Ended February 2, 1991</u>	<u>53 Weeks Ended February 3, 1990</u>
	(millions)	
Restructuring costs.....	\$ 40.9	\$ -
Financing costs.....	-	119.2
Professional fees and other expenses related to bankruptcy.....	39.7	1.7
Interest income.....	<u>(21.7)</u>	<u>(0.4)</u>
	<u>\$ 58.9</u>	<u>\$120.5</u>

Restructuring costs include costs and expenses from closing of facilities, consolidation of operations and certain expenses related to the rejection of executory contracts as well as gains or losses from the disposition of related assets. Financing costs are comprised of the write-off of the unamortized portion of costs deferred in conjunction with unsecured debt as of the petition date. Interest income is attributable to the accumulation of cash and short-term investments subsequent to the petition date.

6. Accounts Receivable

	<u>February 2, 1991</u>	<u>February 3, 1990</u>
	(millions)	
Due from customers.....	\$ 836.7	\$ 878.5
Less: Allowance for doubtful accounts	<u>20.0</u>	<u>21.7</u>
	<u>816.7</u>	<u>856.8</u>
Other receivables.....	<u>179.5</u>	<u>160.9</u>
Net receivables	<u>\$ 996.2</u>	<u>\$1,017.7</u>
Allowance for doubtful accounts as % of customer receivables.	2.4%	2.5%

Sales through credit plans of the Company's divisions and subsidiaries were \$2.2 billion, \$2.4 billion, \$1.8 billion and \$0.8 billion for the 52 weeks ended February 2, 1991, the 53 weeks ended February 3, 1990, the nine months ended January 28, 1989 and the thirteen weeks ended April 30, 1988, respectively.

Finance charge revenues amounted to \$125.9 million, \$129.3 million, \$95.1 million and \$52.8 million for the 52 weeks ended February 2, 1991, the 53 weeks ended February 3, 1990, the nine months ended January 28, 1989 and the thirteen weeks ended April 30, 1988, respectively.

7. Inventories

Merchandise inventories were \$851.4 million at February 2, 1991, compared to \$943.2 million at February 3, 1990. At February 2, 1991, inventories were \$19.5 million lower than they would have been had the retail method been used without the application of the LIFO basis. This application resulted in a charge of \$25.3 million for the 52 weeks ended February 2, 1991. At February 3, 1990, the LIFO inventory approximated the amount of such inventory using the first-in, first-out basis. 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.

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8. <u>Properties and Leases</u>	February 2, 1991	February 3, 1990
	(millions)	
Land	\$ 403.0	\$ 413.7
Buildings on owned land	702.8	706.8
Buildings on leased land and leasehold improvements ...	489.7	495.6
Store fixtures and equipment	635.0	637.6
Property not used in operations	6.7	55.2
Leased properties under capitalized leases	<u>31.7</u>	<u>32.5</u>
	2,268.9	2,341.4
Less accumulated depreciation and amortization	<u>354.7</u>	<u>251.6</u>
	<u>\$1,914.2</u>	<u>\$2,089.8</u>

Buildings on leased land and leasehold improvements includes approximately \$180.2 million at February 2, 1991 and \$184.3 million at February 3, 1990 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.

Commitments for the future purchase or construction of facilities at February 2, 1991 are not material.

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

Minimum rental commitments (excluding executory costs) at February 2, 1991, for noncancelable leases are:

	<u>Capital Leases</u>	<u>Operating Leases</u>	<u>Total</u>
		(millions)	
Fiscal year:			
1991	\$ 7.0	\$ 33.1	\$ 40.1
1992	6.5	32.9	39.4
1993	5.5	31.3	36.8
1994	3.5	27.5	31.0
1995	2.7	25.3	28.0
After 1995	<u>25.1</u>	<u>253.0</u>	<u>278.1</u>
Total minimum lease payments	<u>\$ 50.3</u>	<u>\$ 403.1</u>	<u>\$ 453.4</u>
Less amount representing interest ..	<u>17.8</u>		
Present value of net minimum capital lease payments	<u>\$ 32.5</u>		

Capitalized leases are included in the Consolidated Balance Sheets as property and equipment while the related obligation is included in liabilities subject to settlement under reorganization proceedings as of February 2, 1991 and February 3, 1990. Amortization of capitalized leases is included in depreciation and amortization expense. Total minimum lease payments shown above have not been reduced by minimum sublease rentals of approximately \$0.3 million on capital leases and \$6.4 million on operating leases.

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Rental expense consists of:

	Successor			Predecessor
	52 Weeks Ended February 2, 1991	53 Weeks Ended February 3, 1990	Nine Months Ended January 28, 1989	13 Weeks Ended April 30, 1988
(millions)				
Capital leases -				
Contingent rentals	\$ 0.7	\$ 1.1	\$ 1.1	\$ 0.8
Operating leases -				
Minimum rentals	31.5	30.4	19.9	17.2
Contingent rentals	1.6	1.9	1.5	2.1
	<u>33.6</u>	<u>33.4</u>	<u>22.5</u>	<u>20.1</u>
Less income from subleases -				
Capital leases	0.8	0.8	0.4	0.7
Operating leases	4.5	9.2	5.4	2.3
	<u>5.3</u>	<u>10.0</u>	<u>5.8</u>	<u>3.0</u>
	<u>\$ 28.5</u>	<u>\$ 23.4</u>	<u>\$ 16.7</u>	<u>\$ 17.1</u>
Personal property -				
Operating leases	\$ 23.7	\$ 10.7	\$ 5.2	\$ 5.1
	<u>23.7</u>	<u>10.7</u>	<u>5.2</u>	<u>5.1</u>

9. Notes Receivable

In connection with the Acquisition, the Company sold its Bullock's/Bullocks Wilshire, Filene's, Foley's and I. Magnin divisions. The proceeds from the sales included \$800.0 million in notes receivable. 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 Sheets in long-term debt. (See Note 10).

\$400.0 million of the notes receivable bears 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. (See Note 13).

10. Financing

The Bankruptcy Court entered an order on February 9, 1990, approving a debtor-in-possession ("DIP") financing agreement ("Post-Petition Credit Agreement") for the Company which provided for revolving credit borrowings and letters of credit of up to \$400.0 million and which expired on February 4, 1991. The maximum amount of revolving credit borrowings permissible within the total commitment available was \$250.0 million. The rate of interest on the borrowings was the bank's base rate plus 2 1/4% per annum payable monthly in arrears. A commitment fee equal to 1/2% per annum was payable monthly in arrears on the average daily unused portion of the facility. Fees for outstanding letters of credit were 2 1/2% per annum. The Post-Petition Credit Agreement also provided for interest to be paid quarterly on the pre-petition working capital, asset and mortgage bridge facilities to the extent of 50% of Consolidated Excess Cash Flow (as defined in the Post-Petition Credit Agreement) for each of the first three fiscal quarters of fiscal 1990 and 100% of Consolidated Excess Cash Flow for the entire year at the end of fiscal 1990. In connection with this provision of the Post-Petition Credit Agreement, \$67.8 million was paid on June 19, 1990, \$43.4 million was paid on September 18, 1990, \$43.7 million was paid on December 18, 1990 and \$43.0 million is to be paid on May 3, 1991. The working capital DIP financing facility was primarily secured by inventory and real estate. The Post-Petition Credit Agreement contained affirmative and

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negative covenants including limitations on capital expenditures, limitations on additional borrowings and dividends, minimum earnings and sales requirements and maximum inventory levels. Also on February 12, 1990, the Bankruptcy Court approved the purchase agreement related to the \$1,000.0 million bank receivables facility for Credit Corp. (the "Old Receivables Facility") which was essentially a continuation of a pre-petition facility, which expired February 4, 1991.

As noted above, the Post-Petition Credit Agreement expired on February 4, 1991, and all of the outstanding letters of credit thereunder expired on or about January 30, 1991. The Bankruptcy Court entered an order on December 21, 1990, approving a new Letter of Credit Agreement ("LC Agreement") and pledge agreement (combined, "New LC Facility"). The Company subsequently entered into this New LC Facility with IBJ Schroder Bank & Trust Company ("IBJ") on February 5, 1991, setting forth the terms and conditions. Under the terms of the New LC Facility (i) IBJ will issue at the request of the Company, for the benefit of the Company and certain of its subsidiaries, letters of credit in an aggregate amount at this time of \$100.0 million; provided, however, that such aggregate amount may be subsequently increased to \$150.0 million in accordance with certain terms and conditions of the LC Agreement, (ii) the Company's obligations thereunder will be secured by first-priority liens on and security interests in all cash of the Company deposited in a Collateral Account (the "Collateral Account") and in all cash, instruments and other investments (and all cash and non-cash proceeds thereof) maintained in the Collateral Account pursuant to section 364(c)(2) of the Bankruptcy Code, (iii) each letter of credit will be cash-collateralized by the Company depositing in the Collateral Account an amount equal to 100% of the stated amount of the letter of credit to be issued, (iv) the Company will reimburse IBJ for each letter credit draw, (v) if the Company does not so reimburse IBJ for such draws, IBJ shall satisfy the Company's reimbursement and other obligations by applying amounts on deposit in the Collateral Account against amounts not so reimbursed by the Company (and the automatic stay of section 362(a) of the Bankruptcy Code will be modified for the limited purpose of permitting IBJ to so apply amounts on deposit in the Collateral Account to satisfy the Company's reimbursement and other obligations), and (vi) the New LC Facility will terminate on February 6, 1992.

Most of the letters of credit which expired on or about January 30, 1991, were drawn upon prior to their expiration. At February 2, 1991, a total of \$65.1 million of letters of credit had been drawn upon. Subsequent to the entering into of the New LC Facility, new letters of credit were issued to these parties and the \$65.1 million was returned to the Company.

On November 13, 1990, Credit Corp. entered into a Receivables-Backed Credit Agreement with Pine Hill Funding Corporation ("PHFC") and General Electric Credit Corporation ("GECC"), as agent, (the "New Receivables Facility"), pursuant to which Credit Corp. may borrow up to \$1,000.0 million against its outstanding receivables (subject to meeting a borrowing base test). This New Receivables Facility replaced the Old Receivables Facility. Under the New Receivables Facility, PHFC provides loans to Credit Corp. to finance Credit Corp.'s purchase of accounts receivables from the Company and its operating subsidiaries generated by the Company's and such operating subsidiaries' own credit card sales. To secure these loans, Credit Corp. granted GECC, as collateral agent, a security interest in all of such accounts receivable and certain other collateral. In addition, Federated Credit Holdings Corporation guaranteed all of Credit Corp.'s obligations under the New Receivables Facility and pledged the Credit Corp. stock owned by Federated Credit Holdings Corporation as collateral for such guaranty. Borrowings by Credit Corp. under the New Receivables Facility may be made from time to time up to August 5, 1993 in amounts up to 85% of eligible accounts receivable (subject to a future increase to 88% if certain conditions precedent are met), subject, at all times to an overall maximum of \$1,000.0 million. All such borrowings bear interest at the rate paid on the commercial paper sold by PHFC to finance PHFC's loans to Credit Corp., as described below, plus a margin fee with respect to such loans ranging from 115 to 127 basis points based on the percentage of such loans relative to the maximum borrowing availability under the borrowing base test. Subject to certain conditions, the New Receivables Facility may be extended after the Company emerges from Chapter 11.

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PHFC funds its loans to Credit Corp. by private sales of commercial paper. The PHFC commercial paper is supported by a liquidity facility provided by GECC which (i) provides funds to PHFC to repay maturing commercial paper if the maturing commercial paper cannot be repaid with the proceeds of newly issued commercial paper or (ii) funds loans to Credit Corp. If PHFC is unable to sell commercial paper under certain circumstances. To secure its obligations to GECC, PHFC assigns to GECC, as collateral agent, PHFC's interest in Credit Corp.'s receivables (previously pledged by Credit Corp. to GECC, as collateral agent, for the benefit of PHFC). The New Receivables Facility is scheduled to expire (i) on August 4, 1995 after Credit Corp.'s accounts receivable portfolio has been liquidated and the proceeds therefrom applied to repay PHFC or GECC, as appropriate, or (ii) at such time as all obligations have been paid in full.

Bankruptcy Court approval of the New Receivables Facility and the transactions contemplated thereby generally was not required because Credit Corp. has not filed a petition for relief under the Bankruptcy Code. Bankruptcy Court approval was required, however, to permit the Company, Bloomingdale's, Inc., Burdine's, Inc. and Rich's, Inc. (collectively, the "Sellers") to enter into the new receivables purchase agreement dated as of September 28, 1990 (the "New Receivables Purchase Agreement") with Credit Corp. required by the New Receivables Facility and to sell their accounts receivable to Credit Corp. pursuant to the New Receivables Purchase Agreement. In connection therewith, on November 21, 1990, the Bankruptcy Court entered an Order approving the New Receivables Purchase Agreement and authorizing such sales of accounts receivable from the Sellers to Credit Corp.

As noted above, the Old Receivables Facility expired on February 4, 1991. Prior to that time it had been paid down to \$130.0 million. On February 4, 1991, Credit Corp. commenced borrowing under the New Receivables Facility to pay off the Old Receivables Facility and to continue to finance the receivables.

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Long-term debt and other financing arrangements of the Company were as follows, based on the original contractual maturities:

	February 2, 1991	February 3, 1990
	(millions)	
<u>Not Subject to Settlement Under Reorganization Proceedings:</u>		
Note monetization facilities.....	\$ 704.0	\$ 704.0
Bank receivables facility.....	-	500.0
Subtotal.....	<u>704.0</u>	<u>1,204.0</u>
<u>Subject to Settlement Under Reorganization Proceedings:</u>		
Secured Debt:		
Working capital facility.....	704.8	691.0
Mortgage bridge facility.....	800.0	800.0
*Notes due 1992, 9 3/8%	200.0	200.0
*Notes due 1996, 7 7/8%	200.0	200.0
*Euronotes due 1995, 10 1/8%	77.4	77.4
*Euronotes due 1990, 11%.....	72.0	72.0
*Notes due 2002, 7.95%	65.0	65.0
*Sinking fund debentures due 2016, 9 1/2%	100.0	100.0
*Sinking fund debentures due 2010, 10 1/4%	39.7	39.7
*Sinking fund debentures due 2002, 7 1/8%	32.5	32.5
*Sinking fund debentures due 1995, 8 3/8%	15.0	15.0
*Sinking fund debentures due 2013, 10 5/8%	13.9	13.9
*Other, average 10%	6.2	6.5
Capitalized Lease Obligations	<u>32.5</u>	<u>36.9</u>
Unsecured Debt:		
Series II exchange notes due 1994, 13 3/4%.....	401.3	401.3
Campeau undertaking, 9 7/8%.....	75.0	75.0
Senior subordinated debentures due 2000, 16%.....	500.0	500.0
Subordinated discount debentures due 2004, 17 3/4% (\$582.9 million of face value).....	306.2	306.2
*Other, 6 1/2%.....	<u>4.4</u>	<u>4.4</u>
	<u>3,645.9</u>	<u>3,636.8</u>
Less: Discount on pre-merger debt.....	<u>(103.7)</u>	<u>(120.9)</u>
Subtotal.....	<u>3,542.2</u>	<u>3,515.9</u>
	<u>\$4,266.2</u>	<u>\$4,719.9</u>
	<u> </u>	<u> </u>

*Pre-merger debt.

The cash Tender Offer was financed in part by approximately \$3,219.9 million of bank debt and \$2,086.8 million of subordinated notes of CRTF Corporation. Concurrent with the merger, the bank debt and approximately \$977.1 million of the subordinated notes were repaid from bank facilities borrowings ("Bank Facilities"), note monetization facilities and the cash proceeds from the sale of certain divisions. The Bank Facilities consisted of a \$1,650.0 million asset bridge facility, an \$800.0 million mortgage bridge facility, a \$750.0 million working capital facility and a \$1,000.0 million receivable facility.

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

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

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

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

On September 19, 1989, the Company entered into an agreement (the "Campeau Undertaking") with Campeau, Federated Stores, Inc. and Federated Holdings III, Inc., an indirect subsidiary of Campeau, whereby Campeau agreed, on the terms and conditions set forth therein, to make funds available, or cause funds to be made available, to the Company until September 18, 1991, in an aggregate principal amount of \$150.0 million to be used by the Company to satisfy its working capital requirements. Advances under the Campeau Undertaking were scheduled to mature on September 12, 1991, and bear interest at 9 7/8% per annum, which interest was not to be paid in cash during the continuance of a default under the Bank Facilities, or, in any event, prior to the earlier of April 30, 1990 and the sale of the operating subsidiary originally contemplated by the Credit Agreement Amendment (defined below). As of February 3, 1990, the Company had received advances under the Campeau Undertaking of \$75.0 million. The Campeau Undertaking ceased to be in effect following the Chapter 11 filing of the Company.

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 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% scheduled to mature in late December 1989 and January 1990 of which \$300.0 million was sold in April 1989 and the remaining \$200.0 million expired; and, \$300.0 million at 9% scheduled to mature in December 1989, which was sold in April 1989. These interest rate caps provide for cash payments to the Company when three-month LIBOR is in excess of the contract rate at three-month intervals during the contract

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term. The amount of the payment will approximate the amount necessary to lower the effective LIBOR rate of a comparable level of borrowings to the contract rate. Credit Corp. was also permitted to borrow against outstanding receivables up to \$1,000.0 million (subject to borrowing base requirements) under the receivables facility which was to have been repaid on January 31, 1993, when the facility would have terminated.

The Credit Agreement dated as of July 28, 1988 was amended on September 11, 1989 (the "Credit Agreement Amendment"). The provisions of the Credit Agreement Amendment, among other things, (i) permitted borrowings by the Company pursuant to the Campeau Undertaking, (ii) extended the maturities of the asset and mortgage bridge facilities from January 31, 1990 to April 30, 1990, (iii) increased the cash draw sub-limit in the working capital facility from \$600.0 million to \$650.0 million until December 31, 1989 (provided that such incremental \$50.0 million would be available to the Company only after the full \$150.0 million under the Campeau Undertaking was provided to the Company), (iv) amended certain financial covenants relating to fixed charge coverage, maintenance of net worth and interest coverage and (v) waived the working capital "clean-up" requirement for the year end February 3, 1990. In exchange for such provisions, interest rates and letter of credit fees in respect of the Bank Facilities were increased by 1/2 of 1%, provided that (x) the additional interest accruing from September 11, 1989 through January 31, 1990 would not be payable until April 30, 1990, and then only if the asset and mortgage bridge facilities were not repaid in full by such date, and (y) if the asset and mortgage bridge facilities were repaid in full on or before April 30, 1990, the additional interest would cease to accrue on the date on which such repayment in full was made. In addition, (i) the letter of credit sub-limit for the working capital facility was reduced from \$250.0 million to \$200.0 million, (ii) the Company was required to sell, on or before April 30, 1990, an operating subsidiary for cash on terms and conditions satisfactory to the majority lenders and (iii) certain interest rate "step-downs" and exceptions to negative covenants that were to have resulted from the repayment of the asset and mortgage bridge facilities were eliminated. The Company also paid an amendment fee equal to 0.375% of the aggregate amount of outstanding advances and commitments under the Bank Facility.

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% Series II Exchange Notes due 1994, ("Exchange Notes") all of which were issued to the Bridge Lenders. In addition 6.96% of the common stock of Holdings was deposited in an escrow account to assist the Bridge Lenders in selling the Exchange Notes.

On May 10, 1989, certain fees were paid to the Bridge Lenders by Campeau to hold the Exchange Notes until December 1, 1989, provided certain conditions were met by September 15, 1989. Since these conditions were not satisfied on September 15, 1989, the 6.96% of the common stock of Holdings held in escrow was released to the Bridge Lenders pursuant to the provisions of the Amended and Restated Exchange Note Agreement dated as of November 1, 1988. Campeau, Federated Stores, Inc. and the Company (the "Campeau Entities") also reached agreements (the "Exchange Note Agreements") with the holders of the Exchange Notes regarding the transfer of such Notes and the common stock of Holdings issued to such holders on September 15, 1989 (the "Equity Reserve"). The net book value of 6.96% of the common stock of Holdings as of September 15, 1989, was recorded as a capital contribution and financing costs. At January 15, 1990, the unamortized balance of these financing costs were charged directly to reorganization items in the Consolidated Statement of Operations. The aforementioned agreement with First Boston Securities Corporation and Dillon, Read Interfunding, Inc. (i) restricted transfers of such entities' portion of the Equity Reserve prior to December 31, 1989, and thereafter limited such transfers to sales in connection with a transfer of the Exchange Notes until September 15, 1990, (ii) granted the Campeau Entities a right of first refusal until September 15, 1990, with respect to any transfer of such entities' portion of the Exchange Notes and the Equity Reserve, (iii) granted the Campeau Entities an option, exercisable until September 15, 1990, under

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

Short-term borrowings and long-term debt due within one year at February 2, 1991 and February 3, 1990 include \$130.0 million and \$136.2 million of bank receivables facility, respectively.

At February 2, 1991, there were no contingent liabilities for outstanding pre-petition letters of credit. At February 3, 1990, the Company had contingent liabilities in the amount of \$25.3 million for outstanding pre-petition letters of credit. During the 52 weeks ended February 2, 1991, \$13.8 million of such letters of credit were drawn on and were included in liabilities subject to settlement under reorganization proceedings. The remaining \$11.5 million contingent liability reduction can be attributed to letters of credit expirations. Two letters of credit totalling \$48.0 million collateralized by cash deposits at February 3, 1990 in the amount of \$50.4 million and issued pursuant to the Bankruptcy Court's January 25, 1990 interim order approving the DIP working capital financing facility, were replaced by new letters of credit under the Post-Petition Credit Agreement.

Interest and financing costs are as follows:

	Successor			Predecessor
	52 Weeks Ended February 2, 1991	53 Weeks Ended February 3, 1990	Nine Months Ended January 28, 1989	
	(millions)			
Interest on debt.....	\$ 401.8	\$ 588.9	\$ 451.2	\$ 29.0
Amortization of financing costs.....	32.5	33.3	197.9	0.4
Interest on capitalized leases.....	2.9	3.3	2.2	2.7
Subtotal.....	437.2	625.5	651.3	32.1
Less:				
Financing costs capitalized relating to sold or transferred divisions:				
Interest.....	-	(8.6)	(106.9)	-
Financing costs.....	-	-	(97.3)	-
Interest capitalized on construction.....	(0.6)	(0.7)	(1.4)	(1.2)
Interest income.....	(81.4)	(100.1)*	(59.3)*	(0.8)
Total.....	\$ 355.2	\$ 516.1	\$ 386.4	\$ 30.1

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

As a result of the Chapter 11 filing, the Company did not accrue \$200.0 million and \$7.5 million of interest on unsecured pre-petition debt obligations for the 52 weeks ended February 2, 1991 and the period subsequent to the petition date in fiscal 1989, respectively.

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11. Accounts Payable and Accrued Liabilities

	February 2, 1991	February 3, 1990
	(millions)	
Merchandise and expense accounts payable	\$ 366.3	\$ 190.5
Restructuring and other merger costs.....	25.3	31.8
Accrued interest.....	6.5	13.5
Taxes other than income taxes	26.1	4.1
Other	<u>150.0</u>	<u>149.2</u>
	<u>\$ 574.2</u>	<u>\$ 389.1</u>

12. Liabilities Subject to Settlement Under Reorganization Proceedings

Those petition date liabilities that are expected to be paid or compromised under a plan of reorganization are separately classified in the Consolidated Balance Sheets and include the following:

	February 2, 1991	February 3, 1990
	(millions)	
Long-term debt.....	\$3,542.2	\$3,515.9
Merchandise and expense accounts payable..	196.6	245.5
Accrued interest expense.....	190.1	94.2
Other accounts payable and accrued liabilities.....	66.8	49.8
Deferred compensation.....	<u>16.7</u>	<u>16.6</u>
	<u>\$4,012.4</u>	<u>\$3,921.8</u>

Liabilities subject to settlement under reorganization proceedings include all current and long-term debt as of the petition date, except the note monetization and bank receivables facilities, and certain liabilities related to the rejection of executory contracts. As discussed in Note 1, payment of these liabilities is stayed while the Company continues to operate as a debtor-in-possession.

As part of the Chapter 11 reorganization process, the Company has complied with the requirement to notify all known or potential creditors for the purpose of identifying all pre-petition date claims against the Company. Generally, creditors had until August 1, 1990 (the "Bar Date") to file claims or be barred from asserting claims in the future, except in instances of claims relating to any future rejection of executory contracts as part of the Chapter 11 proceedings and certain other claims.

The Company is actively negotiating with creditors to reconcile proofs of claim filed with the Bankruptcy Court that differ in amount from the Company's records. Approximately 38,000 of the 48,000 claims originally scheduled by the Company or filed against the Company by the Bar Date remain to be reconciled, a number of which are material. Certain creditors have filed claims substantially in excess of amounts reflected in the Company's records.

After completion of reconciliations, any remaining differences may be resolved by negotiated agreement between the Company and the claimant or by the Bankruptcy Court as part of the Chapter 11 proceedings or otherwise. Consequently, the amount included in the Consolidated Balance Sheets as liabilities subject to settlement under reorganization proceedings may be subject to adjustment.

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Prior to the September 1, 1990 and October 2, 1990 bar dates applicable to claims by the Internal Revenue Service ("IRS"), the IRS filed proofs of claim against the Company for certain years up to and including the year ended January 31, 1989 and the year ended February 3, 1990, respectively. (See Note 13 for further discussion on IRS proofs of claim and discussion of state and local tax proofs of claims.)

In addition, JMB Realty Corporation and certain of its affiliates filed numerous proofs of claims against the Company with respect to certain real estate developments. (See Note 19 for further discussion of these claims and a discussion of the settlement entered into with respect thereto.)

Additional bankruptcy claims and pre-petition liabilities may arise by termination of various contractual obligations and as certain contingent and/or potentially disputed bankruptcy claims are settled.

13. Taxes

The financial statements of the Successor reflect the adoption of Statement of Financial Accounting Standards No. 96 (the "Statement"), "Accounting for Income Taxes". Application of this Statement required the Company to change from the deferred method to the liability method of accounting for income taxes. The liability method accounts for the tax consequences of "temporary differences" by applying enacted statutory rates applicable to future years to differences between the financial statement basis and the tax basis of assets and liabilities. Application of this Statement at the date of acquisition had no cumulative effect on net income for the nine months ended January 28, 1989. The Predecessor provided for deferred income taxes on non-permanent differences between reported and taxable income, principally accelerated depreciation, deferred compensation and the deferment of gross margin on installment sales, in accordance with Accounting Principles Board Opinion No. 11.

Income tax (benefit) expense for the 52 weeks ended February 2, 1991, the 53 weeks ended February 3, 1990, the nine months ended January 28, 1989 and the thirteen weeks ended April 30, 1988, is as follows:

<u>Successor</u>										
<u>52 Weeks Ended</u>			<u>53 Weeks Ended</u>			<u>Nine Months Ended</u>			(millions)	
<u>February 2, 1991</u>			<u>February 3, 1990</u>			<u>January 28, 1989</u>				
Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total		
Federal..	\$ (69.4)	\$ (36.5)	\$ (105.9)	\$ (36.8)	\$ (85.2)	\$ (122.0)	\$ (48.4)	\$ 43.9	\$ (4.5)	
State and local....	<u>(1.8)</u>	<u>(8.8)</u>	<u>(10.6)</u>	<u>10.5</u>	<u>(20.5)</u>	<u>(10.0)</u>	<u>(7.9)</u>	<u>10.6</u>	<u>2.7</u>	
	<u>\$ (71.2)</u>	<u>\$ (45.3)</u>	<u>\$ (116.5)</u>	<u>\$ (26.3)</u>	<u>\$ (105.7)</u>	<u>\$ (132.0)</u>	<u>\$ (56.3)</u>	<u>\$ 54.5</u>	<u>\$ (1.8)</u>	
	<u> </u>									
<u>Predecessor</u>										
<u>13 Weeks Ended</u>										
<u>April 30, 1988</u>										
	(millions)									
Federal.....	\$ (96.9)									
State and local.....	<u>(16.9)</u>									
	<u>\$ (113.8)</u>									
	<u> </u>									

As of February 2, 1991, current income taxes include approximately \$47.1 million in deferred income taxes. Deferred income taxes, as of February 2, 1991, consist primarily of "temporary differences" related to the excess of book depreciation over tax depreciation (approximately \$492.2 million) and the deferred tax gains from the sales and transfer of divisions (approximately \$563.9 million).

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

	Successor			Predecessor
	52 Weeks Ended February 2, 1991	53 Weeks Ended February 3, 1990	Nine Months Ended January 28, 1989	
	(millions)			
Expected tax	\$(110.5)	\$(556.2)	\$(53.7)	\$ (95.0)
Permanent differences arising from:				
Acquisition financing.....	-	17.4	34.2	-
Write down and amortization of goodwill.....	11.4	413.2	15.8	-
Effect of income tax rate changes on reversal of deferred taxes on the deferral of gross margin on installment sales.....	-	-	-	(14.8)
Certain non-deductible reorganization items.....	9.7	-	-	-
Certain non-deductible tender offer expenses.....	-	-	-	7.1
Effect of carrying back net operating losses to years with higher federal income tax rates.....	(20.0)	-	-	-
State and local income taxes, net of federal income tax benefit.....	<u>(7.1)</u>	<u>(6.4)</u>	<u>1.9</u>	<u>(11.1)</u>
	<u><u>\$(116.5)</u></u>	<u><u>\$(132.0)</u></u>	<u><u>\$ (1.8)</u></u>	<u><u>\$(113.8)</u></u>

Proofs of claim have been filed by the IRS for tax years 1984 through 1989 in an aggregate of \$613.2 million. Those claims were based on a Chapter 11 related audit and raised a number of tax issues, including the deductibility of merger and takeover expenses in Campeau's acquisitions of Allied and the Company, the deferral of taxes on the gain from the sale of assets subsequent to the corporate acquisitions, and various other issues unrelated to the takeover or the sale of assets.

The \$613.2 million in taxes being sought by the IRS consists of preacquisition claims of \$169.1 million against the Company and \$118.7 million against Allied, and claims of \$325.4 million against Federated Stores, Inc., the Company's ultimate U.S. parent company. The claims against Federated Stores, Inc. include claims against the Company and Allied for their respective postacquisition periods, since federal law provides that members of a controlled group, such as the Company, Allied, Federated Stores, Inc. and their respective subsidiaries, are each liable for the consolidated tax group's entire tax liability. In addition to the \$613.2 million in income taxes being sought, the IRS has also filed claims for interest of \$125.4 million and for miscellaneous taxes and withholdings of \$6.3 million.

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The Company, Allied, Federated Stores, Inc. and IRS staff will proceed to attempt to resolve the disputed tax issues through negotiation. Failing that, the Bankruptcy Court would have initial jurisdiction to determine the settlement of any remaining claims.

In addition, various state and local tax authorities have filed proofs of claims against the Company and Allied for an aggregate of approximately \$150.0 million (after adjustment to date for duplicative, amended and withdrawn claims and for claims that have been disallowed by the Bankruptcy Court), inclusive in some cases of penalties and interest. The claims, which include claims for state and local income, franchise, sales, real estate and personal property taxes, involve a number of issues relating to pre-petition periods and, in some cases, are being accompanied by post-petition tax audits. Some of the corporate income or franchise tax claims relate to matters similar to those underlying certain of the IRS claims discussed above. In some cases the claims are asserted jointly and severally against the Company, Allied and/or Federated Stores, Inc. Although some of the claims are not disputed, the Company, Allied and Federated Stores, Inc. are involved in settlement negotiations with various tax authorities and anticipate settlements of some of the disputed claims. The Company, Allied and Federated Stores, Inc. have objected to some of these claims and intend to pursue their objections vigorously. It is not possible at this time to predict the outcome of such negotiations and objections.

Management believes that adequate provision for taxes has been made for all years through the 1990 tax year ended February 2, 1991.

As stated in Note 2, the Company is included in the consolidated federal income tax return of Federated Stores, Inc. Pursuant to pre-petition tax sharing arrangements entered into before the bankruptcy filings, the Company has recorded provisions for income tax liability calculated (subject to certain adjustments) as if it were a separate taxpayer and has in the past settled such liability with its immediate parent. Also pursuant to these tax sharing arrangements, Ralphs Grocery Company ("Ralphs"), an indirect wholly owned subsidiary of Federated Stores, Inc., has been treated for tax sharing purposes as if it had a basis of \$1,020.0 million in the assets it acquired from the Company, an amount which is substantially higher than the aggregate tax basis that the Company had in those assets prior to the Acquisition. In addition, the Company has recorded a deferred tax liability on income relating to (i) the step-up in the tax basis of Ralphs' depreciable assets (which will be payable over the depreciable lives of the respective assets) and (ii) the step-up in tax basis of Ralphs' non-depreciable assets (which will be payable under certain circumstances if Ralphs' non-depreciable assets are owned by a corporation that is not a member of an affiliated group that includes Ralphs, Federated Stores, Inc. and the Company or if other affiliate events cause a change in the membership of the Federated Stores, Inc. consolidated tax group).

On March 28, 1991, Allied filed a motion with the Bankruptcy Court seeking authority to amend the terms of Allied's \$3.3125 Redeemable Cumulative Exchangeable Preferred Stock, Series A (the "Preferred Stock"), to eliminate all prospective voting rights associated with the Preferred Stock during the pendency of Allied's Chapter 11 proceedings and until such time as a plan of reorganization for Allied becomes effective (in which event, the holders of the Preferred Stock would have only such rights as may be set forth in such plan). Although the holders of Preferred Stock presently have no voting rights, the existing terms of the Preferred Stock provide that such holders shall have the right, voting separately as a class, to elect two additional directors to Allied's board of directors upon any failure by Allied to pay dividends on the Preferred Stock for six consecutive quarters (a condition which would be satisfied on June 15, 1991). The vesting of such voting rights could raise complex issues under the federal income tax laws and, although these issues are subject to a number of uncertainties, the IRS could take the position that Allied would cease to be consolidated with the Company and Federated Stores, Inc. for federal income tax purposes as a consequence of such vesting. If the IRS prevailed in that position, the Company, Allied and Federated Stores, Inc. could incur additional income tax liability in an aggregate amount of up to \$234.0 million. A hearing on Allied's motion has been scheduled for May 7, 1991.

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

Although the effect, if any, of the bankruptcy filings on these tax sharing arrangements cannot be determined at this time, the Company has continued to record provisions for its federal income tax liability in accordance with these arrangements.

14. Retirement Plans

The Company has a defined benefit plan (Pension Plan) and a defined contribution plan (Profit Sharing Plan) which cover substantially all employees who work 1,000 hours or more per year. In addition, the Company has a supplementary retirement plan which includes benefits in excess of qualified plan limitations. Retirement expense for these plans totaled \$11.3 million for the 52 weeks ended February 2, 1991, \$11.2 million for the 53 weeks ended February 3, 1990, \$7.3 million for the nine months ended January 28, 1989 and \$11.6 million for the thirteen weeks ended April 30, 1988.

Pension Expense

Pension plan benefits are primarily based on a formula using the highest five consecutive years' average earnings. 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 \$4.9 million for the 52 weeks ended February 2, 1991, \$5.6 million for the 53 weeks ended February 3, 1990, \$5.0 million for the nine months ended January 28, 1989 and \$5.7 million for the thirteen weeks ended April 30, 1988 and included the following actuarially determined components:

	Successor			Predecessor
	52 Weeks Ended	53 Weeks Ended	Nine Months Ended	
	February 2, 1991	February 3, 1990	January 28, 1989	
(millions)				
Service Cost.....	\$ 12.8	\$ 10.8	\$ 8.1	\$ 6.4
Interest cost.....	11.7	9.6	6.7	5.2
Actual return on assets...	19.2	(27.8)	(16.1)	(7.0)
Net amortization and deferrals.....	<u>(38.8)</u>	<u>13.0</u>	<u>6.3</u>	<u>1.1</u>
	\$ 4.9	\$ 5.6	\$ 5.0	\$ 5.7
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Service cost and interest cost were calculated using a discount rate of 8.5% and the rate of increase in future compensation levels were 6%. The long-term rate of return on assets were 10% for the 52 weeks ended February 2, 1991 and 8% for all other periods presented.

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The following table sets forth the projected actuarial present value of benefit obligations and funded status at December 31, 1990 and 1989, for the Pension Plan:

	December 31, 1990	December 31, 1989
	(millions)	
Accumulated benefit obligations.....	\$ 162.6	\$ 115.3
Less: Present value of net accumulated benefits available under the Profit Sharing Plan....	<u>58.4</u>	<u>35.1</u>
Net accumulated benefit obligations, including vested benefits of \$96.2 million and \$76.9 million, respectively.....	104.2	80.2
Projected compensation increases.....	<u>55.1</u>	<u>46.3</u>
Projected benefit obligations.....	<u>159.3</u>	<u>126.5</u>
Plan assets (primarily stocks, bonds and U.S. government securities).....	194.0	221.8
Unrecognized loss/(gain).....	<u>21.2</u>	<u>(34.5)</u>
	<u>215.2</u>	<u>187.3</u>
Prepaid pension expense.....	<u>\$ 55.9</u>	<u>\$ 60.8</u>

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

The Company's policy is to fund the pension plan at or above the minimum required by law. At December 31, 1990 and 1989, the Company had met the full funding limitation. Plan assets are held by a trustee. Therefore, the Company's filing for reorganization under Chapter 11 has no impact on the availability of funds to meet pension obligations.

Supplementary Retirement Expense

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

	Successor			Predecessor
	52 Weeks Ended	53 Weeks Ended	Nine Months Ended	13 Weeks Ended
	February 3, 1991	February 3, 1990	January 28, 1989	April 30, 1988
	(millions)			
Service cost.....	\$ 1.1	\$ 1.0	\$ 0.5	\$ 0.2
Interest cost on projected benefit obligations.....	1.6	1.2	0.8	0.3
Net amortization and deferral.....	0.7	0.7	(0.7)	(0.2)
Unrecognized gain.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0.6)</u>
	<u>\$ 3.4</u>	<u>\$ 2.9</u>	<u>\$ 0.6</u>	<u>\$ (0.1)</u>

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

FEDERATED DEPARTMENT STORES, INC.
(Debtor-in-Possession)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The following table sets forth the projected actuarial present value of benefit obligations at December 31, 1990 and 1989, for the supplementary retirement plan:

	December 31, 1990	December 31, 1989
	(millions)	
Accumulated benefit obligations, including vested benefits of \$9.5 million and \$3.6 million, respectively.....	\$ 9.9	\$ 3.7
Projected compensation increases.....	<u>11.1</u>	<u>12.9</u>
Projected benefit obligations.....	21.0	16.6
Unrecognized gain (loss).....	(1.9)	.5
Unrecognized prior service cost.....	<u>(4.7)</u>	<u>(5.4)</u>
Accrued pension liability.....	\$ 14.4	\$ 11.7

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. The Company suspended payments under the supplementary retirement plan as of the petition date.

Profit Sharing Expense

The Company's Profit Sharing Plan includes a voluntary savings feature for eligible employees. The Company's contribution is a percentage of the Company's pre-tax earnings for the year with a minimum company contribution equal to 20% of employee's eligible savings. Profit sharing expense amounted to \$3.0 million for the 52 weeks ended February 2, 1991, \$2.7 million for the 53 weeks ended February 3, 1990, \$1.7 million for the nine months ended January 28, 1989 and \$1.4 million for the thirteen weeks ended April 30, 1988. The Profit Sharing Plan had net assets at December 31, 1990, aggregating \$471.4 million held in an independent trust.

Multi-Employer Plan and Other Expenses

The Company had pension expenses of \$4.6 million for the thirteen weeks ended April 30, 1988, 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 determined by the Company.

15. Postretirement Health Care and Life Insurance Benefits

Certain retired employees are currently provided with specified health care and life insurance benefits. Eligibility requirements for such benefits vary by division and subsidiary, but generally state that benefits are available to employees who retire after a certain age with specified years of service. Such health care and life insurance benefits are provided to both retired and active employees through a medical benefit trust, a group life trust, and insurance companies with insurance premiums based on benefits paid. The cost of providing these benefits to 8,400 eligible retirees is not separable from the cost of providing benefits for the 28,200 participating active employees. The total cost of such benefits, after employee contributions, was \$52.1 million for the 52 weeks ended February 2, 1991, \$51.5 million for the 53 weeks ended February 3, 1990, \$29.0 million for the nine months ended January 28, 1989 and \$15.1 million for the thirteen weeks ended April 30, 1988.

FEDERATED DEPARTMENT STORES, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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

In December 1990, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("SFAS No. 106") which will require employers to record the liability for all postretirement benefits on an accrual basis. As a result of SFAS No. 106, the Company will be required to record a liability for all current employees and retirees for years beginning after December 15, 1992. The amount of this additional liability and the effect on the Consolidated Statements of Operations has not presently been determined. The Company presently plans to adopt SFAS No. 106 in connection with its emergence from Chapter 11.

16. Employee Stock Plans

The Company, along with Allied, has adopted a stock appreciation rights plan under which certain officers and key employees of the Company and Allied are granted stock appreciation rights. Each right entitles its holder, subject to vesting and valid exercise, 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 under the plan in 1989 was \$20.00 (Canadian) and the base value in succeeding years will be the market value on the date of grant, or such other value as may be established. During 1990, no stock appreciation rights were awarded. At February 2, 1991, the Campeau Ordinary Shares were trading at \$0.45 (Canadian). The maximum number of rights that may be granted under the plan with respect to both the Company and Allied is 6.5 million and the maximum number of shares of Campeau Ordinary Shares that may be delivered under the plan is 2.7 million, subject to adjustment for stock splits and similar events. No allocation of the amount of rights that the two companies may grant has been made.

Stock appreciation rights covering 3,225,000 shares have been issued under the plan and allocated to Company employees, of which rights covering 1,009,250 shares have been cancelled, leaving rights covering 2,215,750 shares outstanding at year end.

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

FEDERATED DEPARTMENT STORES, INC.
(Debtor-in-Possession)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

17. Shareholder's Equity (Deficit)

	Successor		
	52 Weeks Ended February 2, 1991	53 Weeks Ended February 3, 1990	Nine Months Ended January 26, 1989
	(millions)		
Preferred stock.....	\$ -	\$ -	\$ -
Common stock:			
Balance, beginning of period.	-	-	-
Issuance of common stock.....	-	-	-
Balance, end of year.....	-	-	-
Additional paid-in capital:			
Balance, beginning of period.	1,353.2	1,286.2	-
Issuance of common stock.....	-	-	1,406.2
Capital contribution.....	+	67.0	-
Dividend.....	+	-	(120.0)
Balance, end of year.....	<u>1,353.2</u>	<u>1,353.2</u>	<u>1,286.2</u>
Accumulated deficit:			
Balance, beginning of period.	(1,660.2)	(156.3)	-
Net income (loss).....	<u>(208.6)</u>	<u>(1,503.9)</u>	<u>(156.3)</u>
Balance, end of year.....	<u>(1,868.8)</u>	<u>(1,660.2)</u>	<u>(156.3)</u>
Total shareholder's equity (deficit).....	<u>\$ (515.6)</u>	<u>\$ (307.0)</u>	<u>\$1,129.9</u>
Predecessor			
	13 Weeks Ended April 30, 1988		
	(millions)		
Preferred stock.....	\$ -		
Common stock - par value.....	112.5		
Capital in excess of par value of common stock:			
Balance, beginning of period.....	-		
Net charge from treasury stock.....	6.4		
Balance, end of period.....	<u>6.4</u>		
Retained earnings:			
Balance, beginning of period.....	2,525.9		
Net income (loss).....	<u>(165.6)</u>		
Balance, end of period.....	<u>2,360.3</u>		
Less treasury stock:			
Balance, beginning of period.....	9.3		
Deductions.....	<u>(4.1)</u>		
Balance, end of period.....	<u>5.2</u>		
Total shareholders' equity.....	<u>\$2,474.0</u>		

FEDERATED DEPARTMENT STORES, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

At February 2, 1991, the authorized shares of the Company consisted of 5.0 million preferred shares, no par value with none issued and 400.0 million common shares, par value of \$1.00 per share with 1,000 shares issued and outstanding. At April 30, 1988, the authorized shares of the Predecessor consisted 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 and 88.9 million shares outstanding.

18. Quarterly Results (unaudited)

Quarterly results for the 52 weeks ended February 2, 1991 and the 53 weeks ended February 3, 1990, were as follows:

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
	(millions, except per share data)			
52 Weeks Ended February 2, 1991:				
Net sales.....	\$ 1,008.1	\$ 983.8	\$ 1,142.2	\$ 1,441.8
Cost of sales, including occupancy and buying costs.....	744.7	756.3	830.8	1,047.8
Loss before income taxes.....	(82.4)	(118.7)	(81.4)	(42.6)
Federal, state and local income tax benefit	24.8	38.7	23.6	29.4
Net loss.....	\$ (57.6)	\$ (80.0)	\$ (57.8)	\$ (13.2)
Loss per share of common stock.....	\$ (57,559)	\$ (80,049)	\$ (57,838)	\$ (13,150)
53 Weeks Ended February 3, 1990:				
Net sales.....	\$ 1,025.5	\$ 1,019.8	\$ 1,229.8	\$ 1,592.1
Cost of sales, including occupancy and buying costs.....	746.6	757.0	881.3	1,168.2
Loss before income taxes.....	(90.3)	(116.4)	(70.6)	(1,358.6)
Federal, state and local income tax benefit.....	28.1	37.5	19.9	46.5
Net loss.....	\$ (62.2)	\$ (78.9)	\$ (50.7)	\$ (1,312.1)
Loss per share of common stock.....	\$ (62,194)	\$ (78,890)	\$ (50,724)	\$ (1,312,064)

19. Legal Proceedings

On April 20, 1989, the Company commenced litigation with respect to the final settlement of the sales of its Foley's and Filene's divisions with May Department Stores Company ("May"). The District Court in this action granted May's motion to compel arbitration of the dispute, and the Company and May are in the process of seeking to make arrangements to arbitrate the dispute. The Company has not yet asserted its claims but presently intends to assert claims in excess of \$20.0 million and May has asserted in the arbitration proceeding claims of approximately \$27.0 million. The Company cannot predict the outcome of the arbitration and no estimate of any potential recovery or exposure can currently be made.

On December 21, 1990, the Bankruptcy Court entered an order approving an agreement between the Company, Allied and B. Bros. Realty Limited Partnership ("B. Bros.") to resolve certain aspects of their disputes arising out of the leases for the Bloomingdale's store located at 59th Street in New York and an associated warehouse, which B. Bros. had sought to terminate on the basis of alleged violations thereof, and to establish certain procedures concerning any future litigation involving the remainder of their disputes. Pursuant to the order, the Company, Allied and B. Bros. have agreed, among other things, to the voluntary dismissal of their disputes before the District Court and that any and all legal proceedings concerning the leases, whether based upon bankruptcy laws or otherwise, will during the pendency of the Company's and Allied's Chapter 11 proceedings be initiated by B. Bros. only before the Bankruptcy Court.

FEDERATED DEPARTMENT STORES, INC.
(Debtor-in-Possession)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The Official Committee of Bondholders of Allied Stores Corporation (the "Allied Bondholders Committee") has on several occasions expressed its intention to initiate litigation on behalf and in the name of Allied for the purpose of asserting certain fraudulent conveyance and other claims involving certain pre-petition transactions entered into by Allied. The Allied Bondholders Committee has indicated that, if and when it actually commences such litigation, the Company is likely to be named as a defendant therein. The Allied Bondholders Committee has been subject to orders of the Bankruptcy Court prohibiting, for their duration, the commencement of litigation, and has agreed not to attempt to commence litigation until at least May 30, 1991. On March 12, 1991, the Allied Bondholders Committee filed a motion with the Bankruptcy Court for an order pursuant to sections 1104(b)(2) and 1104(c) of the Bankruptcy Code directing the United States Trustee to appoint an examiner in the Chapter 11 case of Allied and authorizing such examiner to investigate and report on the claims asserted by the Allied Bondholders Committee. On April 2, 1991, the United States Trustee for Region IX, Ohio and Michigan, asked that, if an examiner as requested by the Allied Bondholders Committee were appointed and approved by the Bankruptcy Court, such examiner be required to investigate and report on certain additional claims and financial matters. The Bankruptcy Court is expected to hear the motion for an examiner on May 23, 1991, unless it is withdrawn. The Allied Bondholders Committee has not agreed at this time to withdraw the motion. However, the Allied Bondholders Committee and Allied have agreed that (i) the Allied Bondholders Committee would be supportive of a plan of reorganization that would provide for the aggregate distribution to the Allied bondholders that, based upon the assumptions underlying the plan of reorganization, would be available under the plan of reorganization and (ii) if no plan of reorganization has been confirmed on or before May 31, 1992, and if no examiner has been appointed whose responsibilities include an investigation or evaluation of the Allied Bondholders Committee's claims, then Allied will not oppose any request on or after May 31, 1992 by the Allied Bondholders Committee to commence litigation over these claims.

On July 30-31, 1990, JMB Realty Corporation ("JMB") and certain of its affiliates (together with JMB, the "JMB Claimants") filed 523 proofs of claims against the Company and Allied. Of these claims, 335 ("the Basic Agreement Claims") are based, in whole or in part, on an agreement ("the Basic Agreement"), dated March 31, 1983, among the Company, Federated Stores Realty, Inc. ("FSR"), JMB and two affiliates of JMB: Center Partners, Ltd. ("Center Partners") and JMB/Federated Realty Associates, Ltd. The Basic Agreement provided for the purchase by JMB/Federated Realty Associates, Ltd. of the Company's interest in five existing retail development opportunities and established the parties' rights and obligations with respect to future real estate developments. The Basic Agreement Claims filed against the Company and Allied seek damages in excess of \$588.0 million for alleged breaches of the Basic Agreement by the Company and related tort claims. On April 30, 1991, the JMB Claimants agreed to settle all 523 proofs of claims on the following terms, among others: (i) Center Partners would be allowed a general unsecured claim against Rich's, Inc., Burdine's, Inc. and Bloomingdale's, Inc., in an amount fixed at \$19.0 million, with joint and several liability among these three entities and with the claim guaranteed by the Company, (ii) Center Partners would be allowed a general unsecured claim in an amount fixed at \$9.0 million, (iii) on the earlier of December 31, 1994 or the effective date of a confirmed plan of reorganization, the Company would (a) convey to Center Partners or its designee a certain parcel of land in Memphis, Tennessee, (b) convey to JMB and Center Partners or their designees its interests in certain JMB related limited partnerships, and (c) assume executory contracts and unexpired leases relating to 18 specified shopping centers, subject to a number of conditions, (iv) provided that any plan or plans of reorganization filed by the Company and Allied would provide to the JMB Claimants at least 90% of the value that they would receive for their allowed claims under the plan of reorganization, based upon the assumptions underlying the plan of reorganization, the JMB claimants would remain free to refrain from voting to accept any such plan or plans, but would not vote to reject it or them, and (v) mutual releases would be exchanged between the JMB Claimants, on the one hand, and the Company and Allied, on the other hand, all of the JMB Claimants' proofs of claims against the Company and Allied would be dismissed with prejudice except as set forth above, and the Basic Agreement and all obligations thereunder would be terminated. The settlement agreement will be effective only if it receives final court approval.

FEDERATED DEPARTMENT STORES, INC.
(Debtor-in-Possession)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The Company and its subsidiaries are also involved in various proceedings incidental to the normal course of their business. Management does not expect that any of such proceedings will have a material adverse effect on the Company's financial position or its ability to formulate a consensual plan of reorganization.

20. Subsequent Event

On April 29, 1991, the Company and Allied filed a proposed joint plan of reorganization (the "Plan") with the Bankruptcy Court. Federated Stores, Inc. also filed a proposed joint plan of reorganization (the "FSI Plan") with the Bankruptcy Court on that date. It is not uncommon for reorganization plans proposed by debtors in bankruptcy proceedings to be amended on one or more occasions in response to a variety of circumstances, including continuing negotiations among the debtors and their creditors. Moreover, the effectiveness of the Plan and the consummation of the transactions contemplated thereby are subject to various conditions, including (i) the confirmation of the Plan occurring no later than December 31, 1991, (ii) the confirmation and effectiveness of the FSI Plan, (iii) the resolution of certain federal income tax claims on terms satisfactory to the Company and Allied, (iv) the receipt from the IRS of a private letter ruling satisfactory to the Company and Allied concerning such matters as the Company and Allied deem appropriate, and (v) the amounts to be paid in respect of certain disputed claims being resolved in a manner satisfactory to the Company and Allied. Accordingly, there can be no assurance that the Plan, even as presently proposed, will become effective or as to the timing or ultimate terms thereof. In any event, the Plan will not become effective unless and until it is confirmed by the Bankruptcy Court following the solicitation by the Company and Allied of acceptances thereof by their respective creditors pursuant to a disclosure statement approved by the Bankruptcy Court and all other conditions to the Plan's effectiveness are satisfied and waived.

SCHEDULE II

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

Name of Debtor	Column A Balance at Beginning of Period	Column B Additions	Column D		Column E	
			Deductions		Balance at End of Period	
			(1)	(2)	(1)	(2)
James E. Gray	\$ 500,000	\$ -	\$ -	\$ -	\$ -	\$ 500,000
James Zimmerman	1,175,000	-	-	-	-	1,175,000
Frank Doroff	500,000	-	500,000	-	-	-
Gordon R. Cooke	200,000	-	-	-	-	200,000
Rudy Javosky	200,000	-	25,000	-	25,000	150,000
Carl Tooker	-	150,000	-	-	-	150,000

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

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

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

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

In September 1990, the Company made a loan in the amount of \$150,000 to Mr. Carl Tooker, President of Rich's, in connection with his relocation from Massachusetts to Georgia. The loan bears interest at a rate of 10% per annum and is due in installments from July 1, 1992 through April 1, 1995.

SCHEDULE V

FEDERATED DEPARTMENT STORES, INC.
 (Debtor-in-Possession)
 SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
 (in thousands)

Column A	Column B	Column C	Column D	Column E	Column F
Classification	Balance at Beginning of Period	Additions at Cost	Retirements	Other Changes - Add(Deduct) Describe (Transfers)	Balance at End of Period
SUCCESSOR					
52 Weeks Ended February 2, 1991:					
Land.....	\$ 413,677	\$ 350	\$ 123	\$ (10,864)	\$ 403,040
Buildings, substantially all on owned land.....	706,822	4,786	412	(8,456)	702,740
Buildings on leased land, improve- ments to leased properties and leaseholds.....	495,586	10,936	2,614	(14,249)	489,659
Store fixtures and equipment.....	637,618	48,768	33,489	(17,857)	635,040
Property not used in operations...	55,191	-	12,685	(35,786)	6,720
Capitalized leases.....	32,534	-	814	-	31,720
	<u>\$2,341,428</u>	<u>\$ 64,840</u>	<u>\$ 50,137</u>	<u>\$ (87,212)</u>	<u>\$2,268,919</u>
53 Weeks Ended February 3, 1990:					
Land.....	\$ 417,328	\$ -	\$ 3,651	\$ -	\$ 413,677
Buildings, substantially all on owned land.....	698,342	10,727	3,788	1,561	706,822
Buildings on leased land, improve- ments to leased properties and leaseholds.....	466,859	30,282	88	(1,467)	495,586
Store fixtures and equipment.....	584,722	73,341	20,371	(74)	637,618
Property not used in operations...	83,226	(3,277)	24,758	-	55,191
Capitalized leases.....	33,257	-	723	-	32,534
	<u>\$2,283,734</u>	<u>\$ 111,073</u>	<u>\$ 53,379</u>	<u>\$ -</u>	<u>\$2,341,428</u>
Nine Months Ended January 28, 1989:					
Land.....	\$ -	\$ 517,999	\$ 100,671	\$ -	\$ 417,328
Buildings, substantially all on owned land.....	-	1,131,656	418,647	(14,667)	698,342
Buildings on leased land, improve- ments to leased properties and leaseholds.....	-	765,516	299,469	812	466,859
Store fixtures and equipment.....	-	1,187,589	602,867	-	584,722
Property not used in operations...	-	84,060	14,689	13,855	83,226
Capitalized leases.....	-	96,782	63,525	-	33,257
	<u>\$ -</u>	<u>\$3,783,602</u>	<u>\$1,499,868</u>	<u>\$ -</u>	<u>\$2,283,734</u>

SCHEDULE V

FEDERATED DEPARTMENT STORES, INC.

(Debtor-in-Possession)

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT - Continued
(in thousands)

Column A Classification	Column B Balance at Beginning of Period	Column C Additions at Cost	Column D Retirements	Column E Other Changes - Add(Deduct) Describe (Transfers)	Column F Balance at End of Period
Land.....	\$ 143,846	\$ (2)	\$ 1,494	\$ -	\$ 142,350
Buildings, substantially all on owned land.....	1,093,367	13,855	20,876	9,459	1,095,805
Buildings on leased land, improve- ments 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.....	<u>194,377</u>	<u>-</u>	<u>3,577</u>	<u>-</u>	<u>190,800</u>
	<u>\$4,054,647</u>	<u>\$ 61,221</u>	<u>\$ 32,170</u>	<u>\$ -</u>	<u>\$4,083,698</u>

NOTE:

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%

SCHEDULE VI

FEDERATED DEPARTMENT STORES, INC.

(Debtor-in-Possession)

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

Classification	Column A Balance at Beginning of Period	Column B Additions Charged to Costs and Expenses	Column C Retirements	Column D Other Changes - Add (Deduct) Describe	Column E (Transfers)	Column F Balance at End of Period
<u>SUCCESSOR</u>						
52 Weeks Ended February 2, 1991:						
Buildings, substantially all on owned land.....	\$ 47,928	\$ 27,909	\$ 79	\$ (1,186)		\$ 74,572
Buildings on leased land, improvements to leased properties and leaseholds.....	43,974	26,537	2,054	(1,608)		66,849
Store fixtures and equipment....	147,694	91,766	29,801	(6,651)		203,008
Property not used in operations..	5,623	1,357	6,417	-		563
Capitalized leases.....	<u>6,372</u>	<u>4,155</u>	<u>814</u>	<u>-</u>		<u>9,713</u>
	<u>\$ 251,591</u>	<u>\$ 151,724</u>	<u>\$ 39,165</u>	<u>\$ (9,445)</u>		<u>\$ 354,705</u>
53 Weeks Ended February 3, 1990:						
Buildings, substantially all on owned land.....	\$ 20,489	\$ 27,750	\$ 311	\$ -		\$ 47,928
Buildings on leased land, improvements to leased properties and leaseholds.....	18,026	26,575	627	-		43,974
Store fixtures and equipment....	66,859	94,391	13,556	-		147,694
Property not used in operations..	2,432	3,218	27	-		5,623
Capitalized leases.....	<u>2,468</u>	<u>4,627</u>	<u>723</u>	<u>-</u>		<u>6,372</u>
	<u>\$ 110,274</u>	<u>\$ 156,561</u>	<u>\$ 15,244</u>	<u>\$ -</u>		<u>\$ 251,591</u>
Nine Months Ended January 28, 1989:						
Buildings, substantially all on owned land.....	\$ -	\$ 20,676	\$ 187	\$ -		\$ 20,489
Buildings on leased land, improvements to leased properties and leaseholds.....	-	18,108	82	-		18,026
Store fixtures and equipment....	-	72,202	5,343	-		66,859
Property not used in operations..	-	2,432	-	-		2,432
Capitalized leases.....	<u>-</u>	<u>2,618</u>	<u>150</u>	<u>-</u>		<u>2,468</u>
	<u>\$ -</u>	<u>\$ 116,036</u>	<u>\$ 5,762</u>	<u>\$ -</u>		<u>\$ 110,274</u>

SCHEDULE VI

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

SCHEDULE VI - ACCUMULATED DEPRECIATION, DEPLETION AND
AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT - Continued
(in thousands)

Classification	Column A Balance at Beginning of Period	Column B Additions Charged to Costs and Expenses (Note)	Column C Retirements	Column D Other Changes - Add (Deduct) Describe (Transfers)	Column E Balance at End of Period
<u>PREDECESSOR</u>					
Thirteen Weeks Ended April 30, 1988:					
Buildings, substantially all on owned land.....	\$ 373,528	\$ 9,228	\$ 5,893	\$ -	\$ 376,863
Buildings on leased land, improve- ments 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.....	<u>105,244</u>	<u>2,316</u>	<u>2,161</u>	<u>-</u>	<u>105,399</u>
	<u>\$1,405,901</u>	<u>\$ 69,601</u>	<u>\$ 10,709</u>	<u>\$ -</u>	<u>\$1,464,793</u>

NOTE:

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

SCHEDULE VIII

FEDERATED DEPARTMENT STORES, INC.

(Debtor-in-Possession)

SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

<u>Column A</u> <u>(thousands)</u>	<u>Column B</u>	<u>Column C</u> <u>Additions</u>		<u>Column D</u>	<u>Column E</u>
		<u>(1)</u> <u>Charged to</u> <u>Costs</u> <u>and</u> <u>Expenses</u>	<u>(2)</u> <u>Charged to</u> <u>Other</u> <u>Accounts -</u> <u>Describe</u>		
<u>Classification</u>	<u>Balance at</u> <u>Beginning</u> <u>of Period</u>			<u>Deductions</u> <u>from</u> <u>Reserves -</u> <u>Describe</u>	<u>Balance at</u> <u>End of</u> <u>Period</u>
Accounts receivable - allowance for doubtful accounts (applied as a reduction of assets):				(Note A)	(Note B)
<u>SUCCESSOR</u>					
Years Ended:					
February 2, 1991.....	\$21,657	\$31,016	\$ -	\$32,687	\$19,986
February 3, 1990.....	\$20,760	\$27,431	\$ -	\$26,534	\$21,657
<u>Nine Months Ended:</u>					
January 28, 1989.....	\$ -	\$18,858	\$21,264	\$19,362	\$20,760
<u>PREDECESSOR</u>					
Thirteen Weeks Ended:					
April 30, 1988.....	\$32,780	\$ 9,954	\$ -	\$ 9,801	\$32,933

NOTES:

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

SCHEDULE IX

FEDERATED DEPARTMENT STORES, INC.
 (Debtor-in-Possession)
SCHEDULE IX-SHORT-TERM BORROWINGS
 (in thousands, except interest rate date)

Column A <u>(thousands, except interest rate date)</u>	Column B Category of Aggregate Short-Term Borrowings	Column C Balance at End of Period	Column D Weighted Average Interest Rate	Column E Maximum Amount Out- standing During the Period	Column F Average Amount Out- standing During the Period (Note A)	Weighted Average Interest Rate During the Period (Note B)
---	--	--	---	--	--	--

SUCCESSOR

Year Ended February 2, 1991:

Bank loans.....	\$ -	-	\$ 166,676	\$ 8,293	14.24%
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Year Ended February 3, 1990:

Bank loans.....	\$ 136,216	10.74%	\$1,065,000	\$ 823,303	11.73%
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Nine Months Ended January 28, 1989:

Bank loans.....	\$ 663,076	12.57%	\$3,936,813	\$1,306,678	11.69%
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PREDECESSOR

Thirteen Weeks Ended April 30, 1988:

Commercial paper.....	\$ -	-	\$ 477,500	\$ 275,465	6.71%
Bank loans.....	\$ 580,000	8.26%	\$ 620,000	\$ 210,495	8.66%
Composite.....	\$ -	-	\$ 620,000	\$ 485,960	7.55%

NOTES:

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

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

SCHEDULE X

Item	Column A			Column B		
	Charged to Costs and Expenses					Predecessor
	52 Weeks Ended February 2, 1991	53 Weeks Ended February 3, 1990	Successor	Nine Months Ended January 28, 1989		
Advertising costs.....	\$ 180,523 [REDACTED]	\$ 180,061 [REDACTED]		\$ 126,037 [REDACTED]		\$ 81,478 [REDACTED]

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.

RECD S.E.C.

MAY 3 - 1991

REC 17

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED FEBRUARY 2, 1991

Commission File Number 1-163

FEDERATED DEPARTMENT STORES, INC.

EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>	<u>Pagination by Sequential Numbering</u>
2	Joint Plan of Reorganization of the Company, Allied and Certain of their Subsidiaries, dated April 29, 1991	114
3.1	Restated Certificate of Incorporation, as amended May 28, 1987, of the Company	Not applicable
3.1.1	Amendment to Restated Certificate of Incorporation of the Company dated October 3, 1988	Not applicable
3.2	Certificate of Merger dated July 29, 1988, between the Company and CRTF	Not applicable
3.3	By-Laws of the Company	Not applicable
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	Not applicable
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	Not applicable
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.	Not applicable

<u>Exhibit No.</u>	<u>Description</u>	<u>Pagination by Sequential Numbering</u>
4.4	Indenture, dated as of January 15, 1987, between the Company and Manufacturers Hanover Trust Company, as Trustee, relating to the 9-3/8% Notes due 1992	Not applicable
4.5	Indenture, dated as of March 20, 1986, between the Company and Chemical Bank, as Trustee, relating to the 7-7/8% Notes due 1996	Not applicable
4.6	Indenture, dated as of July 9, 1985, between the Company and Morgan Guaranty Trust Company of New York, as Trustee, relating to the 10-1/8% Euronotes due 1995	321
4.7	Indenture, dated as of February 1, 1985 between the Company and Morgan Guaranty Trust Company of New York, as Trustee, relating to the 11% Euronotes due 1990	411
4.8	Indenture, dated as of October 15, 1982, between the Company and Chemical Bank, as Trustee, relating to the 9-1/2% Sinking Fund Debentures due March 1, 2016 and the 10-5/8% Sinking Fund Debentures due May 1, 2013	Not applicable
4.9	Indenture, dated as of June 15, 1980, between the Company and Bankers Trust Company, as Trustee, relating to the 10-1/4% Sinking Fund Debentures due June 15, 2010	Not applicable
4.10	Note Agreement, dated March 1, 1977, between the Company and Metropolitan Life	501

Exhibit No.DescriptionPagination by
Sequential Numbering

	Insurance Company, relating to the 7.95% Notes due March 1, 2002	
4.11	Indenture, dated as of March 15, 1972, between the Company and First National City Bank, relating to the 7-1/8% Sinking Fund Debentures due March 15, 2002	Not applicable
4.12	Indenture, dated as of September 15, 1970, between the Company and First National City Bank, relating to the 8-3/8% Sinking Fund Debentures due September 15, 1995	Not applicable
10.1.1	Form of employment agree- ment (Principal's Form)	Not applicable
10.1.2	Form of employment agree- ment (Non-Principal's Form)	Not applicable
10.1.3	Form of termination agree- ment (Department Store Employee's Form)	Not applicable
10.1.4	Form of termination agree- ment (Non-Department Store Employee's Form)	Not applicable
10.1.5	Master Severance Plan for Key Employees	Not applicable
10.1.6	Performance Bonus Plan for Key Employees	Not applicable
10.1.7	Senior Executives Medical Plan	Not applicable
10.1.8	Employment agreement, dated February 2, 1990, between Allen I. Questrom and the Company	Not applicable
10.1.9	Supplementary Executive Retirement Plan	Not applicable

<u>Exhibit No.</u>	<u>Description</u>	<u>Pagination by Sequential Numbering</u>
10.1.10	Amendment dated February 16, 1988, to Supplemental Executive Retirement Plan	Not applicable
10.1.11	Retirement Income and Thrift Incentive Plan, as amended through January 1, 1985, with 1986 amendments	Not applicable
10.1.12	Pension Plan, as amended through January 1, 1986, with 1986 amendments	Not applicable
10.1.13	Form of Restatement of Allied/Federated 1987/88 Stock Appreciation Rights Plan	Not applicable
10.2.1	Settlement Agreement among the Company, Macy, FDS Acquisition Corporation, Campeau, FSI and CRTF dated April 1, 1988	Not applicable
10.2.2	Asset Purchase Agreement among the Company, Macy, Campeau, FSI and CRTF dated April 1, 1988	Not applicable
10.2.3	Letter Agreement dated April 1, 1988, among Campeau, FSI, CRTF, the Company and Macy	Not applicable
10.3.1	May Note	Not applicable
10.3.2	Irrevocable Letter of Credit relating to Exhibit 10.3.1	Not applicable
10.3.3	Omnibus Agreement dated as of April 30, 1988, among Campeau, CRTF, May and the Company	Not applicable

<u>Exhibit No.</u>	<u>Description</u>	<u>Pagination by Sequential Numbering</u>
10.3.4	Separation Agreement dated as of April 30, 1988, among Campeau, CRTF, May and the Company	Not applicable
10.3.5	Filene's Basement License Agreement dated as of April 30, 1988, between May and the Company	Not applicable
10.3.6	Merchant Service Agreement dated as of April 30, 1988, between May and the Company	Not applicable
10.4.1	Stock Purchase Agreement dated as of June 9, 1988, between the Company and FBA Corp.	Not applicable
10.4.2	Omnibus Agreement dated as of May 3, 1988, among Campeau, FSI, CRTF, Macy, the Company, Bullock's Inc., Bullock's-Wilshire, Inc., Bullock's Specialty Stores, Inc., and I. Magnin, Inc.	Not applicable
10.5	Credit Agreement dated as of April 29, 1988, among Citibank, N.A., The Sumitomo Bank, Limited, New York branch, other banks and CRTF relating to financing of the Tender Offer	Not applicable
10.6	Credit Agreement dated as of April 29, 1988, among FSI, Campeau, Bank of Montreal and Banque Paribas	Not applicable
10.7.1	Securities Purchase Agreement dated May 1, 1988, between DeBartolo, FSI and Campeau	Not applicable

<u>Exhibit No.</u>	<u>Description</u>	<u>Pagination by Sequential Numbering</u>
10.7.2	Stockholders Agreement dated May 2, 1988, among Campeau, FSI, the Company DeBartolo and the Campeau DeBartolo Partnership (including Right of First Refusal Agreement dated as of May 2, 1988, among Campeau, FSI, CRTF, Holdings, the Company and DeBartolo)	Not applicable
10.7.3	Partnership Agreement dated May 1, 1988, among the Campeau/DeBartolo Properties, Inc. and Campeau Properties, Inc.	Not applicable
10.7.4	Department Store Agreement dated May 3, 1988, among the Campeau/ DeBartolo Partnership, Campeau Properties, Inc. and the Company	Not applicable
10.8.1.1	Note Purchase Agreement dated as of April 29, 1988, among CRTF, First Boston Securities Corporation, Paine Webber Funding Inc. and Dillon, Read Interfunding Inc., including certain exhibits thereto	Not applicable
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.	Not applicable
10.8.1.3	Additional Supplemental Agreement, dated January 27, 1989 relating to Exhibit 10.8.1.2	Not applicable

<u>Exhibit No.</u>	<u>Description</u>	<u>Pagination by Sequential Numbering</u>
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	Not applicable
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.	Not applicable
10.8.4	Holdings Agreement dated as of April 29, 1988, among Holdings, First Boston Securities Corporation, Paine Webber Funding, Inc. and Dillon, Read Interfundin Inc.	Not applicable
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 Interfundng Inc.	Not applicable
10.8.6	Agreement, dated May 9, 1989, among the Company, Holdings, FSI, Campeau, First Boston Securities Corporation, Paine Webbe Funding, Inc. and Dillon, Read Interfunding, Inc.	Not applicable
10.8.7	Modification Agreement, dated as of May 10, 1989, among the Company, Holdings, FSI, Campeau, First Boston Securities Corpora-tion, Paine Webber Fund-ing, Inc. and Dillon, Read Interfunding, Inc.	Not applicable

<u>Exhibit No.</u>	<u>Description</u>	<u>Pagination by Sequential Numbering</u>
10.8.8	Letter Agreement, dated September 18, 1989, among Campeau, FSI, the Company, First Boston Securities Corporation and Dillon, Read Interfunding, Inc.	Not applicable
10.8.9	Form of Letter Agreement, dated September 18, 1989, among Campeau, FSI, the Company and Paine Webber Funding, Inc.	Not applicable
10.9	DeBartolo Purchase Agreement dated March 21, 1988, between Campeau and Olympia & York Development Limited	Not applicable
10.10.1	Guaranteed Note dated amount of \$450.0 million of Marks and Spencer U.S. Holdings, Inc. to the holders thereof	Not applicable
10.10.2	Loan Agreement among Holdings II, Citicorp Investment Bank Limited and others relating to Exhibit 10.10.1	Not applicable
10.10.3	Security Agreement between Holdings II and Citicorp Investment Bank Limited relating to Exhibit 10.10.1	Not applicable
10.11	Stock Option Agreement dated April 7, 1989 between Holdings II and Allied	Not applicable
10.12.1	Asset Purchase Agreement dated as of September 6, 1988, between Gold Circle, Inc. and GC Acquisition Corp.	Not applicable
10.12.2	Agency Agreement dated as of September 6, 1988, between Gold Circle, Inc. and Sam Nassi Company, Inc.	Not applicable

<u>Exhibit No.</u>	<u>Description</u>	<u>Pagination by Sequential Numbering</u>
10.13.1	Stock Purchase Agreement dated October 26, 1988, between Holdings and Kohl's Department Stores, Inc.	Not applicable
10.13.2	Letter Agreement dated November 23, 1988, between Holdings and Kohl's Department Stores, Inc. relating to Exhibit 10.13.1	Not applicable
10.14.1	Stock Purchase Agreement dated November 8, 1988, between Holdings and TCP Acquisition Corp.	Not applicable
10.14.2	Amendment dated November 23, 1988, between Holdings and TCP Acquisition Corp. relating to Exhibit 10.14.1	Not applicable
10.14.3	Amendment 2, dated February 24, 1989, between Holdings and TCP Acquisition Corp. relating to Exhibit 10.14.1	Not applicable
10.15.1	Mortgage Bridge Guaranty dated July 29, 1988, made by the Company in favor of lenders under the prepetition credit agreement and Citibank, N.A.	Not applicable
10.15.2	Contribution Agreement dated July 29, 1988, among the Company, The Federated Real Estate, Inc. and Citibank, N.A.	Not applicable
10.15.3	Holdings Guaranty dated July 29, 1988, by the Company in favor of the	Not applicable

<u>Exhibit No.</u>	<u>Description</u>	<u>Pagination by Sequential Numbering</u>
	Pre-Petition Lenders under the Pre-Petition Credit Agreement and Citibank, N.A.	
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., includin certain exhibits thereto relating to the Merger	Not applicable
10.15.5	Amendment No. 1, dated as of July 29, 1988, to Exhibit 10.15.4	Not applicable
10.15.6	Amendment No. 2 dated as of September 30, 1988, to Exhibit 10.15.4	Not applicable
10.15.7	Consent and Amendment dated April 6, 1989 relating to Exhibit 10.15.4	Not applicable
10.15.8	Form of Amendment No. 4 relating to Exhibit 10.15.4	Not applicable
10.16.1	Credit Agreement dated as of July 28, 1988, among the Company, Federated Real Estate, Inc., Banks named therein, The Sumitomo Bank, Limited, Citibank, N.A., including certain exhibits thereto relating to the Merger.	Not applicable
10.16.2	Principles of Intercompany Service Arrangements (the Statement of Principles)	Not applicable

<u>Exhibit No.</u>	<u>Description</u>	<u>Pagination by Sequential Numbering</u>
10.16.3	Amendment No. 1 dated as of July 29, 1988, relating to Exhibit 10.16.1	Not applicable
10.16.4	Amendment No. 2 dated as of September 30, 1988, relating to Exhibit 10.16.1	Not applicable
10.16.5	Amendment No. 3 dated as of November 1, 1988, relating to Exhibit 10.16.1	Not applicable
10.16.6	Form of Amendment No.4 relating to Exhibit 10.16.1	Not applicable
10.16.7	Amendment No. 5 and waiver relating to Exhibit 10.16.1	Not applicable
10.16.8	Agreement dated November 28, 1988 between the Company and Allied relating to Exhibit 10.16.2	Not applicable
10.17.1.1	Receivables Purchase Agreement dated as of July 28, 1988, among The Sellers Listed On Schedule I attached thereto and Credit Corp.	Not applicable
10.17.1.2	Waiver and Amendment dated as of January 18, 1990, relating to Exhibit 10.17.1.1	Not applicable
10.17.1.3	Receivables Purchase Agreement, dated as of September 28, 1990 among the Company; Bloomingdales, Inc.;	Not applicable

<u>Exhibit No.</u>	<u>Description</u>	<u>Pagination by Sequential Numbering</u>
	Burdine's, Inc.; Rich's Inc. and Credit Corp.	
10.17.2	Collateral Trust Agreement dated July 29, 1988, among the Company, Wilmington Trust Company and William J. Wade	Not applicable
10.17.3	Receivables Security Agreement dated July 29, 1988, between Credit Corp. and Citibank, N.A., relating to the Merger	Not applicable
10.17.4	Non-Shared Collateral Pledge and Assignment dated July 29, 1988, between the Company and Citibank, N.A.	Not applicable
10.17.5	Holdings Pledge Agreement dated July 29, 1988, between Holdings and Citibank, N.A.	Not applicable
10.17.6	Shared Collateral Pledge Agreement dated July 29, 1988, among the Company, Wilmington Trust Company and William J. Wade	Not applicable
10.17.7	Credit Holdings Guaranty dated July 29, 1988, among Credit Holdings, the Lenders Under the Receivables Credit Agreement and Citibank N.A.	Not applicable
10.17.8	Credit Holdings Pledge Agreement dated July 19, 1988, between Federated Credit Holdings Corpora- tion and Citibank N.A.	Not applicable
10.17.9	Real Estate Corporation Guaranty dated July 29, 1988, among Federated Real Estate, Inc., the	Not applicable

<u>Exhibit No.</u>	<u>Description</u>	<u>Pagination by Sequential Numbering</u>
	Lenders Under the Credit Agreement and Citibank, N.A.	
10.18.1	Holdings Agreement dated as of April 29, 1988, between Holdings, First Boston Securities Corporation, Paine Webber Fund- ing Inc. and Dillon, Read Interfunding Inc.	Not applicable
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	Not applicable
10.18.3	Trust Agreement dated as of July 26, 1988, between the Company and Wilmington Trust Company relating to the Macy Note Monetization	Not applicable
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	Not applicable
10.18.5	Irrevocable Letter of Credit relating to Exhibit 10.18.4	Not applicable
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	Not applicable
10.18.7	Interest Rate Swap Agreement dated as of July 28, 1988, between Wilmington Trust Company and Citibank, N.A.	Not applicable

<u>Exhibit No.</u>	<u>Description</u>	<u>Pagination by Sequential Numbering</u>
10.18.8	Credit Agreement dated as of July 28, 1988, between Wilmington Trust Company and The Dai-Ichi Kangyo Bank, Ltd. relating to the May Note Monetization	Not applicable
10.18.9	Trust Agreement dated as of July 26, 1988, between the Company and Wilmington Trust Company relating to the May Note Monetization	Not applicable
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	Not applicable
10.19.2	Irrevocable Letter of Credit relating to Exhibit 10.19.2	Not applicable
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	Not applicable
10.19.4	Facility Agreement dated as of July 28, 1988, between Wilmington Trust Company and Citibank, N.A.	Not applicable
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	Not applicable

<u>Exhibit No.</u>	<u>Description</u>	<u>Pagination by Sequential Numbering</u>
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	Not applicable
10.19.7	Amendment dated as of October 18, 1988, relating to Exhibit 10.18.3	Not applicable
10.19.8	Facility Agreement dated as of October 18, 1988 between Wilmington Trust Company and Citibank, N.A.	Not applicable
10.19.9	Amendment dated as of October 18, 1988, relating to Exhibit 10.18.8	Not applicable
10.20.1	Amendment dated as of October 18, 1988, relating to Exhibit 10.18.6	Not applicable
10.20.2	Issuing and Paying Agency Agreement dated as of October 18, 1988, between Wilmington Trust Company and the Company	Not applicable
10.20.3	Placement Agency Agreement dated as of October 18, 1988, between Wilmington Trust Company and Citibank, N.A.	Not applicable
10.20.4	Federated Tax Sharing Agreement dated as of July 28, 1988, among FSI and Holdings	Not applicable
10.20.5	Holdings Group Tax Sharing Agreement dated as of July 28, 1988, among Holdings, Federated Credit Holdings, Inc. and the Company	Not applicable

<u>Exhibit No.</u>	<u>Description</u>	<u>Pagination by Sequential Numbering</u>
10.20.6	Protected Corporations Agreement dated as of July 28, 1988, among Allied, Holdings, Holdings II and Ralphs	Not applicable
10.20.7	Tax Side Letter dated as of July 28, 1988, among FSI and Holdings	Not applicable
10.20.8	Ralphs Tax Sharing Agreement dated as of July 28, 1988, between FSI and Holdings II	Not applicable
10.20.9	Holdings II Tax Sharing Agreement dated as of July 28, 1988, between FSI and Holdings II	Not applicable
10.21	Post-Petition Credit Agreement, dated as of January 18, 1990, among the Company, Federated Real Estate, Inc. and other borrowers named therein, the financial institutions named therein and Citibank, N.A., as agent	Not applicable
11.1	Exhibit of Primary and Fully Diluted Earnings Per Share of Predecessor Company	541
22	Subsidiaries of the Company	543
25	Powers of Attorney	545



**5161 River Road
Bethesda, MD 20816
(301) 951-1300**

**EXHIBITS
FOLLOW**

EXHIBIT 2

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF OHIO
WESTERN DIVISION

IN THE MATTER OF)	CONSOLIDATED CASE NO.
FEDERATED DEPARTMENT STORES, INC.)	1-90-00130
and)	Chapter 11 - Judge Aug
ALLIED STORES CORPORATION, ET AL.,)	
)	JOINT PLAN OF REORGANIZATION
Debtors.)	OF FEDERATED DEPARTMENT
)	STORES, INC., ALLIED STORES
)	CORPORATION AND CERTAIN OF
)	<u>THEIR SUBSIDIARIES</u>

April 29, 1991

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ATTORNEYS FOR DEBTORS AND
DEBTORS IN POSSESSION

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EXHIBITS

<u>Exhibit No.</u>	<u>Exhibit Name</u>
I.A.28	Allied Real Estate Subsidiaries ^{1/}
I.A.62	Comprehensive Settlement Agreement ^{2/}
I.A.128	Federated Real Estate Subsidiaries ^{1/}
I.A.144	FSI Plan ^{2/}
I.A.172	New Medium-Term Notes ^{2/}
I.A.173	New Medium-Term Notes Indenture ^{2/}
I.A.174(a)	New Other Debt Securities ^{2/}
I.A.174(b)	New Other Debt Securities Agreements and/or Indentures ^{2/}
I.A.177	New Series A Secured Notes ^{2/}
I.A.178	New Series A Secured Notes Additional Pledge Agreement ^{2/}
I.A.179	New Series A Secured Notes Agreement ^{2/}
I.A.180	New Series B Secured Notes ^{2/}
I.A.181	New Series B Secured Notes Indenture ^{2/}
I.A.182	New Shared Collateral Pledge Agreement ^{2/}
I.A.183	New Tax Sharing Agreement ^{2/}
I.A.198	Ralphs Call Option ^{2/}

1/ Attached to Plan as distributed.

**2/ Available for review at Document Reviewing Centers on the
Exhibit Filing Date.**

**3/ Available for review at Document Reviewing Centers no later
than 35 days prior to commencement of the hearing on
Confirmation.**

I.A.213	Surviving Corporation Put Option^{2/}
I.A.215	Surviving Corporation Share Purchase Rights Agreement^{2/}
IV.B.1.a	Material Documents Related to the Federated/ Allied Combination Transactions^{2/}
IV.B.2	Description of Federated Real Estate Subsidiary Transactions and Related Documentation^{2/}
IV.B.3	Material Documents Related to the Organization of the New A&S Operating Subsidiary and the New Lazarus Operating Subsidiary^{2/}
IV.C.1.a(i)	Certificate of Incorporation of the Surviving Corporation^{2/}
IV.C.1.a(ii)	Bylaws of the Surviving Corporation^{2/}
IV.C.1.b(i)	Form of the Certificate or Articles of Incorporation for all Reorganized Debtors Other than the Surviving Corporation^{2/}
IV.C.1.b(ii)	Form of the Bylaws or Regulations for all Reorganized Debtors Other than the Surviving Corporation^{2/}
IV.C.2.a	Directors and Officers of the Surviving Corporation^{2/}
IV.C.2.b	Directors and Officers of the Reorganized Debtors Other than the Surviving Corporation^{2/}

1/ Attached to Plan as distributed.

2/ Available for review at Document Reviewing Centers on the Exhibit Filing Date.

3/ Available for review at Document Reviewing Centers no later than 35 days prior to commencement of the hearing on Confirmation.

IV.C.3(a)	Forms of Employment, Retirement, Indemnification and Other Agreements and Incentive Compensation Programs that are to Take Effect as of the Effective Date ^{2/}
IV.C.3(b)	Descriptions of Existing Employment, Retirement, Indemnification and Other Agreements and Incentive Compensation Programs that will Remain in Effect as of the Effective Date ^{2/}
IV.E	Terms of New Debt, New Common Stock, New Class A Common Stock, the Ralphs Call Option and the Surviving Corporation Put Option ^{1/}
IV.F	Terms of Postconfirmation Financing ^{3/}
IV.J	Agreement Regarding the Surviving Corporation's Holdings of the Equity Securities of Ralphs ^{2/}
V.A.1	Schedule of Executory Contracts and Unexpired Leases to be Assumed ^{2/}
V.C	Nonexclusive List of Executory Contracts and Unexpired Leases to be Rejected ^{2/}
V.E.3.a	Schedule of Executory Contracts and Unexpired Leases to be Assigned to Certain Reorganized Debtors and Other Parties ^{2/}
VII.D	Provisions Regarding Payment of Taxes on Income Generated by Disputed Claims Reserves ^{2/}

1/ Attached to Plan as distributed.

2/ Available for review at Document Reviewing Centers on the Exhibit Filing Date.

3/ Available for review at Document Reviewing Centers no later than 35 days prior to commencement of the hearing on Confirmation.

INTRODUCTION

Federated Department Stores, Inc., Allied Stores Corporation and the other debtors in the above-captioned chapter 11 cases (other than Gold Circle, Inc.) (collectively, the "Debtors") hereby propose the following joint Plan of Reorganization (the "Plan") for the resolution of the Debtors' outstanding creditor claims and equity interests. Reference is made to the Debtors' disclosure statement (the "Disclosure Statement") for a discussion of their history, businesses, properties, results of operations and projections for future operations, and for a summary and analysis of the Plan and certain related matters. The Debtors are proponents of the Plan within the meaning of section 1129 of the Bankruptcy Code, 11 U.S.C. § 1129.

Pursuant to section 1125 of the Bankruptcy Code, 11 U.S.C. § 1125, nothing contained in the Plan should be construed as constituting a solicitation of acceptances of the Plan until such time as the Disclosure Statement has been approved by the United States Bankruptcy Court for the Southern District of Ohio (the "Bankruptcy Court") and distributed to all holders of claims and equity interests. All holders of claims and equity interests are encouraged to read the Plan and the Disclosure Statement in their entirety before voting to

accept or reject the Plan. The Disclosure Statement has not yet been filed with or approved by the Bankruptcy Court for use in soliciting acceptances of the Plan.

Subject to the restrictions on modifications set forth in section 1127 of the Bankruptcy Code, 11 U.S.C. § 1127, and those restrictions on modifications set forth in the Plan, the Debtors expect to exercise their right to alter, amend or modify the Plan, one or more times, before its substantial consummation.

ARTICLE I.

DEFINED TERMS, RULES OF INTERPRETATION, COMPUTATION OF TIME AND GOVERNING LAW

A. Defined Terms

As used in the Plan, the capitalized terms below have the following meanings. Any term used in the Plan that is not defined herein, but that is used in the Bankruptcy Code or the Bankruptcy Rules, shall have the meaning assigned to that term in the Bankruptcy Code or the Bankruptcy Rules.

1. "Administrative Claim" means a Claim for costs and expenses of administration allowed under sections 503(b), 507(b) or 1114(e)(2) of the Bankruptcy Code, including:

(a) the actual and necessary costs and expenses incurred after the Petition Date of preserving the respective Estates and operating the businesses of the Debtors (such as wages, salaries or commissions for services and payments for

inventories and leased premises); (b) compensation for legal, financial advisory, accounting and other services and reimbursement of expenses awarded or allowed under sections 330(a) or 331 of the Bankruptcy Code; (c) all fees and charges assessed against the Estates under chapter 123 of title 28, United States Code, 28 U.S.C. §§ 1911-1930; (d) all Inter-Company Balances arising on or after the Petition Date; and (e) any such Claim held against a Debtor by another Debtor or an Affiliate arising on or after the Petition Date.

2. "Affiliate" means any corporation, other than Holdings and Gold Circle, Inc., in which a Debtor directly or indirectly owns 50% or more of the outstanding stock entitled to vote generally in the election of directors.

3. "ALAE" shall have the meaning set forth in the Liberty Mutual Settlement Agreement.

4. "Allied" means Allied Stores Corporation, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00131.

5. "Allied 6% Notes" means the 6% Notes due May 15, 1992, issued by Allied pursuant to the Allied 6% Notes Indenture.

6. "Allied 6% Notes Indenture" means the Indenture, dated May 15, 1982, between Allied and Manufacturers Hanover Trust Company, as Trustee.

7. "Allied 10-1/2% Senior Notes" means the 10-1/2% Senior Notes due 1992, issued by Allied pursuant to the Allied 10-1/2% Senior Notes Indenture.

8. "Allied 10-1/2% Senior Notes Indenture" means the Indenture, dated March 1, 1987, between Allied and IBJ Schroder Bank & Trust Company, as Trustee.

9. "Allied April 1989 Notes" means, collectively:

- (a) the promissory note, dated April 7, 1989, made by Allied and payable to FSI in the principal amount of \$93,000,000;
- (b) the promissory note, dated April 7, 1989, made by Allied and payable to FSI in the principal amount of \$34,000,000; and
- (c) a Letter Agreement, dated April 7, 1989, evidencing Allied's obligation to reimburse FSI for amounts up to \$23,000,000 drawn on certain letters of credit, as any of the foregoing may have been amended, modified or supplemented.

10. "Allied Credit" means Allied Stores Credit Corporation, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00142.

11. "Allied Credit Holdings" means Allied Stores Credit Holdings Corporation, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00143.

12. "Allied Credit Postpetition Receivables Agreement" means the Receivables-Backed Credit Agreement, dated as of June 22, 1990, among Allied Credit, as Borrower, and SPC Funding Corporation, as Lender, and Chemical Bank, as

Agent, as the same may have been amended, modified or supplemented.

13. "Allied Credit Subsidiaries" means, collectively, Allied Credit and Allied Credit Holdings.

14. "Allied Debtors" means, collectively, Allied and the Allied Subsidiaries.

15. "Allied Intercompany Dividend Notes" means, collectively: (a) the Promissory Note, dated August 7, 1987, made by Jordan Marsh and payable to Allied in the principal amount of \$200,000,000; (b) the Promissory Note, dated August 7, 1987, made by Maas and payable to Allied in the principal amount of \$125,000,000; (c) the Promissory Note, dated August 7, 1987, made by Stern's and payable to Allied in the principal amount of \$200,000,000 (of which \$90,000,000 in principal amount is currently outstanding); (d) the Promissory Note, dated April 29, 1988, made by Stern's and payable to Allied in the principal amount of \$110,000,000; and (e) the Promissory Note, dated August 7, 1987, made by The Bon and payable to Allied in the principal amount of \$100,000,000.

16. "Allied Inventory Advances" means the funds borrowed by Allied from BMO and Paribas under a \$70,000,000 revolving Inventory Facility, as defined in, and made available pursuant to, the Allied Prepetition Credit Agreement.

17. "Allied IRB Agency" means the Massachusetts Industrial Finance Agency.

18. "Allied IRBs" means the 14-1/4% industrial revenue bonds due November 1, 2011, issued by the Allied IRB Agency pursuant to the Allied IRB Trust Agreement, the payment for which Allied is liable.

19. "Allied IRB Trust Agreement" means the Loan, Assignment and Trust Agreement, dated as of November 1, 1981, among Allied, Alstores Realty Corporation, the Allied IRB Agency and Shawmut Bank of Boston, N.A., as Trustee.

20. "Allied IRB Trustee" means State Street Bank & Trust Company, as successor to Shawmut Bank of Boston, N.A., as Trustee under the Allied IRB Trust Agreement.

21. "Allied Operating Subsidiaries" means, collectively, Jordan Marsh, Maas, Stern's and The Bon.

22. "Allied Other Subsidiaries" means, collectively: (a) Allied Mortgage Financing Corp., a Delaware corporation, the debtor in Reorganization Case No. 1-90-00151; (b) Allied Stores International Inc., a New York corporation, the debtor in Reorganization Case No. 1-90-00152; (c) Allied Stores International Sales Company, Inc., a New York corporation, the debtor in Reorganization Case No. 1-90-00153; (d) Allied Stores Marketing Corporation, a New York corporation, the debtor in Reorganization Case No. 1-90-00141; and (e) Tukwila Warehousing Services Corporation, a Washington corporation, the debtor in Reorganization Case No. 1-90-00196.

23. "Allied Postpetition Credit Agreement" means the Revolving Credit and Guaranty Agreement, dated as of January 23, 1990, among Allied, as Borrower, The Bon, Jordan Marsh, Maas, Stern's, ASGREC and certain other subsidiaries named therein, as Guarantors, the Banks party thereto and Chemical Bank, as Agent, as the same may have been amended, modified or supplemented.

24. "Allied Preferred Stock" means the shares of \$3.3125 Redeemable Cumulative Exchangeable Preferred Stock, Series A, of Allied, issued and outstanding immediately prior to the Effective Date.

25. "Allied Prepetition Credit Agreement" means the Amended and Restated Credit Agreement, dated as of April 6, 1989, among Allied, the Banks named therein, as Banks, and Citibank, as Agent, as the same may have been amended, modified or supplemented.

26. "Allied-Prudential Real Estate Loan Agreement" means the Loan Agreement, dated as of December 30, 1987, by Prudential, as Lender, with Allied, as Applicant; and ASGREC; Al-Jordan Realty Corp.; Auburndale Realty, Inc.; Baygertz Realty, Inc.; Clearmaas Realty Corp.; Hampton Bays Plaza, Inc.; Jordan Servicenter, Inc.; Laudermarsh Realty Corp.; Saramaas Realty Corp.; and Seattle Northgate Company, as Borrowers, as the same may have been amended, modified or supplemented.

27. "**Allied-Prudential Real Estate Loan Agreement Guaranty**" means the Guaranty, dated as of December 30, 1987, made by Allied in favor of Prudential.

28. "**Allied Real Estate Subsidiaries**" means, collectively, the debtors listed on Exhibit I.A.28 to the Plan.

29. "**Allied Senior Subordinated Debentures**" means the 11-1/2% Senior Subordinated Debentures due 1997, issued by Allied pursuant to the Allied Senior Subordinated Debentures Indenture.

30. "**Allied Senior Subordinated Debentures Indenture**" means the Indenture, dated as of March 1, 1987, between Allied and United States Trust Company of New York, as Trustee.

31. "**Allied September 1989 Note**" means the promissory note, dated September 18, 1989, made by Allied and payable to Holdings III in the principal amount of \$100,000,000.

32. "**Allied Subsidiaries**" means, collectively, the Allied Credit Subsidiaries, the Allied Real Estate Subsidiaries, the Allied Operating Subsidiaries and the Allied Other Subsidiaries.

33. "**Allied Working Capital Advances**" means the funds borrowed by Allied from Citibank, BMO and Paribas under a \$280,000,000 Working Capital Facility, as defined in, and made available pursuant to, the Allied Prepetition Credit Agreement.

34. "Allowed Claim" or "Allowed Unsecured Claim"

means:

- a. A Claim that has been scheduled by a Debtor in its Schedule of Liabilities as other than disputed, contingent or unliquidated and as to which the applicable Debtor has not delivered a Notice of Dispute or a Stipulation of Amount and Nature of Claim to the holder of such Claim by the Effective Date, if no proof of Claim (i) has been Filed by the Claims Bar Date or (ii) has otherwise been deemed timely Filed under applicable law;
- b. A Claim that either is not a Disputed Claim or has been allowed by a Final Order, if a proof of Claim has been Filed by the Claims Bar Date or has otherwise been deemed timely Filed under applicable law; or
- c. A Claim that is allowed: (i) in any Stipulation of Amount and Nature of Claim executed prior to the Confirmation Date and approved by the Bankruptcy Court pursuant to the Claims Settlement Order or otherwise; (ii) in any Stipulation of Amount and Nature of Claim executed on or after the Confirmation Date; or (iii) in any contract, instrument, indenture or other agreement or document entered into in connection with the Plan.

35. "Allowed Class . . . Claim" means an Allowed Claim in the particular Class described.

36. "Allowed Class . . . Interest" means an Allowed Interest in the particular Class described.

37. "**Allowed Debt Security Claim**" means an Allowed Claim under or evidenced by a Debt Security or a Debt Securities Indenture.

38. "**Allowed Insured Claim**" or "**Allowed Uninsured Claim**" means, respectively, an Insured Claim or an Uninsured Claim that is an Allowed Claim.

39. "**Allowed Interest**" means an Interest: (a) that is registered as of the Distribution Record Date in a stock register that is maintained by or on behalf of the applicable Debtor and (b)(i) is not a Disputed Interest or (ii) has been allowed by a Final Order.

40. "**Allowed Secondary Liability Claim**" means a Secondary Liability Claim that is an Allowed Claim.

41. "**Annual Additional Distribution Date**" means January 31 of the calendar year following the year in which the Effective Date falls and each January 31 thereafter.

42. "**ASGREC**" means Allied Stores General Real Estate Company, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00140.

43. "**Bankruptcy Code**" means title 11 of the United States Code, as now in effect or hereafter amended.

44. "**Bankruptcy Court**" means the United States Bankruptcy Court for the Southern District of Ohio, or, if such court ceases to exercise jurisdiction over any Reorganization Case, such court or adjunct thereof that exercises jurisdiction

over such Reorganization Case in lieu of the United States Bankruptcy Court for the Southern District of Ohio.

45. "Bankruptcy Rules" means, collectively, the Bankruptcy Rules and the Local Bankruptcy Rules for the United States District Court for the Southern District of Ohio, as now in effect or hereafter amended.

46. "Bar Date Order" means the Order Establishing Bar Date for Filing of Proofs of Claim, entered by the Bankruptcy Court on May 7, 1990, as subsequently amended and supplemented.

47. "Bloomingdale's" means Bloomingdale's, Inc., a Delaware corporation, the debtor in Reorganization Case No. 1-90-00132.

48. "BMo" means Bank of Montreal.

49. "Bridge Lenders" means, collectively:

(a) First Boston; (b) Paine Webber Incorporated; (c) Dillon, Read & Co., Inc.; and (d) any affiliate (as defined in section 101(2) of the Bankruptcy Code) of any of the foregoing who participated in the purchase of \$2,086,800,000 of subordinated notes of CRTF Corporation, pursuant to the Note Purchase Agreement, dated as of April 29, 1988, among CRTF Corporation, First Boston, Paine Webber Funding, Inc. and Dillon, Read Interfunding, Inc.

50. "Burdine's" means Burdine's, Inc., a Delaware corporation, the debtor in Reorganization Case No. 1-90-00134.

51. "Business Day" means any day, other than a Saturday, Sunday or "legal holiday" (as such term is defined in Bankruptcy Rule 9006(a)).

52. "Campeau Corporation" means Campeau Corporation, a publicly held Ontario corporation.

53. "Campeau Properties" means Campeau Properties, Inc., a Delaware corporation, the debtor in FSI Reorganization Case No. 1-90-05856.

54. "Chemical Bank" means Chemical Bank, N.A.

55. "CIBV" means Campeau International B.V., a Netherlands corporation.

56. "Citibank" means Citibank, N.A.

57. "Claim" means a claim (as defined in section 101(4) of the Bankruptcy Code) against any Debtor.

58. "Claims Bar Date" means the applicable bar date by which a proof of Claim must be filed, as established by an order of the Bankruptcy Court, including the Bar Date Order.

59. "Claims Settlement Order" means the Order Authorizing Debtors to Compromise and Settle Certain Prepetition Claims, entered by the Bankruptcy Court on July 5, 1990.

60. "Class" means a class of Claims or Interests in respect of a particular Debtor, as described below in Article II.

61. "**Common Stock of . . .**" means: (a) when used with reference to a particular Debtor or Holdings, the common stock issued by such Debtor or Holdings and outstanding immediately prior to the Effective Date; and (b) when used with reference to the New A&S Operating Subsidiary or the New Lazarus Operating Subsidiary, the common stock of such new subsidiary to be issued pursuant to the Plan.

62. "**Comprehensive Settlement Agreement**" means the Settlement Agreement among the Debtors and the FSI Debtors in the form of Exhibit I.A.62 to the Plan. On the Exhibit Filing Date, Exhibit I.A.62 shall be Filed and shall be available for review in the Document Reviewing Centers.

63. "**Confirmation**" means the entry of an order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

64. "**Confirmation Date**" means the date on which the Bankruptcy Court enters the Confirmation Order on its docket.

65. "**Confirmation Order**" means the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

66. "**Consenting Additional Party**" shall have the meaning set forth in the Comprehensive Settlement Agreement.

67. "**Creditors' Committees**" means the committees appointed in the Reorganization Cases pursuant to section 1102 of the Bankruptcy Code.

68. **"Debt Securities"** means, collectively: (a) the Federated Premerger Senior Debt Securities, (b) the Federated Senior Subordinated Debentures, (c) the Federated Subordinated Discount Debentures, (d) the Allied 6% Notes, (e) the Allied 10-1/2% Senior Notes and (f) the Allied Senior Subordinated Debentures.

69. **"Debt Securities Indentures"** means, collectively: (a) the Federated Premerger Senior Debt Securities Indentures, (b) the Federated Senior Subordinated Debentures Indenture, (c) the Federated Subordinated Discount Debentures Indenture, (d) the Allied 6% Notes Indenture, (e) the Allied 10-1/2% Senior Notes Indenture and (f) the Allied Senior Subordinated Debentures Indenture.

70. **"Debtors"** means, collectively, the Federated Debtors and the Allied Debtors.

71. **"Delaware General Corporation Law"** means title 8 of the Delaware Code, as now in effect or hereafter amended.

72. **"Disbursing Agent"** means the Surviving Corporation in its capacity as a disbursing agent pursuant to Section VI.B below or any Third-Party Disbursing Agent.

73. **"Disclosure Statement"** means the disclosure statement that relates to the Plan and that is approved by the Bankruptcy Court pursuant to section 1125 of the Bankruptcy Code, as such disclosure statement may be amended, modified or supplemented.

74. "Disputed Claim" means:

a. A Claim as to which, if no proof of Claim has been Filed by the Claims Bar Date or has otherwise been deemed timely Filed under applicable law and such Claim has been scheduled by a Debtor in its Schedule of Liabilities as other than disputed, contingent or unliquidated: (i) the applicable Debtor has delivered a Notice of Dispute or a Stipulation of Amount and Nature of Claim to the holder of such Claim and (ii)(I) any Stipulation of Amount and Nature of Claim delivered has not been executed or (II) if such Stipulation of Amount and Nature of Claim was executed prior to the Confirmation Date, such Stipulation has not been approved by the Bankruptcy Court pursuant to the Claims Settlement Order or otherwise; or

b. A Claim as to which, if a proof of Claim has been Filed by the Claims Bar Date or has otherwise been deemed timely Filed under applicable law, an objection has been Filed by the applicable Debtor or any other party in interest and which objection, if timely Filed, has not been withdrawn on or before any date fixed by the Plan or order of the Bankruptcy Court for Filing such objections and such objection has not been denied by a Final Order. Prior to the time that an objection has been or may be timely Filed, for the purposes of the Plan, a Claim asserted in a proof of Claim shall be considered a Disputed Claim in its entirety if: (i) the amount of the Claim specified in the proof of Claim exceeds the amount

of any corresponding Claim scheduled by the applicable Debtor in its Schedule of Liabilities; (ii) any corresponding Claim in the applicable Debtor's Schedule of Liabilities has been scheduled as disputed, contingent or unliquidated, irrespective of the amount scheduled; or (iii) no corresponding Claim has been scheduled by the applicable Debtor in its Schedule of Liabilities.

75. "Disputed Claims Reserves" means the reserves of funds or securities established pursuant to Section VII.B below for each Reserve Class in which there are Disputed Claims.

76. "Disputed Insured Claim" or "Disputed Uninsured Claim" means, respectively, an Insured Claim or an Uninsured Claim that is a Disputed Claim.

77. "Disputed Interest" means any Interest as to which an objection has been Filed by a Debtor or any other party in interest and which objection, if timely Filed, has not been withdrawn on or before any date fixed by the Plan or by order of the Bankruptcy Court for Filing such objections and such objection has not been denied by a Final Order.

78. "Distribution Record Date" means the Effective Date.

79. "Document Reviewing Centers" means, collectively, the offices of the Debtors located at 222 West 7th Street, Cincinnati, Ohio 45202, and the offices of their

counsel located at 599 Lexington Avenue, New York, New York 10022, or any other location designated by the Debtors, at which any party in interest may review all of the Exhibits and schedules to the Plan and the Disclosure Statement.

80. "**Effective Date**" means a Business Day, as determined by the Debtors, that is at least 11 Business Days after the Confirmation Date, and on which: (a) no stay of the Confirmation Order is in effect, (b) all conditions to the Effective Date set forth below in Section VIII.B have been satisfied or waived as provided below in Section VIII.C, (c) the Debtors have concluded that Ralphs has either (i) ceased to be a member of the FSI "affiliated group" (as such term is defined in section 1504(a) of the Internal Revenue Code) or (ii) been merged with or otherwise combined with or into Federated and (d) FSI or Reorganized FSI has transferred to EJDC all of the stock of the FSI Shopping Center Corporations, whether pursuant to the FSI Plan or otherwise.

81. "**Effective Time of the Federated/Allied Combination Transactions**" means the time on or after the Effective Date at which the Federated/Allied Combination Transactions are consummated and become effective pursuant to their terms and applicable law.

82. "**EJDC**" means The Edward J. DeBartolo Corporation, an Ohio corporation.

83. "**Estate**" means, as to each Debtor, the estate created for that Debtor in its Reorganization Case pursuant to section 541 of the Bankruptcy Code.

84. "**Exchange Note Agreement**" means the Amended and Restated Exchange Note Agreement, dated as of November 1, 1988, among Federated and the Bridge Lenders, as the same may have been amended, modified or supplemented.

85. "**Exhibit Filing Date**" means a date, as determined by the Debtors, that is not less than 40 days prior to the commencement of the Bankruptcy Court hearing on the adequacy of the Disclosure Statement.

86. "**Face Amount**" means: (a) when used with reference to a Disputed Insured Claim, the lesser of (i) the full stated amount claimed by the holder of such Claim in any proof of Claim Filed by the Claims Bar Date or otherwise deemed timely Filed under applicable law if the proof of Claim specifies only a liquidated amount and (ii) the applicable deductible under the relevant insurance policy, minus any reimbursement obligations of the applicable Debtor to the insurance carrier for sums expended by the insurance carrier on account of such Claim (including defense costs); (b) when used with reference to a Disputed Uninsured Claim, either (i) the amount of the Claim set forth in any Stipulation of Amount and Nature of Claim delivered to the holder of such Claim if no proof of Claim has been Filed or (ii) the full stated amount claimed by the holder of such Claim in any proof of Claim Filed

by the Claims Bar Date or otherwise deemed timely Filed under applicable law if the proof of Claim specifies only a liquidated amount.

87. **"Federal Priority Tax Claim"** means a Claim of the IRS that is entitled to priority in payment pursuant to section 507(a)(7) of the Bankruptcy Code.

88. **"Federated"** means Federated Department Stores, Inc., a Delaware corporation, the debtor in Reorganization Case No. 1-90-00130.

89. **"Federated 7-1/8% Sinking Fund Debentures"** means the 7-1/8% Sinking Fund Debentures due March 15, 2002, issued by Federated pursuant to the Federated 7-1/8% Sinking Fund Debentures Indenture.

90. **"Federated 7-1/8% Sinking Fund Debentures Indenture"** means the Indenture, dated as of March 15, 1972, between Federated and First National City Bank, as Trustee.

91. **"Federated 7-7/8% Notes"** means the 7-7/8% Notes due 1996, issued by Federated pursuant to the Federated 7-7/8% Notes Indenture.

92. **"Federated 7-7/8% Notes Indenture"** means the Indenture, dated as of March 20, 1986, between Federated and Chemical Bank, as Trustee.

93. **"Federated 7.95% Notes"** means the 7.95% Notes due March 1, 2002, issued by Federated pursuant to the Federated 7.95% Note Agreement.

94. **"Federated 7.95% Note Agreement"** means the Note Agreement, dated March 1, 1977, between Federated and Metropolitan Life Insurance Company.

95. **"Federated 8-3/8% Sinking Fund Debentures"** means the 8-3/8% Sinking Fund Debentures due September 15, 1995, issued by Federated pursuant to the Federated 8-3/8% Sinking Fund Debentures Indenture.

96. **"Federated 8-3/8% Sinking Fund Debentures Indenture"** means the Indenture, dated as of September 15, 1970, between Federated and First National City Bank, as Trustee.

97. **"Federated 9-3/8% Notes"** means the 9-3/8% Notes due 1992, issued by Federated pursuant to the Federated 9-3/8% Notes Indenture.

98. **"Federated 9-3/8% Notes Indenture"** means the Indenture, dated as of January 15, 1987, between Federated and Manufacturers Hanover Trust Company, as Trustee.

99. **"Federated 9-1/2% Sinking Fund Debentures"** means the 9-1/2% Sinking Fund Debentures due March 1, 2016, issued by Federated pursuant to the Federated 9-1/2% - 10-5/8% Sinking Fund Debentures Indenture.

100. **"Federated 9-1/2% - 10-5/8% Sinking Fund Debentures Indenture"** means the Indenture, dated as of October 15, 1982, between Federated and Chemical Bank, as Trustee, as supplemented by a Supplemental Indenture, dated as of March 3, 1986.

101. **"Federated 10-1/8% Euronotes"** means the 10-1/8% Euronotes due 1995, issued by Federated pursuant to the Federated 10-1/8% Euronotes Indenture.

102. **"Federated 10-1/8% Euronotes Indenture"** means the Indenture, dated as of July 9, 1985, between Federated and Morgan Guaranty Trust Company of New York, as Trustee.

103. **"Federated 10-1/4% Sinking Fund Debentures"** means the 10-1/4% Sinking Fund Debentures due June 15, 2010, issued by Federated pursuant to the Federated 10-1/4% Sinking Fund Debentures Indenture.

104. **"Federated 10-1/4% Sinking Fund Debentures Indenture"** means the Indenture, dated as of June 15, 1980, between Federated and Bankers Trust Company, as Trustee.

105. **"Federated 10-5/8% Sinking Fund Debentures"** means the 10-5/8% Sinking Fund Debentures due May 1, 2013, issued by Federated pursuant to the Federated 9-1/2% - 10-5/8% Sinking Fund Debentures Indenture.

106. **"Federated 11% Euronotes"** means the 11% Euronotes due 1990, issued by Federated pursuant to the Federated 11% Euronotes Indenture.

107. **"Federated 11% Euronotes Indenture"** means the Indenture, dated as of February 1, 1985, between Federated and Morgan Guaranty Trust Company of New York, as Trustee.

108. **"Federated/Allied Combination Transactions"** means such transaction or transactions that may include one or

more mergers, consolidations or reorganizations, as may be determined by Federated and Allied to be necessary or appropriate to result in substantially all of the respective assets, properties and rights of Reorganized Federated and Reorganized Allied vesting in the Surviving Corporation as of the Effective Time of the Federated/Allied Combination Transactions.

109. **"Federated Credit"** means Federated Credit Corp., an Ohio corporation.

110. **"Federated Credit Holdings"** means Federated Credit Holdings Corporation, a Delaware corporation.

111. **"Federated Debtors"** means, collectively, Federated and the Federated Subsidiaries.

112. **"Federated IRB Indenture"** means the trust indenture, dated as of June 1979, from the Allegheny County Industrial Development Authority to Pittsburgh National Bank, as Trustee.

113. **"Federated IRB Loan Agreement"** means the Acquisition and Loan Agreement, dated as of June 1, 1979, between Federated and the Allegheny County Industrial Development Authority.

114. **"Federated IRB Note"** means the promissory note, dated June 1, 1979, issued by Federated to the Allegheny County Industrial Development Authority in an original principal amount of \$4,375,000 pursuant to the Federated IRB Loan Agreement.

115. "**Federated IRBs**" means the 6-1/2% industrial revenue bonds due June 1, 2009, issued by the Allegheny County Industrial Development Authority pursuant to the Federated IRB Indenture, the payment for which Federated is liable under the terms of the Federated IRB Loan Agreement and the Federated IRB Note.

116. "**Federated IRB Trustee**" means Pittsburgh National Bank, as Trustee under the Federated IRB Indenture.

117. "**Federated Mortgage Bridge Advances**" means the funds borrowed by Federated Real Estate from the Federated Prepetition Lending Group under an \$800,000,000 Mortgage Bridge Facility, as defined in, and made available pursuant to, the Federated Prepetition Credit Agreement.

118. "**Federated Mortgage Bridge Advance Guaranty**" means the Mortgage Bridge Guaranty, dated July 29, 1988, made by Federated in favor of the Federated Prepetition Lending Group for the Federated Mortgage Bridge Advances.

119. "**Federated Operating Subsidiaries**" means, collectively: (a) Bloomingdale's; (b) Bloomingdale's By Mail Ltd., a New York corporation, the debtor in Reorganization Case No. 1-90-00139; (c) Burdine's; and (d) Rich's.

120. "**Federated Other Subsidiaries**" means, collectively: (a) Block's, Inc., a Delaware corporation, the debtor in Reorganization Case No. 1-90-00157; (b) Federated Acceptance Corporation, a Delaware corporation, the debtor in

Reorganization Case No. 1-90-00171; (c) Federated Stores Realty, Inc., a Delaware corporation, the debtor in Reorganization Case No. 1-90-00144; (d) Goldsmith's, Inc., a Delaware corporation, the debtor in Reorganization Case No. 1-90-00174; (e) Retail Service, Inc., a Michigan corporation, the debtor in Reorganization Case No. 1-90-00145; (f) 22 East Advertising Corporation, a Florida corporation, the debtor in Reorganization Case No. 1-90-00194; (g) 22 East Realty Corporation, a Florida corporation, the debtor in Reorganization Case No. 1-90-00195; and (h) the Federated Real Estate Subsidiaries.

121. **"Federated Premerger Senior Debt Securities"** means, collectively: (a) the Federated 7-1/8% Sinking Fund Debentures, (b) the Federated 7-7/8% Notes, (c) the Federated 7.95% Notes, (d) the Federated 8-3/8% Sinking Fund Debentures, (e) the Federated 9-3/8% Notes, (f) the Federated 9-1/2% Sinking Fund Debentures, (g) the Federated 10-1/8% Euronotes, (h) the Federated 10-1/4% Sinking Fund Debentures, (i) the Federated 10-5/8% Sinking Fund Debentures and (j) the Federated 11% Euronotes.

122. **"Federated Premerger Senior Debt Securities Indentures"** means, collectively: (a) the Federated 7-1/8% Sinking Fund Debentures Indenture, (b) the Federated 7-7/8% Notes Indenture, (c) the Federated 7.95% Note Agreement, (d) the Federated 8-3/8% Sinking Fund Debentures Indenture,

(e) the Federated 9-3/8% Notes Indenture, (f) the Federated 9-1/2% - 10-5/8% Sinking Fund Debentures Indenture, (g) the Federated 10-1/8% Euronotes Indenture, (h) the Federated 10-1/4% Sinking Fund Debentures Indenture and (i) the Federated 11% Euronotes Indenture.

123. **"Federated Premerger Senior Debt Securities Indenture Trustees"** means, collectively: (a) Manufacturers Hanover Trust Company, as Trustee under the Federated 9-3/8% Notes Indenture and as successor to First National City Bank, Trustee under the Federated 7-1/8% Sinking Fund Debentures Indenture and the Federated 8-3/8% Sinking Fund Debentures Indenture; (b) Chemical Bank, as Trustee under the Federated 7-7/8% Notes Indenture and the Federated 9-1/2% - 10-5/8% Sinking Fund Debentures Indenture; (c) Metropolitan Life Insurance Company, in its individual capacity under the 7.95% Note Agreement; (d) Morgan Guaranty Trust Company of New York, as Trustee under the Federated 10-1/8% Euronotes Indenture and the Federated 11% Euronotes Indenture; and (e) Bankers Trust Company, as Trustee under the Federated 10-1/4% Sinking Fund Debentures Indenture.

124. **"Federated Prepetition Credit Agreement"** means the Credit Agreement, dated as of July 28, 1988, among Federated and Federated Real Estate, as Borrowers and Guarantors, the Federated Prepetition Lending Group and Bank of America National Trust & Savings Association, The Sanwa Bank, Limited, New York Branch, and Long-Term Credit Bank of Japan

Limited, New York Branch, as Co-Managers, and Sumitomo Bank, Ltd., as Co-Agent, and Citibank, as Agent.

125. **"Federated Prepetition Lending Group"** means those entities identified as "Lenders" in the Federated Prepetition Credit Agreement and their respective successors and assigns.

126. **"Federated Real Estate"** means Federated Real Estate, Inc., a Delaware corporation, the debtor in Reorganization Case No. 1-90-00172.

127. **"Federated Real Estate Assumption"** means the assumption by Federated Real Estate pursuant to the Assumption Agreements, dated July 28, 1988, of the obligations of Federated under or evidenced by the Federated Premerger Senior Debt Securities or the Federated Premerger Senior Debt Securities Indentures.

128. **"Federated Real Estate Subsidiaries"** means, collectively, the debtors listed on Exhibit I.A.128 to the Plan.

129. **"Federated Real Estate Subsidiary Transactions"** means such transactions as may be determined by Federated to be necessary or appropriate to effect the restructuring of the Federated Real Estate Subsidiaries that is contemplated in Section IV.B.2 below.

130. **"Federated Real Estate Working Capital Advance Guaranty"** means the Real Estate Corporation Guaranty, dated July 29, 1988, made by Federated Real Estate in favor of the Federated Prepetition Lending Group for the Federated Working Capital Advances.

131. "Federated Senior Subordinated Debentures"

means the 16% Senior Subordinated Debentures due 2000, issued by Federated pursuant to the Federated Senior Subordinated Debentures Indenture.

132. "Federated Senior Subordinated Debentures Indenture" means the Indenture, dated as of November 1, 1988, between Federated and United States Trust Company of New York, as Trustee.

133. "Federated September 1989 Note" means the promissory note, dated September 18, 1989, made by Federated and payable to Holdings III with an outstanding principal amount of \$75,000,000.

134. "Federated Subordinated Discount Debentures" means the 17-3/4% Subordinated Discount Debentures, due 2004, issued by Federated pursuant to the Federated Subordinated Discount Debentures Indenture.

135. "Federated Subordinated Discount Debentures Indenture" means the Indenture, dated as of November 1, 1988, between Federated and The Fifth Third Bank, as Trustee.

136. "Federated Subsidiaries" means, collectively, Federated Real Estate, the Federated Operating Subsidiaries and the Federated Other Subsidiaries.

137. "Federated Subsidiaries Assumption Agreements" means, collectively: (a) the Assumption Agreement, dated as of July 29, 1988, between Federated and Bloomingdale's; (b) the

Assumption Agreement, dated as of July 29, 1988, between Federated and Burdine's; and (c) the Assumption Agreement, dated as of July 29, 1988, between Federated and Rich's.

138. **"Federated Working Capital Advances"** means the funds borrowed by Federated from the Federated Prepetition Lending Group under a \$750,000,000 Working Capital Facility, as defined in, and made available pursuant to, the Federated Prepetition Credit Agreement.

139. **"File"** or **"Filed"** means file or filed with the Bankruptcy Court in a Reorganization Case or, in the case of proofs of Claim, file or filed with Poorman-Douglas Corporation in a Reorganization Case.

140. **"Final Order"** means an order or judgment of the Bankruptcy Court, or other court of competent jurisdiction, as entered on the docket in any Reorganization Case, which has not been reversed, stayed, modified or amended, and as to which the time to appeal or seek certiorari has expired and no appeal or petition for certiorari has been timely taken, or as to which any appeal that has been or may be taken or any petition for certiorari that has been or may be filed has been resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought.

141. **"First Boston"** means The First Boston Corporation, its affiliates (as defined in section 101(2) of the Bankruptcy Code) and each of their respective successors and assigns.

142. "FSI" means Federated Stores, Inc., formerly known as Campeau Corporation (U.S.), Inc., a Delaware corporation, the debtor in FSI Reorganization Case No. 1-90-03526.

143. "FSI Debtors" means, collectively, FSI and the FSI Subsidiaries.

144. "FSI Plan" means the plan of reorganization for each of the FSI Debtors in the FSI Reorganization Cases, to the extent applicable to any FSI Debtor, and all exhibits and schedules annexed thereto or referenced therein, in the form of Exhibit I.A.144 to the Plan, as the same may be amended, modified or supplemented in any manner to which the Debtors consent in writing and which does not conflict with the terms of the Plan. On the Exhibit Filing Date, Exhibit I.A.144 shall be Filed and shall be available for review in the Document Reviewing Centers.

145. "FSI Reorganization Case" means, when used with reference to a particular FSI Debtor, the chapter 11 case pending for that FSI Debtor in the Bankruptcy Court.

146. "FSI Shopping Center Corporations" means, collectively: (a) North Shore Plaza II, Inc.; (b) Bergen Mall II, Inc.; (c) Northgate II Real Estate Corporation; (d) Columbia S.C. II, Inc.; and (e) Tacoma S.C. II, Inc., each a Delaware corporation, the common stock of which is wholly owned by FSI.

147. "FSI Subsidiaries" means, collectively, Holdings, Holdings II, Holdings III and Campeau Properties.

148. "Holdings" means Federated Holdings, Inc., a Delaware corporation, the debtor in FSI Reorganization Case No. 1-90-03523.

149. "Holdings II" means Federated Holdings II, Inc., a Delaware corporation, the debtor in FSI Reorganization Case No. 1-90-03524.

150. "Holdings III" means Federated Holdings III, Inc., a Delaware corporation, the debtor in FSI Reorganization Case No. 1-90-03525.

151. "ICC" means IBM Credit Corporation and its successors and assigns.

152. "ICC Installment Payment Agreement" means the Installment Payment Agreement, dated June 21, 1988, between ICC and Federated.

153. "Indenture Trustees" means, collectively:
(a) the Federated Premerger Senior Debt Securities Indenture Trustees; (b) the Federated IRB Trustee; (c) United States Trust Company, as Trustee under the Federated Senior Subordinated Debentures Indenture and the Allied Senior Subordinated Debentures Indenture; (d) The Fifth Third Bank, as Trustee under the Federated Subordinated Discount Debentures Indenture; (e) Shawmut Bank of Boston, N.A., as successor to Manufacturers Hanover Trust Company, as Trustee under the

Allied 6% Notes Indenture; (f) IBJ Schroder Bank & Trust Company, as Trustee under the Allied 10-1/2% Senior Notes Indenture; and (g) the Allied IRB Trustee.

154. "Indenture Trustee Charging Lien" means any lien or other priority in payment available to an Indenture Trustee pursuant to a Debt Securities Indenture as security for any fees, costs or disbursements incurred by an Indenture Trustee.

155. "Insured Claim" means any Claim arising from an incident or occurrence that is covered under a Debtor's general liability insurance policies.

156. "Insured Claim Distribution Ratio" means the ratio obtained by dividing (a) the aggregate amount of Allowed Insured Claims that is estimated pursuant to Section VII.B.3 below for all Insured Claims in the applicable Reserve Class by (b) the sum of all Allowed Insured Claims plus the Face Amounts of all Disputed Insured Claims in the applicable Reserve Class; provided, however, that such ratio shall not be greater than one to one.

157. "Inter-Company Balances" shall have the meaning set forth in the Postpetition Cash Management System Order.

158. "Intercompany Claim" means a Claim held by a Debtor or an Affiliate that arose before the Petition Date, including a Claim arising under the Federated Subsidiaries Assumption Agreements, the Allied Intercompany Dividend Notes or the Box Assumption Agreement.

159. "Interest" means the rights of the holders of shares of issued and outstanding Allied Preferred Stock or the Common Stock of any Debtor, and the rights of CIBV, pursuant to the Allied April 1989 Notes, to demand the issuance of Allied Preferred Stock.

160. "Internal Revenue Code" means title 26 of the United States Code, as now in effect or hereafter amended.

161. "IRS" means the Internal Revenue Service of the United States of America.

162. "Jordan Marsh" means Jordan Marsh Stores Corporation, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00136.

163. "Liberty Mutual" means Liberty Mutual Insurance Company.

164. "Liberty Mutual Settlement Agreement" means the Settlement Agreement among Liberty Mutual and the Debtors, which agreement was approved by an order entered by the Bankruptcy Court on April 29, 1991.

165. "Maas" means Maas, Inc., a Delaware corporation, the debtor in Reorganization Case No. 1-90-00138.

166. "National Securities Exchange" means any exchange registered pursuant to Section 6(a) of the Securities Exchange Act of 1934, as amended, including the New York Stock Exchange and the National Association of Securities Dealers Automated Quotation System.

167. "New A&S Operating Subsidiary" means a corporation to be organized under the Delaware General

corporation Law as a wholly owned subsidiary of Reorganized Federated pursuant to Section IV.B.3 below.

168. "New Class A Common Stock" means the Class A Common Stock of the Surviving Corporation to be issued pursuant to the Plan, which common stock shall be substantially on the terms set forth in Exhibit IV.E to the Plan. If the initial holders of New Class A Common Stock are solely as set forth in Exhibit IV.E, as of the Effective Date, 49,440,000 shares of New Class A Common Stock will be issued or reserved for issuance to holders of Allowed Claims pursuant to the Plan.

169. "New Common Stock" means the common stock of the Surviving Corporation (other than the New Class A Common Stock) to be issued pursuant to the Plan, which common stock shall be substantially on the terms set forth in Exhibit IV.E to the Plan. If the initial holders of New Common Stock are solely as set forth in Exhibit IV.E, as of the Effective Date, 42,220,000 shares of New Common Stock will be issued or reserved for issuance to holders of Allowed Claims pursuant to the Plan and additional shares of New Common Stock will be issued as contemplated by Section IV.C.3 below.

170. "New Debt" means, collectively: (a) the New Medium-Term Notes, (b) the New Other Debt Securities, (c) the New Series A Secured Notes and (d) the New Series B Secured Notes.

171. "New Lazarus Operating Subsidiary" means a corporation to be organized under the Delaware General

Corporation Law as a wholly owned subsidiary of Reorganized Federated pursuant to Section IV.B.3 below.

172. **"New Medium-Term Notes"** means the secured notes issued by the Surviving Corporation pursuant to the New Medium-Term Notes Indenture in the aggregate principal amount of up to \$130,000,000, which notes shall be substantially on the terms set forth in Exhibit IV.E to the Plan. On the Exhibit Filing Date, the form of the New Medium-Term Notes shall be Filed as Exhibit I.A.172 to the Plan and shall be available for review in the Document Reviewing Centers.

173. **"New Medium-Term Notes Indenture"** means the indenture substantially in the form of Exhibit I.A.173 to the Plan. On the Exhibit Filing Date, Exhibit I.A.173 shall be Filed and shall be available for review in the Document Reviewing Centers.

174. **"New Other Debt Securities"** means, collectively, any convertible debt securities or other debt securities to be issued by the Surviving Corporation pursuant to the Plan (other than the New Medium-Term Notes, the New Series A Secured Notes and the New Series B Secured Notes), which debt securities shall be substantially in the form of Exhibit I.A.174(a) to the Plan. On the Exhibit Filing Date, Exhibit I.A.174(a) shall be Filed, and any related debt agreements or indentures shall be Filed as Exhibit I.A.174(b) to the Plan, and such Exhibits shall be available for review in the Document Reviewing Centers.

175. **"New Other Equity Securities"** means any equity securities of the Surviving Corporation to be issued pursuant

to the Plan (other than the New Common Stock and the New Class A Common Stock), which equity securities shall be substantially in the form of Exhibit I.A.175 to the Plan. On the Exhibit Filing Date, Exhibit I.A.175 shall be Filed and shall be available for review in the Document Reviewing Centers.

176. "New Public Debt Indentures" means, collectively, the New Medium-Term Notes Indenture, any indentures related to the New Other Debt Securities and the New Series B Secured Notes Indenture.

177. "New Series A Secured Notes" means the secured notes issued by the Surviving Corporation pursuant to the New Series A Secured Notes Agreement in the aggregate principal amount of \$625,200,000, which notes shall be substantially on the terms set forth in Exhibit IV.E to the Plan. On the Exhibit Filing Date, the form of the New Series A Secured Notes shall be Filed as Exhibit I.A.177 to the Plan and shall be available for review in the Document Reviewing Centers.

178. "New Series A Secured Notes Additional Pledge Agreement" means the additional pledge agreement related to the New Series A Secured Notes substantially in the form of Exhibit I.A.178 to the Plan. On the Exhibit Filing Date, Exhibit I.A.178 shall be Filed and shall be available for review in the Document Reviewing Centers.

179. "New Series A Secured Notes Agreement" means the agreement substantially in the form of Exhibit I.A.179 to the Plan. On the Exhibit Filing Date, Exhibit I.A.179 shall be

Filed and shall be available for review in the Document Reviewing Centers.

180. "New Series B Secured Notes" means the secured notes issued by the Surviving Corporation pursuant to the New Series B Secured Notes Indenture in the aggregate principal amount of \$334,400,000, which notes shall be substantially on the terms set forth in Exhibit IV.E to the Plan. On the Exhibit Filing Date, the form of the New Series B Secured Notes shall be Filed as Exhibit I.A.180 to the Plan and shall be available for review in the Document Reviewing Centers.

181. "New Series B Secured Notes Indenture" means the indenture substantially in the form of Exhibit I.A.181 to the Plan. On the Exhibit Filing Date, Exhibit I.A.181 shall be Filed and shall be available for review in the Document Reviewing Centers.

182. "New Shared Collateral Pledge Agreement" means the shared collateral pledge agreement substantially in the form of Exhibit I.A.182 to the Plan. On the Exhibit Filing Date, Exhibit I.A.182 shall be Filed and shall be available for review in the Document Reviewing Centers.

183. "New Tax Sharing Agreement" means the tax sharing agreement among the Reorganized Debtors, Federated Credit and Federated Credit Holdings substantially in the form of Exhibit I.A.183 to the Plan. On the Exhibit Filing Date, Exhibit I.A.183 shall be Filed and shall be available for review in the Document Reviewing Centers.

184. "Notice of Dispute" means a notice that a Debtor has sent or may send to a holder of a Claim that states the Debtor's intent to object to the holder's Claim pursuant to Section VII.A.1 below.

185. "Official Retirees' Committee" means the committee appointed in certain of the Reorganization Cases pursuant to the Order Appointing a Committee of Retired Nonunion Employees to serve as Authorized Representatives Under Section 1114 of the Bankruptcy Code, entered by the Bankruptcy Court on October 3, 1990, as subsequently supplemented.

186. "Ordinary Course Professionals' Compensation Order" means the Order Authorizing Debtors and Debtors in Possession to Employ Certain Professionals in the Ordinary Course of Their Businesses, entered by the Bankruptcy Court on January 15, 1990, as subsequently amended.

187. "Other Priority Tax Claim" means a Claim that is entitled to priority in payment pursuant to section 507(a)(7) of the Bankruptcy Code, other than a Federal Priority Tax Claim.

188. "Paribas" means Banque Paribas.

189. "Petition Date" means January 15, 1990.

190. "Plan" means this joint Plan of Reorganization for each of the Debtors, to the extent applicable to any Debtor, and all Exhibits and schedules annexed hereto or referenced herein, as the same may be amended, modified or supplemented.

191. "**Postpetition Cash Management System Order**" means the Order Approving Final Centralized Cash Management Systems and According Post-Petition Inter-Company Claims Super-Priority Status, entered by the Bankruptcy Court on March 6, 1990.

192. "**Potential Additional Party**" shall have the meaning set forth in the Comprehensive Settlement Agreement.

193. "**Priority Tax Claims**" means, collectively, the Federal Priority Tax Claims and the Other Priority Tax Claims.

194. "**Pro Rata**" means proportionally so that with respect to an Allowed Claim, the ratio of (a) the amount of property distributed on account of a particular Allowed Claim to (b) the amount of the Allowed Claim, is the same as the ratio of (x) the amount of property distributed on account of all Allowed Claims of the Class in which the particular Allowed Claim is included to (y) the amount of all Allowed Claims in that Class.

195. "**Professionals**" means all professionals employed in the Reorganization Cases pursuant to sections 327 or 1103 of the Bankruptcy Code, and all professionals seeking compensation or reimbursement of expenses pursuant to section 503(b)(4) of the Bankruptcy Code.

196. "**Prudential**" means Prudential Insurance Company of America.

197. "**Ralphs**" means Ralphs Grocery Company, a Delaware corporation.

198. "Ralphs Call Option" means the option to acquire shares of common stock of Ralphs from the Surviving Corporation, which option shall be substantially on the terms set forth in Exhibit IV.E to the Plan. On the Exhibit Filing Date, the form of the Ralphs Call Option shall be Filed as Exhibit I.A.198 to the Plan and shall be available for review in the Document Reviewing Centers.

199. "Reinstate" or "Reinstatement" means rendering a Claim or Interest unimpaired pursuant to section 1124 of the Bankruptcy Code.

200. "Reorganization Case" means: (a) when used with reference to a particular Debtor, the chapter 11 case pending for that Debtor in the Bankruptcy Court; and (b) when used with reference to all of the Debtors, the chapter 11 cases pending for all of the Debtors in the Bankruptcy Court.

201. "Reorganized . . ." means: (a) when used with reference to a particular Debtor, such Debtor on and after the Effective Date; and (b) when used with reference to a particular FSI Debtor, such FSI Debtor on and after the effective date of the FSI Plan.

202. "Reorganized Debtors" means, collectively, the Debtors on and after the Effective Date, including the Surviving Corporation, each surviving, resulting or acquiring corporation involved in the mergers, consolidations or other transactions that are part of the Federated Real Estate Subsidiary Transactions, the New A&S Operating Subsidiary and the New Lazarus Operating Subsidiary.

203. "**Reserve Classes**" means, collectively, Classes F-8, F-9, FR-6, FO-4, A-9, A-10, AC-4, AR-5 and AO-5.

204. "**Rich's**" means Rich's, Inc., a Delaware corporation, the debtor in Reorganization Case No. 1-90-00133.

205. "**Secondary Liability Claim**" means an Unsecured Claim, other than an Intercompany Claim, that arises from a Debtor being liable as a guarantor of, or otherwise being jointly, severally or secondarily liable for, any contractual, tort or other obligation of another Debtor, including any Unsecured Claim based on: (a) guarantees of collection, payment or performance; (b) indemnity bonds, obligations to indemnify or obligations to hold harmless; (c) performance bonds; (d) contingent liabilities arising out of contractual obligations or out of undertakings (including any assignment or other transfer) with respect to leases, operating agreements or other similar obligations made or given by a Debtor relating to the obligations or performance of another Debtor; (e) vicarious liability; or (f) any other joint or several liability that any Debtor may have in respect of any obligation that is the basis of a Claim, including the joint and several liability of any Debtor for ALAE pursuant to the Liberty Mutual Settlement Agreement.

206. "**Secured Claim**" means a Claim that is secured by a lien on property in which an Estate has an interest or that is subject to setoff under section 553 of the Bankruptcy

Code, to the extent of the value of the Claim holder's interest in the Estate's interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code.

207. "Series II Exchange Notes" means the Series II Exchange Notes issued by Federated pursuant to the Exchange Note Agreement.

208. "Slayton Class Action Settlement Agreement" means the Settlement Agreement and Release between the plaintiffs identified therein and Allied, Jordan Marsh, Campeau Corporation, Robert Campeau, Elliot J. Stone and Richard Van Pelt, which is being circulated for execution. After execution, such Settlement Agreement and Release shall be submitted to the Bankruptcy Court for approval after notice and a hearing.

209. "Stern's" means Stern's, Inc., a Delaware corporation, the debtor in Reorganization Case No. 1-90-00137.

210. "Stipulation of Amount and Nature of Claim" means a stipulation or other agreement that a Debtor has sent or may send to a holder of a Claim that states the Debtor's position regarding the amount and nature of the holder's Claim and requests such holder's agreement with the Debtor's position.

211. "Surviving Corporation" means a corporation which, immediately following the Effective Time of the Federated/Allied Combination Transactions, shall have vested in it substantially all of the respective assets, properties and rights of Reorganized Federated and Reorganized Allied.

212. **"Surviving Corporation Preferred Stock"** means the Series A Junior Participating Preferred Stock, par value \$.01 per share, of the Surviving Corporation authorized pursuant to the certificate of incorporation of the Surviving Corporation.

213. **"Surviving Corporation Put Option"** means the option of the Surviving Corporation to sell shares of common stock of Ralphs, which option shall be substantially on the terms set forth in Exhibit IV.E to the Plan. On the Exhibit Filing Date, the form of the Surviving Corporation Put Option shall be Filed as Exhibit I.A.213 to the Plan and shall be available for review in the Document Reviewing Centers.

214. **"Surviving Corporation Share Purchase Rights"** means the rights to purchase shares of Surviving Corporation Preferred Stock, which rights shall be issued pursuant to the Surviving Corporation Share Purchase Rights Agreement.

215. **"Surviving Corporation Share Purchase Rights Agreement"** means the share purchase rights agreement substantially in the form of Exhibit I.A.215 to the Plan, pursuant to which Surviving Corporation Share Purchase Rights shall be issued. On the Exhibit Filing Date, Exhibit I.A.215 shall be Filed and shall be available for review in the Document Reviewing Centers.

216. **"Tax Sharing Agreements"** means, collectively:

- (a) the Federated Tax Sharing Agreement, dated as of July 28, 1988, between FSI and Holdings; (b) the Holdings Group Tax

Sharing Agreement, dated as of July 28, 1988, among Holdings, Federated and Federated Credit Holdings; (c) the Holdings II Tax Sharing Agreement, dated as of July 28, 1988, between FSI and Holdings II; (d) the Ralphs Tax Sharing Agreement, dated as of July 28, 1988, between FSI and Ralphs; (e) the Protected Corporations Agreement, dated as of July 28, 1988, among Allied, Holdings, Holdings II and Ralphs; (f) the Tax Sharing Agreement, dated as of December 21, 1987, between FSI and Allied; (g) the Tax Sharing Agreement, dated as of December 21, 1987, among FSI, Allied and the corporations listed on Schedule 1 thereto; (h) the Tax Sharing Agreement, dated as of December 21, 1987, among FSI, Allied and Allied Credit; and (i) the Tax Sharing Agreement, dated as of April 6, 1989, among FSI, Allied, Allied Credit Holdings and Allied Credit, as each of the foregoing may have been amended, modified or supplemented, including the modifications pursuant to a letter agreement, dated July 28, 1988, between FSI and Holdings.

217. "The Bon" means The Bon, Inc., a Delaware corporation, the debtor in Reorganization Case No. 1-90-00135.

218. "The Bon Assumption Agreement" means the Assignment and Assumption Agreement, dated as of December 31, 1986, between Allied and The Bon (formerly CAC II, Inc.).

219. "Third-Party Disbursing Agent" means any entity designated by the Surviving Corporation to act as a Disbursing Agent pursuant to Section VI.B.1 below.

220. "Uninsured Claim" means any Claim that is not an Insured Claim.

221. "Uninsured Claim Distribution Ratio" means the ratio obtained by dividing (a) the aggregate amount of Allowed Uninsured Claims that is estimated pursuant to Section VII.B.3 below for all Uninsured Claims in the applicable Reserve Class that are not individually estimated by (b) the sum of all Allowed Uninsured Claims plus the Face Amounts of all Disputed Uninsured Claims in the applicable Reserve Class that are not individually estimated; provided, however, that such ratio shall not be greater than one to one.

222. "Unsecured Claim" means any Claim that is not an Administrative Claim, Priority Tax Claim or Secured Claim.

223. "Unsecured Deficiency Claim" means any portion of a Claim to the extent that the value of the Claim holder's interest in the applicable Estate's interest in any property securing the Claim is less than the amount of the Claim, or to the extent that the amount of any Claim subject to setoff is less than the amount of such Claim, as determined pursuant to section 506(a) of the Bankruptcy Code.

B. Rules of Interpretation, Computation of Time and Governing Law

1. Rules of Interpretation

For purposes of the Plan: (a) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, shall include both the singular and the

plural; (b) any reference in the Plan to a contract, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions; (c) any reference in the Plan to an existing document or Exhibit Filed or to be Filed means such document or Exhibit, as it may have been or may be amended, modified or supplemented; (d) unless otherwise specified, all references in the Plan to Sections, Articles and Exhibits are references to Sections, Articles and Exhibits of or to the Plan; (e) the words "herein" and "hereto" refer to the Plan in its entirety rather than to a particular portion of the Plan; (f) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan; and (g) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply.

2. Time Periods

In computing any period of time prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) shall apply.

3. Governing Law

Except to the extent that the Bankruptcy Code or Bankruptcy Rules are applicable, and subject to the provisions of any contract, instrument, release, indenture or other

agreement or document entered into in connection with the Plan, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without giving effect to the principles of conflict of laws thereof.

ARTICLE II.

CLASSES OF CLAIMS AND INTERESTS

All Claims and Interests, except Administrative Claims and Priority Tax Claims, are placed in the following Classes. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims, as described below in Article III, have not been classified and thus are excluded from the following Classes.

A Claim or Interest is classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class and is classified in other Classes to the extent that any remainder of the Claim or Interest qualifies within the description of such other Classes. A Claim or Interest is also classified in a particular Class for the purposes of receiving distributions pursuant to the Plan only to the extent that such Claim or Interest is an Allowed Claim or Allowed Interest in that Class and has not been paid, released or otherwise satisfied prior to the Effective Date.

**A. Claims Against and Interests
In the Federated Debtors**

1. Federated

**a. Unimpaired Classes of Claims
(Classes F-1 through F-3)**

Class F-1: Unsecured Claims against Federated that are entitled to priority under sections 507(a)(3), 507(a)(4) or 507(a)(6) of the Bankruptcy Code.

Class F-2: Unsecured Claims against Federated of \$1,000 or less, and Unsecured Claims against Federated that the Claim holder elects to reduce to \$1,000 on the ballot provided for voting on the Plan within the time fixed by the Bankruptcy Court for completing and returning such ballot, which Claims would otherwise be classified in Class F-8, absent the existence of this Class F-2. A holder of a Claim that would have been classified in Class F-8, absent such election, may only make this election as to all such holder's Claims in Class F-8. Therefore, if a Claim holder makes an election to reduce any Class F-8 Claim to \$1,000, all of such holder's Class F-8 Claims shall be reduced to \$1,000 in the aggregate, and no Claims of the Claim holder shall remain in Class F-8.

Class F-3: Secured Claims of ICC against Federated under or evidenced by the ICC Installment Payment Agreement.

**b. Impaired Classes of Claims
(Classes F-4 through F-11)**

Class F-4: Secured Claims against Federated that are not classified in Classes F-3, F-5 or F-6.

Class F-5: Secured Claims of the Federated Prepetition Lending Group against Federated relating to the Federated Prepetition Credit Agreement, including any Claims for Federated Working Capital Advances and any Claims under or evidenced by the Federated Mortgage Bridge Advance Guaranty.

Class F-6: Secured Claims against Federated under or evidenced by any of the Federated Premerger Senior Debt Securities or any of the Federated Premerger Senior Debt Securities Indentures.

Class F-7: Unsecured Claims of the Bridge Lenders against Federated under or evidenced by the Series II Exchange Notes or the Exchange Note Agreement; Unsecured Claims arising under or evidenced by the Federated IRBs or the Federated IRB Indenture or any obligation of Federated to pay the amounts evidenced by the Federated IRBs; Unsecured Claims against Federated under or evidenced by the Federated Senior Subordinated Debentures, the Federated Senior Subordinated Debentures Indenture, the Federated Subordinated Discount Debentures or the Federated Subordinated Discount Debentures Indenture; and Unsecured Claims of Holdings III against Federated under or evidenced by the Federated September 1989 Note, as reduced to \$40,700,000 pursuant to the Comprehensive Settlement Agreement.

Class F-8: Unsecured Claims against Federated that are not classified in Classes F-1, F-2, F-7 or F-9 through

F-11, including Claims arising from the purchase of goods or services.

Class F-9: Unsecured Claims against Federated for any fine, penalty or forfeiture, or for multiple, exemplary or punitive damages, to the extent that such Claims are not compensation for the Claim holder's actual pecuniary loss.

Class F-10: Unsecured Claims against Federated arising from rescission of a purchase or sale of a security of Federated, for damages arising from a purchase or sale of a security or reimbursement or contribution allowed under section 502 of the Bankruptcy Code on account of such Claims.

Class F-11: Intercompany Claims against Federated.

c. Impaired Class of Interests
(Class F-12)

Class F-12: Interests of Holdings on account of the Common Stock of Federated.

2. Federated Real Estate

a. Unimpaired Classes of Claims
(Classes FR-1 and FR-2)

Class FR-1: Unsecured Claims against Federated Real Estate that are entitled to priority under sections 507(a)(3), 507(a)(4) or 507(a)(6) of the Bankruptcy Code.

Class FR-2: Unsecured Claims against Federated Real Estate of \$1,000 or less, and Unsecured Claims against Federated Real Estate that the Claim holder elects to reduce to \$1,000 on the ballot provided for voting on the Plan within the

time fixed by the Bankruptcy Court for completing and returning such ballot, which Claims would otherwise be classified in Class FR-6, absent the existence of this Class FR-2. A holder of a Claim that would have been classified in Class FR-6, absent such election, may only make this election as to all such holder's Claims in Class FR-6. Therefore, if a Claim holder makes an election to reduce any Class FR-6 Claim to \$1,000, all of such holder's Class FR-6 Claims shall be reduced to \$1,000 in the aggregate, and no Claims of the Claim holder shall remain in Class FR-6.

b. Impaired Classes of Claims
(Classes FR-3 through FR-7)

Class FR-3: Secured Claims against Federated Real Estate.

Class FR-4: Unsecured Claims of the Federated Prepetition Lending Group against Federated Real Estate relating to the Federated Prepetition Credit Agreement, including any Claims for Federated Mortgage Bridge Advances and any Claims under or evidenced by the Federated Real Estate Working Capital Advance Guaranty.

Class FR-5: Unsecured Claims against Federated Real Estate arising from or related to the Federated Real Estate Assumption.

Class FR-6: Unsecured Claims against Federated Real Estate that are not classified in Classes FR-1, FR-2, FR-4,

FR-5 or FR-7, including Claims arising from the purchase of goods or services.

Class FR-7: Intercompany Claims against Federated Real Estate.

c. Unimpaired Class of Interests
(Class FR-8)

Class FR-8: Interests of Federated on account of the Common Stock of Federated Real Estate.

3. Federated Operating Subsidiaries
and Federated Other Subsidiaries

a. Unimpaired Classes of Claims
(Classes FO-1 and FO-2)

Class FO-1: Unsecured Claims against any of the Federated Operating Subsidiaries or Federated Other Subsidiaries that are entitled to priority under sections 507(a)(3), 507(a)(4) or 507(a)(6) of the Bankruptcy Code.

Class FO-2: Unsecured Claims against any of the Federated Operating Subsidiaries or Federated Other Subsidiaries of \$1,000 or less, and Unsecured Claims against any of the Federated Operating Subsidiaries or Federated Other Subsidiaries that the Claim holder elects to reduce to \$1,000 on the ballot provided for voting on the Plan within the time fixed by the Bankruptcy Court for completing and returning such ballot, which Claims would otherwise be classified in Class FO-4, absent the existence of this Class FO-2. A holder of a Claim that would have been classified in Class FO-4, absent

such election, may only make this election as to all such holder's Claims in Class FO-4 that are against the particular Federated Operating Subsidiary or Federated Other Subsidiary against which the reduced Claim is held. Therefore, if a Claim holder makes an election to reduce any Class FO-4 Claim to \$1,000, all of such holder's Class FO-4 Claims against the particular Federated Operating Subsidiary or Federated Other Subsidiary against which the reduced Claim is held shall be reduced to \$1,000 in the aggregate, and no Claims of the Claim holder against the particular Federated Operating Subsidiary or Federated Other Subsidiary against which the reduced Claim is held shall remain in Class FO-4.

b. Impaired Classes of Claims
(Classes FO-3 through FO-5)

Class FO-3: Secured Claims against any of the Federated Operating Subsidiaries or Federated Other Subsidiaries.

Class FO-4: Unsecured Claims against any of the Federated Operating Subsidiaries or Federated Other Subsidiaries that are not classified in Classes FO-1, FO-2 or FO-5, including Claims arising from the purchase of goods or services.

Class FO-5: Intercompany Claims against any of the Federated Operating Subsidiaries or Federated Other Subsidiaries.

**c. Unimpaired Class of Interests
(Class F0-6)**

Class F0-6: Interests of the holders of Common Stock of any of the Federated Operating Subsidiaries or Federated Other Subsidiaries.

**B. Claims Against and Interests
In the Allied Debtors**

1. Allied

**a. Unimpaired Classes of Claims
(Classes A-1 through A-3)**

Class A-1: Unsecured Claims against Allied that are entitled to priority under sections 507(a)(3), 507(a)(4) or 507(a)(6) of the Bankruptcy Code.

Class A-2: Unsecured Claims against Allied of \$1,000 or less, and Unsecured Claims against Allied that the Claim holder elects to reduce to \$1,000 on the ballot provided for voting on the Plan within the time fixed by the Bankruptcy Court for completing and returning such ballot, which Claims would otherwise be classified in Class A-9, absent the existence of this Class A-2. A holder of a Claim that would have been classified in Class A-9, absent such election, may only make this election as to all such holder's Claims in Class A-9. Therefore, if a Claim holder makes an election to reduce any Class A-9 Claim to \$1,000, all of such holder's Class A-9 Claims shall be reduced to \$1,000 in the aggregate, and no Claims of the Claim holder shall remain in Class A-9.

Class A-3: Unsecured Claims of Prudential against Allied under or evidenced by the Allied-Prudential Real Estate Loan Agreement Guaranty.

b. Impaired Classes of Claims
(Classes A-4 through A-14)

Class A-4: Secured Claims against Allied that are not classified in Classes A-5 through A-7 or A-13.

Class A-5: Secured Claims of Citibank against Allied for Allied Working Capital Advances or otherwise relating to the Allied Prepetition Credit Agreement.

Class A-6: Secured Claims and Unsecured Claims of BMo and Paribas against Allied for Allied Working Capital Advances, Allied Inventory Advances or otherwise relating to the Allied Prepetition Credit Agreement, including any related Unsecured Deficiency Claims.

Class A-7: Secured Claims and Unsecured Claims of all entities against Allied under or evidenced by the Allied 6% Notes, the Allied 6% Notes Indenture, the Allied 10-1/2% Senior Notes or the Allied 10-1/2% Senior Notes Indenture, including any related Unsecured Deficiency Claims; Unsecured Claims against Allied arising under or evidenced by the Allied IRBs or the Allied IRB Trust Agreement or any obligation of Allied to pay the amounts evidenced by the Allied IRBs; and Unsecured Claims of all entities (other than First Boston) against Allied under or evidenced by the Allied Senior Subordinated Debentures or the Allied Senior Subordinated Debentures Indenture.

Class A-8: Unsecured Claims of First Boston against Allied under or evidenced by the Allied Senior Subordinated Debentures or the Allied Senior Subordinated Debentures Indenture.

Class A-9: Unsecured Claims against Allied that are not classified in Classes A-1 through A-3, A-6 through A-8 or A-10 through A-14, including Claims arising from the purchase of goods or services.

Class A-10: Unsecured Claims against Allied for any fine, penalty or forfeiture, or for multiple, exemplary or punitive damages, to the extent that such Claims are not compensation for the Claim holder's actual pecuniary loss.

Class A-11: Unsecured Claims against Allied arising from rescission of a purchase or sale of a security of Allied, for damages arising from a purchase or sale of a security or for reimbursement or contribution allowed under section 502 of the Bankruptcy Code on account of such Claims.

Class A-12: Intercompany Claims against Allied.

Class A-13: Secured Claims and Unsecured Claims of FSI and CIBV against Allied evidenced by the Allied April 1989 Notes, including any related Unsecured Deficiency Claims.

Class A-14: Unsecured Claims of Holdings III against Allied evidenced by the Allied September 1989 Note.

c. Impaired Classes of Interests
(Classes A-15 through A-17)

Class A-15: Interests of the holders of Allied Preferred Stock.

Class A-16: Interests of Holdings II on account of the Common Stock of Allied.

Class A-17: Interests of CIBV arising from the right, pursuant to the Allied April 1989 Notes, to demand the issuance of Allied Preferred Stock.

2. Allied Credit Subsidiaries

a. Unimpaired Classes of Claims
(Classes AC-1 and AC-2)

Class AC-1: Unsecured Claims against either of the Allied Credit Subsidiaries that are entitled to priority under sections 507(a)(3), 507(a)(4) or 507(a)(6) of the Bankruptcy Code.

Class AC-2: Unsecured Claims against either of the Allied Credit Subsidiaries of \$1,000 or less, and Unsecured Claims against either of the Allied Credit Subsidiaries that the Claim holder elects to reduce to \$1,000 on the ballot provided for voting on the Plan within the time fixed by the Bankruptcy Court for completing and returning such ballot, which Claims would otherwise be classified in Class AC-4, absent the existence of this Class AC-2. A holder of a Claim that would have been classified in Class AC-4, absent such election, may only make this election as to all such holder's Claims in Class AC-4 that are against the particular Allied Credit Subsidiary against which the reduced Claim is held. Therefore, if a Claim holder makes an election to reduce any

Class AC-4 Claim to \$1,000, all of such holder's Class AC-4 Claims against the particular Allied Credit Subsidiary against which the reduced Claim is held shall be reduced to \$1,000 in the aggregate, and no Claims of the Claim holder against the particular Allied Credit Subsidiary against which the reduced Claim is held shall remain in Class AC-4.

b. Impaired Classes of Claims
(Classes AC-3 through AC-5)

Class AC-3: Secured Claims against either of the Allied Credit Subsidiaries.

Class AC-4: Unsecured Claims against either of the Allied Credit Subsidiaries that are not classified in Classes AC-1, AC-2 or AC-5, including Claims arising from the purchase of goods or services.

Class AC-5: Intercompany Claims against either of the Allied Credit Subsidiaries.

c. Unimpaired Class of Interests
(Class AC-6)

Class AC-6: Interests of the holders of Common Stock of either of the Allied Credit Subsidiaries.

3. Allied Real Estate Subsidiaries

a. Unimpaired Classes of Claims
(Classes AR-1 through AR-3)

Class AR-1: Unsecured Claims against any of the Allied Real Estate Subsidiaries that are entitled to priority under sections 507(a)(3), 507(a)(4) or 507(a)(6) of the Bankruptcy Code.

Class AR-2: Unsecured Claims against any of the Allied Real Estate Subsidiaries of \$1,000 or less, and Unsecured Claims against any of the Allied Real Estate Subsidiaries that the Claim holder elects to reduce to \$1,000 on the ballot provided for voting on the Plan within the time fixed by the Bankruptcy Court for completing and returning such ballot, which Claims would otherwise be classified in Class AR-5, absent the existence of this Class AR-2. A holder of a Claim that would have been classified in Class AR-5, absent such election, may only make this election as to all such holder's Claims in Class AR-5 that are against the particular Allied Real Estate Subsidiary against which the reduced Claim is held. Therefore, if a Claim holder makes an election to reduce any Class AR-5 Claim to \$1,000, all of such holder's Class AR-5 Claims against the particular Allied Real Estate Subsidiary against which the reduced Claim is held shall be reduced to \$1,000 in the aggregate, and no Claims of the Claim holder against the particular Allied Real Estate Subsidiary against which the reduced Claim is held shall remain in Class AR-5.

Class AR-3: Secured Claims against any of the Allied Real Estate Subsidiaries under or evidenced by the Allied-Prudential Real Estate Loan Agreement.

b. **Impaired Classes of Claims
(Classes AR-4 through AR-6)**

Class AR-4: Secured Claims against any of the Allied Real Estate Subsidiaries that are not classified in Class AR-3.

Class AR-5: Unsecured Claims against any of the Allied Real Estate Subsidiaries that are not classified in Classes AR-1, AR-2 or AR-6, including Claims arising from the purchase of goods or services.

Class AR-6: Intercompany Claims against any of the Allied Real Estate Subsidiaries.

c. **Unimpaired Class of Interests
(Class AR-7)**

Class AR-7: Interests of the holders of Common Stock of any of the Allied Real Estate Subsidiaries.

4. **Allied Operating Subsidiaries
and Allied Other Subsidiaries**

a. **Unimpaired Classes of Claims
(Classes AO-1 through AO-3)**

Class AO-1: Unsecured Claims against any of the Allied Operating Subsidiaries or Allied Other Subsidiaries that are entitled to priority under sections 507(a)(3), 507(a)(4) or 507(a)(6) of the Bankruptcy Code.

Class AO-2: Unsecured Claims against any of the Allied Operating Subsidiaries or Allied Other Subsidiaries of \$1,000 or less, and Unsecured Claims against any of the Allied Operating Subsidiaries or Allied Other Subsidiaries that the

Claim holder elects to reduce to \$1,000 on the ballot provided for voting on the Plan within the time fixed by the Bankruptcy Court for completing and returning such ballot, which Claims would otherwise be classified in Class AO-5, absent the existence of this Class AO-2. A holder of a Claim that would have been classified in Class AO-5, absent such election, may only make this election as to all such holder's Claims in Class AO-5 that are against the particular Allied Operating Subsidiary or Allied Other Subsidiary against which the reduced Claim is held. Therefore, if a Claim holder makes an election to reduce any Class AO-5 Claim to \$1,000, all of such holder's Class AO-5 Claims against the particular Allied Operating Subsidiary or Allied Other Subsidiary against which the reduced Claim is held shall be reduced to \$1,000 in the aggregate, and no Claims of the Claim holder against the particular Allied Operating Subsidiary or Allied Other Subsidiary against which the reduced Claim is held shall remain in Class AO-5.

Class AO-3: Unsecured Claims of Allied against any of the Allied Operating Subsidiaries evidenced by the Allied Intercompany Dividend Notes.

b. Impaired Classes of Claims
(Classes AO-4 through AO-6)

Class AO-4: Secured Claims against any of the Allied Operating Subsidiaries or Allied Other Subsidiaries.

Class AO-5: Unsecured Claims against any of the Allied Operating Subsidiaries or Allied Other Subsidiaries that

are not classified in Classes AO-1, AO-2, AO-3 or AO-6, including Claims arising from the purchase of goods or services.

Class AO-6: Intercompany Claims against any of the Allied Operating Subsidiaries or Allied Other Subsidiaries that are not classified in Class AO-3.

c. Unimpaired Class of Interests
(Class AO-7)

Class AO-7: Interests of the holders of Common Stock of any of the Allied Operating Subsidiaries or Allied Other Subsidiaries.

ARTICLE III.

TREATMENT OF CLAIMS AND INTERESTS

A. Unclassified Claims

1. Administrative Claims

a. Payment of Administrative Claims in General

Except as specified below in this Section III.A.1, and subject to the bar date provisions herein, each holder of an Administrative Claim shall receive cash equal to the amount of such Administrative Claim (unless the holder of such Claim agrees to other treatment) on the latest of: (i) the Effective Date, (ii) 30 days after the date on which an order allowing such Claim becomes a Final Order and (iii) such other time or times that are agreed on by the holder of the Administrative Claim and the applicable Debtor or Reorganized Debtor.

b. Payment of Statutory Fees

On or before the Effective Date, all fees payable pursuant to section 1930 of title 28 of the United States Code, 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the hearing on Confirmation, shall be paid in cash equal to the amount of such Administrative Claim.

c. Payment of Claims Under Allied Postpetition Credit Agreement

On the Effective Date or at a later date pursuant to the Allied Postpetition Credit Agreement, all Administrative Claims against Allied under or evidenced by the Allied Postpetition Credit Agreement shall be paid in cash equal to the amount of such Administrative Claim.

d. Payment of Claims Under Allied Credit Postpetition Receivables Agreement

On the Effective Date or at a later date pursuant to the Allied Credit Postpetition Receivables Agreement, all Administrative Claims against Allied Credit under or evidenced by the Allied Credit Postpetition Receivables Agreement shall be paid in cash equal to the amount of such Administrative Claim.

e. Claims Under Postpetition Cash Management System Order

All Inter-Company Balances arising on or after the Petition Date and any other Administrative Claims held against any Debtor by another Debtor or an Affiliate shall survive and

be unaffected by entry of the Confirmation Order and shall be settled in accordance with the Debtors' historical intercompany account settlement practices.

f. Bar Dates for Administrative Claims in General and Special Provisions for Professionals' Administrative Claims and Ordinary Course Liabilities

i. General Provisions

Except as provided below in Section III.A.1.f.ii for Administrative Claims of Professionals requesting compensation or reimbursement of expenses and in Section III.A.1.f.iii for liabilities incurred by a Debtor in the ordinary course of its business, requests for payment of Administrative Claims must be filed no later than 30 days after the Effective Date. Holders of Administrative Claims who are required to file a request for payment of such Claims and who do not file such requests by the applicable bar date shall be forever barred from asserting such Claims against the Debtors, the Reorganized Debtors or their respective property.

ii. Professionals

All Professionals or other entities requesting compensation or reimbursement of expenses pursuant to sections 327, 328, 330, 331, 503(b) and 1103 of the Bankruptcy Code for services rendered before the Effective Date (including compensation requested by any Professional or other entity for making a substantial contribution in any Reorganization Case) shall file an application for final allowance of compensation

and reimbursement of expenses no later than 60 days after the Effective Date; provided, however, that any Professional who may receive compensation or reimbursement of expenses pursuant to the Ordinary Course Professionals' Compensation Order may continue to receive such compensation and reimbursement of expenses for services rendered before the Effective Date, without further Bankruptcy Court review or approval, pursuant to the Ordinary Course Professionals' Compensation Order. Objections to applications of Professionals or other entities for compensation or reimbursement of expenses must be Filed no later than 90 days after the Effective Date.

iii. Ordinary Course Liabilities

Holders of Administrative Claims based on liabilities incurred by a Debtor in the ordinary course of business shall not be required to File any request for payment of such Claims. Such Administrative Claims shall be assumed and paid by the applicable Reorganized Debtor pursuant to the terms and conditions of the particular transaction giving rise to such Administrative Claim, without any further action by the holders of such Claims.

2. Payment of Priority Tax Claims

a. Federal Priority Tax Claims

Pursuant to section 1129(a)(9)(c) of the Bankruptcy Code, unless otherwise agreed to by the Debtors and the IRS, the IRS shall receive, on account of any Federal Priority Tax Claims, deferred cash payments over a period not exceeding six

years from the date of assessment of such Claims. Each Reorganized Debtor shall pay the portion of any Federal Priority Tax Claims allocated to it pursuant to the Comprehensive Settlement Agreement. Payments shall be made in six equal annual installments of principal, plus simple interest accruing from the Effective Date at 8% per annum on the unpaid portion of each Federal Priority Tax Claim. The first payment shall be due on the latest of: (i) the Effective Date, (ii) 30 days after the date on which an order allowing any such Claim becomes a Final Order and (iii) such other time that is agreed on by the IRS and the applicable Debtor or Reorganized Debtor; provided, however, that the Reorganized Debtors shall have the right to pay any Federal Priority Tax Claim, or any remaining balance of such Claim, in full, at any time on or after the Effective Date, without premium or penalty.

b. Other Priority Tax Claims

Pursuant to section 1129(a)(9)(C) of the Bankruptcy Code, unless otherwise agreed to by the parties, each holder of an Other Priority Tax Claim shall receive, on account of such Claim, deferred cash payments over a period not exceeding six years from the date of assessment of such Claim. Each Reorganized Debtor shall pay the portion of any Other Priority Tax Claim allocated to it pursuant to the Comprehensive Settlement Agreement. Payments shall be made in equal annual installments of principal, plus simple interest accruing from the Effective Date at 8% per annum on the unpaid portion of each Other Priority Tax Claim. The first payment shall be due

on the latest of: (i) the Effective Date, (ii) 30 days after the date on which an order allowing such Claim becomes a Final Order and (iii) such other time that is agreed on by the holder of such Claim and the applicable Debtor or Reorganized Debtor; provided, however, that the Reorganized Debtors shall have the right to pay any Other Priority Tax Claim, or any remaining balance of such Claim, in full, at any time on or after the Effective Date, without premium or penalty.

**B. Treatment of Claims Against and
Interests In the Federated Debtors**

**1. Unimpaired Classes of Claims Held
by Third Parties**

- a. Unsecured Claims Entitled to
Priority Under Sections 507(a)(3),
507(a)(4) or 507(a)(6) of the
Bankruptcy Code (Classes F-1,
FR-1 and FO-1)

On the Effective Date, each holder of an Allowed Claim in Classes F-1, FR-1 or FO-1 shall receive cash equal to the amount of such Claim.

b. Unsecured Convenience Claims
(Classes F-2, FR-2 and FO-2)

On the Effective Date, each holder of an Allowed Claim in Classes F-2, FR-2 or FO-2 shall receive cash equal to the amount of such Claim.

c. Secured Claim of ICC Under or
Evidenced by the ICC Installment
Payment Agreement (Class F-3)

On the Effective Date, ICC shall receive cash equal to the amount of its Allowed Class F-3 Claim. The amount of ICC's

Allowed Class F-3 Claim shall be reduced in accordance with the Stipulation and Order Providing Adequate Protection to IBM Credit Corporation, entered by the Bankruptcy Court on October 30, 1990.

2. Impaired Classes of Claims

- a. Claims Held by Third Parties
 - i. Secured and Unsecured Claims for Federated Working Capital Advances, Federated Mortgage Bridge Advances, the Related Guaranties or Other Related Claims (Classes F-5 and FR-4)

On the Effective Date, in full satisfaction of the Federated Prepetition Lending Group's Allowed Claims in Classes F-5 or FR-4, the Surviving Corporation shall enter into the New Series A Secured Notes Agreement, the New Shared Collateral Pledge Agreement, the New Series A Secured Notes Additional Pledge Agreement and any debt agreement or indenture related to the New Other Debt Securities, and the Federated Prepetition Lending Group shall receive: (I) \$447,500,000 in cash, minus all payments received since the Petition Date and (II) \$625,200,000 in principal amount of New Series A Secured Notes, with the remainder of such Allowed Claims to be satisfied by distribution of (III) New Other Debt Securities and (IV) New Class A Common Stock. If Federated determines that there is additional cash available for distribution on the Effective Date, Federated may modify the Plan pursuant to Section XII.C below to provide for the Federated Prepetition Lending Group to receive an additional distribution of cash and

a reduced distribution of New Series A Secured Notes or New Class A Common Stock. It is also contemplated that individual lenders in the Federated Prepetition Lending Group may have the option to reduce or increase the amount of New Class A Common Stock to be received on account of their Allowed Claims in Classes F-5 or FR-4 by exchanging all or a portion of such New Class A Common Stock for New Series A Secured Notes or New Other Debt Securities to be received by other lenders in the Federated Prepetition Lending Group, or by exchanging such New Class A Common Stock for New Series B Secured Notes or New Other Debt Securities to be received by holders of Allowed Claims in Classes F-6 or FR-5.

ii. Secured and Unsecured Claims Under or Evidenced by the Federated Premerger Senior Debt Securities and Related Indentures or the Federated Real Estate Assumption (Classes F-6 and FR-5)

On the Effective Date, in full satisfaction of the Allowed Claims in Classes F-6 or FR-5, the Surviving Corporation shall enter into the New Series B Secured Notes Indenture, the New Shared Collateral Pledge Agreement and any debt agreement or indenture related to the New Other Debt Securities, and each holder of an Allowed Claim in Classes F-6 or FR-5 shall receive its Pro Rata share of: (I) \$235,400,000 in cash, minus all payments received since the Petition Date and (II) \$334,400,000 in principal amount of New Series B Secured Notes, with the remainder of such Allowed Claims to be satisfied by distribution of (III) New Other Debt Securities

and (IV) New Class A Common Stock. If Federated determines that there is additional cash available for distribution on the Effective Date, Federated may modify the Plan pursuant to Section XII.C below to provide for the holders of Allowed Claims in Classes F-6 or FR-5 to receive an additional distribution of cash and a reduced distribution of New Series B Secured Notes or New Class A Common Stock. It is also contemplated that holders of Allowed Claims in Classes F-6 or FR-5 may have the option to reduce or increase the amount of New Class A Common Stock to be received on account of such Claims by exchanging all or a portion of such New Class A Common Stock for New Series B Secured Notes or New Other Debt Securities to be received by other holders of Allowed Claims in Classes F-6 or FR-5, or by exchanging such New Class A Common Stock for New Series A Secured Notes or New Other Debt Securities to be received by lenders in the Federated Prepetition Lending Group.

iii. Secured Claims Not Otherwise Classified (Classes F-4, FR-3 and FO-3)

On the Effective Date, each Allowed Claim in Classes F-4, FR-3 or FO-3 shall be treated pursuant to either Section III.B.2.a.iii.I or III.B.2.a.iii.II below, at the option of the applicable Reorganized Debtor:

I. The Debtor or Reorganized Debtor that owns the property securing such Claim shall transfer such property to the holder of the Claim, in full satisfaction thereof; or

II. Such Claim shall be Reinstated as follows:

(A) any default, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code, shall be cured; (B) the maturity of the Claim shall be reinstated as the maturity existed before any default; (C) the holder of the Claim shall be compensated for any damages incurred as a result of any reasonable reliance by such holder on any contractual provision that entitled the holder to demand or receive accelerated payment of the Claim; and (D) no other legal, equitable or contractual rights to which the Claim entitles the holder shall be altered.

iv. Unsecured Claims of the Bridge Lenders; Unsecured Claims Related to the Federated IRBs; Unsecured Claims Under or Evidenced by the Federated Senior Subordinated Debentures, the Federated Subordinated Discount Debentures and Related Indentures; and Unsecured Claims of Holdings III (Class F-7)

On the Effective Date, each holder of an Allowed Claim in Class F-7 shall receive, in full satisfaction of such Claim, its Pro Rata share of 17,728,000 shares of New Common Stock. On the Effective Date, all contractual subordination rights to which any Allowed Claim in Class F-7, or any distribution to be made pursuant to the Plan on account of any such Allowed Claim, may be subject (other than any such rights in favor of any holder of an Allowed Claim in Classes F-5, F-6, FR-4 or FR-5, which shall be terminated pursuant to Section X.C.1 below), shall survive and remain unaffected by Confirmation.

Accordingly, distributions to holders of Allowed Claims in Class F-7 will be subject to such rights and remedies as may be available to the beneficiaries of such subordination rights under the applicable contractual provisions or otherwise, including direct payment by any Disbursing Agent or Indenture Trustee to a beneficiary of such contractual subordination rights, or to levy, garnishment, attachment or other legal process by a beneficiary of such contractual subordination rights. Consequently, distributions ultimately received or retained by a holder of an Allowed Claim in Class F-7 may be less than the gross distributions provided for under the Plan on account of such Claim, and may be reduced to zero in certain circumstances. The Debtors may modify the Plan pursuant to Section XII.C below to the extent necessary or appropriate to reflect any agreement that the holders of Allowed Claims in Class F-7 may reach with the beneficiaries of any contractual subordination rights to which such Claims may be subject.

v. General Unsecured Claims Against the Federated Subsidiaries (Classes FR-6 and FO-4)

On the Effective Date, in full satisfaction of the Allowed Claims in Classes FR-6 or FO-4, the Surviving Corporation shall enter into the New Medium-Term Notes Indenture and the New Shared Collateral Pledge Agreement, and each holder of an Allowed Claim in Classes FR-6 or FO-4 shall

receive: (I) cash equal to 60% of the amount of such Claim and (II) New Medium-Term Notes in a principal amount equal to 46.4% of the amount of such Claim. If Federated determines that there is additional cash available for distribution on the Effective Date, the Federated Subsidiaries may modify the Plan pursuant to Section XII.C below to provide for the holders of Allowed Claims in Classes FR-6 or FO-4 to receive an additional distribution of cash and a reduced distribution of New Medium-Term Notes.

vi. General Unsecured Claims Against Federated (Class F-8)

On the Effective Date, each holder of an Allowed Claim in Class F-8 shall receive, in full satisfaction of such Claim, its Pro Rata share of 2,400,000 shares of New Common Stock.

vii. Unsecured Claims for Penalties, Fines and Punitive Damages (Class F-9)

If Class F-9 accepts the Plan, on the Effective Date, each holder of an Allowed Claim in Class F-9 shall receive, in full satisfaction of such Claim, its Pro Rata share of \$50,000. If Class F-9 does not accept the Plan, then no property shall be distributed to or retained by the holders of Allowed Class F-9 Claims on account of such Claims.

viii. Subordinated Unsecured Claims Related to Rescission, Damages or Indemnity Claims Arising from Securities Transactions (Class F-10)

No property shall be distributed to or retained by the holders of Allowed Claims in Class F-10 on account of such Claims.

**b. Intercompany Claims
(Classes F-11, FR-7 and FO-5)**

On the Effective Date, except as provided below with respect to Intercompany Claims related to the assumption by a Federated Debtor of any executory contract or unexpired lease with another Debtor, each Allowed Claim in Classes F-11, FR-7 or FO-5 shall be treated pursuant to either Section III.B.2.b.i or III.B.2.b.ii below, as follows: (i) each Allowed Claim in Classes F-11, FR-7 or FO-5 held by a Federated Debtor against one of its subsidiaries that is a Debtor shall be contributed to the capital of such subsidiary; or (ii) no property shall be distributed to or retained on account of all other Allowed Claims in Classes F-11, FR-7 or FO-5. Notwithstanding any other provisions of the Plan, on the Effective Date, the Surviving Corporation and each Reorganized Federated Debtor, as applicable, shall cure any defaults and satisfy the other obligations of section 365(b) of the Bankruptcy Code with respect to the assumption by a Federated Debtor of any executory contract or unexpired lease with another Debtor pursuant to Section V.A below.

**3. Unimpaired Common Stock Interests
in the Federated Subsidiaries
(Classes FR-8 and FO-6)**

On the Effective Date, each Allowed Interest in Classes FR-8 or FO-6 shall be Reinstituted by leaving unaltered the legal, equitable and contractual rights to which such Interest entitles the holder of such Interest.

4. Impaired Common Stock Interests of Holdings in Federated (Class F-12)

No property shall be distributed to or retained by Holdings on account of its Allowed Class F-12 Interests.

C. Treatment of Claims Against and Interests In the Allied Debtors

1. Unimpaired Classes of Claims Held by Third Parties

a. Unsecured Claims Entitled to Priority Under Sections 507(a)(3), 507(a)(4) or 507(a)(6) of the Bankruptcy Code (Classes A-1, AC-1, AR-1 and AO-1)

On the Effective Date, each holder of an Allowed Claim in Classes A-1, AC-1, AR-1 or AO-1 shall receive cash equal to the amount of such Claim.

b. Unsecured Convenience Claims (Classes A-2, AC-2, AR-2 and AO-2)

On the Effective Date, each holder of an Allowed Claim in Classes A-2, AC-2, AR-2 or AO-2 shall receive cash equal to the amount of such Claim.

c. Secured and Unsecured Claims of Prudential Under or Evidenced by the Allied-Prudential Real Estate Loan Agreement and Related Guaranty (Classes AR-3 and A-3)

On the Effective Date, unless Allied, the applicable Allied Real Estate Subsidiaries and Prudential reach agreement on terms modifying the Allied-Prudential Real Estate Loan Agreement and the Allied-Prudential Real Estate Loan Agreement Guaranty, Prudential's Allowed Claims in Classes AR-3 or A-3 shall be Reinstated by leaving unaltered the legal, equitable

and contractual rights to which such Claims entitle Prudential. If such Claims are modified rather than Reinstated, Classes AR-3 and A-3 shall be treated as impaired.

2. Unimpaired Class of Claims of Allied Evidenced by the Allied Intercompany Dividend Notes (Class AO-3)

On the Effective Date, each Allowed Claim in Class AO-3 shall be Reinstated by leaving unaltered the legal, equitable and contractual rights to which such Claim entitles Allied.

3. Impaired Classes of Claims

a. Claims Held by Third Parties

i. Secured Claims of Citibank Under or Evidenced by the Allied Prepetition Credit Agreement (Class A-5)

On the Effective Date, in full satisfaction of Citibank's Allowed Claim in Class A-5, Citibank shall receive: (I) cash equal to (A) the principal amount of the Allied Working Capital Advances and (B) any reasonable fees, costs, expenses or charges provided for under the Allied Prepetition Credit Agreement; and (II) unpaid accrued interest on the principal amount of the Allied Working Capital Advances in an amount and on terms established pursuant to an agreement to be negotiated between Allied and Citibank, which agreement shall be submitted to the Bankruptcy Court for approval after notice and a hearing.

ii. Secured Claims Not Otherwise Classified
(Classes A-4, AC-3, AR-4 and AO-4)

On the Effective Date, each Allowed Claim in Classes A-4, AC-3, AR-4 or AO-4 shall be treated pursuant to either Section III.C.3.a.ii.I or III.C.3.a.ii.II below, at the option of the applicable Reorganized Debtor:

I. The Debtor or Reorganized Debtor that owns the property securing such Claim shall transfer such property to the holder of the Claim, in full satisfaction thereof; or

II. Such Claim shall be Reinstituted as follows:

(A) any default, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code, shall be cured;

(B) the maturity of the Claim shall be reinstated as the maturity existed before any default; (C) the holder of the Claim shall be compensated for any damages incurred as a result of any reasonable reliance by such holder on any contractual provision that entitled the holder to demand or receive accelerated payment of the Claim; and (D) no other legal, equitable or contractual rights to which the Claim entitles the holder shall be altered.

iii. Secured and Unsecured Claims of
BMo and Paribas Under or Evidenced
by the Allied Prepetition Credit
Agreement (Class A-6)

On the Effective Date, each of BMo and Paribas shall receive, in full satisfaction of its Allowed Class A-6 Claim, its Pro Rata share of 1,704,000 shares of New Class A Common Stock and the Ralphs Call Option.

iv. Secured and Unsecured Claims
Under or Evidenced by the
Allied 6% Notes, the Allied
10-1/2% Senior Notes and Related
Indentures; Unsecured Claims
Related to the Allied IRBs; and
Unsecured Claims (Other than
those of First Boston) Under or
Evidenced by the Allied Senior
Subordinated Debentures and
Related Indenture (Class A-7)

On the Effective Date, each holder of an Allowed Claim in Class A-7 shall receive, in full satisfaction of such Claim, its Pro Rata share of 19,424,000 shares of New Common Stock. On the Effective Date, all contractual subordination rights to which any Allowed Claim in Class A-7, or any distribution to be made pursuant to the Plan on account of any such Allowed Claim, may be subject (other than any such rights in favor of any holder of an Allowed Claim in Classes A-5 or A-6, which shall be terminated pursuant to Section X.C.1 below), shall survive and remain unaffected by Confirmation. Accordingly, distributions to holders of Allowed Claims in Class A-7 will be subject to such rights and remedies as may be available to the beneficiaries of such subordination rights under the applicable contractual provisions or otherwise, including direct payment by any Disbursing Agent or Indenture Trustee to a beneficiary of such contractual subordination rights, or to levy, garnishment, attachment or other legal process by a beneficiary of such contractual subordination rights. Consequently, distributions ultimately received or retained by a holder of an Allowed Claim

in Class A-7 may be less than the gross distributions provided for under the Plan on account of such Claim, and may be reduced to zero in certain circumstances. The Debtors may modify the Plan pursuant to Section XII.C below to the extent necessary or appropriate to reflect any agreement that the holders of Allowed Claims in Class A-7 may reach with the beneficiaries of any contractual subordination rights to which such Claims may be subject.

v. Unsecured Claims of First Boston Under or Evidenced by the the Allied Senior Subordinated Debentures and Related Indenture (Class A-8)

On the Effective Date, First Boston shall receive, in full satisfaction of its Allowed Class A-8 Claims, New Other Equity Securities.

vi. General Unsecured Claims Against the Allied Subsidiaries (Classes AC-4, AR-5 and AO-5)

On the Effective Date, in full satisfaction of the Allowed Claims in Classes AC-4, AR-5 or AO-5, the Surviving Corporation shall enter into the New Medium-Term Notes Indenture and the New Shared Collateral Pledge Agreement, and each holder of an Allowed Claim in Classes AC-4, AR-5 or AO-5 shall receive: (I) cash equal to 60% of the amount of such Claim and (II) New Medium-Term Notes in a principal amount equal to 46.4% of the amount of such Claim. If Allied determines that there is additional cash available for

distribution on the Effective Date, the Allied Subsidiaries may modify the Plan pursuant to Section XII.C below to provide for the holders of Allowed Claims in Classes AC-4, AR-5 or AO-5 to receive an additional distribution of cash and a reduced distribution of New Medium-Term Notes.

vii. General Unsecured Claims Against
Allied (Class A-9)

On the Effective Date, each holder of an Allowed Claim in Class A-9 shall receive, in full satisfaction of such Claim, its Pro Rata share of 668,000 shares of New Common Stock.

viii. Unsecured Claims for Penalties, Fines
and Punitive Damages (Class A-10)

If Class A-10 accepts the Plan, on the Effective Date, each holder of an Allowed Claim in Class A-10 shall receive, in full satisfaction of such Claim, its Pro Rata share of \$50,000. If Class A-10 does not accept the Plan, then no property shall be distributed to or retained by the holders of Allowed Class A-10 Claims on account of such Claims.

ix. Subordinated Unsecured Claims Related
to Rescission, Damages or Indemnity
Claims Arising From Securities
Transactions (Class A-11)

No property shall be distributed to or retained by the holders of Allowed Claims in Class A-11 on account of such Claims.

b. **Claims Held by Related Parties**

i. **Other Intercompany Claims (Classes A-12, AC-5, AR-6 and AO-6)**

On the Effective Date, except as provided below with respect to Intercompany Claims related to the assumption by an Allied Debtor of any executory contract or unexpired lease with another Debtor, each Allowed Claim in Classes A-12, AC-5, AR-6 or AO-6 shall be treated pursuant to either Section III.C.3.b.i.I or III.C.3.b.i.II below, as follows: (I) each Allowed Claim in Classes A-12, AC-5, AR-6 or AO-6 held by an Allied Debtor against one of its subsidiaries that is a Debtor shall be contributed to the capital of such subsidiary; or (II) no property shall be distributed to or retained on account of all other Allowed Claims in Classes A-12, AC-5, AR-6 or AO-6. Notwithstanding any other provisions of the Plan, on the Effective Date, the Surviving Corporation and each Reorganized Allied Debtor, as applicable, shall cure any defaults and satisfy the other obligations of section 365(b) of the Bankruptcy Code with respect to the assumption by an Allied Debtor of any executory contract or unexpired lease with another Debtor pursuant to Section V.A below.

ii. **Secured and Unsecured Claims of FSI and CIBV Evidenced by the Allied April 1989 Notes (Class A-13)**

Allowed Class A-13 Claims shall be contributed to the capital of Allied; no property shall be distributed to or retained by FSI on account of such Claims.

iii. Unsecured Claims of Holdings III
Evidenced by the Allied September
1989 Note (Class A-14)

Allowed Class A-14 Claims shall be contributed to the capital of Allied; no property shall be distributed to or retained by Holdings III on account of such Claims.

4. Unimpaired Common Stock Interests
in the Allied Subsidiaries
(Classes AC-6, AR-7 and AO-7)

On the Effective Date, each Allowed Interest in Classes AC-6, AR-7 or AO-7 shall be Reinstated by leaving unaltered the legal, equitable and contractual rights to which such Interest entitles the holder of such Interest.

5. Impaired Allied Preferred Stock
Interests Other than those of
CIBV (Class A-15)

No property shall be distributed to or retained by the holders of Allowed Class A-15 Interests on account of such Interests.

6. Impaired Common Stock Interests of
Holdings II in Allied (Class A-16)

No property shall be distributed to or retained by Holdings II on account of its Allowed Class A-16 Interests.

7. Impaired Interests of CIBV Related to
the Right to Demand Issuance of Allied
Preferred Stock (Class A-17)

No property shall be distributed to or retained by CIBV on account of its Allowed Class A-17 Interests.

**D. Special Provisions Regarding Treatment of
Allowed Secondary Liability Claims**

The classification and treatment of all Allowed Claims under the Plan take into consideration all Allowed Secondary Liability Claims. On the Effective Date, Allowed Secondary Liability Claims shall be treated as follows:

1. Unless otherwise provided in this Section III.D, if the Plan provides for satisfying the Allowed Claim underlying an Allowed Secondary Liability Claim by distributing property with a value equal to the amount of such underlying Claim, the holder of the related Allowed Secondary Liability Claim shall neither receive nor retain any property on account of such Allowed Secondary Liability Claim. Accordingly, holders of such Allowed Secondary Liability Claims shall be entitled only to one distribution from the Debtor against which the underlying Allowed Claim is held, and no multiple or duplicative recovery on account of such Allowed Secondary Liability Claims shall be permitted. For those Allowed Secondary Liability Claims on account of which no property shall be received or retained, the Debtors shall file objections to such Claims.

2. The Allowed Secondary Liability Claims arising from or related to Federated's or Allied's joint or several liability for the obligations under any executory contract or unexpired lease that is being assumed by a Federated Subsidiary

or an Allied Subsidiary or under any executory contract or unexpired lease that is being assumed by and assigned to a Federated Subsidiary or an Allied Subsidiary shall be reinstated pursuant to Section V.E.5 below.

3. The Allowed Secondary Liability Claims against each of the Federated Debtors for ALAE, as provided for in the Liberty Mutual Settlement Agreement, shall be classified and treated as Class F-8, FR-6 or FO-4 Claims, as appropriate, in amounts calculated pursuant to the Liberty Mutual Settlement Agreement; provided, however, that the assertion and recovery under the Plan on account of such Claims shall be subject to the limitations set forth in the Liberty Mutual Settlement Agreement.

4. The Allowed Secondary Liability Claims against each of the Allied Debtors for ALAE, as provided for in the Liberty Mutual Settlement Agreement, shall be classified and treated as Class A-9, AC-4, AR-5 or AO-5 Claims, as appropriate, in amounts calculated pursuant to the Liberty Mutual Settlement Agreement; provided, however, that the assertion and recovery under the Plan on account of such Claims shall be subject to the limitations set forth in the Liberty Mutual Settlement Agreement.

5. The Allowed Secondary Liability Claims against Allied provided for in the Slayton Class Action Settlement Agreement shall be classified and treated as Class A-9 Claims,

in amounts calculated pursuant to the Slayton Class Action Settlement Agreement; provided, however, that the assertion and recovery under the Plan on account of such Claims shall be subject to the limitations set forth in the Slayton Class Action Settlement Agreement.

6. The Allowed Secondary Liability Claims not otherwise provided for in this Section III.D shall be classified and treated as Class F-8, FR-6, FO-4, A-9, AC-4, AR-5 or AO-5 Claims, as appropriate.

E. Accrual of Postpetition Interest

Unless otherwise provided for in the Plan, no holder of an Allowed Unsecured Claim shall be entitled to the accrual of postpetition interest on account of such Claim.

ARTICLE IV.

MEANS FOR IMPLEMENTATION OF THE PLAN

A. Continued Corporate Existence and Vesting of Assets in the Reorganized Debtors

Subject to the transactions described below in Section IV.B, each Debtor shall, as a Reorganized Debtor, continue to exist after the Effective Date as a separate corporate entity, with all the powers of a corporation under applicable law and without prejudice to any right to alter or terminate such existence (whether by merger or otherwise) under applicable state law. Except as otherwise provided in the Plan, on the Effective Date, all property of the respective Estates of the Debtors, and any property acquired by a Debtor or Reorganized Debtor under any provision of the Plan or the FSI Plan, shall vest in the applicable Reorganized Debtor, free and clear of all Claims, liens, charges, other encumbrances and Interests. Each Reorganized Debtor may operate its businesses and may use, acquire and dispose of property and compromise or settle any Claims or Interests without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan and the Confirmation Order. Without limiting the foregoing, each Reorganized Debtor may pay the charges that it incurs after the Effective Date for professionals' fees, disbursements, expenses or related support services without application to the Bankruptcy Court.

B. The Federated/Allied Combination Transactions,
the Federated Real Estate Subsidiary Transactions
and Organization of the New A&S Operating
Subsidiary and the New Lazarus Operating Subsidiary

1. The Federated/Allied Combination Transactions

a. Consummation of the Federated/Allied
Combination Transactions

On or after the Effective Date, Reorganized Federated, Reorganized Allied, Reorganized Holdings or other appropriate FSI Debtors shall take such actions as may be necessary or appropriate to effect the Federated/Allied Combination Transactions. Such actions may include: (i) the execution and delivery of appropriate agreements or other documents of merger, consolidation or reorganization containing terms that are consistent with the terms of the Plan and that satisfy the applicable requirements of the Delaware General Corporation Law and such other terms to which these entities may agree; (ii) the execution and delivery of appropriate instruments of transfer, assignment, assumption and delegation consistent with the terms of the Plan and having such other terms to which these entities may agree in respect of any transfer, assignment, assumption or delegation of any asset, property, right, liability, duty or obligation; (iii) the filing of appropriate certificates of merger or consolidation with the Secretary of State of the State of Delaware pursuant to the applicable provisions of the Delaware General Corporation Law; and (iv) all other actions that such entities determine to be

necessary or appropriate, including the making of appropriate filings or recordings that may be required by the Delaware General Corporation Law or other applicable law in connection with any and all such mergers, consolidations, reorganizations or other transactions. All such agreements, instruments or certificates and any other material documents to be executed, delivered, filed or recorded in connection with the Federated/Allied Combination Transactions shall be substantially in the form of Exhibit IV.B.1.a to the Plan. On the Exhibit Filing Date, Exhibit IV.B.1.a shall be Filed and shall be available for review in the Document Reviewing Centers.

b. Cancellation of Capital Stock

As of the Effective Time of the Federated/Allied Combination Transactions, by virtue of the Plan or the Federated/Allied Combination Transactions, as the case may be, and in all events without any action on the part of the holders thereof, each share of capital stock of each of Reorganized Federated and Reorganized Allied issued and outstanding or held in treasury, including the Common Stock of Federated, the Allied Preferred Stock and the Common Stock of Allied, shall be canceled and retired and no consideration will be paid or delivered with respect thereto. Such further provisions shall be made in or taken pursuant to the Plan, the FSI Plan or the Federated/Allied Combination Transactions as may be necessary or appropriate to result in there being no shares of capital

stock of the Surviving Corporation issued or outstanding immediately following the Effective Time of the Federated/Allied Combination Transactions, except for the shares of New Common Stock, New Class A Common Stock and New Other Equity Securities. Thereafter, shares of capital stock of the Surviving Corporation may be issued pursuant to the Surviving Corporation's certificate of incorporation and bylaws and the Delaware General Corporation Law.

c. The Surviving Corporation's Obligations Under the Plan

The Surviving Corporation shall perform the obligations of Reorganized Federated and Reorganized Allied under the Plan, including Reorganized Federated's and Reorganized Allied's respective obligations to pay or otherwise satisfy the Allowed Claims held against Federated and Allied.

2. The Federated Real Estate Subsidiary Transactions

On or after the Effective Date, Reorganized Federated Real Estate and the appropriate Reorganized Federated Real Estate Subsidiaries shall take such actions as may be necessary or appropriate to effect the Federated Real Estate Subsidiary Transactions that are described in Exhibit IV.B.2 to the Plan. Such actions may include: (a) the execution and delivery of appropriate agreements or other documents of merger, consolidation or reorganization containing terms that are consistent with the terms of the Plan and that satisfy the

applicable requirements of the Delaware General Corporation Law and such other terms to which these entities may agree; (b) the execution and delivery of appropriate instruments of transfer, assignment, assumption and delegation consistent with the terms of the Plan and having such other terms to which these entities may agree in respect of any transfer, assignment, assumption or delegation of any asset, property, right, liability, duty or obligation; (c) the filing of appropriate certificates of merger or consolidation with the Secretary of State of the State of Delaware pursuant to the applicable provisions of the Delaware General Corporation Law; and (d) all other actions that such entities determine to be necessary or appropriate, including the making of appropriate filings or recordings that may be required by the Delaware General Corporation Law in connection with the mergers, consolidations, reorganizations or other transactions contemplated as part of the Federated Real Estate Subsidiary Transactions. On the Exhibit Filing Date, Exhibit IV.B.2 shall be Filed and shall be available for review in the Document Reviewing Centers.

3. Organization of the New A&S Operating Subsidiary and the New Lazarus Operating Subsidiary

Prior to the Effective Time of the Federated/Allied Combination Transactions, Reorganized Federated shall take such actions as may be necessary or appropriate to organize the New

A&S Operating Subsidiary and the New Lazarus Operating Subsidiary under the Delaware General Corporation Law, and to transfer substantially all of the assets and certain of the liabilities associated with Federated's Abraham & Straus and Lazarus divisions to the New A&S Operating Subsidiary and the New Lazarus Operating Subsidiary, respectively. Such actions may include: (a) the execution and delivery by Reorganized Federated, the New A&S Operating Subsidiary and the New Lazarus Operating Subsidiary of appropriate instruments of transfer, assignment, assumption and delegation consistent with the terms of the Plan and having such other terms as these entities may agree in respect of any transfer, assignment, assumption or delegation of any asset, property, right, liability, duty or obligation, which instruments shall be substantially in the form of Exhibit IV.B.3 to the Plan and (b) all other actions that such entities determine to be necessary or appropriate, including the making of appropriate filings or recordings that may be required by the Delaware General Corporation Law in connection with any and all such transactions. Immediately following the organization of the New A&S Operating Subsidiary and the New Lazarus Operating Subsidiary, Reorganized Federated shall own all of the Common Stock of the New A&S Operating Subsidiary and all of the Common Stock of the New Lazarus Operating Subsidiary. On the Exhibit Filing Date, Exhibit IV.B.3 shall be Filed and shall be available for review in the Document Reviewing Centers.

C. Corporate Governance, Directors and Officers,
Employment-Related Agreements and Compensation Programs

1. Certificates of Incorporation and Bylaws

a. The Surviving Corporation

Immediately following the Effective Time of the Federated/Allied Combination Transactions, the certificate of incorporation and the bylaws of the Surviving Corporation shall be substantially in the form of Exhibits IV.C.1.a(i) and IV.C.1.a(ii), respectively, to the Plan. The initial certificate of incorporation and bylaws of the Surviving Corporation shall, among other things: (i) prohibit the issuance of nonvoting equity securities to the extent required by section 1123(a) of the Bankruptcy Code and (ii) authorize the issuance of New Common Stock and New Class A Common Stock in an amount not less than the amount necessary to permit the distributions thereof required or contemplated by the Plan. After the Effective Time of the Federated/Allied Combination Transactions, the Surviving Corporation may amend and restate its certificate of incorporation or bylaws as permitted by the Delaware General Corporation Law. On the Exhibit Filing Date, Exhibits IV.C.1.a(i) and IV.C.1.a(ii) shall be Filed and shall be available for review in the Document Reviewing Centers.

b. The Reorganized Debtors Other
than the Surviving Corporation

As of the Effective Date or the effective time of the Federated Real Estate Subsidiary Transactions, as the case may

be, the certificate or articles of incorporation and the bylaws or regulations or similar constituent documents of each Reorganized Debtor shall prohibit or shall be amended and restated to prohibit the issuance of nonvoting equity securities to the extent required by section 1123(a) of the Bankruptcy Code and otherwise shall be or shall be amended and restated to be substantially in the form of Exhibits IV.C.1.b(i) and IV.C.1.b(ii), respectively, to the Plan (except for the Surviving Corporation, provision for which is made above in Section IV.C.1.a). After the Effective Date or the effective time of the Federated Real Estate Subsidiary Transactions, as the case may be, each such entity may amend and restate its certificate or articles of incorporation or its bylaws or regulations or similar constituent documents as permitted by applicable state law. On the Exhibit Filing Date, Exhibits IV.C.1.b(i) and IV.C.1.b(ii) shall be Filed and shall be available for review in the Document Reviewing Centers.

2. Directors and Officers of the Reorganized Debtors

a. The Surviving Corporation

Subject to any requirement of Bankruptcy Court approval pursuant to section 1129(a)(5) of the Bankruptcy Code, as of the Effective Time of the Federated/Allied Combination Transactions, the initial directors and officers of the Surviving Corporation shall be: (i) the directors and officers

of Federated or Allied who are listed on Exhibit IV.C.2.a to the Plan; and (ii) those additional persons listed on Exhibit IV.C.2.a who shall serve as directors. A majority of the persons serving as directors of the Surviving Corporation as of the Effective Time of the Federated/Allied Combination Transactions shall be persons who are not, and within the preceding three years have not been, full-time employees of any Debtor or FSI Debtor. Each of the directors and officers of the Surviving Corporation shall serve from and after the Effective Time of the Federated/Allied Combination Transactions until removed pursuant to the terms of the Surviving Corporation's certificate of incorporation and bylaws and the Delaware General Corporation Law. On the Exhibit Filing Date, Exhibit IV.C.2.a shall be Filed and shall be available for review in the Document Reviewing Centers.

b. The Reorganized Debtors Other than the Surviving Corporation

Subject to any requirement of Bankruptcy Court approval pursuant to section 1129(a)(5) of the Bankruptcy Code, as of the Effective Date or the effective time of the Federated Real Estate Subsidiary Transactions, as the case may be, the initial directors and officers of each Reorganized Debtor (except for the Surviving Corporation, provision for which is made above in Section IV.C.2.a) shall be as listed on Exhibit IV.C.2.b to the Plan. Each such director and officer shall serve from and after the

Effective Date or the effective time of the Federated Real Estate Subsidiary Transactions, as the case may be, until removed pursuant to the terms of the applicable certificate or articles of incorporation, the applicable bylaws or regulations or similar constituent documents and applicable state law. On the Exhibit Filing Date, Exhibit IV.C.2.b shall be Filed and shall be available for review in the Document Reviewing Centers.

3. New Employment, Retirement, Indemnification and Other Agreements and Incentive Compensation Programs

As of the Effective Date, the Reorganized Debtors shall have the authority to enter into employment, retirement, indemnification and other agreements with their active directors, officers and employees and to implement retirement income plans, welfare benefit plans and other plans for active employees. Such agreements and plans may include equity, bonus and other incentive plans in which officers and other employees of the Reorganized Debtors may be eligible to participate; provided, however, that the total number of shares of New Common Stock issuable as awards of restricted stock pursuant to any management equity plan in existence as of the Effective Date shall not exceed 1,200,000 shares. On the Exhibit Filing Date, the Debtors shall File forms of any such agreements or plans that are not in effect prior to the Exhibit Filing Date and that are to take effect as of the Effective Date as Exhibit IV.C.3(a) to the Plan, and such Exhibit shall be available for

review in the Document Reviewing Centers. In addition, except for the retirement and disability benefit plans referred to below in Section IV.H, on the Exhibit Filing Date, the Debtors shall file a schedule and general summary of the existing employment, retirement, indemnification and other agreements and incentive compensation programs that are to remain in effect as of the Effective Date as Exhibit IV.C.3(b) to the Plan, and such Exhibit shall be available for review in the Document Reviewing Centers. The Disclosure Statement shall contain sufficient information to comply with section 1129(a)(5)(B) of the Bankruptcy Code as to disclosure of compensation to be paid to insiders who are the subject of the agreements, plans or programs described herein.

4. Corporate Action

The Federated/Allied Combination Transactions; the Federated Real Estate Subsidiary Transactions; the formation of the New A&S Operating Subsidiary and the New Lazarus Operating Subsidiary; the transfers of assets and liabilities from Reorganized Federated to the New A&S Operating Subsidiary and the New Lazarus Operating Subsidiary; the adoption of new or amended and restated certificates or articles of incorporation and bylaws or regulations or similar constituent documents for the Reorganized Debtors; the selection of directors and officers for the Reorganized Debtors; the distribution of cash, issuance and distribution of New Debt, New Common Stock, New

Class A Common Stock and New Other Equity Securities and the grant of the Ralphs Call Option; the adoption, execution and implementation of the employment, retirement and indemnification agreements, incentive compensation programs, retirement income plans, welfare benefit plans and other employee plans and related agreements; and the other matters provided for under the Plan involving the corporate structure of any Debtor or Reorganized Debtor or corporate action to be taken by or required of any Debtor or Reorganized Debtor shall be deemed to have occurred and be effective as provided herein, and shall be authorized and approved in all respects without any requirement of further action by stockholders or directors of any of the Debtors or the Reorganized Debtors.

D. Obtaining Cash for Plan Distributions and Transfers of Funds Among Debtors

All cash necessary for the Reorganized Debtors to make payments pursuant to the Plan shall be obtained from the Debtors' existing cash balances, the operations of the Debtors or the Reorganized Debtors or postconfirmation lending facilities. Cash payments to be made under the Plan shall be made by the Reorganized Debtor that is liable on the underlying Allowed Claim; provided, however, that the Debtors and the Reorganized Debtors shall be entitled to transfer funds between and among themselves pursuant to the Postpetition Cash Management System Order as they determine to be necessary or

appropriate to enable each Reorganized Debtor to satisfy its obligations under the Plan.

E. Terms of New Debt, New Common Stock, New Class A Common Stock, Ralphs Call Option and Surviving Corporation Put Option

The principal terms of the New Debt (other than the New Other Debt Securities), the New Common Stock, the New Class A Common Stock, the Ralphs Call Option and the Surviving Corporation Put Option shall be substantially as set forth in Exhibit IV.E to the Plan.

F. Postconfirmation Financing

The Reorganized Debtors may enter into postconfirmation working capital and receivables-backed financing facilities as deemed necessary or appropriate by the Debtors. No later than 35 days prior to commencement of the hearing on Confirmation, the term sheets for any initial postconfirmation financing facilities shall be Filed as Exhibit IV.F to the Plan and shall be available for review in the Document Reviewing Centers.

G. Preservation of Rights of Action and Comprehensive Settlement Agreement

1. Preservation of Rights of Action

Except as provided in the Comprehensive Settlement Agreement, the Plan or in any contract, instrument, release, indenture or other agreement entered into in connection with

the Plan, in accordance with section 1123(b) of the Bankruptcy Code, the Reorganized Debtors shall retain and may enforce any claims, rights and causes of action that any Debtor or Estate may hold against any entity, including any claims, rights or causes of action arising under sections 544 through 550 of the Bankruptcy Code or any other statute or legal theory. The Reorganized Debtors or any successors may pursue such retained claims, rights or causes of action, as appropriate, in accordance with the best interests of the Reorganized Debtors or the successors holding such rights of action.

2. Comprehensive Settlement Agreement

On the Effective Date, the Comprehensive Settlement Agreement shall become effective and Reorganized FSI, Reorganized Holdings, the Reorganized Debtors and each Consenting Additional Party shall be bound thereby; shall execute and deliver the releases and other documents, if any, provided for under the Comprehensive Settlement Agreement; and shall otherwise perform their respective obligations thereunder.

H. Retirement and Long-Term Disability Benefits

1. Certain Retiree Health, Medical and Life Insurance Benefits

On and after the Effective Date, pursuant to section 1129(a)(13) of the Bankruptcy Code, the Reorganized Debtors shall continue to pay all retiree benefits (as defined in section 1114(a) of the Bankruptcy Code) of the Debtors'

respective nonunion employees who retired as of or prior to the Petition Date, at the levels and for the duration established prior to the Effective Date in either: (a) a Bankruptcy Court order entered pursuant to section 1114(g) of the Bankruptcy Code or (b) agreements reached pursuant to section 1114(e) of the Bankruptcy Code between the Debtors and the applicable members of the Official Retirees' Committee; provided, however, that prior to the Confirmation Date, the Debtors reserve the right to seek an order declaring that the Debtors may amend or terminate such retiree benefits at the conclusion of the period, if any, that the Debtors are obligated to provide such retiree benefits under the terms of their respective retiree benefit plans.

2. Continuation of Purchase Discounts for Retirees

On and after the Effective Date, the Reorganized Debtors shall continue to provide their respective retirees with merchandise and service purchase price discounts, in accordance with the Debtors' current business practices; provided, however, that each of the Reorganized Debtors shall have the right to modify, reduce or eliminate such discounts in its sole discretion without any claims, debts, rights, causes of action or liabilities arising against the Reorganized Debtors from such action.

3. Continuation of Certain Other Retirement Benefits

On and after the Effective Date or, in the case of the Surviving Corporation, the Effective Time of the Federated/Allied Combination Transactions, Reorganized Federated, the Surviving Corporation, Reorganized Bloomingdale's, Reorganized Rich's and the Reorganized Allied Operating Subsidiaries shall continue to pay the retirement benefits that the Debtors obtained authority to pay pursuant to the Order Authorizing Debtors and Debtors in Possession to Pay Certain Retirement Benefits and Retention Bonuses, entered by the Bankruptcy Court on February 21, 1990.

4. Continuation of Certain Long-Term Disability Benefits

On and after the Effective Time of the Federated/ Allied Combination Transactions, the Surviving Corporation shall continue to pay the long-term disability benefits that Allied obtained authority to pay pursuant to the Order Authorizing the Continued Payment of Certain Disability Benefits under Self-Insured Disability Plan, entered by the Bankruptcy Court on April 29, 1991; provided, however, that the Surviving Corporation shall have the right to modify, reduce or eliminate such long-term disability benefits in its sole discretion without any claims, debts, rights, causes of action or liabilities arising against the Surviving Corporation from such action.

I. Special Provisions Regarding Insured Claims

1. Limitations on Amounts to be Distributed to Holders of Allowed Insured Claims

Distributions under the Plan to each holder of an Allowed Insured Claim shall be in accordance with the treatment provided under the Plan for the Class in which such Allowed Insured Claim is classified; provided, however, that the maximum amount of any distribution under the Plan on account of an Allowed Insured Claim shall be limited to an amount equal to: (a) the applicable deductible under the relevant insurance policy, minus (b) any reimbursement obligations of the Debtors to the insurance carrier for sums expended by the insurance carrier on account of such Claim (including defense costs). Nothing in this Section IV.I shall constitute a waiver of any claim, debt, right, cause of action or liability that any entity may hold against any other entity, including the Debtors' insurance carriers.

2. Claims for Reimbursement of ALAE Advanced by Liberty Mutual

Pursuant to the terms of the Liberty Mutual Settlement Agreement, each Allowed Claim for reimbursement of ALAE advanced by Liberty Mutual prior to the Effective Date shall be classified and treated under the Plan as either a general Unsecured Claim or an Administrative Claim. After the Confirmation Date, the applicable Debtors shall reimburse Liberty Mutual for ALAE advances made after the Confirmation Date pursuant to the applicable Liberty Mutual insurance policy.

**J. New Tax Sharing Agreement; Agreement
Regarding Equity Securities of Ralphs**

As of the Effective Date: (1) the Reorganized Debtors, Federated Credit and Federated Credit Holdings shall enter into the New Tax Sharing Agreement; and (2) the Surviving Corporation shall enter into an agreement in respect of its holdings of equity securities of Ralphs, if any, on such terms and with such other entities as may be satisfactory to the Surviving Corporation, which agreement shall be substantially in the form of Exhibit IV.J to the Plan. On the Exhibit Filing Date, Exhibit IV.J shall be Filed and shall be available for review in the Document Reviewing Centers.

**K. Cancellation and Surrender of
Instruments and Securities**

In addition to the cancellation of the Allied Preferred Stock, the Common Stock of Federated and the Common Stock of Allied provided for above in Section IV.B, on the Effective Date, the Debt Securities, the Federated IRB Loan Agreement, the Federated IRB Note, the Series II Exchange Notes and the Allied IRB Trust Agreement shall be canceled and of no further force and effect, without any further action on the part of any Debtor or Reorganized Debtor. The holders of such canceled instruments and securities shall have no rights arising from or relating to such instruments and securities or the cancellation thereof, except the rights provided pursuant to the Plan;

provided, however, that no distribution under the Plan shall be made to or on behalf of any holder of an Allowed Claim evidenced by a canceled instrument or security unless and until the note or debenture evidencing such canceled instrument or security is received by the applicable Disbursing Agent or Indenture Trustee pursuant to Section VI.H below.

L. Effectuating Documents; Further Transactions

The Chairman of the Board, President or any Vice President of each Debtor or Reorganized Debtor shall be authorized to execute, deliver, file or record such contracts, instruments, releases, indentures and other agreements or documents and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. The Secretary or any Assistant Secretary of each Debtor or Reorganized Debtor shall be authorized to certify or attest to any of the foregoing actions.

ARTICLE V.

**TREATMENT OF EXECUTORY CONTRACTS
AND UNEXPIRED LEASES**

**A. Executory Contracts and Unexpired Leases
to be Assumed**

1. Except as otherwise provided in the Plan or in any contract, instrument, release, indenture or other agreement or document entered into in connection with the Plan, on the Confirmation Date, the Debtors shall assume, pursuant to section 365 of the Bankruptcy Code, each of the executory

contracts and unexpired leases listed on Exhibit V.A.1 to the Plan. On the Exhibit Filing Date, Exhibit V.A.1 shall be Filed and shall be available for review in the Document Reviewing Centers.

2. Each executory contract and unexpired lease listed on or described in Exhibit V.A.1 that relates to the use or occupancy of real property shall include: (a) all modifications, amendments, supplements, restatements or other agreements made directly or indirectly by any agreement, instrument or other document that in any manner affects such executory contract or unexpired lease, irrespective of whether such agreement, instrument or other document is listed on Exhibit V.A.1; and (b) all executory contracts or unexpired leases appurtenant to the premises listed on Exhibit V.A.1, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, powers, uses, usufructs, reciprocal easement agreements, vaults, tunnel or bridge agreements or franchises, and any other interests in real estate or rights in rem related to such premises, unless any of the foregoing agreements are rejected pursuant to Section V.C below and are listed on Exhibit V.C.

3. The Confirmation Order shall constitute an order of the Bankruptcy Court approving the assumptions described above in Sections V.A.1 and V.A.2, pursuant to section 365 of the Bankruptcy Code, as of the Confirmation Date. As provided

below in Section V.E.3, certain of the assumed executory contracts and unexpired leases shall also be assigned to certain Reorganized Debtors or other parties pursuant to section 365 of the Bankruptcy Code.

B. Payments Related to Assumption of Executory Contracts and Unexpired Leases

Any monetary amounts by which each executory contract and unexpired lease to be assumed under the Plan is in default shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, at the option of the Debtor assuming such contract or lease or the assignee of such Debtor: (1) by payment of the default amount in cash on the Effective Date, (2) by payment of the default amount in quarterly cash installments commencing on the Effective Date and continuing for one year or (3) on such other terms as are agreed to by the parties to such executory contract or unexpired lease. In the event of a dispute regarding: (1) the amount of any cure payments, (2) the ability of the applicable Reorganized Debtor or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed or (3) any other matter pertaining to assumption, the cure payments required by section 365(b)(1) of the Bankruptcy Code shall be made following the entry of a Final Order resolving the dispute and approving the assumption. For assumptions of

executory contracts and unexpired leases between Debtors, the Debtor or Reorganized Debtor assuming such contract or lease may cure any monetary default through an intercompany account balance in lieu of payment in cash.

C. Executory Contracts and Unexpired Leases to be Rejected

On the Confirmation Date, except for any executory contract or unexpired lease (including any related agreements assumed pursuant to Section V.A.2 above) that was previously assumed or rejected by an order of the Bankruptcy Court pursuant to section 365 of the Bankruptcy Code or that is assumed pursuant to Section V.A above, each executory contract and unexpired lease entered into by a Debtor prior to the Petition Date that has not previously expired or terminated pursuant to its own terms shall be rejected pursuant to section 365 of the Bankruptcy Code. The executory contracts and unexpired leases to be rejected shall include the Debt Securities Indentures, the Tax Sharing Agreements and the other executory contracts and unexpired leases listed on Exhibit V.C to the Plan. On the Exhibit Filing Date, Exhibit V.C shall be Filed and shall be available for review in the Document Reviewing Centers. The contracts and leases listed on Exhibit V.C shall be rejected only to the extent that any such contract or lease constitutes an executory contract or unexpired lease. Listing a contract or lease on Exhibit V.C shall not constitute

an admission by a Debtor or a Reorganized Debtor that such contract or lease (including related agreements as described above in Section V.A.2) is an executory contract or unexpired lease or that a Debtor or Reorganized Debtor has any liability thereunder. The Confirmation Order shall constitute an order of the Bankruptcy Court approving such rejections, pursuant to section 365 of the Bankruptcy Code, as of the Confirmation Date.

D. Bar Date for Rejection Damages

If the rejection of an executory contract or unexpired lease pursuant to Section V.C above gives rise to a Claim by the other party or parties to such contract or lease, such Claim shall be forever barred and shall not be enforceable against the Debtors, their respective Estates, the Reorganized Debtors or their respective properties unless a proof of Claim is Filed within 30 days after the Effective Date.

E. Special Executory Contract and Unexpired Lease Issues

1. Rejection of the Tax Sharing Agreements

On the Effective Date, the Tax Sharing Agreements shall be rejected, and all claims, debts, rights, causes of action and liabilities held against the Reorganized Debtors arising from the rejection of the Tax Sharing Agreements shall be compromised and settled pursuant to the Comprehensive Settlement Agreement.

2. Cancellation of Debt Securities Indentures and Discharge of Indenture Trustees

As provided below in Section VI.B.2, notwithstanding the rejection of the Debt Securities Indentures pursuant to Section V.C above, such rejection shall not impair the rights of the holders of any Allowed Debt Security Claims to receive distributions on account of such Claims pursuant to the Plan, nor shall such rejection impair the rights of the Indenture Trustees to enforce their Indenture Trustee Charging Liens against property that would otherwise be distributed to the holders of Allowed Debt Security Claims. Subsequent to the performance of the Indenture Trustees (or their agents) of their obligations to make the distributions that are required pursuant to the Plan and the Confirmation Order, the Indenture Trustees (and their agents) shall be relieved of all obligations related to the Debt Securities Indentures.

3. Assignment of Executory Contracts and Unexpired Leases to Certain Reorganized Debtors or Other Parties

a. On the Effective Date, each of the executory contracts and unexpired leases listed on Exhibit V.E.3.a to the Plan (including any related agreements as described above in Section V.A.2) shall be assigned to the Reorganized Debtor or other party identified therein pursuant to section 365 of the Bankruptcy Code. On the Exhibit Filing Date, Exhibit V.E.3.a shall be Filed and shall be available for review in the Document Reviewing Centers. The Confirmation Order shall

constitute an order of the Bankruptcy Court approving such assignments, pursuant to section 365 of the Bankruptcy Code, as of the Effective Date.

b. As of the Effective Time of the Federated/Allied Combination Transactions, the effective time of any merger, consolidation or acquisition that is part of the Federated Real Estate Subsidiary Transactions or the effective time of the organization of the New A&S Operating Subsidiary or the New Lazarus Operating Subsidiary, as the case may be, any executory contract or unexpired lease (including any related agreements as described above in Section V.A.2) to be held by the Surviving Corporation, a surviving, resulting or acquiring corporation in a Federated Real Estate Subsidiary Transaction, the New A&S Operating Subsidiary or the New Lazarus Operating Subsidiary, as the case may be, shall be deemed assigned to the applicable entity pursuant to section 365 of the Bankruptcy Code. The Confirmation Order shall constitute an order of the Bankruptcy Court approving such assignments, pursuant to section 365 of the Bankruptcy Code, as of the Effective Date.

4. Obligations to Indemnify Directors, Officers and Employees

The obligations of each Debtor or Reorganized Debtor to indemnify any person serving as one of its directors, officers or employees as of or following the Petition Date, by reason of their past or future service in any such capacity, or as a director, officer or employee of another corporation,

partnership or other legal entity, including Campeau Corporation, any FSI Debtor, Ralphs or any of their respective affiliates (as defined in section 101(2) of the Bankruptcy Code), to the extent provided in the applicable certificates of incorporation, bylaws or similar constituent documents or by statutory law or written agreement of or with such Debtor or Reorganized Debtor, shall (except as expressly provided in the following sentence) be deemed and treated as executory contracts that are assumed under the Plan by the applicable Debtor, pursuant to section 365 of the Bankruptcy Code, as of the Confirmation Date. Accordingly, such indemnification obligations shall survive and be unaffected by entry of the Confirmation Order, irrespective of whether such indemnification is owed for an act or event occurring before or after the Petition Date; provided, however, that notwithstanding any other provision of the Plan, the indemnity obligations of any Debtor or Reorganized Debtor shall terminate and be discharged as of the Effective Date as to any person who: (a)(i) is or was a director, officer or employee of Campeau Corporation, any FSI Debtor, Ralphs or any of their respective affiliates (as defined in section 101(2) of the Bankruptcy Code) other than Holdings, Gold Circle, Inc. or any Reorganized Debtor and (ii) has not, as of the Effective Date, ceased to be a director, officer or employee of Campeau Corporation, any FSI Debtor, Ralphs or any of their respective affiliates (as defined above) other than Holdings, Gold Circle,

Inc. or any Reorganized Debtor, or (b) is or becomes an officer, director or employee of Campeau Corporation, any Reorganized FSI Debtor, Ralphs or any of their respective affiliates (as defined above) following the Effective Date. Nothing herein shall be exclusive of or limit the terms of any indemnification agreement entered into pursuant to Section IV.C.3 above.

5. **Reinstatement of Allowed Secondary Liability Claims Arising from or Related to Executory Contracts or Unexpired Leases Assumed by Federated Subsidiaries or Allied Subsidiaries**

On the Confirmation Date, any Allowed Secondary Liability Claim arising from or related to Federated's or Allied's joint or several liability for the obligations under any executory contract or unexpired lease that is being assumed pursuant to section 365 of the Bankruptcy Code by a Federated Subsidiary or an Allied Subsidiary or under any executory contract or unexpired lease that is being assumed by and assigned to a Federated Subsidiary or an Allied Subsidiary shall be Reinstated by the Surviving Corporation. Accordingly, such Allowed Secondary Liability Claims shall survive and be unaffected by entry of the Confirmation Order.

F. **Executory Contracts and Unexpired Leases Entered into and Other Obligations Incurred After the Petition Date**

Executory contracts and unexpired leases entered into and other obligations incurred after the Petition Date by any Debtor shall be performed by the Debtor or Reorganized Debtor

liable thereunder in the ordinary course of its business. Accordingly, such executory contracts, unexpired leases and other obligations shall survive and remain unaffected by entry of the Confirmation Order.

ARTICLE VI.

PROVISIONS GOVERNING DISTRIBUTIONS

A. Date of Distributions for Claims Allowed as of the Effective Date

Except as otherwise provided in this Article VI, or as may be ordered by the Bankruptcy Court, distributions of cash, New Debt, New Common Stock, New Class A Common Stock and New Other Equity Securities on account of Claims allowed as of the Effective Date shall be made as of the Effective Date.

Distributions to be made as of the Effective Date shall be deemed made as of the Effective Date if made on the Effective Date or as promptly thereafter as practicable, but in any event no later than 60 days after the Effective Date. Distributions on account of Claims allowed after the Effective Date shall be made pursuant to Sections VI.F and VII.C.1 below. All securities to be issued pursuant to the Plan shall be issued as of (and, in the case of New Debt, accrue interest from) the Effective Date regardless of the date on which they may actually be distributed.

B. Distributions by Disbursing Agents and Indenture Trustees

1. Disbursing Agents

The Surviving Corporation, or such Third-Party Disbursing Agents as the Surviving Corporation may employ in its sole discretion, shall make all distributions of cash, New Debt, New Common Stock, New Class A Common Stock and New Other Equity Securities required under the Plan, except for distributions to be made by Indenture Trustees pursuant to Section VI.B.2 below. Any Disbursing Agent may employ or contract with other entities to assist in or make the distributions required by the Plan. Each Disbursing Agent shall serve without bond, and each Third-Party Disbursing Agent shall receive, without further Bankruptcy Court approval, reasonable compensation for distribution services rendered pursuant to the Plan and reimbursement of reasonable out-of-pocket expenses incurred in connection with such services from the Reorganized Debtors for which such services were rendered, on terms agreed to with the applicable Reorganized Debtor.

2. Indenture Trustees

a. For purposes of any distributions under the Plan to holders of Allowed Debt Security Claims, each Indenture Trustee shall be deemed to be the sole holder of all Allowed Debt Security Claims evidenced by the Debt Securities issued

under the Debt Securities Indenture to which such Indenture Trustee is a party. Accordingly, all distributions provided for in the Plan on account of Allowed Debt Security Claims shall be distributed to the respective Indenture Trustees, for further distribution to individual holders of Allowed Debt Security Claims pursuant to the provisions of the applicable Debt Securities Indenture.

b. Notwithstanding the provisions of Section V.C above regarding the rejection of the Debt Securities Indentures, the Debt Securities Indentures shall continue in effect for the sole purpose of allowing the Indenture Trustees to receive and make distributions under the Plan on account of Allowed Debt Security Claims. Any actions taken by the Indenture Trustees that are not for this purpose shall be null and void as against the Debtors and the Reorganized Debtors, and the Reorganized Debtors shall have no obligations to the Indenture Trustees for any fees, costs or expenses incurred in connection with any such unauthorized actions.

3. Compensation and Reimbursement of the Indenture Trustees for Services Related to Balloting and Distributions Under the Plan

Each Indenture Trustee providing services related to balloting and distributions under the Plan to holders of Allowed Debt Security Claims shall receive, from the Reorganized Debtors for which such services were rendered, without further Bankruptcy Court approval, reasonable

compensation for such services and reimbursement of reasonable out-of-pocket expenses incurred in connection with such services. These payments shall be made on terms agreed to with the applicable Reorganized Debtor, and shall be in addition to distributions made to any Indenture Trustee on account of any Allowed Claims arising from the rejection of the Debt Securities Indentures pursuant to Section V.C above or on account of any Allowed Claims secured by an Indenture Trustee Charging Lien.

C. Delivery of Distributions and Undeliverable or Unclaimed Distributions

1. Delivery of Distributions in General

Except as provided in this Section VI.C for distributions by Indenture Trustees and distributions to holders of undeliverable distributions, distributions to holders of Allowed Claims shall be made: (a) at the addresses set forth on the respective proofs of Claim Filed by such holders, (b) at the addresses set forth in any written notices of address change delivered to the Disbursing Agents after the date of any related proof of Claim or (c) at the addresses reflected in the applicable Debtor's Schedule of Liabilities if no proof of Claim has been Filed and the Disbursing Agents have not received a written notice of a change of address.

Distributions to holders of Allowed Debt Security Claims by Indenture Trustees shall be made pursuant to the provisions of the applicable Debt Securities Indenture.

2. Undeliverable Distributions

a. Distributions Held by Disbursing Agents

i. Holding and Investment of Undeliverable Distributions

I. If any Claim holder's distribution is returned to a Disbursing Agent as undeliverable, no further distributions shall be made to such holder unless and until the applicable Disbursing Agent is notified in writing of such holder's then current address. Undeliverable distributions shall remain in the possession of the applicable Disbursing Agent pursuant to this Section VI.C.2.a.i until such time as a distribution becomes deliverable. Undeliverable cash (including interest and maturities on undeliverable New Debt and dividends on undeliverable New Common Stock) shall be held in trust in a segregated bank account in the name of the applicable Disbursing Agent for the benefit of the potential claimants of such funds, and shall be accounted for separately. Any Disbursing Agent holding undeliverable cash may invest such cash in a manner consistent with the Debtors' investment and deposit guidelines, as approved by the Postpetition Cash Management System Order. Undeliverable New Debt and New Common Stock shall be held in trust for the benefit of the potential claimants of such securities by the applicable Disbursing Agent in principal amounts or number of shares sufficient to fund the unclaimed amounts of such securities, and shall be accounted for separately.

II. Pending the distribution of any New Common Stock as provided elsewhere in the Plan, each Disbursing Agent shall cause all of the New Common Stock held by it in its capacity as Disbursing Agent to be: (A) represented in person or by proxy at each meeting of the stockholders of the Surviving Corporation; (B) voted in any election of directors of the Surviving Corporation, at the option of the Disbursing Agent, either (1) proportionally with the votes cast by the other stockholders of the Surviving Corporation, taken as a whole, or (2) for the nominees recommended by the board of directors of the Surviving Corporation; and (C) voted with respect to any other matter, at the option of the Disbursing Agent, either (1) proportionally with the votes cast by the other stockholders of the Surviving Corporation, taken as a whole, or (2) as recommended by the board of directors of the Surviving Corporation.

ii. After Distributions Become Deliverable

Within 30 days after the end of each calendar quarter following the Effective Date, the applicable Disbursing Agents shall make all distributions that become deliverable during the preceding calendar quarter. Each such distribution shall include: (I) matured and payable interest, if any, at the rate provided for the Class of Claims on account of which the distribution is made; (II) any dividends or other payments made

on account of the distributions; and (III) the allocable portion of the net return yielded from the investment of any undeliverable cash, from the date that such distribution would have first been due had it then been deliverable to the date that such distribution becomes deliverable.

iii. Failure to Claim Undeliverable Distributions

Any holder of an Allowed Claim who does not assert a claim for an undeliverable distribution within five years after the Effective Date shall have its Claim related to such undeliverable distribution discharged and shall be forever barred from asserting any such Claim against the Debtors, the Reorganized Debtors or their respective property. In such cases: (I) any cash held for distribution on account of such Claims (including interest and maturities on New Debt and dividends on New Common Stock) shall be property of the applicable Reorganized Debtor, free of any restrictions thereon; (II) any New Debt held for distribution on account of such Claims shall be canceled and of no further force or effect; and (III) any New Common Stock held for issuance on account of such Claims shall either be canceled or held as treasury shares as the Surviving Corporation may determine is appropriate. To the extent that such undeliverable cash, New Debt or New Common Stock is held by a Third-Party Disbursing Agent, the Third-Party Disbursing Agent shall return such cash or the instruments or securities evidencing such New Debt or

New Common Stock to the applicable Reorganized Debtor. Nothing contained in the Plan shall require any Debtor, Reorganized Debtor or Disbursing Agent to attempt to locate any holder of an Allowed Claim.

b. Distributions Held by Indenture Trustees

The provisions of the applicable Debt Securities Indenture shall govern the holding of undeliverable or unclaimed distributions and the delivery of those distributions to individual holders of Allowed Debt Security Claims. If an Indenture Trustee determines that an individual holder of an Allowed Debt Security Claim is no longer entitled to a distribution pursuant to the applicable Debt Securities Indenture, such individual holder's Allowed Debt Security Claim shall be discharged and such individual holder shall be forever barred from asserting any such Claim against the Debtors, the Reorganized Debtors or their respective property. In such cases: (i) any cash held for distribution on account of such Claims (including interest and maturities on New Debt and dividends on New Common Stock or New Class A Common Stock) shall be property of the applicable Reorganized Debtor, free of any restrictions thereon, (ii) any New Debt held for distribution on account of such Claims shall be canceled and of no further force or effect and (iii) any New Common Stock or New Class A Common Stock held for distribution on account of such Claims shall either be canceled or held as treasury shares

as the Surviving Corporation may determine is appropriate. The applicable Indenture Trustee shall return such cash or the instruments or securities evidencing such New Debt, New Common Stock or New Class A Common Stock to the applicable Reorganized Debtor.

D. Distribution Record Date

As of the close of business on the Distribution Record Date, the respective transfer register for each of the Debt Securities (other than the Federated 10-1/8% Euronotes and the Federated 11% Euronotes), as maintained by the Debtors, the Indenture Trustees or their respective agents, shall be closed. Moreover, the applicable Disbursing Agents or Indenture Trustees or their respective agents shall have no obligation to recognize the transfer of any Debt Securities (other than transfers of Federated 10-1/8% Euronotes and Federated 11% Euronotes) occurring after the Distribution Record Date, and shall be entitled for all purposes herein to recognize and deal only with those holders of record as of the close of business on the Distribution Record Date. With respect to transfers of Federated 10-1/8% Euronotes and Federated 11% Euronotes, which are substantially held in bearer form, the applicable Indenture Trustee shall recognize such transfers and make distributions pursuant to the Plan in accordance with the Federated 10-1/8% Euronotes Indenture and the Federated 11% Euronotes Indenture, respectively.

E. Means of Cash Payments

Cash payments made pursuant to the Plan shall be in U.S. dollars by checks drawn on a domestic bank selected by the applicable Debtor or Reorganized Debtor, or by wire transfer from a domestic bank, at the option of the applicable Debtor or Reorganized Debtor; provided, however, that cash payments made to foreign trade creditors holding Allowed Claims may be paid, at the option of the applicable Debtor or Reorganized Debtor, in such funds and by such means as are necessary or customary in a particular foreign jurisdiction.

F. Timing and Calculation of Amounts to be Distributed

- 1. Timing and Amounts of Distributions to Holders of Allowed Claims in Reserve Classes**
 - a. Distributions on Account of Allowed Claims that are not Individually Estimated**
 - i. Reserve Class Claims Against a Federated Subsidiary or an Allied Subsidiary (Classes FR-6, FO-4, AC-4, AR-5 and AO-5)**

Except as provided below in Section VI.F.1.b for distributions on account of individually estimated Disputed Claims that are subsequently allowed, the amount of distributions to be made on the Effective Date to holders of Allowed Claims in any of Classes FR-6, FO-4, AC-4, AR-5 or AO-5 shall be calculated as follows: (I) for Allowed Insured Claims, the amount of the distribution shall be equal to the amount of consideration to be distributed pursuant to Article III above on account of the particular Allowed Insured Claim

multiplied by the applicable Insured Claim Distribution Ratio; and (II) for Allowed Uninsured Claims, the amount of the distribution shall be equal to the amount of consideration to be distributed pursuant to Article III above on account of the particular Allowed Uninsured Claim multiplied by the applicable Uninsured Claim Distribution Ratio. Beginning on the date that is 30 days after the end of the calendar quarter following the Effective Date and quarterly thereafter, distributions shall also be made to holders of Disputed Claims in any of Classes FR-6, FO-4, AC-4, AR-5 or AO-5 whose Claims were allowed during the preceding calendar quarter. Such quarterly distributions shall also be calculated pursuant to the provisions set forth in this Section VI.F.1.a.i.

ii. Reserve Class Claims Against
Federated or Allied (Classes
F-8, F-9, A-9 and A-10)

Except as provided below in Section VI.F.1.b for distributions on account of individually estimated Disputed Claims that are subsequently allowed, the amount of distributions to be made on the Effective Date to holders of Allowed Claims in any of Classes F-8, F-9, A-9 or A-10 shall be calculated as if each Disputed Claim in the applicable Reserve Class were an Allowed Claim in its Face Amount. Beginning on the date that is 30 days after the end of the calendar quarter following the Effective Date and quarterly thereafter, distributions shall also be made to holders of Disputed Claims

in any of Classes F-8, F-9, A-9 or A-10 whose Claims were allowed during the preceding calendar quarter. Such quarterly distributions shall also be calculated pursuant to the provisions set forth in this Section VI.F.1.a.ii.

**iii. Additional Annual Distributions
on Account of Previously
Allowed Claims in a Reserve Class**

On each Annual Additional Distribution Date, each holder of a previously allowed Claim in a particular Reserve Class shall receive an additional distribution from the applicable Disputed Claims Reserve on account of such Allowed Claim in an amount equal to: (I) the amount of consideration that such holder would be entitled to receive pursuant to Section VI.F.1.a.i or VI.F.1.a.ii above, as applicable, if such Claim had become an Allowed Claim on the applicable Annual Additional Distribution Date, minus (II) the aggregate amount of consideration previously distributed on account of such Claim. Each such annual additional distribution shall also include, on the basis of the amount then being distributed: (I) matured and payable interest, if any, at the rate provided for the Class to which such Claim belongs; (II) any dividends or other payments made on account of the distributions that were held in the reserve; and (III) the allocable portion of the net return yielded from the investment of any cash in the applicable reserve, from the date such amounts would have been due had such Claim initially been paid 100% of the allowed amount to the date that such distribution is made.

**b. Distributions on Account of Allowed
Claims that are Individually Estimated**

On the Effective Date, each holder of an Allowed Claim for which an individual Disputed Claims Reserve has been established pursuant to Section VII.B.3.b below shall receive the full amount of the distributions that the Plan provides for Allowed Claims in the applicable Reserve Class, subject to the limitation established below in Section VII.B.3.b that the holder of such Claim shall have recourse only to the applicable Disputed Claims Reserve for such distributions. Beginning on the date that is 30 days after the end of the calendar quarter following the Effective Date and quarterly thereafter, distributions shall also be made to holders of individually estimated Disputed Claims whose Claims were allowed during the preceding calendar quarter. Such quarterly distributions shall also be in the full amount that the Plan provides for Allowed Claims in the applicable Class, subject to the limitation established below in Section VII.B.3.b.

**2. Timing and Amounts of Distributions
to Holders of Allowed Claims in
Non-Reserve Classes**

On the Effective Date, each holder of an Allowed Claim in any non-Reserve Class shall receive the full amount of the distributions that the Plan provides for Allowed Claims in the applicable non-Reserve Class. Beginning on the date that is 30 days after the end of the calendar quarter following the

Effective Date and quarterly thereafter, distributions shall also be made to holders of Disputed Claims in any non-Reserve Class whose Claims were allowed during the preceding calendar quarter. Such quarterly distributions shall also be in the full amount that the Plan provides for Allowed Claims in the applicable non-Reserve Class.

**3. Distributions of New Medium-Term Notes,
New Other Debt Securities and New Series B
Secured Notes**

a. Notwithstanding any other provisions of the Plan, principal amounts of New Medium-Term Notes, New Other Debt Securities and New Series B Secured Notes may, at the election of the Surviving Corporation, be issued only in denominations of \$1,000 and integral multiples thereof. In such event, when any distribution on account of an Allowed Claim would otherwise result in the issuance of New Medium-Term Notes, New Other Debt Securities or New Series B Secured Notes with an aggregate principal amount that is not an integral multiple of \$1,000, the actual distribution of such notes shall be rounded to the next higher or lower integral multiple of \$1,000, as follows: (i) principal amounts of \$500 or greater shall be rounded to the next higher integral multiple of \$1,000, and (ii) principal amounts of less than \$500 shall be rounded to the next lower integral multiple of \$1,000. If the Surviving Corporation elects to issue such New Debt Securities other than in denominations of \$1,000 and integral multiples

thereof, the Surviving Corporation may, at its option, make provision for a liquidity facility for all such other denominations. A description of any such liquidity facility will be included in the Disclosure Statement or an exhibit thereto.

b. For distributions of New Medium-Term Notes, New Other Debt Securities and New Series B Secured Notes that are rounded pursuant to this Section VI.F.3.b, the amount of cash distributed along with such notes shall be adjusted as follows: (i) if the principal amount of the notes has been rounded up, the amount of cash to be distributed shall be decreased by the difference between the principal amount of the notes actually distributed and the principal amount of the notes that would have been distributed absent rounding up, and (ii) if the principal amount of the notes has been rounded down, the amount of cash to be distributed shall be increased by the difference between the principal amount of the notes that would have been distributed absent rounding down and the principal amount of the notes actually distributed.

4. Distributions of Shares of New Common Stock and Shares of New Class A Common Stock

a. Notwithstanding any other provision of the Plan, only whole numbers of shares of New Common Stock and New Class A Common Stock shall be issued. When any distribution on account of an Allowed Claim would otherwise result in the issuance of a number of shares of New Common Stock or New

Class A Common Stock that is not a whole number, the actual distribution of shares of such stock shall be rounded to the next higher or lower whole number as follows: (i) fractions of 1/2 or greater shall be rounded up to the next higher whole number, and (ii) fractions of less than 1/2 shall be rounded down to the next lower whole number. The total number of shares of New Common Stock or New Class A Common Stock to be distributed to a Class of Claims shall be adjusted as necessary to account for the rounding provided for in this Section VI.F.4.a. No consideration shall be provided in lieu of fractional shares that are not rounded up.

b. The Surviving Corporation may, at its option, make provision for a liquidity facility in respect of the issuance of New Common Stock other than in round lots. A description of any such liquidity facility will be included in the Disclosure Statement or an exhibit thereto.

c. Each share of New Common Stock and each share of New Class A Common Stock distributed pursuant to the Plan shall be accompanied by one Surviving Corporation Share Purchase Right.

5. De Minimis Distributions

Notwithstanding anything to the contrary contained in the Plan, the Disbursing Agents and the Indenture Trustees shall not be required to distribute cash to the holder of an Allowed Claim in an impaired Class if the amount of cash to be

distributed on account of such Claim is less than \$100. Any holder of an Allowed Claim on account of which the amount of cash to be distributed is less than \$100 shall have such Claim discharged and shall be forever barred from asserting any such Claim against the Debtors, the Reorganized Debtors or their respective property. Any cash not distributed pursuant to this provision shall be the property of the applicable Reorganized Debtor, free of any restrictions thereon, and any such cash held by a Third-Party Disbursing Agent or an Indenture Trustee shall be returned to the applicable Reorganized Debtor.

6. Compliance with Tax Requirements

In connection with the Plan, to the extent applicable, each Disbursing Agent and Indenture Trustee shall comply with all withholding and reporting requirements imposed on it by federal, state and local taxing authorities, and all distributions pursuant to the Plan shall be subject to such withholding and reporting requirements.

G. Setoffs

The Reorganized Debtors shall, pursuant to section 553 of the Bankruptcy Code, set off against any Allowed Claim and the distributions to be made pursuant to the Plan on account of such Claim, the claims, rights and causes of action of any nature that the applicable Debtor or Reorganized Debtor may hold against the holder of such Allowed Claim; provided, however, that neither the failure to effect such a setoff nor

the allowance of any Claim hereunder shall constitute a waiver or release by the applicable Debtor or Reorganized Debtor of any such claims, rights and causes of action that the Debtor or Reorganized Debtor may possess against such holder.

H. Surrender of Canceled Instruments or Securities

As a condition precedent to receiving any distribution pursuant to the Plan on account of an Allowed Claim evidenced by an instrument or security canceled pursuant to Section IV.K above, the holder of such Claim shall tender the applicable notes, debentures or other documents evidencing such Allowed Claim to the applicable Disbursing Agent or Indenture Trustee pursuant to the procedures established in this Section VI.H. Any cash, New Debt, New Common Stock, New Class A Common Stock and New Other Equity Securities to be distributed pursuant to the Plan on account of any such Claim shall, pending such surrender, be treated as an undeliverable distribution pursuant to Section VI.C.2 above.

1. Surrender of Debt Securities or Series II Exchange Notes

Each holder of an Allowed Claim evidenced by a Debt Security or a Series II Exchange Note shall tender such notes or debentures to the applicable Disbursing Agent or Indenture Trustee in accordance with written instructions to be provided to such holders by the Disbursing Agents or Indenture Trustees as promptly as practicable following the Effective Date. Such

instructions shall specify that delivery of such notes or debentures will be effected, and risk of loss and title thereto will pass, only upon the proper delivery thereof in accordance with such instructions. All surrendered Debt Securities and Series II Exchange Notes shall be marked as canceled and delivered to the appropriate Reorganized Debtor.

2. Surrender of Other Notes,
Instruments or Documents

The Federated Prepetition Lending Group, the Federated IRB Trustee, Citibank, BMo, Paribas and the Allied IRB Trustee shall each surrender any existing notes or other instruments or documents evidencing their respective Allowed Claims as and when such entities receive New Debt, New Common Stock or New Class A Common Stock pursuant to the Plan in satisfaction of their respective Allowed Claims.

3. Lost, Stolen, Mutilated or Destroyed Debt
Securities or Series II Exchange Notes

In addition to any requirements under the applicable Debt Securities Indenture, any holder of a Claim evidenced by a Debt Security or Series II Exchange Note that has been lost, stolen, mutilated or destroyed shall, in lieu of surrendering such note or debenture, deliver to the applicable Disbursing Agent or Indenture Trustee: (a) evidence satisfactory to the Disbursing Agent or Indenture Trustee of the loss, theft, mutilation or destruction; and (b) such security or indemnity as may be required by the Disbursing Agent or Indenture Trustee

to hold the Disbursing Agent or Indenture Trustee harmless from any damages, liabilities or costs incurred in treating such individual as a holder of a Debt Security or a Series II Exchange Note. Upon compliance with this Section VI.H.3 by a holder of a Claim evidenced by a Debt Security or a Series II Exchange Note, such holder shall, for all purposes under the Plan, be deemed to have surrendered a Debt Security or a Series II Exchange Note, as applicable.

4. Failure to Surrender Canceled Debt Securities or Series II Exchange Notes

Any holder of a Debt Security or a Series II Exchange Note who fails to surrender or be deemed to have surrendered the applicable notes or debentures within five years after the Effective Date shall have its Claim evidenced by such Debt Security or Series II Exchange Note discharged and shall be forever barred from asserting any such Claim against the Debtors, the Reorganized Debtors or their respective property. In such cases, any cash, New Debt, New Common Stock or New Class A Common Stock held for distribution on account of such Claim shall be disposed of pursuant to the provisions set forth above in Sections VI.C.2.a (for distributions held by Disbursing Agents) or VI.C.2.b (for distributions held by Indenture Trustees).

I. Special Provisions Related to Debt Securities

1. Release of Liens on Property Securing Allowed Debt Security Claims

As a condition to receiving the distributions provided for by the Plan on account of Allowed Debt Security Claims, each Indenture Trustee that is to receive distributions pursuant to the Plan in satisfaction of Secured Claims shall be required to execute a release, on or as of the Effective Date, of all mortgages, liens or other security interests on any property of the Debtors or the Reorganized Debtors, in recordable form if appropriate, and deliver the same to the appropriate Reorganized Debtor. Any Indenture Trustee that fails to execute such release shall not be entitled to receive distributions pursuant to the Plan, and each holder of a Debt Security who would have received distributions from such Indenture Trustee pursuant to the Plan also shall not be entitled to receive distributions pursuant to the Plan. In such cases, any cash, New Debt, New Common Stock or New Class A Common Stock shall be held for distribution pursuant to the provisions set forth above in Section VI.C.2.a.

2. Satisfaction of Indenture Trustee Charging Liens

Any Indenture Trustee Charging Liens shall be preserved, and the Debtors hereby expressly reserve the right to pay Claims secured by Indenture Trustee Charging Liens in cash, and to withhold from distribution to the holders of Allowed Debt

Security Claims on whose behalf the Indenture Trustee has acted, cash, New Debt, New Common Stock or New Class A Common Stock, as applicable, in an amount or value, as determined in good faith by the Surviving Corporation, equal to any such payment to the applicable Indenture Trustee. Consequently, distributions actually received by the holders of Allowed Debt Security Claims may be less than the gross distributions provided for under the Plan in an amount equal to the amount of distributions applied by the Indenture Trustees to their Claims secured by Indenture Trustee Charging Liens.

ARTICLE VII.

PROCEDURES FOR RESOLVING DISPUTED CLAIMS

A. Prosecution of Objections to Claims

1. Objections to Claims

Unless another date is established by the Bankruptcy Court, all objections to Claims shall be Filed and served on the holders of such Claims by the later of: (a) 180 days after the Effective Date and (b) 180 days after a particular proof of Claim has been Filed. If an objection has not been Filed to a proof of Claim or a scheduled Claim that relates to a Disputed Claim by the objection bar dates established in this Section VII.A, the Claim to which the proof of Claim or scheduled Claim relates shall be treated as an Allowed Claim if such Claim has not been allowed earlier.

2. Authority to Prosecute Objections

After the Confirmation Date, only the Debtors and the Reorganized Debtors shall have the authority to file objections, settle, compromise, withdraw or litigate to judgment objections to Disputed Claims. As of the Confirmation Date, the Debtors and the Reorganized Debtors may settle or compromise any Disputed Claim without prior approval of the Bankruptcy Court.

B. Treatment of Disputed Claims

1. No Payments on Account of Disputed Claims and Reserves Established in Lieu of Distributions on Account of Disputed Claims in Reserve Classes

Notwithstanding any other provisions of the Plan, no payments or distributions shall be made on account of any Disputed Claim until such Claim becomes an Allowed Claim. In lieu of distributions under the Plan to holders of Disputed Claims in a Reserve Class, on the Effective Date, a Disputed Claims Reserve shall be established for each such Class of Claims. The applicable Reorganized Debtors shall fund the Disputed Claims Reserves with cash, New Debt and New Common Stock in amounts determined by the Bankruptcy Court pursuant to the estimation procedure described below in Section VII.B.3.

2. Property Held in Each Disputed Claims Reserve

a. Cash held in each Disputed Claims Reserve (including interest and maturities on New Debt and dividends on

New Common Stock held in such reserves) shall be deposited in a segregated bank account in the name of the applicable Disbursing Agent, for the benefit of the potential claimants of such funds, and shall be accounted for separately. The applicable Disbursing Agent may invest the cash held in any Disputed Claims Reserve in a manner consistent with the Debtors' investment and deposit guidelines, as authorized by the Postpetition Cash Management System Order. The Disbursing Agent shall also place in the applicable Disputed Claims Reserve any net return yielded from the investment of cash held in such reserves pending distribution.

b. New Debt and New Common Stock to be held in each Disputed Claims Reserve shall be held in trust for the benefit of the potential claimants of such securities by the applicable Disbursing Agent, and shall be accounted for separately. Pending the distribution of any New Common Stock held in a Disputed Claims Reserve, such stock shall be voted pursuant to Section VI.C.2.a.i.II above.

3. Estimation of Amounts of Disputed Claims for Funding of Disputed Claims Reserves

a. The Bankruptcy Court shall, upon motion of the applicable Debtor or Reorganized Debtor, estimate the aggregate amount of Allowed Claims that are expected in each Reserve Class, and determine the amount of property to be placed in each Disputed Claims Reserve. Any holder of a

Disputed Claim that is ultimately allowed in a Class for which a Disputed Claims Reserve has been established shall have recourse only to undistributed property in the applicable Disputed Claims Reserve, excluding amounts reserved for individually estimated Claims in such Class, and not to any Debtor, Reorganized Debtor or their respective property or any assets previously distributed on account of any Allowed Claim.

b. With respect to any individual Disputed Claim in a Reserve Class, the Bankruptcy Court shall, upon motion of the applicable Debtor or Reorganized Debtor, estimate the amount of such Claim that ultimately will be allowed and the amount of property in the applicable Disputed Claims Reserve to be allocated to such Claim. Any holder of a Disputed Claim that is so estimated shall have recourse only to: (i) the property allocated to such Claim; and (ii) the amounts in the applicable Disputed Claims Reserve that were allocated to other individually estimated Claims, to the extent that such allocated amounts exceed the ultimately allowed amounts of such Claims; provided, however, that these latter amounts shall be reallocated on a pro rata basis (on the basis of the allowed amount of each individually estimated Claim) among the holders of Allowed Claims in the same Reserve Class whose Claims have been individually estimated and whose Allowed Claims exceed the amount of the reserve established for such individually estimated Claims.

C. Distributions on Account of Disputed Claims once they are Allowed

1. After Allowance of a Disputed Claim

Within 30 days after the end of each calendar quarter following the Effective Date, the applicable Disbursing Agent shall make all distributions on account of any Disputed Claim that has become an Allowed Claim during the preceding calendar quarter. Such distributions shall be made pursuant to the provisions of the Plan governing the applicable Class of Claims, including the incremental distribution provisions set forth above in Section VI.F.1. Holders of Disputed Claims in Reserve Classes that are ultimately allowed shall also be entitled to receive, on the basis of the amount ultimately allowed: (a) matured and payable interest, if any, at the rate provided for the Class to which such Claim belongs; (b) any dividends or other payments made on account of the distributions that were held in the reserve; and (c) the allocable portion of the net return yielded from the investment of any cash in the applicable reserve, from the date such amounts would have been due had such Claim then been allowed to the date that such distribution is made from the applicable reserve.

2. After Resolution of All Disputed Claims in a Reserve Class

If any property remains in a particular Disputed Claims Reserve after all objections to Disputed Claims in a

particular Reserve Class have been resolved, such remaining property shall be distributed as soon as practicable pursuant to the provisions of the Plan governing the Class of Allowed Claims to which the Disputed Claims Reserve relates; provided, however, that if the Allowed Claims in such Class have been satisfied in full pursuant to the Plan, such remaining distributions shall be made as follows: (a) any cash (including interest and maturities on New Debt, dividends on New Common Stock and any refunds of taxes paid to any federal, state or local taxing authority out of funds held in the Disputed Claims Reserve for earnings on funds held in the reserve) shall be property of the Reorganized Debtor originally funding the Disputed Claims Reserve, free of any restrictions thereon; (b) any New Debt shall be canceled and of no further force or effect; and (c) any New Common Stock shall either be canceled or held as treasury shares as the Surviving Corporation may determine is appropriate. To the extent that cash, New Debt or New Common Stock is held by a Third-Party Disbursing Agent, the Third-Party Disbursing Agent shall return such cash or the instruments or securities evidencing such New Debt or New Common Stock to the applicable Reorganized Debtor.

D. Tax Requirements for Income Generated by Disputed Claims Reserves

Pursuant to the provisions set forth in Exhibit VII.D to the Plan, the applicable Disbursing Agent shall pay, or

cause to be paid, out of the funds held in a particular Disputed Claims Reserve, any tax imposed by any federal, state or local taxing authority on the income generated by the funds held in such Disputed Claims Reserve. The applicable Disbursing Agent shall also file, or cause to be filed any tax or information return related to the Disputed Claims Reserve that is required by any federal, state or local taxing authority. On the Exhibit Filing Date, Exhibit VII.D shall be Filed and shall be available for review in the Document Reviewing Centers.

ARTICLE VIII.

CONDITIONS PRECEDENT TO CONFIRMATION AND CONSUMMATION OF THE PLAN

A. Conditions to Confirmation

The Bankruptcy Court shall not enter the Confirmation Order unless and until each of the following conditions has been satisfied or duly waived by each of the Debtors pursuant to Section VIII.C below:

1. Prior to or concurrent with Confirmation, the Bankruptcy Court shall have entered an order confirming the FSI Plan pursuant to section 1129 of the Bankruptcy Code on terms satisfactory to the Debtors.

2. One of the following shall have occurred: (a) the Bankruptcy Court shall have entered an order pursuant to section 1114(g) of the Bankruptcy Code that

modification of retiree benefits (as defined in section 1114(a) of the Bankruptcy Code) that is satisfactory to the Debtors, and such order is not subject to any stay; (b) the Debtors and the applicable members of the Official Retirees' Committee shall have agreed to a modification of retiree benefits pursuant to section 1114(e) of the Bankruptcy Code; or (c) the Bankruptcy Court shall have entered an order not subject to any stay that recognizes the Debtors' ability to amend or terminate such retiree benefits at the conclusion of the period, if any, for which the Debtors are obligated under the terms of their respective retiree benefit plans to provide retiree benefits.

3. Each of the Debtors and the FSI Debtors shall have executed the Comprehensive Settlement Agreement, and such of the Potential Additional Parties as shall be satisfactory to Federated and Allied shall have become Consenting Additional Parties.

B. Conditions to Effective Date

The Plan shall not be consummated and the Effective Date shall not occur unless and until each of the following conditions has been satisfied or duly waived by each of the Debtors pursuant to Section VIII.C below:

1. All conditions to occurrence of the effective date of the FSI Plan described in Section VII.B of the FSI Plan shall have been satisfied or duly waived by each of the FSI Debtors.

2. The Confirmation Date shall occur no later than December 31, 1991.

3. The Bankruptcy Court shall have entered an order (contemplated to be part of the Confirmation Order) approving and authorizing the Debtors and the Reorganized Debtors to take all actions necessary or appropriate to complete the Federated/Allied Combination Transactions and the Federated Real Estate Subsidiary Transactions, to form the New A&S Operating Subsidiary and the New Lazarus Operating Subsidiary, to complete the other transactions contemplated by Section IV.B above, and to enter into, implement and consummate the contracts, instruments, releases, indentures and other agreements or documents created in connection with the Plan.

4. The aggregate amounts of Claims in all Reserve Classes, except Classes F-9 and A-10, shall have been estimated or allowed in amounts satisfactory to the Debtors in a Bankruptcy Court order that is not subject to any stay.

5. The Federal Priority Tax Claims shall have been resolved, on terms satisfactory to the Debtors, pursuant to a Bankruptcy Court order that is not subject to any stay.

6. The Debtors shall have obtained a private letter ruling from the IRS satisfactory to Federated and Allied with respect to such federal income tax issues as Federated and Allied may determine to be appropriate.

7. The New Public Debt Indentures shall have been qualified under the Trust Indenture Act of 1939, as amended, by the Securities and Exchange Commission.

8. The New Common Stock shall have been listed, accepted or admitted for trading on a National Securities Exchange, subject to notice of issuance.

C. Waiver of Conditions to Confirmation or Effective Date

Each of the conditions to Confirmation or consummation of the Plan or occurrence of the Confirmation Date or the Effective Date is for the sole benefit of the Debtors. The requirement that a particular condition be satisfied may be waived in whole or in part by the Debtors, after notice and a hearing. The failure to satisfy or waive any condition may be asserted by any Debtor regardless of the circumstances giving rise to the failure of such condition to be satisfied (including any action or inaction by any of the Debtors). The failure of a Debtor to exercise any of the foregoing rights shall not be deemed a waiver of any other rights and each such right shall be deemed an ongoing right, which may be asserted at any time.

D. Effect of Nonoccurrence of Conditions to Effective Date

Each of the conditions to consummation and occurrence of the Effective Date must be satisfied or duly waived by the Debtors by February 3, 1992, or by such later date, after

notice and a hearing, as is proposed by the Debtors. If each condition to consummation and occurrence of the Effective Date has not been satisfied or duly waived as provided in this Section VIII.D, then upon motion by any party in interest made before the time that each of such conditions has been satisfied or duly waived and upon notice to such parties in interest as the Bankruptcy Court may direct, the Confirmation Order shall be vacated by the Bankruptcy Court; provided, however, that, notwithstanding the filing of such motion, the Confirmation Order may not be vacated if each of the conditions to consummation and occurrence of the Effective Date is either satisfied or duly waived before the Bankruptcy Court enters an order granting such motion. If the Confirmation Order is vacated pursuant to this Section VIII.D, the Plan shall be null and void, and nothing contained in the Plan shall:

(1) constitute a waiver or release of any claims by or against, or any interests in, the Debtors; or (2) prejudice in any manner the rights of any of the Debtors.

ARTICLE IX.

CONFIRMABILITY AND SEVERABILITY OF A PLAN AND CRAMDOWN

A. Confirmability and Severability of a Plan

The Confirmation requirements of section 1129 of the Bankruptcy Code must be satisfied separately with respect to each Debtor. The Debtors reserve the right to modify or to

revoke or withdraw the Plan, as it applies to any particular Debtor, pursuant to Sections XII.C and XII.D below. A determination by the Bankruptcy Court that the Plan, as it applies to any particular Debtor, is not confirmable pursuant to section 1129 of the Bankruptcy Code shall not limit or affect: (1) the confirmability of the Plan as it applies to any other Debtor; or (2) the Debtors' ability to modify the Plan, as it applies to any particular Debtor, to satisfy the confirmation requirements of section 1129 of the Bankruptcy Code.

B. Cramdown

The Debtors request Confirmation under section 1129(b) of the Bankruptcy Code if any impaired Class does not accept the Plan pursuant to section 1126 of the Bankruptcy Code. In that event, the Debtors reserve the right to modify the Plan to the extent, if any, that Confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification.

ARTICLE X.

DISCHARGE, TERMINATION, INJUNCTION
AND SUBORDINATION RIGHTS

A. Discharge of Claims and Termination of Interests

1. Except as provided in the Plan or Confirmation Order, the rights afforded under the Plan and the treatment of Claims and Interests under the Plan shall be in exchange for and in complete satisfaction, discharge and release of all

Claims and termination of all Interests, including any interest accrued on Claims from the Petition Date. Except as provided in the Plan or Confirmation Order, Confirmation of the Plan shall: (a) discharge the Debtors from all Claims or other debts that arose before the Confirmation Date, and all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not: (i) a proof of Claim based on such debt is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code, (ii) a Claim based on such debt is allowed pursuant to section 502 of the Bankruptcy Code or (iii) the holder of a Claim based on such debt has accepted the Plan; and (b) terminate all Interests and other rights of equity security holders in the Debtors.

2. As of the Confirmation Date, except as provided in the Plan or Confirmation Order, all entities shall be precluded from asserting against the Reorganized Debtors, their respective successors or their respective property, any other or further claims, debts, rights, causes of action, liabilities or equity interests based upon any act or omission, transaction or other activity of any kind or nature that occurred prior to the Confirmation Date. In accordance with the foregoing, except as provided in the Plan or Confirmation Order, the Confirmation Order shall be a judicial determination of discharge of all such Claims and other debts and liabilities against the Debtors and termination of all such Interests and

other rights of equity security holders in the Debtors, pursuant to sections 524 and 1141 of the Bankruptcy Code, and such discharge shall void any judgment obtained against the Debtors at any time, to the extent that such judgment relates to a Claim discharged.

B. Injunction

Except as otherwise provided in the Plan or Confirmation Order, as of the Confirmation Date, all entities that have held, currently hold or may hold a Claim or other debt or liability that is discharged or an Interest or other right of an equity security holder that is terminated pursuant to the terms of the Plan are permanently enjoined from taking any of the following actions on account of any such discharged Claims, debts or liabilities or terminated Interests or rights: (1) commencing or continuing in any manner any action or other proceeding against the Debtors, the Reorganized Debtors or their respective property; (2) commencing or continuing in any manner any action or other proceeding arising from or related to the claims, debts, rights, causes of action or liabilities released pursuant to the Comprehensive Settlement Agreement; (3) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order against the Debtors, the Reorganized Debtors or their respective property; (4) creating, perfecting or enforcing any

lien or encumbrance against the Debtors, the Reorganized Debtors or their respective property; (5) asserting a setoff, right of subrogation or recoupment of any kind against any obligation due to the Debtors, the Reorganized Debtors or their respective property; and (6) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan.

C. Termination of Equitable Subordination Rights and Certain Contractual Subordination Rights

1. The classification and manner of satisfying all Claims and Interests under the Plan take into consideration all equitable and contractual subordination rights that any holder of a Claim or Interest may have against other Claim holders with respect to any distribution made pursuant to the Plan, whether under general principles of equitable subordination, section 510(c) of the Bankruptcy Code or otherwise. Except as otherwise provided in Section X.C.3 below with respect to certain contractual subordination rights to which Allowed Claims in Classes F-7 or A-7 may be subject, all equitable and contractual subordination rights that any holder of a Claim or Interest may have with respect to any distribution to be made pursuant to the Plan shall be discharged and terminated on the Effective Date, and all actions related to the enforcement of such equitable and contractual subordination rights shall be permanently enjoined. Accordingly, distributions to holders of

Allowed Claims, other than Allowed Claims in Classes F-7 or A-7, shall not be subject to payment to any beneficiary of such terminated subordination rights, or to levy, garnishment, attachment or other legal process by any beneficiary of such terminated subordination rights.

2. Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided under the Plan, the provisions of this Section X.C shall constitute a good faith compromise and settlement of all claims or controversies relating to the termination of all equitable subordination rights to which any Allowed Claim may be subject and of all contractual subordination rights to which any Allowed Claim, other than any Allowed Claim in Classes F-7 or A-7, may be subject. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all such claims or controversies and the Bankruptcy Court's finding that such compromise and settlement is in the best interests of the Debtors, the Reorganized Debtors and their respective Estates and Claim holders, and is fair, equitable and reasonable.

3. On the Effective Date, all contractual subordination rights to which any Allowed Claim in Classes F-7 or A-7, or any distribution to be made pursuant to the Plan on account of any such Allowed Claim, may be subject (other than any such rights in favor of any holder of an Allowed Claim in

Classes F-5, F-6, FR-4, FR-5, A-5 or A-6, which shall be terminated pursuant to Section X.C.1 above), shall survive and remain unaffected by Confirmation. Accordingly, distributions to holders of Allowed Claims in Classes F-7 or A-7 will be subject to such rights and remedies as may be available to the beneficiaries of such subordination rights under the applicable contractual provisions or otherwise, including direct payment by any Disbursing Agent or Indenture Trustee to any beneficiary of such contractual subordination rights, or to levy, garnishment, attachment or other legal process by any beneficiary of such contractual subordination rights. Consequently, distributions ultimately received or retained by a holder of an Allowed Claim in Classes F-7 or A-7 may be less than the gross distributions provided for under the Plan on account of such Claim, and may be reduced to zero in certain circumstances. The Debtors may modify the Plan pursuant to Section XII.C below to the extent necessary or appropriate to reflect any agreement that the holders of Allowed Claims in Classes F-7 or A-7 may reach with the beneficiaries of any contractual subordination rights to which such Claims may be subject.

ARTICLE XI.

RETENTION OF JURISDICTION

Notwithstanding the entry of the Confirmation Order, the Bankruptcy Court shall retain such jurisdiction over the

Reorganization Cases after the Effective Date as is legally permissible, including jurisdiction to:

1. Allow, disallow, determine, liquidate, classify, estimate or establish the priority of any Claim, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the allowance or priority of Claims;
2. Grant or deny any and all applications for allowance of compensation or reimbursement of expenses authorized to be paid pursuant to the Bankruptcy Code or the Plan, for periods ending on or before the Effective Date;
3. Decide or resolve any motions pending on the Effective Date to assume, assume and assign or reject any executory contract or unexpired lease to which any Debtor is a party or with respect to which any Debtor may be liable and to hear, determine and, if necessary, liquidate, any and all Claims arising therefrom;
4. Ensure that distributions to holders of Allowed Claims are accomplished pursuant to the provisions of the Plan;
5. Decide or resolve any and all motions, adversary proceedings, contested or litigated matters and any other matters or grant or deny any applications involving the Debtors that may be pending on the Effective Date;

6. Enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases, indentures and other agreements or documents created in connection with the Plan or Disclosure Statement;

7. Resolve any and all controversies, suits or disputes that may arise in connection with the consummation, interpretation or enforcement of the Plan or any entity's obligations incurred in connection with the Plan;

8. Modify the Plan before or after the Effective Date pursuant to section 1127 of the Bankruptcy Code, or modify the Disclosure Statement or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan; or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, the Plan, the Disclosure Statement or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan or Disclosure Statement, in such manner as may be necessary or appropriate to consummate the Plan, to the extent authorized by the Bankruptcy Code;

9. Issue injunctions or other orders or take such other actions as may be necessary or appropriate to restrain interference by any entity with consummation or enforcement of the Plan;

10. Enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked or vacated;

11. Determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan; and

12. Enter an order concluding the Reorganization Cases.

ARTICLE XII.

MISCELLANEOUS PROVISIONS

A. Dissolution of the Creditors' Committees and the Official Retirees' Committee

1. Creditors' Committees

On the Effective Date, each of the Creditors' Committees shall dissolve and the members of each Creditors' Committee shall be released and discharged from all rights and duties arising from or related to the Reorganization Cases. The Professionals retained by each of the Creditors' Committees and the members thereof shall not be entitled to compensation or reimbursement of expenses for any services rendered after the Effective Date, except for services rendered and expenses incurred in connection with any applications for allowance of compensation and reimbursement of expenses pending on the

Effective Date or Filed after the Effective Date pursuant to
Section III.A.1.f.ii above.

2. Official Retirees' Committee

Unless otherwise provided in a Final Order that modifies retiree benefits (as defined in section 1114(a) of the Bankruptcy Code) pursuant to section 1114(g) of the Bankruptcy Code or in an agreement that modifies retiree benefits pursuant to section 1114(e) of the Bankruptcy Code, the Official Retirees' Committee shall dissolve on: (a) the date that any order modifying retiree benefits pursuant to section 1114(g) becomes a Final Order, (b) the date on which any agreement modifying retiree benefits pursuant to section 1114(e) becomes effective by its terms or (c) such other date as established by an order of the Bankruptcy Court that is not subject to any stay. Upon dissolution of the Official Retirees' Committee, the members of the Official Retirees' Committee shall be released and discharged from all rights and duties arising from or related to the Reorganization Cases. The Professionals retained by the Official Retirees' Committee and the members thereof shall not be entitled to compensation or reimbursement of expenses for any services rendered after the dissolution of the Official Retirees' Committee pursuant to this Section XII.A.2, except for services rendered and expenses incurred in connection with any applications for allowance of compensation and reimbursement of expenses pending on the

**Effective Date or Filed after the Effective Date pursuant to
Section III.A.1.f.ii above.**

B. Exculpation

The Debtors, the Reorganized Debtors and their respective directors, officers, employees and Professionals (acting in such capacity) shall neither have nor incur any liability to any entity for any action taken or omitted to be taken in connection with or related to the formulation, preparation, dissemination, implementation, confirmation or consummation of the Plan, the Disclosure Statement or any contract, instrument, release or other agreement or document created or entered into, or any other action taken or omitted to be taken in connection with the Plan; provided, however, that the foregoing provisions of this Section XII.B shall have no effect on the liability of any entity that would otherwise result from any such action or omission to the extent that such action or omission is determined in a Final Order to have constituted gross negligence or willful misconduct.

C. Modification of the Plan

Subject to the restrictions on modifications set forth in section 1127 of the Bankruptcy Code, the Debtors reserve the right to alter, amend or modify the Plan before substantial consummation of the Plan; provided, however, that no alterations, amendments or modifications that would conflict

with the FSI Plan shall be made without the consent of the FSI Debtors. Without limiting the generality or effect of the foregoing, Federated or Allied, as the case may be, may substitute shares of New Class A Common Stock for all or a portion of the shares of New Common Stock otherwise issuable pursuant to Sections III.B.2.a.iv or III.C.3.a.iv above.

D. Revocation of the Plan

The Debtors reserve the right to revoke or withdraw the Plan as to any or all of the Debtors prior to the Confirmation Date. If the Debtors revoke or withdraw the Plan as to any or all of the Debtors, or if Confirmation as to any or all of the Debtors does not occur, then, with respect to such Debtors, the Plan shall be null and void, and nothing contained in the Plan shall: (1) constitute a waiver or release of any claims by or against, or any Interests in, such Debtors; or (2) prejudice in any manner the rights of any such Debtors in any further proceedings involving such Debtors.

E. Successors and Assigns

The rights, benefits and obligations of any entity named or referred to in the Plan shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor or assign of such entity.

**F. Service of Certain Plan and
Disclosure Statement Exhibits**

Because certain of the Exhibits referred to in the Plan or Disclosure Statement are extremely voluminous, these Exhibits are not being served with copies of the Plan and Disclosure Statement. The table of contents for the Plan indicates which Plan Exhibits are attached to the Plan as distributed and which are only available for review in the Document Reviewing Centers. Any party in interest may review the Plan Exhibits during normal business hours (9:00 a.m. to 4:30 p.m.) in the Document Reviewing Centers.

April 29, 1991

Respectfully submitted,

FEDERATED DEPARTMENT STORES,
INC.

By:

Dennis J. Broderick
Senior Vice President
and General Counsel

ALLIED STORES CORPORATION

By:

Dennis J. Broderick
Senior Vice President
and General Counsel

FEDERATED REAL ESTATE, INC.

By:

Dennis J. Brbderick
President

BLOOMINGDALE'S, INC.

By:

Dennis J. Broderick
Vice President

BLOOMINGDALE'S BY MAIL LTD.

By:

Dennis J. Broderick
Vice President

BURDINE'S, INC.

By:

Dennis J. Broderick
Vice President

RICH'S, INC.

By:

Dennis J. Broderick
Vice President

BLOCK'S, INC.

By:

Dennis J. Broderick
President

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FEDERATED ACCEPTANCE
CORPORATION

By: 
Boris Auerbach
Secretary

GOLDSMITH'S, INC.

By: 
Dennis J. Broderick
Vice President

22 EAST ADVERTISING
CORPORATION

By: 
Boris Auerbach
Vice President and
Secretary

A&S EXTRA REAL ESTATE, INC.

By: 
Dennis J. Broderick
President

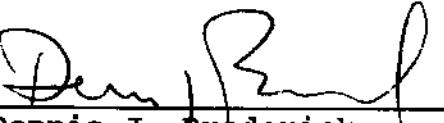
A&S REAL ESTATE, INC.

By: 
Dennis J. Broderick
President

FEDERATED STORES REALTY, INC.

By: 
Dennis J. Broderick
President

RETAIL SERVICE, INC.

By: 
Dennis J. Broderick
President

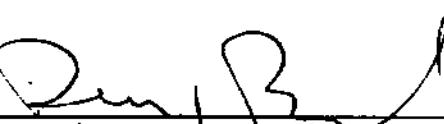
22 EAST REALTY CORPORATION

By: 
Boris Auerbach
Vice President and
Secretary

A&S GALLERIA REAL ESTATE, INC.

By: 
Dennis J. Broderick
President

A&S WALT WHITMAN REAL ESTATE,
INC.

By: 
Dennis J. Broderick
President

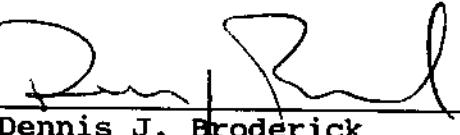
BLOOMINGDALE'S BOCA RATON REAL
ESTATE, INC.

By: 
Dennis J. Broderick
President

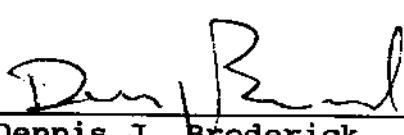
BLOOMINGDALE'S EXTRA REAL
ESTATE, INC.

By: 
Dennis J. Broderick
President

BLOOMINGDALE'S KING OF PRUSSIA
REAL ESTATE, INC.

By: 
Dennis J. Broderick
President

BLOOMINGDALE'S PROPERTIES,
INC.

By: 
Dennis J. Broderick
President

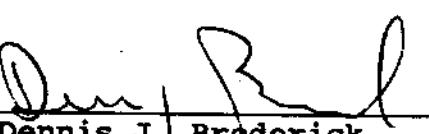
BLOOMINGDALE'S REAL ESTATE
INC.

By: 
Dennis J. Broderick
President

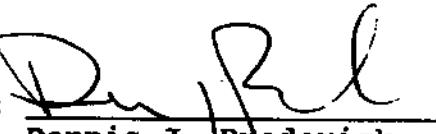
BLOOMINGDALE'S SHORT HILLS
REAL ESTATE, INC.

By: 
Dennis J. Broderick
President

BLOOMINGDALE'S THIRD AVENUE
REAL ESTATE, INC.

By: 
Dennis J. Broderick
President

BLOOMINGDALE'S WHITE FLINT
REAL ESTATE, INC.

By: 
Dennis J. Broderick
President

BLOOMINGDALE'S WILLOW GROVE
REAL ESTATE, INC.

By: 
Dennis J. Broderick
President

BURDINE'S MAIN STORE REAL
ESTATE, INC.

By: 
Dennis J. Broderick
President

BURDINE'S REAL ESTATE, INC.

By:

Dennis J. Broderick
President

BURDINE'S REAL ESTATE II, INC.

By:

Dennis J. Broderick
President

GOLDSMITH'S REAL ESTATE, INC.

By:

Dennis J. Broderick
President

LAZARUS EXTRA REAL ESTATE,
INC.

By:

Dennis J. Broderick
President

LAZARUS REAL ESTATE, INC.

By:

Dennis J. Broderick
President

LAZARUS REAL ESTATE II, INC.

By:

Dennis J. Broderick
President

RICH'S AUGUSTA MALL REAL
ESTATE, INC.

By:

Dennis J. Broderick
President

RICH'S BROOKWOOD VILLAGE REAL
ESTATE, INC.

By:

Dennis J. Broderick
President

RICH'S COLUMBIA MALL REAL
ESTATE, INC.

By:

Dennis J. Broderick
President

RICH'S LENOX SQUARE REAL
ESTATE, INC.

By:

Dennis J. Broderick
President

RICH'S MAIN STORE REAL ESTATE,
INC.

By:



Dennis J. Broderick
President

RICH'S NORTH DEKALB REAL
ESTATE, INC.

By:



Dennis J. Broderick
President

RICH'S REAL ESTATE, INC.

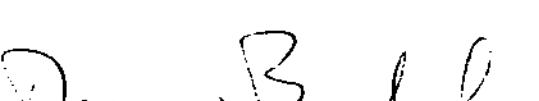
By:



Dennis J. Broderick
President

RICH'S SHANNON MALL REAL
ESTATE, INC.

By:



Dennis J. Broderick
President

ALLIED STORES CREDIT
CORPORATION

By:



Boris Auerbach
Secretary

ALLIED STORES CREDIT HOLDINGS
CORPORATION

By:



Boris Auerbach
Secretary

JORDAN MARSH STORES
CORPORATION

By:



Dennis J. Broderick
Vice President

MAAS, INC.

By:



Dennis J. Broderick
Vice President and
General Counsel

STERN'S, INC.

By:



Dennis J. Broderick
Vice President and
General Counsel

THE BON, INC.

By:



Dennis J. Broderick
Vice President and
General Counsel

**ALLIED STORES GENERAL REAL
ESTATE COMPANY**

By:



Dennis J. Broderick
Vice President and
General Counsel

AL-JORDAN REALTY CORP.

By:



Dennis J. Broderick
President

ASTORIA REALTY, INC.

By:



Dennis J. Broderick
President

AUBURNDALE REALTY, INC.

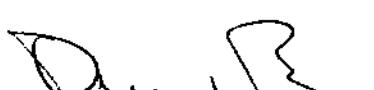
By:



Dennis J. Broderick
President

BFC REAL ESTATE COMPANY

By:



Dennis J. Broderick
President

DOUGLASTON PLAZA, INC.

By:



Dennis J. Broderick
President

HAMPTON BAYS PLAZA, INC.

By:



Dennis J. Broderick
President

JORDAN SERVICENTER, INC.

By:



Dennis J. Broderick
President

JOR-MAR, INC.

By:



Dennis J. Broderick
President

MAAS PROPERTIES, INC.

By:



Dennis J. Broderick
President

PLYMOUTH! REAL ESTATE COMPANY

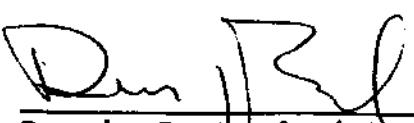
By:



Dennis J. Broderick
President

SARAMAAS REALTY CORP.

By:



Dennis J. Broderick
President

SEATTLE NORTHGATE COMPANY

By:



Dennis J. Broderick
Vice President and
General Counsel

ALLIED MORTGAGE FINANCING
CORP.

By:



Dennis J. Broderick
President

ALLIED STORES INTERNATIONAL,
INC.

By:



Dennis J. Broderick
Vice President and
General Counsel

ALLIED STORES INTERNATIONAL
SALES COMPANY, INC.

By:



Dennis J. Broderick
Vice President and
General Counsel

ALLIED STORES MARKETING
CORPORATION

By:



Dennis J. Broderick
Vice President and
General Counsel

TUKWILA WAREHOUSING SERVICES
CORPORATION

By:



Dennis J. Broderick
Vice President and
General Counsel

305

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DEBTORS IN POSSESSION**

Of Counsel:

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(513) 651-6800

**CO-COUNSEL FOR DEBTORS AND
DEBTORS IN POSSESSION**

ALLIED REAL ESTATE SUBSIDIARIES

1. **Al-Jordan Realty Corp.**, a Massachusetts corporation, the debtor in Reorganization Case No. 1-90-00150
2. **ASGREC**
3. **Astoria Realty, Inc.**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00154
4. **Auburndale Realty, Inc.**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00155
5. **BFC Real Estate Company**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00156
6. **Douglas Plaza, Inc.**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00170
7. **Hampton Bays Plaza, Inc.**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00176
8. **Jordan Servicenter, Inc.**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00178
9. **Jor-Mar, Inc.**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00177
10. **Maas Properties, Inc.**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00182
11. **Plymouth! Real Estate Company**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00183
12. **Saramaas Realty Corp.**, a Florida corporation, the debtor in Reorganization Case No. 1-90-00192
13. **Seattle Northgate Company**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00193

* Unless otherwise defined in this Exhibit, the capitalized terms used herein shall have the meanings assigned to them in the Plan.

FEDERATED REAL ESTATE SUBSIDIARIES

1. **A&S Extra Real Estate, Inc.**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00146
2. **A&S Galleria Real Estate, Inc.**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00147
3. **A&S Real Estate, Inc.**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00148
4. **A&S Walt Whitman Real Estate, Inc.**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00149
5. **Bloomingdale's Boca Raton Real Estate, Inc.**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00158
6. **Bloomingdale's Extra Real Estate, Inc.**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00159
7. **Bloomingdale's King of Prussia Real Estate, Inc.**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00160
8. **Bloomingdale's Properties, Inc.**, a Delaware corporation, the debtor in Case No. 1-90-00161
9. **Bloomingdale's Real Estate Inc.**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00162
10. **Bloomingdale's Short Hills Real Estate, Inc.**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00163
11. **Bloomingdale's Third Avenue Real Estate, Inc.**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00164

* Unless otherwise defined in this Exhibit, the capitalized terms used herein shall have the meanings assigned to them in the Plan.

12. **Bloomingdale's White Flint Real Estate, Inc.**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00165
13. **Bloomingdale's Willow Grove Real Estate, Inc.**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00166
14. **Burdine's Main Store Real Estate, Inc.**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00167
15. **Burdine's Real Estate, Inc.**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00168
16. **Burdine's Real Estate II, Inc.**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00169
17. **Goldsmith's Real Estate, Inc.**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00175
18. **Lazarus Extra Real Estate, Inc.**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00179
19. **Lazarus Real Estate, Inc.**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00180
20. **Lazarus Real Estate II, Inc.**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00181
21. **Rich's Augusta Mall Real Estate, Inc.**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00184
22. **Rich's Brookwood Village Real Estate, Inc.**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00185
23. **Rich's Columbia Mall Real Estate, Inc.**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00186
24. **Rich's Lenox Square Real Estate, Inc.**, a Delaware corporation, the debtor in Reorganization Case No. 1-90-00187

25. Rich's Main Store Real Estate, Inc., a Delaware corporation, the debtor in Reorganization Case No. 1-90-00188
26. Rich's North DeKalb Real Estate, Inc., a Delaware corporation, the debtor in Reorganization Case No. 1-90-00189
27. Rich's Real Estate, Inc., a Delaware corporation, the debtor in Reorganization Case No. 1-90-00190
28. Rich's Shannon Mall Real Estate, Inc., a Delaware corporation, the debtor in Reorganization Case No. 1-90-00191

**TERMS OF NEW DEBT, NEW COMMON STOCK,
NEW CLASS A COMMON STOCK, THE RALPHS CALL OPTION
AND THE SURVIVING CORPORATION PUT OPTION**

I. NEW DEBT

A. New Medium-Term Notes

Issuer:	The Surviving Corporation
Initial Holders:	General unsecured creditors of the Federated Subsidiaries and the Allied Subsidiaries
Principal Amount:	Maximum of \$130 million
Interest Rate:	Fixed rate, payable semiannually, to be set at 100 basis points above the average interest rate for 2-Year Treasury Notes over the 20 Business Days immediately preceding the Effective Date; interest to accrue from the Effective Date
Repayment of Principal:	33-1/3% on each of the first three anniversaries of the Effective Date
Final Maturity:	Third anniversary of the Effective Date
Collateral:	First lien on the common stock of Reorganized Bloomingdale's, Reorganized Burdine's, Reorganized Rich's and Reorganized Federated Real Estate (to be shared with New Series A Secured Notes and New Series B Secured Notes)
Prepayment:	May be prepaid in whole or in part at any time at the Surviving Corporation's option at the then- outstanding principal amount plus accrued interest; prepayments are applied against the earliest maturities

* The capitalized terms used herein shall have the meanings assigned to them in the Plan.

B. New Series A Secured Notes

Issuer: The Surviving Corporation

Initial Holders: Federated Prepetition Lending Group

Principal Amount: \$625.2 million

Interest Rate: 9.878% per annum, payable quarterly; interest to accrue from the Effective Date

Repayment of Principal: The following percentages of the principal amount would be due on the following anniversaries of the Effective Date:

Third anniversary:	7.81%
Fourth anniversary:	10.42%
Fifth anniversary:	13.03%
Sixth anniversary:	15.63%
Seventh anniversary:	18.24%
Eighth anniversary:	34.87%

Final Maturity: Eighth anniversary of the Effective Date

Collateral: First lien on the common stock of Reorganized Bloomingdale's, Reorganized Burdine's, Reorganized Rich's and Reorganized Federated Real Estate (to be shared with New Series B Secured Notes and New Medium-Term Notes) and Reorganized Federated Credit Holdings (not shared)

Prepayment: May be prepaid in whole or in part at any time at the Surviving Corporation's option at the then-outstanding principal amount plus accrued interest; prepayments are applied against the earliest maturities

C. New Series B Secured Notes

Issuer: The Surviving Corporation

Initial Holders: Holders of Federated Premerger Senior Debt Securities

Principal Amount: \$334.4 million

Interest Rate: 10% per annum, payable semiannually; interest to accrue from the Effective Date

Repayment of Principal: The following percentages of the principal amount would be due on the following anniversaries of the Effective Date:

Third anniversary:	7.81%
Fourth anniversary:	10.42%
Fifth anniversary:	13.03%
Sixth anniversary:	15.63%
Seventh anniversary:	18.24%
Eighth anniversary:	34.87%

Final Maturity: Eighth anniversary of the Effective Date

Collateral: First lien on the common stock of Reorganized Bloomingdale's, Reorganized Burdine's, Reorganized Rich's and Reorganized Federated Real Estate (to be shared with New Series A Secured Notes and New Medium-Term Notes)

Prepayment: May be prepaid in whole or in part at any time at the Surviving Corporation's option at the then-outstanding principal amount plus accrued interest; prepayments are applied against the earliest maturities

II. NEW COMMON STOCK AND NEW CLASS A COMMON STOCK

A. New Common Stock

Issuer:	The Surviving Corporation
Initial Holders:	Subject to Section XII.C of the Plan, holders of Debt Securities (other than Federated Premerger Senior Debt Securities), general unsecured creditors of Federated and Allied, Bridge Lenders, FSI and those persons receiving New Common Stock pursuant to any of the employment plans or programs described in Exhibit IV.C.3(a) or Exhibit IV.C.3(b)
Dividends:	Entitled to dividends as and when declared by the Board of Directors of the Surviving Corporation
Voting Rights:	One vote per share on all matters submitted to stockholders, voting together with New Class A Common Stock as a single class as long as the New Class A Common Stock remains outstanding
Other:	Each share accompanied by one Surviving Corporation Share Purchase Right

B. New Class A Common Stock

Issuer:	The Surviving Corporation
Initial Holders:	Subject to Section XII.C of the Plan, Federated Prepetition Lending Group, holders of Federated Premerger Senior Debt Securities, BMo and Paribas
Restrictions on Transfer:	Prior to the second anniversary of the Effective Date, transferable only to specified types of institutional investors (generally, institutions that would be "qualified institutional investors," as that term is defined in SEC Rule 144A)
Conversion into New Common Stock:	Automatically converted into New Common Stock on the second anniversary of Effective Date
Dividends:	Entitled to dividends in the same amounts and at the same times as dividends on New Common Stock
Voting Rights:	One vote per share on all matters submitted to stockholders, voting together with New Common Stock as a single class
Liquidity Facility:	Subject to registration and similar rights which may be granted in connection with the Plan, as promptly as practicable following receipt of the request from holders of at least 25% of the outstanding New Class A Common Stock within 24 months following the Effective Date, the Surviving Corporation will use its best efforts to register and cause the listing on a National Securities Exchange of such

number of shares of New Common Stock as holders of New Class A Common Stock may designate for exchange as provided below (subject to increase by the Surviving Corporation and to suspension or cut-back in certain specified circumstances); such shares will be offered pursuant to an underwritten public offering on terms agreed to between the Surviving Corporation and a nationally recognized investment banking firm; the net proceeds of such offering (after payment of all fees and expenses, including underwriting commissions, discounts, registration fees and other fees and expenses) will be paid to the electing holders of New Class A Common Stock in exchange therefor; the closing of the offering will be subject to the offering price being not less than a specified percentage of the market price for New Common Stock over a specified period preceding the pricing of the offering, the receipt of irrevocable elections and related documentation satisfactory to the Surviving Corporation and other conditions to which the Surviving Corporation may agree

Other:

Each share accompanied by one Surviving Corporation Share Purchase Right; each share of New Common Stock issuable upon conversion also accompanied by one Surviving Corporation Share Purchase Right

III. RALPHS CALL OPTION AND SURVIVING CORPORATION PUT OPTION

Issuer:	The Surviving Corporation
Holders:	BMo and Paribas
Shares Subject to Option:	Such portion of the outstanding common stock of Ralphs owned by the Surviving Corporation after the Effective Date which represents 6.44% of the outstanding common stock of Ralphs
Exercise Price:	\$42,584,500 payable, at the option of BMo and Paribas, in cash or New Class A Common Stock issued to BMo and Paribas under the Plan but valued at market prices over a specified trading period preceding the date of exercise (plus, if applicable, cash if necessary to make up any shortfall)
Exercisability:	Exercisable, in whole and not in part, during the period from 90 days after the Effective Date until the first anniversary of the Effective Date, subject to earlier termination as provided below; must be exercised jointly by BMo and Paribas
Surviving Corporation Put Option:	In the event BMo and Paribas exercise the Ralphs Call Option, then the Surviving Corporation shall have the right to require BMo and Paribas to purchase up to an additional 9.8058% of the common stock of Ralphs for a purchase price of \$64,840,853, payable in cash; if the Surviving Corporation exercises this put option, BMo and Paribas may withdraw their exercise

of their call option,
whereupon the Ralphs Call
Option and the Surviving
Corporation Put Option will
terminate

**Surviving Corporation
Transfer Rights:**

The Surviving Corporation
shall have the right to
dispose of up to 8.8358% of
the common stock of Ralphs
it owns at any time without
the approval of or prior
notice to BMo and Paribas;
if the Surviving
Corporation notifies BMo
and Paribas that the
Surviving Corporation
desires to sell more than
8.8358% of the common stock
of Ralphs, BMo and Paribas
must, if they desire to
retain the Ralphs Call
Option, exercise the Ralphs
Call Option by notice to
the Surviving Corporation
within five business days
after the Surviving
Corporation's notice of
such desire to sell; if BMo
and Paribas do not elect to
exercise the Ralphs Call
Option in these
circumstances, then the
Ralphs Call Option will
terminate and be of no
further force or effect; if
BMo and Paribas elect to
exercise the Ralphs Call
Option in these
circumstances, then the
Surviving Corporation Put
Option shall apply

**Restrictions on
Transfer:**

The Ralphs Call Option is
not assignable or divisible
and will terminate as to
both BMo and Paribas upon
the sale, transfer or other
disposition by either of
them of any of the shares
of New Class A Common Stock
issued to either of them
pursuant to the Plan

Other:

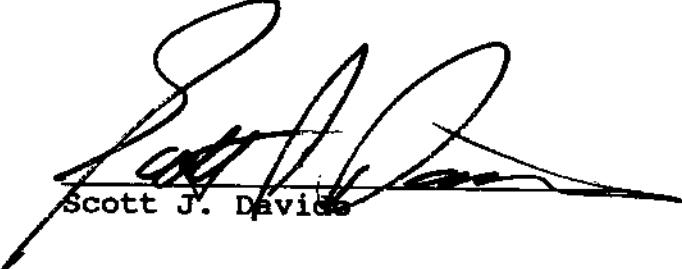
Exercisability of the Ralphs Call Option will in all events be subject to the execution by BMo and Paribas of the Ralphs Shareholder Agreement (as defined in the FSI Plan) and such other conditions as the Surviving Corporation may impose to assure compliance with applicable laws

Profit Sharing:

In the event that the Ralphs Call Option is exercised but the Surviving Corporation Put Option is not exercised, the Surviving Corporation shall be entitled to 50% of the pretax profit realized by BMo and Paribas resulting from any tender offer, merger or other business acquisition transaction involving Ralphs publicly announced within six months after BMo and Paribas purchase any common stock of Ralphs pursuant to the Ralphs Call Option; BMo and Paribas will be jointly and severally liable for this payment

CERTIFICATE OF SERVICE

I hereby certify that on April 29, 1991, a copy of the foregoing Joint Plan of Reorganization of Federated Department Stores, Inc., Allied Stores Corporation and Certain of Their Subsidiaries was served by Federal Express or hand delivery on each of the parties on the Second Amended Limited Service List dated April 2, 1991.



Scott J. Davis

320

EXHIBIT 4.6

321

10½%

[CONFORMED COPY]

FEDERATED DEPARTMENT STORES, INC.

and

MORGAN GUARANTY TRUST COMPANY OF NEW YORK,

Trustee

INDENTURE

Dated as of July 9, 1985

U.S. \$100,000,000

10½% Notes Due 1995

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THIS INDENTURE, dated as of July 9, 1985, between FEDERATED DEPARTMENT STORES, INC., a corporation duly organized and existing under the laws of Delaware (hereinafter sometimes called the "Company"), and Morgan Guaranty Trust Company of New York, a trust company incorporated under the laws of New York, as Trustee hereunder (hereinafter sometimes called the "Trustee").

WITNESSETH:

WHEREAS, the Company has duly authorized the creation of an issue of \$100,000,000 aggregate principal amount of its "10½% Notes Due 1995" (hereinafter called the "Securities" or the "Notes") and, to provide the terms and conditions upon which the Securities are to be authenticated, issued and delivered, has duly authorized the execution and delivery of this Indenture;

WHEREAS, the texts of the Securities, including the face of the Bearer Security, the face of the Registered Security and the reverse of the Security, the coupons to be attached to the Bearer Securities and the Trustee's certificate of authentication are to be substantially in the following forms, respectively:

[FORM OF FACE OF DEFINITIVE BEARER SECURITY]

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE UNITED STATES INTERNAL REVENUE CODE.

FEDERATED DEPARTMENT STORES, INC.

U.S. \$5,000

No.

10½% NOTE DUE 1995

FEDERATED DEPARTMENT STORES, INC., a corporation duly organized and existing under the laws of Delaware (herein called the "Company"),

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which term includes any successor corporation as defined in the Indenture hereinafter referred to), for value received, hereby promises to pay to bearer upon the surrender hereof the principal sum of Five Thousand Dollars (U.S. \$5,000) on July 9, 1995 and to pay interest on said principal sum from July 9, 1985, payable annually on July 9 of each year commencing July 9, 1986, at the rate of 10% per annum until payment of said principal sum has been made or duly provided for, but only, in the case of such interest due on or before maturity, upon presentation and surrender of coupons attached hereto as they shall severally mature.

Reference is made to the further provisions set forth on the reverse hereof. Such provisions shall for all purposes have the same effect as though fully set forth in this place.

IN WITNESS WHEREOF, Federated Department Stores, Inc. has caused this Security to be signed by the facsimile signature of one of its officers and attested to by its Assistant Secretary by facsimile signature, and coupons for interest, bearing the facsimile signature of one of its officers and attested to by its Assistant Secretary by facsimile signature, to be attached hereto.

Dated: July 9, 1985

FEDERATED DEPARTMENT STORES, INC.

By

ATTEST:

By
Assistant Secretary

[FORM OF FACE OF REGISTERED SECURITY]**FEDERATED DEPARTMENT STORES, INC.****10½% NOTE DUE 1995****\$****No. R-**

FEDERATED DEPARTMENT STORES, INC., a corporation duly organized and existing under the laws of Delaware (herein called the "Company", which term includes any successor corporation as defined in the Indenture hereinafter referred to), for value received, hereby promises to pay to

surrender hereof the principal sum of Dollars on July 9, 1995 and to pay interest on said principal amount, at the rate of 10½% per annum until payment of said principal sum has been made or duly provided for, payable annually on July 9 of each year commencing July 9, 1986 from the most recent date to which interest has been paid or duly provided for on the debt represented by this Security, unless the date hereof is a date to which interest has been paid or duly provided for, in which case from the date of this Security or, if no interest has been paid on the debt represented by this Security, from July 9, 1985. Notwithstanding the foregoing, subject to certain conditions contained in the Indenture, all Registered Securities authenticated by the Trustee after the close of business on June 24 (the "Record Date") in any year and prior to the following July 9 shall be dated the date of authentication but shall bear interest from such July 9.

Registered Securities may be transferred in denominations of \$5,000 and integral multiples thereof.

Reference is made to the further provisions set forth on the reverse hereof. Such provisions shall for all purposes have the same effect as though fully set forth in this place.

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IN WITNESS WHEREOF, Federated Department Stores, Inc. has caused this Security to be signed by the facsimile signature of one of its officers and attested to by its Assistant Secretary by facsimile signature.

FEDERATED DEPARTMENT STORES, INC.

By

Attest:

By
Assistant Secretary

[FORM OF REVERSE OF SECURITY]

10½% NOTE DUE 1995

1. This Security is one of a duly authorized issue of Securities of the Company, designated as its "10½% Notes Due 1995" (herein called the "Securities"), limited in aggregate principal amount to \$100,000,000, except as provided in the Indenture referred to below, all issued or to be issued under and pursuant to an indenture dated as of July 9, 1985 (herein called the "Indenture") duly executed and delivered by the Company to Morgan Guaranty Trust Company of New York, as Trustee (herein called the "Trustee"), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the holders of the Securities and any coupons appertaining thereto.

2. Payments with respect to Bearer Securities and the coupons appertaining thereto will be made in U.S. dollars upon presentment of such Bearer Securities or coupons, as the case may be, at the agency or agencies of the Company for such payment as the Company may determine from time to time located outside the United States, its territories and possessions. If the full amount of such payment at the offices of all such agencies becomes illegal or effectively precluded because of the imposition of exchange controls or similar restrictions on the payment or receipt of such amounts in dollars, the Company may instruct the Trustee that such

payments may be made at an office or agency in the United States. Except as provided in the preceding sentence, no payment of principal of or interest on Bearer Securities will be made to an address in the United States or by transfer to a bank account maintained in the United States. Payments with respect to Bearer Securities and the coupons appertaining thereto will be made subject to applicable laws and regulations by a U.S. dollar check drawn on a New York City bank or by transfer to a U.S. dollar account maintained by the payee with a bank outside the United States.

3. Unless other arrangements satisfactory to the Company and the Trustee are made, payments with respect to the principal of Registered Securities will be made by a U.S. dollar check drawn on a bank in New York City against surrender of such Registered Security at the corporate trust office of Morgan Guaranty Trust Company of New York in New York City. Unless other arrangements satisfactory to the Company and the Trustee are made, payment of interest with respect to Registered Securities will be made by a U.S. dollar check drawn on a bank in New York City mailed to the registered holder of each such Security at the address of such registered holder as set forth in the Securities Register (as defined in the Indenture) on the Record Date next preceding the applicable interest payment date.

4. The Company agrees that, so long as any of the Securities are outstanding, it will maintain a paying agency in New York City for the payment of principal of the Registered Securities and a paying agency in at least one city in Western Europe, which will be Luxembourg as long as the Securities are listed on the Luxembourg Stock Exchange, for payments with respect to principal of and coupons appertaining to Bearer Securities. The Company hereby initially appoints as paying agencies the corporate trust office of the Trustee in New York City (for Registered Securities only), and the offices of the Trustee in London, England, Paris, France, Frankfurt am Main, West Germany and Amsterdam, The Netherlands, and Brussels, Belgium and the offices of Swiss Bank Corporation in Basle, Switzerland and Kredietbank S.A. Luxembourgeoise in Luxembourg. The Company shall have the right at any time and from time to time to vary or terminate any such appointment as paying agent and to appoint any other paying agents or agencies in such other places outside the United States and its territories and possessions as it may deem appropriate.

5. Bearer Securities may be exchanged for a like aggregate principal amount of Registered Securities in the manner and upon payment of the charges provided in the Indenture. Registered Securities may not be

exchanged for Bearer Securities. Registered Securities may be transferred in the manner and upon payment of the charges provided in the Indenture.

6. The Company will pay, subject to certain exceptions and limitations set forth below, such additional amounts ("Additional Amounts") to the holder of any Security or any coupon appertaining thereto who is a foreign corporation, a non-resident alien individual, a non-resident alien fiduciary of a foreign estate or trust, or a foreign partnership, one or more of the members of which is a foreign corporation, a non-resident alien individual or non-resident alien fiduciary of a foreign estate or trust, in any such case as to the United States and its territories or its possessions and areas subject to its jurisdiction (a "United States Alien"), as may be necessary in order that every net payment of the principal of and interest on such Security and any other amounts payable on such Security, after withholding for or on account of any present or future tax, assessment or governmental charge imposed upon such holder with respect to or as a result of such payment by the United States or any political subdivision or taxing authority thereof or therein, will not be less than the amount provided in such Security or in any coupon appertaining thereto to be then due and payable; provided, however, that the Company will not be required to make any payment of Additional Amounts to any such holder for or on account of:

(a) any tax, assessment or other governmental charge which would not have been so imposed but for (i) the existence of any present or former connection between such holder (or between a fiduciary, settlor or beneficiary of, or person holding a power over, such holder, if such holder is an estate or trust, or between a member or shareholder of such holder, if such holder is a partnership or corporation) and the United States (including its territories, possessions and all areas subject to its jurisdiction), as the case may be, including, without limitation, such holder (or such fiduciary, settlor, beneficiary, member, person holding a power or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business, or present therein, or having, or having had, a permanent establishment therein, or (ii) the presentation by such holder of any such Security or coupon appertaining thereto for payment on a date more than 15 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;

- (b) any estate, inheritance, gift, sales, transfer or personal property tax or any similar tax, assessment or governmental charge;
- (c) any tax, assessment or other governmental charge imposed by reason of such holder's past or present status as a personal holding company, foreign personal holding company or controlled foreign corporation with respect to the United States or as a corporation which accumulates earnings to avoid United States federal income tax;
- (d) any tax, assessment or other governmental charge which is payable otherwise than by withholding from payments on or in respect of any Security;
- (e) any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of principal of or interest on any Security, if such payment can be made without such withholding by any other paying agent;
- (f) any tax, assessment or other governmental charge which would not have been imposed but for the failure of such holder to comply with certification, information or other reporting requirements concerning the nationality, residence or identity of the holder or beneficial owner of such Security, if such compliance is required by statute or by regulation of the United States or of any political subdivision or taxing authority thereof or therein as a precondition to relief or exemption from such tax, assessment or other governmental charge;
- (g) any tax, assessment or other governmental charge imposed by reason of such holder's past or present status as the actual or constructive owner of 10% or more of the total combined voting power of all classes of stock entitled to vote of the Company; or
- (h) any combination of items (a), (b), (c), (d), (e), (f) or (g).

In addition, Additional Amounts will not be paid with respect to any payment on any Security to a United States Alien who is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent such payment would be required by the laws of the United States (or any political subdivision or taxing authority thereof) to be included in the income, for tax purposes, of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the holder of the Security or any coupon appertaining thereto.

7. If an Event of Default, as defined in the Indenture, with respect to any Security shall occur and be continuing, the Trustee or the holders of not less than 25% in principal amount of the Securities then outstanding (or such lesser amount as shall have acted at a meeting of holders of Securities pursuant to the provisions of the Indenture) may declare the entire principal amount hereof to be due and payable immediately, and upon such declaration the principal amount hereof shall become due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture. The Indenture provides that in certain circumstances such declaration and its consequences may be annulled by the holders of a majority in aggregate principal amount of the Securities then outstanding (or such lesser amount as shall have acted at a meeting of holders of Securities pursuant to the provisions of the Indenture).

8. The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than 66 $\frac{2}{3}$ % in aggregate principal amount of the Securities then outstanding (or such lesser amount as shall have acted at a meeting of holders of Securities pursuant to the provisions of the Indenture), evidenced as in the Indenture provided, to execute supplemental indentures supplementing or amending in any manner the Indenture or modifying in any manner the rights of the holders of Securities and/or the coupons appertaining thereto under the Indenture; *provided* that no such supplemental indenture shall (i) change the Stated Maturity (as defined in the Indenture) of any Security, or reduce the principal amount thereof, or reduce the amount or extend the time of payment of interest thereon, or make the principal thereof or interest thereon payable in any coin or currency other than that hereinbefore provided, without the consent in each case of the holder of each Security so affected, (ii) amend certain provisions of the Indenture to reduce quorum or voting requirements, or reduce the aforesaid percentage in aggregate principal amount of Securities the consent of the holders of which is required for the execution of any such supplemental indenture, or reduce the percentage in aggregate principal amount of the Securities the holders of which are required to take any other action authorized to be taken by the holders of any specified aggregate principal amount of Securities, without the consent of the holders of all Securities then outstanding, or (iii) modify or affect in any manner adverse to the holders of the Securities the terms and conditions of the obligations of the Company in respect of the due and

punctual payment of the principal of and interest on the Securities, without the consent of the holder of each Security so affected.

9. The Indenture provides that the Trustee may call a meeting of holders of the Securities for any of the purposes and upon the notice specified in the Indenture. In addition, the Company or the holders of at least 10% in aggregate principal amount of the Securities then outstanding may request the Trustee to call such a meeting and if the Trustee fails to do so within 30 days after receipt of such request then the Company or such holders, as the case may be, may call such meeting upon the notice specified in the Indenture. Persons entitled to vote a majority in aggregate principal amount of the Securities at the time outstanding shall constitute a quorum at a meeting of holders of Securities, except as set forth below. In the absence of such a quorum at a meeting of holders of Securities called at the request of holders of Securities (as provided in the Indenture) such meeting shall be dissolved, and in the absence of a quorum at a meeting of holders of Securities called at the request of the Company or the Trustee, such meeting shall be adjourned for a period of not less than ten days and, in the absence of a quorum at any such adjourned meeting, such adjourned meeting shall be further adjourned for another period of not less than ten days. At the second reconvening of any meeting of holders of Securities adjourned for lack of a quorum, persons entitled to vote 25% in aggregate principal amount of the Securities at the time outstanding shall constitute a quorum for the taking of any action set forth in the notice of the original meeting. At any meeting at which a quorum is present as aforesaid, any resolution and all matters (except as specified herein and in the Indenture) shall be effectively passed or decided by the holders of the lesser of (a) a majority in aggregate principal amount of the Securities then outstanding or (b) 75% in aggregate principal amount of the Securities represented and voting at the meeting.

10. Any consent or waiver by the holder of this Security (unless revoked as provided in the Indenture) shall be conclusive and binding upon such holder and upon all future holders of this Security and any Security which may be issued in substitution or exchange herefor, irrespective of whether any notation of such consent or waiver is made upon this Security or such other Security.

11. No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the

Company, which is absolute and unconditional, to pay the principal of and interest on this Security at the times and places, at the rate, and in the coin or currency herein prescribed.

12. The Securities may be redeemed at the option of the Company, as a whole but not in part, at any time prior to maturity, upon the giving of notice of redemption as described in the Indenture, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption, if the Company determines that, as a result of (i) any change in or amendment to the laws (or any regulations or rulings promulgated thereunder) of the United States or of any political subdivision or taxing authority thereof or therein affecting taxation, or any change in the official position regarding the application or interpretation of such laws, regulations or rulings, which change or amendment is announced or becomes effective on or after June 26, 1985, or (ii) any action taken by a taxing authority of, or brought in or taken by a court of competent jurisdiction in the United States or any political subdivision or taxing authority thereof or therein, on or after June 26, 1985, whether or not such action was taken or brought with respect to the Company, there is a substantial probability that the Company will become obligated to pay Additional Amounts with respect to the Securities as described herein. Prior to the publication of any notice of redemption pursuant to this paragraph, the Company is required to deliver to the Trustee (i) an officer's certificate stating that the Company is entitled to effect such redemption and setting forth in reasonable detail a statement of facts showing that the conditions precedent to the right of the Company to so redeem the Securities have occurred and (ii) a written opinion of independent counsel satisfactory to the Trustee to such effect based on such statement of facts.

13. If the Company shall determine that any payment made outside the United States by the Company or any of its paying agents of principal of, or interest on, any Bearer Security or coupon appertaining thereto would, under any present or future laws or regulations of the United States, be subject to any certification, information or other reporting requirement of any kind, the effect of which requirement is the disclosure to the Company, any paying agent or any governmental authority of the nationality, residence or identity of a beneficial owner of such Bearer Security or coupon who is a United States Alien (as defined herein) (other than such a requirement (a) which would not be applicable to a payment made by the Company or any one of its paying agents either (i) directly to the beneficial owner or (ii) to a

custodian, nominee or other agent of the beneficial owner or (b) which can be satisfied by a custodian, nominee or other agent of the beneficial owner certifying to the effect that such beneficial owner is a United States Alien, provided, however, that, in each case referred to in clauses (a)(ii) and (b), payment by such custodian, nominee or agent to such beneficial owner is not otherwise subject to any such requirement), the Company shall redeem the Securities, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption, or, at the election of the Company if the conditions of the next succeeding paragraph are satisfied, pay the Additional Amounts specified in such paragraph. The Company shall make such determination and election as soon as practicable and publish prompt notice thereof (the "Determination Notice"), stating the effective date of such certification, information or reporting requirements, whether the Company will redeem the Securities or has elected to pay the Additional Amounts specified in the next succeeding paragraph, and (if applicable) the last day by which the redemption of the Securities must take place, as provided in the next succeeding sentence. If the Company redeems the Securities, such redemption will take place on such date, not later than one year after the publication of the Determination Notice, as the Company shall elect by notice to the Trustee at least 60 days prior to the date fixed for redemption, unless shorter notice is acceptable to the Trustee. Notwithstanding the foregoing, the Company shall not so redeem the Securities if the Company shall subsequently determine not less than 30 days prior to the date fixed for redemption, that subsequent payments would not be subject to any such requirement, in which case the Company shall publish prompt notice of such determination and any earlier redemption notice shall be revoked and of no further effect.

14. If and so long as the certification, information or other reporting requirements referred to in the preceding paragraph could be avoided by payment of a backup withholding tax or similar charge, the Company may elect to have the provisions of this paragraph apply in lieu of the provisions of such preceding paragraph. In such event, the Company will pay as Additional Amounts such amounts as may be necessary so that every net payment made outside the United States on or after the effective date of such requirements by the Company or any of its paying agents of principal or interest due in respect of any Bearer Security or any coupon appertaining

thereto of which the beneficial owner is a United States Alien (but without any requirement that the nationality, residence or identity of such beneficial owner be disclosed to the Company, any paying agent or any governmental authority with respect to the payment of such Additional Amounts), after deduction or withholding for or on account of such backup withholding tax or similar charge (other than a backup withholding tax or similar charge which (i) is the result of certification, information, or other reporting requirements described in the second parenthetical clause of the first sentence of the preceding paragraph or (ii) is imposed as a result of presentation of such Bearer Security or coupon for payment more than 15 days after the date on which such payment becomes due and payable or on which payment thereof is duly provided for, whichever occurs later), will not be less than the amount provided for in such Bearer Security or such coupon to be then due and payable. In the event that the Company elects to pay any Additional Amounts pursuant to this paragraph, the Company may nevertheless thereafter redeem the Securities, as a whole but not in part, at any time at a redemption price equal to 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption and any Additional Amounts required to be paid pursuant to this paragraph, subject to the provisions of the last two sentences of the immediately preceding paragraph. If the Company elects to pay Additional Amounts pursuant to this paragraph and the condition specified in the first sentence of this paragraph shall no longer be satisfied, then the Company shall redeem the Securities pursuant to the provisions of the immediately preceding paragraph.

15. As provided in the Indenture, notice of redemption shall be given, with respect to the holders of Bearer Securities, by publication once in an Authorized Newspaper (as such term is defined in the Indenture) published in London and in New York City and, as long as the Securities are listed on the Luxembourg Stock Exchange, in Luxembourg, and, with respect to holders of Registered Securities, by mail at their registered addresses as provided in the Indenture, in each instance not less than 30 days and not more than 60 days prior to the date fixed for redemption.

16. The Company, the Trustee, the Security Registrar and any agent of the Company or the Trustee may deem and treat (a) the bearer of a Bearer Security and the bearer of any coupon appertaining thereto and (b) the person in whose name a Registered Security shall be registered upon the

Security Register, in each case as the absolute owner of such Security or of such coupon, as the case may be (whether or not such Security or such coupon shall be overdue and notwithstanding any notation of ownership or other writing thereon), for the purpose of receiving payment thereof and for all other purposes, and neither the Company nor the Trustee nor any agent of the Company or the Trustee shall, to the extent permitted by applicable law, be affected by any notice to the contrary. All such payments so made to any such holder shall be valid and, to the extent of the sum or sums so paid, effectual to satisfy and discharge all liability for the money payable hereupon or upon such coupon.

17. No recourse under or upon any obligation, covenant or agreement contained in the Indenture, or in this Security or any coupon appertaining hereto, or for any claim based thereon or otherwise in respect thereof, shall be had against any incorporator, stockholder, officer, director or employee, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that the Indenture and this Security are solely corporate obligations, and that no such personal liability whatever shall attach to, or is or shall be incurred by, the incorporators, stockholders, officers, directors or employees, as such, of the Company or of any successor corporation, or any of them, because of the creation of the indebtedness represented hereby, or under or by reason of the obligations, covenants or agreements contained in the Indenture or in this Security or implied herefrom; and that any and all such personal liability, either at common law or in equity or by constitution or statute, of, and any and all such rights and claims against, every such incorporator, stockholder, officer, director or employee, as such, because of the creation of the indebtedness represented hereby, or under or by reason of the obligations, covenants or agreements contained in the Indenture or in this Security or implied herefrom, are hereby expressly waived and released as a condition of, and as a consideration for, the execution of the Indenture and the issuance of this Security.

18. The Indenture, this Security and the coupons, if any, appertaining hereto shall be deemed to be contracts made under the laws of the State of New York and shall for all purposes be governed by, and construed in accordance with, the laws of such State.

19. Neither this Security, nor if this Security is a Bearer Security, any coupon appertaining hereto, shall be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been manually signed by the Trustee under the Indenture.

[FORM OF COUPON]

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE UNITED STATES INTERNAL REVENUE CODE.

Coupon No. [1-10]

U.S.\$506.25

Unless the Security below mentioned shall have been called for previous redemption and payment thereof duly made or provided for, FEDERATED DEPARTMENT STORES, INC., a corporation duly organized and existing under the laws of Delaware (the "Company"), on July 9, * will pay to bearer, upon surrender hereof, the amount shown hereon (together with any additional amounts in respect thereof which the Company may be required to pay according to the terms of said Security and the Indenture referred to therein), subject to applicable laws and regulations, by a U.S. dollar check drawn on a New York City bank, at the office of the agency or agencies of the Company outside the United States, its territories or possessions, as the Company may appoint as provided in said Security and in the Indenture referred to therein, such amount being one year's interest then payable on its 10½% Notes Due 1995 No.

FEDERATED DEPARTMENT STORES, INC.

By

Officer

Attest:

By

Assistant Secretary

[* To be printed for each annual interest installment due on each July 9, commencing July 9, 1986 to and including July 9, 1995, corresponding to coupon numbers 1-10, respectively.]

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[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION FOR ALL SECURITIES]

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

**MORGAN GUARANTY TRUST COMPANY
OF NEW YORK, as Trustee**

By
Authorized Officer

AND WHEREAS, the Company represents that all acts and things necessary to make the Securities and the coupons appertaining thereto, when the Securities have been executed by the Company and authenticated by the Trustee and delivered as provided in this Indenture, the valid, binding and legal obligations of the Company and to constitute these presents a valid indenture and agreement according to its terms, have been done and performed, and the execution and delivery by the Company of this Indenture and the issue hereunder of the Securities and the coupons appertaining thereto have in all respects been duly authorized; and the Company, in the exercise of legal right and power in it vested, is executing and delivering this Indenture and proposes to make, execute, issue and deliver the Securities and any coupons appertaining thereto;

Now, THEREFORE:

In order to declare the terms and conditions upon which the Securities are authenticated, issued and delivered, and in consideration of the premises, of the purchase and acceptance of the Securities by the Holders thereof, the Company covenants and agrees with the Trustee, for the equal and proportionate benefit of the respective Holders from time to time of the Securities, as follows:

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ARTICLE ONE

DEFINITIONS

SECTION 1.01. *Definitions.*

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

- (1) the terms defined in this Section (except as herein otherwise expressly provided or unless the context otherwise requires), for all purposes of this Indenture and of any indenture supplemental hereto, shall have the respective meanings specified in this Section;
- (2) all terms of the masculine gender mean and include correlative terms of the feminine and neuter genders and terms importing the singular number mean and include the plural number and vice versa;
- (3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles in the United States of America; and
- (4) the words "*herein*", "*hereof*" and "*hereunder*" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

Additional Amounts:

The term "Additional Amounts" has the meaning set forth in the form of the reverse of the Security appearing above.

Affiliate:

The term "Affiliate" means, with respect to any specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "*control*" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "*controlling*" and "*controlled*" have meanings correlative to the foregoing.

Authorized Newspaper:

The term "Authorized Newspaper" means a newspaper in an official language of the country of publication (which, in the case of England, is expected to be the *Financial Times* of London, in the case of New York City, is expected to be the *Wall Street Journal* and, in the case of Luxembourg, is expected to be the *Luxemburger Wort*) customarily published at least once a day for at least five days in each calendar week and of general circulation in the place in connection with which the term is used.

Authorized Officer:

The term "Authorized Officer" means the Chairman or any Vice Chairman of the Board of Directors, the President or any Vice President of the Company.

Bearer Security:

The term "Bearer Security" means any Security in bearer form, with or without the coupons appertaining thereto.

Board of Directors:

The term "Board of Directors" means the Board of Directors or the Executive Committee or Finance Committee of the Board of Directors of the Company or any other committee of the Board of Directors of the Company which may lawfully exercise the functions of the Board of Directors in respect to the matters referred to in this Indenture.

Board Resolution:

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

Business Day:

The term "Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in The City of New York or London or, as long as the Securities are listed on the Luxembourg Stock Exchange, in Luxembourg (or in the case of

payments of principal and premium, if any, or interest, in the city of the paying agent to which the Security or coupon is surrendered for payment) are authorized or obligated by law or executive order to be closed.

Company:

The term "Company" means Federated Department Stores, Inc., a Delaware corporation, and, subject to the provisions of Article Ten, shall also include its successors and assigns.

Company Order and Company Request:

The terms "Company Order" and "Company Request" mean, respectively, a written order or request signed in the name of the Company by any of its Authorized Officers, its Treasurer, its Secretary or any of its Assistant Secretaries, and delivered to the Trustee.

Corporate Trust Office:

The term "Corporate Trust Office" means the office of the Trustee in New York City at which at any particular time its corporate trust business shall be administered, which office at the date hereof is located at 30 West Broadway, New York, New York 10015, United States.

Coupon:

The term "coupon" means any interest coupon appertaining to a Bearer Security.

Event of Default:

The term "Event of Default" means any event specified as such in Section 5.01 or such other event as may be added by supplemental indenture pursuant to Article Nine, continued for the period of time, if any, and after the giving of notice, if any, therein designated.

Exchange Date:

The term "Exchange Date" has the meaning set forth in Section 2.08.

Funded Debt:

The term "Funded Debt" shall mean all indebtedness for money borrowed which by its terms matures more than twelve (12) months from

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the date of computation of the amount thereof or which by its terms is renewable or extendible at the option of the obligor beyond twelve (12) months from the date of such computation.

Holder:

The term "Holder" of a Security or of a coupon, means (i) in the case of any Registered Security, the Person in whose name at the time such Registered Security is registered on the Security Register kept for that purpose in accordance with the terms hereof, (ii) in the case of any Bearer Security, the bearer of such Security, and (iii) in the case of any coupon, the bearer of such coupon, as the case may be.

Indenture:

The term "Indenture" means this Indenture as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof.

Maturity:

The term "Maturity", when used with respect to any Security, means the date on which the principal of that Security becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption, request for redemption or otherwise.

Mortgage:

The term "mortgage" shall mean any mortgage, pledge, lien or encumbrance given as security for Secured Debt.

Officers' Certificate:

The term "Officers' Certificate" means a certificate of the Company signed by any of its Authorized Officers, and its Treasurer, its Controller, its Secretary or any of its Assistant Treasurers, Assistant Secretaries, or Assistant Controllers, and delivered to the Trustee. Wherever this Indenture requires that an Officers' Certificate be signed also by an engineer or an accountant or other expert, such engineer, accountant or other expert (except as otherwise expressly provided in this Indenture) may be in the employ of the Company or may be another engineer, accountant or expert acceptable to the Trustee.

Operating Property:

The term "Operating Property" shall mean any real estate comprising a retail store, warehouse or other facility related to the general retail business of the Company or any Subsidiary, having in excess of 150,000 square feet of floor area in the aggregate, or any parking facility, whether a parking lot or parking garage, having a capacity in excess of 500 cars in the aggregate, in any case which has been owned and operated by the Company or any Subsidiary for more than 365 days.

Opinion of Counsel:

The term "Opinion of Counsel" means an opinion in writing signed by legal counsel, who may be an employee of or counsel to the Company or who may be other counsel satisfactory to Trustee.

Person:

The term "Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof. As used in this paragraph, the term "trust" shall include only a trust where the interest or interests of the beneficiary or beneficiaries are evidenced by a security.

Registered Security:

The term "Registered Security" means any Security registered in the Security Register of the Company, which Security shall be issued without coupons.

Responsible Officer:

The term "Responsible Officer" when used with respect to the Trustee means any officer in its Corporate Trust Department customarily performing corporate trust functions.

Sale and Leaseback Transaction:

The term "Sale and Leaseback Transaction" shall have the meaning set forth in Section 4.09.

Secured Debt:

The term "Secured Debt" shall mean indebtedness for money borrowed by the Company or a Subsidiary (other than indebtedness owed by a Subsidiary to the Company, by a Subsidiary to a Subsidiary or by the Company to a Subsidiary) which is secured by a mortgage on (a) any Operating Property of the Company or a Subsidiary or (b) any shares of stock or indebtedness of a Subsidiary. The amount of Secured Debt at any time outstanding shall be the amount then owing thereon by the Company or a Subsidiary.

Security; Note; Outstanding:

The term "Security" or "Note" means any Registered or Bearer Security authenticated by the Trustee and delivered under this Indenture, including any global Security.

The term "outstanding", when used with reference to Securities, means, subject to the provisions of Section 7.04, as of any particular time, all Securities authenticated by the Trustee and delivered under this Indenture, except:

(a) Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(b) Securities for the payment or redemption of which money in the necessary amount (including interest, if any) shall have been deposited in trust with the Trustee or with the paying agents (other than the Company) or shall have been set aside and segregated in trust by the Company (if the Company shall act as its own paying agent), provided that if such Securities are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article Three provided, or provision satisfactory to the Trustee shall have been made for giving such notice; and

(c) Securities in lieu of or in substitution or exchange for which other Securities shall have been authenticated and delivered, or which have been paid, pursuant to the terms of Section 2.06, unless proof satisfactory to the Company and the Trustee is presented that any such Securities are held by persons in whose hands any of such Securities is a valid, binding and legal obligation of the Company.

Security Register:

The term "Security Register" has the meaning set forth in Section 2.05.

Security Registrar; Registrar:

The term "Security Registrar" or "Registrar" has the meaning set forth in Section 2.05.

Shareholders' Ownership:

The term "Shareholders' Ownership" shall mean as of any particular time the consolidated capital and surplus (including retained earnings) of the Company and its Subsidiaries, determined in accordance with generally accepted accounting principles, as shown in the most recent monthly consolidated financial statements of the Company and its Subsidiaries.

Stated Maturity:

The term "Stated Maturity" when used with respect to any Security or any instalment of interest thereon means the date specified in such Security, or in any coupon appertaining thereto, as the fixed date on which the principal of such Security or such instalment of interest is due and payable.

Subsidiary:

The term "Subsidiary" shall mean any corporation of which at least a majority in interest of the outstanding stock having by the terms thereof ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by the Company, or by one or more Subsidiaries, or by the Company and one or more Subsidiaries; provided, however, that unless the Board of Directors of the Company shall determine otherwise, the term "Subsidiary" shall not include (i) Federated Stores Realty, Inc., (ii) Federated Acceptance Corporation or any other corporation hereafter directly or indirectly owned or controlled as aforesaid the primary business of which consists of financing operations in connection with leasing and conditional sales transactions on behalf of the Company and its Subsidiaries and/or purchasing accounts receivable and/or making

loans secured by accounts receivable or inventory or which is otherwise primarily engaged in the business of a finance company, or (iii) any other corporation which has been designated by a Board Resolution as not a Subsidiary for purposes of this Indenture.

Trustee:

The term "Trustee" means the corporation or trust company named as Trustee in this Indenture until any successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean such successor Trustee.

United States Alien:

The term "United States Alien" has the meaning set forth in the form of the reverse of the Security appearing above.

ARTICLE TWO
ISSUE AND EXECUTION OF SECURITIES

SECTION 2.01. *Designation, Amount, Authentication and Delivery of Securities.*

The Securities shall be designated as "10% Notes Due 1995" and shall be limited to \$100,000,000 in aggregate principal amount except as otherwise permitted in this Indenture. Upon the execution and delivery of this Indenture, or from time to time thereafter, the Securities may be executed by the Company and such Securities may thereupon be delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said Securities upon a Company Order.

SECTION 2.02. *Forms of Securities, Coupons and Trustee's Certificate of Authentication.*

The Securities, the coupons and the Trustee's certificate of authentication to be borne by the Securities shall be substantially of the tenor and

purport as in this Indenture recited, and may have imprinted thereon such letters, numbers or other marks of identification or designation and such legends or endorsements as the Company may deem appropriate and as are not inconsistent with the provisions of this Indenture, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any securities exchange on which the Securities may be listed, or to conform to usage.

SECTION 2.03. *Denomination and Date of Securities; Payment of Principal and Interest.*

The definitive Securities shall be issuable initially as Bearer Securities with coupons. Thereafter, Bearer Securities may, at the option of the Holder thereof and pursuant to Section 2.05 hereof, be exchanged for Registered Securities. Securities shall be issuable in the denomination or denominations specified in this Indenture. Definitive Bearer Securities shall be issuable in the denomination of \$5,000 and definitive Registered Securities shall be issuable in denominations of \$5,000 or integral multiples thereof.

Each Bearer Security and the global Security provided for in Section 2.08 shall be dated July 9, 1985. Each Registered Security shall be dated the date of its authentication and shall bear interest and be payable as provided in this Indenture.

The Person in whose name any Registered Security is registered at the close of business on any record date (as hereinafter defined) with respect to any interest payment date shall be entitled to receive the interest payable on such interest payment date notwithstanding any transfer or exchange of such Registered Security subsequent to the record date and prior to such interest payment date, except that, if and to the extent the Company shall default in the payment of the interest due on such interest payment date or shall not have duly provided for the payment thereof, such defaulted interest shall be paid either to the Persons in whose names outstanding Registered Securities are registered on a subsequent date of record established by notice given by mail by or on behalf of the Company to the Holders of Registered Securities not less than 10 days preceding such subsequent date of record and payment of such defaulted interest shall be made not less than five days after such date of record, or in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be

listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed manner of payment, such payment shall be deemed practicable by the Trustee. The term "record date" as used with respect to an interest payment date for any Registered Security shall mean the day specified as such in such Registered Security.

The principal of and interest on the Securities shall be payable at the offices or agencies of the Company designated for that purpose, as provided in Section 4.02; provided, however, that interest on Registered Securities may be payable at the option of the Company by check mailed to the address of the Person entitled thereto as such address shall appear on the Security Register.

SECTION 2.04. *Execution of Securities.*

Each Security and each coupon shall be signed in the corporate name of the Company by any Authorized Officer, under its corporate seal (which may be printed, engraved or otherwise produced thereon by facsimile or otherwise) and attested to by the Secretary or any Assistant Secretary of the Company prior to the authentication of the Security, and the delivery of such Security by the Trustee upon a Company Order, after the authentication thereof hereunder, shall constitute due delivery of such Security and any coupons appertaining thereto on behalf of the Company. Such signatures may be the manual or facsimile signature of any such Authorized Officer and Secretary or Assistant Secretary and, if in facsimile, may be imprinted or otherwise reproduced on the Securities or the coupons. In case any Authorized Officer, Secretary or Assistant Secretary of the Company who shall have signed, or whose facsimile signature appears on, any of the Securities or coupons shall cease to be such Authorized Officer, Secretary or Assistant Secretary, as the case may be before the Securities shall have been authenticated and delivered by the Trustee or disposed of by the Company, such Security nevertheless may be authenticated and delivered or disposed of as though the Person who signed such Security or coupon had not ceased to be such Authorized Officer, Secretary or Assistant Secretary, as the case may be. Any Security or coupon may be signed on behalf of the Company by such Authorized Officer, Secretary or Assistant Secretary as, at the actual date of the execution of such Security or coupon, shall be the proper Authorized Officer of the Company, although at the date of the execution of

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this Indenture any such Person was not such an Authorized Officer, Secretary or Assistant Secretary, as the case may be.

Only such Securities as shall bear thereon a certificate of authentication substantially in the form herein recited, executed by the Trustee by manual signature of one of its authorized officers, shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. No coupon shall be entitled to the benefits of this Indenture or become valid or obligatory for any purpose until such certificate shall have been duly executed on the Bearer Security to which such coupon appertains. Such certificate by the Trustee upon any Security executed by the Company shall be conclusive evidence that the Security so authenticated has been duly authenticated and delivered hereunder and that the holder is entitled to the benefits of this Indenture. The Trustee shall not authenticate or deliver any Bearer Security until all matured coupons appertaining thereto shall have been detached and cancelled, except as otherwise permitted in Section 2.06.

SECTION 2.05. Exchange and Registration of Transfer of Securities.

The Company shall keep, at the office or agency to be maintained by the Company for such purpose (herein referred to as the "Security Registrar" or the "Registrar") in the Borough of Manhattan, The City of New York, as provided in Section 4.02, a register (herein sometimes referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Registered Securities and the registration of transfers of Registered Securities. The Company hereby initially appoints the Trustee at its Corporate Trust Office as Security Registrar. Upon written notice to the Trustee and any acting Security Registrar, the Company may appoint a successor Security Registrar for such purposes. At all reasonable times, the Security Register shall be open for inspection by the Trustee. Upon due presentation for registration of transfer of any Registered Security at the office of the Security Registrar, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the transferee or transferees, one or more new Registered Securities of like tenor of any authorized denominations for an equal aggregate principal amount.

All Registered Securities presented for registration of transfer or for exchange, redemption or payment, as the case may be, shall (if so required by the Company or the Trustee or the Security Registrar) be duly endorsed by, or be accompanied by a written instrument or instruments of assignment and transfer in form satisfactory to the Person imposing such requirement, and duly executed by, the Holder or his attorney duly authorized in writing.

Bearer Securities shall be transferable by delivery.

Registered Securities may not be exchanged for Bearer Securities.

At the option of the Holder thereof, Bearer Securities may be exchanged for a like aggregate principal amount of Registered Securities of any authorized denominations, upon surrender at the office of the Security Registrar of such Bearer Securities to be exchanged with all unmatured coupons and all matured coupons in default thereto appertaining, and upon payment, if the Company shall so require, of the charges hereinafter provided. Whenever any Bearer Securities to be exchanged shall be surrendered at such office in accordance with this Section 2.05, the Company shall execute, and the Trustee shall authenticate and deliver in exchange therefor, the Registered Security or Securities which the holder of such Bearer Security making said exchange shall be entitled to receive.

No service charge shall be made for any exchange or registration of transfer of Securities, but the Company may require payment of a sum sufficient to cover any tax, assessment or other governmental charge that may be imposed in connection therewith, other than exchanges pursuant to Section 2.08, 3.04 or 9.04 not involving any transfer of Securities.

Neither the Trustee, the Security Registrar nor the Company shall be required to exchange or register a transfer of any Securities (i) selected, called or being called for redemption or (ii) during the 15-day period preceding the last day on which notice of redemption of Securities may be given.

All Securities issued pursuant to this Section 2.05 in exchange for or upon registration of transfer of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered for such exchange or registration of transfer.

SECTION 2.06. *Mutilated, Destroyed, Lost or Stolen Securities and Coupons.*

In case any Security shall become mutilated, destroyed, lost or stolen, and in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute, and the Trustee shall authenticate and deliver, a new Security of like tenor and principal amount (with coupons corresponding to the coupons, if any, appertaining to the mutilated, destroyed, lost or stolen Security before it was so mutilated, destroyed, lost or stolen) bearing a number not contemporaneously outstanding, in substitution for the Security so mutilated, destroyed, lost or stolen and the coupons, if any, appertaining thereto. In case any coupon appertaining to any Bearer Security shall become mutilated, destroyed, lost or stolen, the Company shall execute, and the Trustee shall authenticate and deliver, a new Bearer Security (with coupons corresponding to the coupons appertaining to the Bearer Security to which such mutilated, destroyed, lost or stolen coupon appertained before it was so mutilated, destroyed, lost or stolen) bearing a number not contemporaneously outstanding, in substitution for the Bearer Security with respect to which the coupons have become so mutilated, destroyed, lost or stolen and any coupons appertaining thereto. In every case the applicant for a substitute Security or any coupon appertaining thereto shall, at the expense of the applicant, furnish to the Company, the Trustee and the Security Registrar such security or indemnity as may be required by them to save each of them harmless. Also, in every case of destruction, loss or theft, the applicant shall furnish to the Company, the Trustee and the Security Registrar evidence to their satisfaction of the destruction, loss or theft of such Security (or such coupon or coupons) and of the ownership thereof and shall, in the case of an application for replacement of a coupon, surrender to the Trustee the Bearer Security to which such coupon appertains (with all coupons appertaining thereto not destroyed, lost or stolen). In every case of mutilation, the applicant shall surrender to the Trustee the Security so mutilated or to which the coupon or coupons so mutilated appertain, with all coupons appertaining thereto (including any mutilated coupons). The Trustee may authenticate any such substitute Security and deliver the same with the appurtenant coupons, if any. Upon the issuance of any substitute Security, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation

thereto and any other expenses connected therewith and in addition a further sum for each Security so issued in substitution. In case any Security or any coupon which has matured or is about to mature shall have become mutilated, destroyed, lost or stolen, the Company may (a) in the case of any such Security, pay or authorize the payment of the same instead of issuing a substitute Security as permitted by this Section 2.06 and (b) in the case of any such coupon, issue a substitute Bearer Security as permitted by this Section 2.06 without coupons corresponding to such mutilated, destroyed, lost or stolen coupons to the extent the Company shall pay or authorize the payment of such coupons.

Every substitute Security and the coupons, if any, appertaining thereto issued pursuant to the provisions of this Section 2.06 by virtue of the fact that any Security or coupon is destroyed, lost or stolen shall constitute an additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security or coupon shall at any time be found by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities and coupons duly issued hereunder. All Securities and coupons shall be held and owned upon the express condition that, to the extent permitted by law, the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities or coupons and shall preclude any and all other rights or remedies, notwithstanding any law or statute now existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

SECTION 2.07. *Cancellation of Surrendered Securities or Paid Coupons.*

All Securities surrendered for redemption pursuant to the provisions of Article Three and all Securities or coupons surrendered for payment or for substitution or exchange or registration of transfer pursuant to the provisions of Section 2.05, 2.06, 2.08 or 9.04 shall, if surrendered to the Company or any paying agent or the Security Registrar be delivered by it to the Trustee for cancellation or, if surrendered to the Trustee, be cancelled by the Trustee, and no Securities or coupons shall be issued in lieu thereof, except as otherwise provided in this Indenture. The Trustee shall destroy Securities and coupons surrendered to and cancelled by the Trustee and Securities and coupons surrendered to the Company or any paying agent or the Security

Registrar and delivered to the Trustee for cancellation, and shall deliver to the Company a certificate in respect of such destruction. If the Company shall acquire any of the Securities or coupons, however, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Securities or coupons unless and until the same are delivered to the Trustee for cancellation. Any Securities or coupons acquired by the Company and delivered to the Trustee shall be cancelled by the Trustee upon receipt of written instructions from the Company.

SECTION 2.08. *Global Security; Exchanges.*

Any Security issued pursuant to the provisions of Section 2.01 prior to the Exchange Date (as hereinafter defined) shall be in global form. The Company initially shall execute and the Trustee shall authenticate upon the same conditions and in substantially the same manner, and with like effect, as definitive Securities and the Trustee shall deliver, outside the United States of America and its territories and possessions and all other areas subject to its jurisdiction, to a common depositary for the Euro-clear System and CEDEL, S.A. one global Security (printed, typewritten or lithographed) in the principal amount of \$100,000,000 (the "Global Security" or "Global Note"). Such Global Security shall be issuable as a Bearer Security without coupons and substantially in the form of the definitive Bearer Securities but with such omissions, insertions and variations as may be appropriate for a global Security, all as may be determined by the Company, and shall bear substantially the following legend:

This Security has not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered, sold or delivered, directly or indirectly, in the United States of America, its territories or possessions, or to any area subject to the jurisdiction of the United States of America (the "United States"), or to or for the account of persons who are citizens, residents or nationals thereof (including any estate or trust that is subject to United States federal income taxation regardless of the source of its income and any corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof).

The text of the Global Security shall contain language to the effect that:

This Security is a temporary Security without coupons, exchangeable in whole or in part upon request of the Holder hereof for

definitive Securities in bearer form with coupons to the Trustee (as defined in this Security) not earlier than the 90th day after the date by which the distribution of the Securities has been completed, as determined by Goldman Sachs International Corp., upon presentation of a certificate or certificates as to beneficial ownership in the forms set forth in the Indenture (as hereinafter defined), copies of which certificates are also available at such agency or at the office of the Trustee.

Without unnecessary delay but in any event not less than 20 days prior to the Exchange Date, the Company will execute and deliver to the Trustee definitive Securities. On or after the Exchange Date the Global Security may be surrendered to the Trustee to be exchanged, in whole or in part, for definitive Securities without charge (including any transfer or similar tax), and the Trustee shall authenticate and deliver, in exchange for such Global Security or the portions thereof to be exchanged, an equal aggregate principal amount of definitive Securities, but only upon presentation by Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euro-clear System or its successor (the "Euro-clear Operator") or by CEDEL, S.A. to the Trustee of a certificate with respect to the Securities or portions thereof being exchanged, signed by the Euro-clear Operator or by CEDEL, S.A., as the case may be, in substantially the following form, with such changes therein as shall be approved by the Company and the Trustee:

[Form of Certificate to be given
to the Trustee by the

Euro-clear Operator or CEDEL, S.A.]

This is to certify (i) that we have received from each of the persons appearing in our records as being entitled to a portion of that part of the U.S. \$100,000,000 in aggregate principal amount of the Federated Department Stores, Inc. 10½% Notes Due 1995 in global form (the "Global Security") submitted herewith for exchange (our "Account Holders") a certificate with respect to such portion of the Global Security in the form provided in Section 2.08 of the Indenture pursuant to which the Global Security was issued and (ii) that we are not submitting herewith for exchange any portion of such Global Security excepted in such certificates.

We further certify that as of the date hereof we have not received any notification to the effect that the statements made by or on behalf of our Account Holders with respect to any portion of the Global Security submitted herewith for exchange are no longer true.

[Morgan Guaranty Trust Company of
New York, Brussels office, as operator
of the Euro-clear System or CEDEL,
S.A.]

Dated: _____ By:

The certificate of the Euro-clear Operator or CEDEL, S.A. delivered to the Trustee as provided above shall be based on a certificate or certificates of the persons listed in the records of the Euro-clear Operator or CEDEL, S.A. as being entitled to a portion of the Global Security. Each such certificate of such person shall be dated on or after the 75th day after the completion of the distribution of the Securities, as determined by Goldman Sachs International Corp. and shall be in substantially the following form:

[Form of certificate to be given to the Euro-clear Operator
or CEDEL, S.A. by Account Holders]

FEDERATED DEPARTMENT STORES, INC.

This is to certify that as of the date hereof [and except as provided in the third paragraph hereof,] * U.S.\$..... principal amount of the Global 10½% Notes Due 1995 of Federated Department Stores, Inc. (the "Global Security") held by you for our account is beneficially owned by persons who are not citizens, nationals or residents of the United States of America, its possessions or territories (including an estate or trust that is subject to United States federal income taxation regardless of its source of income and any corporation, partnership or other entity organized under the laws thereof or any political subdivision thereof).

We undertake to advise you by telex on or prior to the date fixed for exchange of such portion of the Global Security if the above statement as to beneficial ownership is not correct on such date fixed for exchange of such portion of the Global Security as to all of the above-mentioned principal amount of such Global Security then appearing in your books as being held for our account, specifying such portion of such amount as to which said statement is incorrect.

* Omit if not applicable.

[This certificate excepts and does not relate to U.S.\$..... principal amount of the above-mentioned Global Security held by you for our account as to which we are on the date hereof not able so to certify and as to which we understand exchange and delivery of definitive Securities cannot be made until we are able so to certify.]*

We understand that this certificate is required in connection with certain securities and tax legislation in the United States of America. If administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate or a copy thereof to any interested party in such proceedings.

Dated:

Delivery to the Trustee by the Euro-clear Operator or CEDEL, S.A. of the certificate provided above may be relied upon by the Trustee as conclusive evidence that a related certificate or certificates of the persons listed in the records of the Euro-clear Operator or CEDEL, S.A. as being entitled to a portion of the Global Security has or have been delivered to the Euro-clear Operator or CEDEL, S.A. as contemplated above. Upon any such exchange of a portion of the Global Security for definitive Securities, the Global Security shall be endorsed by the Trustee to reflect the reduction of the principal amount evidenced thereby. Until so exchanged in full, the Global Security shall in all respects be entitled to the same benefits under this Indenture as definitive Securities authenticated and delivered hereunder except that the beneficial Holders of such Global Security shall not be entitled to receive payment of interest thereon. Any exchange of a portion of such Global Security or delivery of definitive Securities shall be made outside the United States of America and its territories and possessions and all other areas subject to its jurisdiction. For the purposes hereof, "Exchange Date" shall mean the 90th day after the date by which the distribution of the Securities has been completed, as determined by Goldman Sachs International Corp., provided that Goldman Sachs International Corp. shall have advised the Trustee and the Company of the date of such completion of the distribution and the Exchange Date within 15 days subsequent to such completion.

* Omit if not applicable.

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ARTICLE THREE
REDEMPTION OF SECURITIES

SECTION 3.01. *Redemption.*

The Securities may not be redeemed prior to maturity except under the circumstances, and pursuant to the terms and conditions and at the redemption price, specified in the form of Security set forth in this Indenture.

SECTION 3.02. *Procedures for Redemption.*

On or before the Business Day next preceding the day fixed for redemption of Securities pursuant to this Indenture, the Company shall deposit with the Trustee or with the paying agents (or, if the Company is acting as its own paying agent, segregate and hold in trust as provided in Section 4.04) an amount of money sufficient to redeem on the date fixed for redemption all Securities called for redemption and then outstanding at the applicable redemption price thereof and (except if the date fixed for redemption shall be an interest payment date, then such interest shall be paid as provided in Section 4.01) accrued interest to the date of redemption.

The Trustee shall not in any event be liable for the payment of principal of or interest on any Securities called for redemption as herein provided, except to the extent that money shall have been furnished to it for such purpose.

SECTION 3.03. *Notice of Redemption.*

In case the Company shall desire to exercise the right to redeem all of the Securities pursuant to the terms of paragraph twelve of the form of the reverse of the Security set forth in this Indenture, it shall fix a date for redemption and shall notify the Trustee to such effect at least 55 days prior to the date so fixed. In case the Company shall redeem all of the Securities pursuant to the terms of paragraph thirteen of the form of the reverse of the Security set forth in this Indenture, it shall fix a date for redemption and shall notify the Trustee to such effect as provided in said paragraph. The Trustee, in the name and at the expense of the Company, shall not less than 30 nor more than 60 days prior to the date fixed for redemption (i) mail by first class mail, postage prepaid, a notice of such redemption to the Holders of Registered Securities so to be redeemed at their addresses as the same appear on the Security Register and (ii) publish (on a Business Day) such a

notice of redemption for the benefit of Holders of Bearer Securities so to be redeemed at least once prior to the date fixed for redemption in an Authorized Newspaper in London, in New York, and, as long as the Securities are listed on the Luxembourg Stock Exchange, in Luxembourg.

The notice, if mailed or published as herein provided, shall be conclusively presumed to have been duly given to the Holders of a Registered Security to whom such notice is mailed and, if published, to all Holders of Bearer Securities, whether or not any Holder receives such notice. Neither any failure to give notice by mail nor any defect in the notice to the Holder of any Registered Security designated for redemption shall affect the validity of the proceedings for the redemption of any other Security. Neither failure to give notice by publication as provided above, nor any defect in any notice so published, shall affect the sufficiency of any notice to such Holders of Bearer Securities as provided above. In case by reason of the suspension of publication of any Authorized Newspaper or Authorized Newspapers or by reason of any other cause it shall be impossible or, in the opinion of the Trustee, impracticable to publish any notice to Holders of Bearer Securities as provided above, then such notification to such Holders as shall be given with the approval of the Trustee shall constitute sufficient notice to such holders for every purpose hereunder.

Each such notice of redemption shall specify the date fixed for redemption, the redemption price, the place or places of payment, that payment will be made upon presentation and surrender of the Securities to be redeemed with all coupons, if any, appertaining thereto maturing after the date fixed for redemption, that interest accrued to the date fixed for redemption will be paid as specified in said notice and that on and after said date interest thereon will cease to accrue.

SECTION 3.04. When Securities Called for Redemption Become Due and Payable.

If notice of redemption has been published or mailed as provided in Section 3.03, the Securities specified in such notice shall become due and payable on the date and at the place or places stated in such notice, at the applicable redemption price, together with accrued interest to the date fixed for redemption, and on and after said date (unless the Company shall default in the payment of such Securities at the applicable redemption price plus accrued interest) interest on the Securities so to be redeemed shall cease

to accrue and the unmatured coupons appertaining to Bearer Securities shall be void. On presentation and surrender of such Securities at said place or places of payment, with all unmatured coupons, if any, thereto appertaining, such Securities shall be paid and redeemed by the Company at the applicable redemption price together with accrued interest to the date fixed for redemption (except if the date fixed for redemption shall be an interest payment date). In any case where the date fixed for redemption is an interest payment date (i) the coupon maturing on such date appertaining to each of the Bearer Securities called for redemption shall be detached and presented for payment as provided in Section 4.01, and (ii) interest payable on or prior to the date fixed for redemption to the Holders of Registered Securities shall be payable to the holders of such Registered Securities registered as such on the relevant record date, according to their terms and the provisions of Section 2.03.

If any Bearer Security surrendered for redemption shall not be accompanied by all appurtenant coupons maturing after the redemption date, such Bearer Security may be paid after deducting from the redemption price an amount equal to the face amount of all such missing coupons or the surrender of such missing coupon or coupons may be waived by the Company and the Trustee, if there be furnished to them such security or indemnity as they may require to hold each of them harmless. If thereafter the Person who surrendered such Bearer Security for redemption shall surrender to the Trustee any such missing coupon in respect of which a deduction shall have been made from the redemption price, such holder shall be entitled to receive the amount so deducted.

ARTICLE FOUR

PARTICULAR COVENANTS OF THE COMPANY

SECTION 4.01. *Payment of Principal of and Interest on Securities.*

The Company will duly and punctually pay or cause to be paid the principal of and interest on each of the Securities at the places, at the respective times and in the manner provided in the form of the Securities and in the coupons. The interest on the Bearer Securities (including Additional Amounts payable as provided in Section 4.03 in respect of

principal of and interest on any Security) shall be payable only upon presentation and surrender of the several coupons for such interest installments as are evidenced thereby as they severally mature. For the purpose of making such payments of interest on the Securities, the Company (unless it shall act as its own paying agent pursuant to Section 4.04(b)) will pay to the paying agents, on or before the Business Day next preceding the day on which interest on the Securities is due and payable by the Company, the amount which will be due and payable on that day. For the purpose of paying the principal of outstanding Securities on their maturity dates, the Company (unless it shall act as its own paying agent pursuant to Section 4.04(b)) will pay to the paying agents on or before the Business Day next preceding the maturity date of the Securities an amount sufficient to make such payment.

SECTION 4.02. *Appointment of Agents.*

As long as any of the Securities remain outstanding, the Company will maintain one or more agencies where notices and demands to or upon the Company in respect of the Securities, the coupons or this Indenture may be served and where the Securities and coupons may be presented for payment, for transfer and for registration of transfer and for exchange as in this Indenture provided. The Company hereby initially appoints the Trustee at its Corporate Trust Office as its agent where such notices and demands may be served. The Company, as long as the Securities are outstanding, will maintain a paying agent in New York City (for Registered Securities only) and the Company hereby initially appoints the Trustee at its Corporate Trust Office as such paying agent. In addition, the Company will maintain a paying agent in at least one major city in Western Europe as long as the Securities are outstanding, which shall be Luxembourg as long as the Securities are listed on the Luxembourg Stock Exchange. The Company has initially appointed the offices specified in the form of Security as the Company's paying agents, but the Company shall have the right at any time and from time to time to vary or terminate any such appointment as paying agent and to appoint additional and other such agents. The Company will give to the Trustee notice of the location of such additional and other offices or agencies of the Company and of any change in the location of any of such offices or agencies. No agent appointed by the Company pursuant to this Section shall be liable to the Company or to the Holder of any Security or coupon except in the case of its own negligent action, its own negligent failure to act or its own willful misconduct.

SECTION 4.03. *Payment of Additional Amounts.*

The Company, in respect of principal of and interest on the Securities, will pay such Additional Amounts as may be required by terms of the sixth, thirteenth and fourteenth paragraphs of the form of the reverse of the Security set forth in this Indenture. At least five Business Days prior to July 9, 1986 (or any earlier date fixed for redemption of the Securities) and at least five Business Days prior to each date of payment of the principal or interest with respect to the Securities thereafter if there shall have been any change with respect to the matters set forth in the below-mentioned Officers' Certificate, the Company shall furnish the Trustee and any paying agent with an Officers' Certificate instructing the Trustee and any such paying agent as to whether payments in respect of the Securities due on such date shall be made without deduction or withholding for or on account of any taxes described in the sixth, thirteenth and fourteenth paragraphs of the form of the reverse of the Security set forth in this Indenture. If any such deduction or withholding shall be required, then such Officers' Certificate shall specify on the basis of such facts as are known to the Company the amount required to be deducted or withheld on such payment to the Holders of the Securities and the Additional Amounts, if any, due to Holders of the Securities and thereafter the Company will pay to the Trustee and any such paying agent, to the extent appropriate, such Additional Amounts as shall be required to be paid to such Holders.

If the Company determines that any payment of principal or interest due in respect of any Securities or coupon appertaining thereto would be subject to certain United States certification, information or other reporting requirements, the Company will either redeem the Securities as specified in, or elect to pay such Additional Amounts as may be required by the terms of, the form of the reverse of the Security set forth in this Indenture.

Except as specifically provided in Sections 4.03 and 10.01, the Company shall not be required to make any payment with respect to any tax, assessment or other governmental charge imposed by any government or any political subdivision thereof or taxing authority therein. Whenever in this Indenture there is mentioned, in any context, the payment of principal of or interest on, any Security or any coupons appertaining thereto, such mention shall be deemed to include mention of the payment of Additional

Amounts provided for in Sections 4.03 and 10.01, to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof pursuant to such provisions, and express mention of the payment of Additional Amounts (if applicable) in any provisions hereof shall not be construed as excluding Additional Amounts in those provisions hereof where such express mention is not made.

SECTION 4.04. *Paying Agents to Hold Funds in Trust.*

(a) Whenever the Company shall appoint a paying agent other than the Trustee, it will cause such paying agent to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to the provisions of this Section 4.04,

(1) that it will hold all sums held by it as such agent for the payment of the principal of or interest on the Securities in trust for the benefit of the Holders of the Securities, or of the coupons, as the case may be, and will notify the Trustee of the receipt of sums to be so held;

(2) that it will give the Trustee notice of any failure by the Company to make any payment of the principal of or interest on the Securities when the same shall be due and payable; and

(3) that at any time during the continuance of any such default, upon the written request of the Trustee, it will forthwith pay to the Trustee all sums so held in trust.

(b) If the Company shall act as its own paying agent, it will, on or before each due date of the principal of or interest on the Securities, set aside, segregate and hold in trust for the benefit of the Holders of the Securities and of the coupons, as the case may be, a sum sufficient to pay such principal or interest so becoming due. The Company will promptly notify the Trustee of such action or any failure to take such action or of any failure by the Company to make any payment of the principal of and interest on the Securities when the same shall become due and payable.

(c) Anything in this Section 4.04 to the contrary notwithstanding, the Company may, at any time, for the purpose of obtaining satisfaction and discharge of this Indenture, or for any other reason, pay or cause to be paid

to the Trustee all sums held in trust by it or any paying agent hereunder as required by this Section 4.04, such sums to be held by the Trustee upon the trusts herein contained.

(d) Anything in this Section 4.04 to the contrary notwithstanding, the agreement to hold sums in trust as provided in this Section is subject to the provisions of Sections 11.03 and 11.04.

SECTION 4.05. *Appointment of Trustee by Company.*

The Company, whenever necessary to avoid or fill a vacancy in the office of the Trustee, will appoint, in the manner provided in Section 6.09, a Trustee, so that there shall at all times be a Trustee hereunder.

SECTION 4.06. *Statement as to Compliance.*

On or before a date not more than four months after the end of each fiscal year of the Company ending after the date hereof, the Company will file with the Trustee an Officers' Certificate stating that in the course of the performance of their duties as such officers they would normally obtain knowledge of any action or failure to act on the part of the Company in violation of any covenant, agreement, provision or condition contained in this Indenture, stating whether or not they have obtained knowledge of any action or failure to act on the part of the Company during the preceding fiscal year which, in their opinion, is in violation of any covenant, agreement, provision or condition contained in this Indenture and, if so, specifying each such default of which the signers may have knowledge and the nature thereof.

SECTION 4.07. *Corporate Existence.*

Subject to Article Ten hereof, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights (charter and statutory) and franchises; *provided, however,* that the Company shall not be required to preserve any such right or franchise if the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and that the loss thereof is not disadvantageous in any material respect to the holders of the Securities.

SECTION 4.08. *Restrictions on Secured Debt.*

After the date hereof the Company will not at any time create, assume or guarantee, and will not cause, suffer or permit any Subsidiary to create, assume or guarantee, any Secured Debt without making effective provision (and the Company covenants that in such case it will make or cause to be made effective provision) whereby the Securities then outstanding and any other indebtedness of or guaranteed by the Company or such Subsidiary then entitled thereto, subject to applicable priorities of payment, shall be secured equally and ratably with such Secured Debt so long as such Secured Debt shall be outstanding; provided, however, that the foregoing covenants shall not be applicable to the following:

(a)(i) Mortgages on property to secure all or part of the cost of acquiring, substantially repairing or altering, constructing, developing or substantially improving such property, or to secure indebtedness incurred to provide funds for any such purpose or for reimbursement of funds previously expended for any such purpose, provided the commitment of the creditor to extend the credit secured by any such mortgage shall have been obtained not later than 24 months after the later of (A) the completion of the acquisition, substantial repair or alteration, construction, development or substantial improvement of such property or (B) the placing in operation of such property or of such property as so substantially repaired or altered, constructed, developed or substantially improved; or (ii) the acquisition of property subject to any mortgage upon such property existing at the time of acquisition thereof, whether or not assumed by the Company or a Subsidiary; or (iii) mortgages existing on the property or on the outstanding shares or indebtedness of a corporation at the time such corporation shall become a Subsidiary; or (iv) mortgages on property of a corporation existing at the time such corporation is merged into or consolidated with the Company or a Subsidiary or at the time of a sale, lease or other disposition of the assets of a corporation or other entity as an entirety or substantially as an entirety to the Company or a Subsidiary; provided, however, that the lien of any such mortgages described above in clauses (i) through (iv) do not spread (x) to other property at the time owned by the Company or any Subsidiary, with the exception of the land (including related land contiguous thereto) and the balance of the building or buildings, if any, on or in which said

substantial repair or alteration, construction, development or substantial improvement was made, or (y) to other property thereafter acquired other than additions to such excepted property; or

(b) Mortgages on property of the Company or a Subsidiary in favor of the United States of America or any State thereof, or any department, agency or instrumentality or political subdivision of the United States of America or any State thereof, or in favor of any other country, or any department, agency or instrumentality or political subdivision thereof, to secure partial, progress, advance or other payments pursuant to any contract or statute or to secure any indebtedness incurred for the purpose of financing all or any part of the purchase price or the cost of construction or improvement of the property subject to such mortgages; or

(c) Any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any mortgage existing on the date hereof or referred to in the foregoing subparagraphs (a) and (b); provided, however, that the principal amount of Secured Debt secured thereby shall not exceed the principal amount outstanding at the time of such extension, renewal or replacement, and that the mortgage so extended, renewed or replaced shall be limited to the property subject thereto at the time of such extension, renewal or replacement and additions to such property.

Notwithstanding the foregoing provisions of this Section 4.08, the Company and any Subsidiary may create, assume or guarantee Secured Debt which would otherwise be subject to the foregoing restrictions in an aggregate amount which, together with the amount of all other Secured Debt of the Company and its Subsidiaries then outstanding which would otherwise be subject to the foregoing restrictions (not including Secured Debt permitted to be created, assumed or guaranteed under subparagraphs (a) through (c) above), does not at the time exceed 5% of Shareholders' Ownership.

SECTION 4.09. *Restrictions on Sales and Leasebacks.*

The Company will not, and will not permit any Subsidiary to, sell or transfer (except to the Company or one or more Subsidiaries, or both) any Operating Property which was such on the date of this Indenture with the

intention of taking back a lease on such property, except a lease for a temporary period (not exceeding 24 months) with the intent that the use by the Company or such Subsidiary of such property will be discontinued on or before the expiration of such period (herein referred to as a "Sale and Leaseback Transaction"), other than the sale of such property in one or more Sale and Leaseback Transactions which do not exceed an aggregate in value at any time outstanding of 10% of Shareholders' Ownership; provided, further, that the Company or a Subsidiary may in addition engage in one or more Sale and Leaseback Transactions if the Company or Subsidiary shall apply an amount equal to the value of the property so leased to the retirement (other than any mandatory retirement), within 120 days of the effective date of any such arrangement, of indebtedness for money borrowed by the Company or a Subsidiary (other than such indebtedness owned by the Company or a Subsidiary) which was recorded as Funded Debt as of the date of its creation and which, in the case of such indebtedness of the Company, is not subordinate and junior in right of payment to the prior payment of the Securities.

The term "value" shall mean, in computing the value of a Sale and Leaseback Transaction or the aggregate value of such Transactions, as of any particular time, the amount equal to the greater of (i) the net proceeds of the sale of the property or properties leased pursuant to such Sale and Leaseback Transaction or Transactions, or (ii) the amount of such property or properties at the time of entering into each such Sale and Leaseback Transaction, as shown on the Company's or Subsidiary's books of account net of accumulated depreciation and amortization, in either case divided first by the number of full years of the term of the lease and then multiplied by the number of full years of such term remaining at the time of determination, without regard to any renewal or extension options contained in the lease. Any retirement of Securities pursuant to the proviso in the preceding paragraph shall be subject to the provisions of Article Three hereof.

ARTICLE FIVE
REMEDIES

SECTION 5.01. *Events of Default; Declaration of Principal Due; Waiver of Default.*

In case one or more of the following Events of Default shall have occurred and be continuing with respect to any Security, that is to say:

- (a) default in the payment of the principal of any Security as and when the same shall become due and payable, either at Maturity, upon redemption, by declaration or otherwise, and continuance of such default for a period of five Business Days; or
- (b) default in the payment of any instalment of interest upon any Security as and when the same shall become due and payable and continuance of such default for a period of thirty days; or
- (c) failure on the part of the Company duly to observe or perform any other of the covenants or agreements on its part contained in the Security or in this Indenture (other than a default with respect to which performance is dealt with specifically elsewhere in this Section), and such failure shall continue unremedied for a period of 90 days after the date on which written notice of such failure, stating the specific event or events complained of and requiring the Company to remedy the same and stating that such notice is a "Notice of Default" hereunder, shall have been given to the Company by the Trustee, or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Securities at the time outstanding (or such lesser amount as shall have acted at a meeting of Holders of Securities pursuant to Section 8.05); or
- (d) a court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Company in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appoint a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property, or order the winding-up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(e) the Company shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar official) of the Company or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due or shall take any corporate action in furtherance of any of the foregoing;

then and in each and every such case, unless the principal of all the Securities shall have already become due and payable, either the Trustee or the Holders of not less than 25% in aggregate principal amount of the Securities then outstanding hereunder (or such lesser amount as shall have acted at a meeting of Holders of the Securities pursuant to Section 8.05) by notice in writing to the Company (and to the Trustee if given by Holders of such Securities), may declare the principal amount of all the Securities to be due and payable immediately, and upon any such declaration of acceleration the same, together with any accrued interest and any other amounts owing hereunder, shall become and shall be immediately due and payable, anything contained in this Indenture or in the Securities to the contrary notwithstanding. This provision, however, is subject to the condition that if, at any time after such a declaration of acceleration has been made, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Company shall pay or shall deposit with the Trustee a sum sufficient to pay all matured instalments of interest upon all the Securities and such amount as shall be sufficient to cover reasonable compensation to the Trustee, its agents, attorneys and counsel, and all other expenses and liabilities reasonably incurred, and all reasonable advances made, by the Trustee except as a result of its negligence or bad faith, and any and all defaults under the Indenture, other than the non-payment of the principal amount of Securities which shall have become due by acceleration, shall have been remedied—then and in every such case the Holders of a majority in aggregate principal amount of the Securities then outstanding (or such lesser amount as shall have acted at a meeting of the Holders of the Securities pursuant to Section 8.05), by written notice to the Company and the Trustee, may waive

with respect to all Securities all defaults and rescind and annul such declaration and its consequences; but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.

In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned because of such rescission and annulment or for any other reason or shall have been determined adversely to the Trustee, then and in every such case the Company, the Trustee and the Holders of the Securities shall be restored respectively to their former positions and rights hereunder, and all rights, remedies and powers of the Company, the Trustee and the Holders of the Securities shall continue as though no such proceedings had been taken.

SECTION 5.02. *Payment of Securities on Default.*

The Company covenants that (a) in case default shall be made in the payment of any instalment of interest, if any, on any of the Securities as and when the same shall become due and payable, and such default shall have continued for a period of 30 days, or (b) in case default shall be made in the payment of the principal of any of the Securities as and when the same shall have become due and payable, whether upon Maturity or upon redemption or upon declaration or otherwise, and such default shall have continued for a period of five Business Days—then, upon demand of the Trustee, the Company will pay to the Trustee, for the benefit of the Holders of the Securities and coupons the whole amount that then shall have become due and payable on all such Securities and coupons for principal or interest, if any, or both, as the case may be, with interest (to the extent that payment of such interest is enforceable under applicable law) upon the overdue principal and upon overdue instalments of interest at the same rate as the rate of interest specified in the Security and, in addition thereto, such further amount as shall be sufficient to cover reasonable compensation to the Trustee, its agents, attorneys and counsel, and all other expenses and liabilities reasonably incurred, and all reasonable advances made, by the Trustee except as a result of its negligence or bad faith.

In case the Company shall fail forthwith to pay such amounts upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any action or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute

any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against the Company or other obligor upon the Securities and collect in the manner provided by law out of the property of the Company or other obligor upon the Securities wherever situated the moneys adjudged or decreed to be payable.

In case there shall be pending proceedings for the bankruptcy, reorganization or liquidation of the Company or any other obligor upon the Securities under the Federal bankruptcy law or any other similar applicable Federal or State law, or in case a receiver or trustee shall have been appointed for the property of the Company or such other obligor, or in the case of any other judicial proceedings relative to the Company or such other obligor upon the Securities or to the creditors or property of the Company or such other obligor, the Trustee, irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section 5.02, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal and interest, if any, owing and unpaid in respect of the Securities, and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee, its agents, attorneys and counsel, and for reimbursement of all expenses and liabilities reasonably incurred, and all reasonable advances made, by the Trustee except as a result of its negligence or bad faith) and of the Holders of the Securities and/or coupons allowed in any such judicial proceedings relative to the Company or other obligor upon the Securities or to the creditors or property of the Company or such other obligor, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute all amounts received with respect to the claims of the Holders of the Securities and coupons and of the Trustee on their behalf; provided, however, that nothing contained in this Indenture shall be deemed to give to the Trustee any right to accept or to consent to any plan of reorganization or otherwise, by action of any character in any such proceedings, to waive or change in any way any right of any Holder of Securities or coupons. Any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized by each Holder of a Security or coupon to make payments to the Trustee and, in the event that the Trustee shall

consent to the making of payments directly to the Holders of the Securities and coupons, to pay to the Trustee such amount as shall be sufficient to cover reasonable compensation to the Trustee, its agents, attorneys and counsel, and all other expenses and liabilities reasonably incurred, and all reasonable advances made, by the Trustee except as a result of its negligence or bad faith.

All rights of action and of asserting claims under this Indenture, or under any of the Securities or coupons, may be enforced by the Trustee without the possession of any of the Securities or coupons, or the production thereof on any trial or other proceedings relative thereto, and any such action or proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall be for the ratable benefit of the Holders of the Securities and coupons.

In case of a default hereunder the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

SECTION 5.03. Application of Money Collected by Trustee.

Any moneys collected by the Trustee pursuant to Section 5.02 shall be applied in the order following, at the date or dates fixed by the Trustee and, in case of the distribution of such moneys on account of principal or interest, upon presentation of the several Securities and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

FIRST: To the payment of costs and expenses of collection, and of all amounts payable to the Trustee and each predecessor Trustee under Section 6.06;

SECOND: In case the principal of the Securities shall not have become due at Maturity, upon redemption, by declaration or otherwise, to the payment of interest on the Securities, in the order of the Maturity of the instalments of such interest, with interest (so far as may be lawful and to the extent that such interest has been collected by the Trustee)

upon the overdue instalments of interest at the same rate as the rate of interest specified in the Securities, such payments to be made ratably to the persons entitled thereto, without discrimination or preference;

THIRD: In case the principal of the Securities shall have become due, by declaration or otherwise, to the payment of the whole amount then owing and unpaid upon the Securities for principal and interest, with interest upon the overdue principal and (so far as may be lawful and to the extent that such interest has been collected by the Trustee) upon overdue instalments of interest at the same rate as the rate of interest specified in the Securities; and in case such moneys shall be insufficient to pay in full the whole amount so due and unpaid upon the Securities, then to the payment of such principal and interest, without preference or priority of principal over interest, or of interest over principal or of any instalment of interest over any other instalment of interest, or of any Security over any other Security, ratably to the aggregate of such principal and accrued and unpaid interest; and

FOURTH: To the payment of the remainder, if any, to the Company, its successors or assigns, or to whosoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

SECTION 5.04. *Proceedings by Holders of Securities.*

No Holder of any Security or coupon shall have any right by virtue of any provision of this Indenture to institute any action or proceeding at law or in equity or in bankruptcy or otherwise, upon or under or with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless such Holder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof, as hereinbefore provided, and unless also the Holders of not less than 25% in aggregate principal amount of the Securities then outstanding (or such lesser amount as shall have acted at a meeting of the Holders of the Securities pursuant to Section 8.05) shall have made written request upon the Trustee to institute such action or proceedings in its own name as Trustee hereunder and shall have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee, for sixty days after its receipt of such notice, request and offer of indemnity, shall have failed to institute any such action or proceedings and no direction inconsistent with such written request shall

have been given to the Trustee pursuant to Section 5.06; it being understood and intended, and being expressly covenanted by the taker and Holder of every Security or coupon with every other such taker and Holder and the Trustee, that no one or more Holders of Securities or coupons shall have any right in any manner whatever by virtue or by availing himself of any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders of Securities or coupons, or to obtain or seek to obtain priority over or preference to any other such Holders or coupons, or to enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all Holders of Securities and coupons. For the protection and enforcement of the provisions of this Section 5.04, each and every Holder of Securities or coupons, and the Trustee shall be entitled to such relief as can be given either at law or in equity.

If the Trustee or any Holder of any Security or coupon has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case the Company, the Trustee and the Holders shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding has been instituted.

Notwithstanding any other provisions in this Indenture, however, the right of any Holder of any Security or coupon to receive payment of the principal of and interest, if any, on such Security or to receive payment in respect of such coupon, on or after the respective due dates expressed in such Security, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

SECTION 5.05. Remedies Cumulative and Continuing.

All powers and remedies given by this Article Five to the Trustee or to the Holders of Securities and/or coupons shall, to the extent permitted by law, be deemed cumulative and not exclusive of any other such powers and remedies or of any other powers and remedies available to the Trustee or the Holders of Securities and/or coupons, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements

contained in this Indenture, and no delay or omission of the Trustee or of any Holder of Securities or coupons to exercise any right or power accruing upon any default occurring and continuing as aforesaid shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence therein; and, subject to the provisions of Section 5.04, every power and remedy given by this Article Five or by law to the Trustee or to the Holders of Securities and/or coupons may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Holder of Securities and/or coupons.

SECTION 5.06. *Rights of Holders of Majority in Amount of Securities to Direct Trustee.*

The Holders of a majority in aggregate principal amount of the Securities at the time outstanding (or such lesser amount as shall have acted at a meeting of Holders of Securities pursuant to Section 8.05) shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee; provided, however, that, subject to the provisions of Section 6.01 hereof, the Trustee shall have the right to decline to follow any such direction if the Trustee, being advised by counsel, shall determine that the action so directed may not lawfully be taken or is not in accordance with the provisions of this Indenture, or if the Trustee in good faith shall by a Responsible Officer determine that the action so directed would be unduly prejudicial to the Holders of the Securities not taking part in such direction.

SECTION 5.07. *Undertaking to Pay Costs.*

All parties to this Indenture agree, and each Holder of any Security or coupon by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; provided, however, that the provisions of this Section 5.07 shall not apply to any suit instituted by the Trustee, to any suit instituted by any person or group of persons holding in the aggregate more than 10% in principal

amount of the outstanding Securities, or to any suit instituted by the Holder of any Security or coupon for the enforcement of the payment of the principal of or interest on any Security on or after the due date thereof or of such coupon.

SECTION 5.08. *Notice of Defaults to Holders of Securities.*

The Trustee shall, within 90 days after the occurrence of default, give notice of all such defaults known to a Responsible Officer of the Trustee (i) to all Holders of then outstanding Bearer Securities by publication at least once in an Authorized Newspaper in London, in New York City and, as long as the Securities are listed on the Luxembourg Stock Exchange, in Luxembourg and (ii) to all Holders of then outstanding Registered Securities, by mailing such notice to such Holders at their addresses as they shall appear on the Security Register, unless all such defaults known to such Responsible Officer of the Trustee shall have been cured before the giving of such notice (the term "default" or "defaults" for purposes of this Section 5.08 being defined to be any event or events, as the case may be, specified in clauses (a), (b), (c), (d) and (e) of Section 5.01, excluding periods of grace, if any, and the giving of notice, if any, provided for therein); *provided* that, except in the case of a default in the payment of principal of or interest on any of the Securities, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors or Responsible Officers, or both, of the Trustee in good faith determines that the withholding of such notice is in the interest of Holders of the Securities and coupons. Concurrently with mailing and publication thereof the Trustee shall send a copy of each such notice to each securities exchange on which the Company has advised the Trustee that the Securities are listed.

**ARTICLE SIX
CONCERNING THE TRUSTEE**

SECTION 6.01. *Duties and Liabilities of Trustee.*

The Trustee, except during the continuance of an Event of Default known to it, undertakes to perform only such duties as are specifically set forth in this Indenture. In case an Event of Default known to it has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in

their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own wilful misconduct, except that:

(a) unless an Event of Default known to it shall have occurred and be continuing:

(i) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture;

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

(c) the Trustee shall not be liable with respect to any action taken, suffered or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in principal amount of the Securities at the time outstanding (or such lesser amount as shall have acted at a meeting of Holders of Securities pursuant to Section 8.05) relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture; and

(d) the Trustee shall not be charged with knowledge of any Event of Default unless either (1) a Responsible Officer of the Trustee

assigned to its corporate trust department shall have actual knowledge of such Event of Default or (2) written notice of such Event of Default shall have been given to the Trustee by the Company or any other obligor on the Securities or by the Holders of at least 5% in aggregate principal amount of the Securities then outstanding.

None of the provisions of this Indenture shall be construed as requiring the Trustee to expend or risk its own funds or otherwise to incur any personal financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

SECTION 6.02. *Reliance on Documents, Opinions, etc.*

Subject to Section 6.01:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by a Company Request or a Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) the Trustee may consult with counsel and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with such advice or Opinion of Counsel;

(d) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Holders of the Securities pursuant to the provisions of this Indenture unless such holders of the Securities shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred therein or thereby;

(e) the Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture;

(f) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder; and

(g) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney.

SECTION 6.03. No Responsibility for Recitals, etc.

The recitals contained herein and in the Securities, except the Trustee's certificate of authentication, shall be taken as the statements of the Company and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representation as to the validity or sufficiency of this Indenture or the Securities or coupons; *provided* that the Trustee shall not be relieved of its duty to authenticate Securities only as authorized by this Indenture. The Trustee shall not be accountable for the use or application by the Company of any of the Securities or of the proceeds thereof.

SECTION 6.04. Trustee or Paying Agent May Become Owner or Pledgee of Securities or Coupons.

The Trustee or any paying agent or any other agent of the Trustee or the Company, in its individual or any other capacity, may become the owner or pledgee of Securities or coupons and may otherwise engage in transactions with, and collect obligations owing to it by, the Company (and retain such collections for its own account) with the same rights it would have if it were not Trustee or paying agent or such other agent.

SECTION 6.05. *Money to Be Held in Trust.*

Subject to the provisions of Sections 11.03 and 11.04, all money received by the Trustee or any paying agent shall, until used or applied as herein provided, be held in trust for the purposes for which received, but need not be segregated from other funds except to the extent required by law. Neither the Trustee nor any paying agent shall be under any liability for interest on any money received by it hereunder except such as it may agree with the Company to pay thereon.

SECTION 6.06. *Compensation, Reimbursement and Indemnification of Trustee.*

The Company covenants and agrees to pay to the Trustee from time to time reasonable compensation (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust), and the Company will pay or reimburse the Trustee or any predecessor Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee or any predecessor Trustee in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence or bad faith. The Company also covenants to indemnify each of the Trustee and any predecessor Trustee for, and to hold each harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this Trust and the performance of its duties hereunder, including the costs and expenses of defending itself against any claim of liability in connection with the exercise or performance of its rights, powers or duties hereunder (except any liability incurred with negligence or bad faith on the part of the Trustee). The obligations of the Company under this Section 6.06 to compensate the Trustee and to pay or reimburse the Trustee and any predecessor Trustee for expenses, disbursements and advances shall constitute additional indebtedness hereunder and shall survive the satisfaction and discharge of this Indenture. Such additional indebtedness shall have a prior claim to that of the Securities upon all property and funds held or collected by the Trustee as such, except funds held in trust for the benefit of the Holders of Securities or coupons, and the Securities are hereby subordinated to such senior claim.

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SECTION 6.07. *Officers' Certificate as Evidence.*

Subject to Section 6.01, whenever in the administration of the provisions of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action to be taken hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officers' Certificate of the Company, as requested by and delivered to the Trustee, and such Officers' Certificate, in the absence of negligence or bad faith on the part of the Trustee, shall be full warrant to the Trustee for any action taken, suffered or omitted by it under the provisions of this Indenture upon the faith thereof.

SECTION 6.08. *Eligibility of Trustee.*

The Trustee hereunder shall at all times be a corporation or trust company organized and doing business under the laws of the United States of America or of any State thereof, which (a) is authorized under such laws to exercise corporate trust powers, (b) is subject to supervision or examination by Federal or State authority and (c) shall have at all times a combined capital and surplus of not less than five million dollars. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section 6.08, the combined capital and surplus of such corporation at any time shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 6.08, the Trustee shall resign immediately in the manner and with the effect specified in Section 6.09.

SECTION 6.09. *Resignation or Removal of Trustee.*

(a) The Trustee, or any Trustee or Trustees hereafter appointed, may at any time resign by (i) giving written notice of resignation to the Company, (ii) mailing notice thereof to all Holders of Registered Securities at their addresses as they shall appear on the Security Register and (iii) giving notice thereof to Holders of outstanding Bearer Securities by publication at least once in an Authorized Newspaper in London, in New York City and, as long as the Securities are listed on the Luxembourg Stock Exchange, in

Luxembourg. Upon receiving such notice of resignation and evidence satisfactory to it of such mailing and publication, the Company shall promptly appoint a successor Trustee by written instrument, in duplicate, executed by the Company, and one copy of such instrument shall be delivered to the resigning Trustee and one copy to the successor Trustee. If no successor Trustee shall have been so appointed and have accepted appointment within 30 days after the publication of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, or any holder who has been a bona fide holder of a Security for at least six months may, subject to the provisions of Section 5.07, on behalf of himself and all others similarly situated, petition any such court for the appointment of a successor Trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor Trustee.

(b) If at any time any of the following shall occur:

- (1) the Trustee shall cease to be eligible in accordance with the provisions of Section 6.08 and shall fail to resign after written request therefor by the Company or by any Holder of a Security, or
- (2) the Trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then the Company by Board Resolution may remove the Trustee and appoint a successor Trustee by written instrument delivered to the Trustee so removed and to the successor Trustee, or, subject to the provisions of Section 5.07, any Holder who has been a bona fide Holder for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor Trustee.

(c) The Holders of a majority in aggregate principal amount of the Securities at the time outstanding (or such lesser amount as shall have acted at a meeting of Holders of Securities pursuant to Section 8.05) may at any time remove the Trustee and nominate a successor Trustee unless within ten days after such nomination the Company objects thereto in which case the Trustee so removed or any Holder, upon the terms and conditions and otherwise as in subsection (b) of this Section 6.09 provided, may petition any court of competent jurisdiction for an appointment of a successor Trustee.

(d) Any resignation or removal of the Trustee and appointment of a successor Trustee pursuant to any of the provisions of this Section shall become effective upon acceptance of appointment by the successor Trustee as provided in Section 6.10.

SECTION 6.10. *Acceptance by Successor to Trustee.*

Every successor Trustee appointed as provided in Section 6.09 shall execute, acknowledge and deliver to the Company and to its predecessor Trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as Trustee herein; but, nevertheless, on the written request of the Company or of the successor Trustee, the Trustee ceasing to act shall, upon payment of any amounts then due it pursuant to the provisions of Section 6.06, execute and deliver an instrument transferring to such successor Trustee all the rights and powers of the Trustee so ceasing to act. Upon request of any such successor Trustee, the Company shall execute any and all instruments in writing in order more fully and certainly to vest in and confirm to such successor Trustee all such rights and powers of the Trustee so ceasing to act. Any Trustee ceasing to act shall, nevertheless, have a prior claim to that of the Securities upon all property or funds held or collected by such Trustee to the extent of any amounts then due it pursuant to the provisions of Section 6.06.

No successor Trustee shall accept appointment as provided in this Section unless at the time of such acceptance such successor Trustee shall be eligible under Section 6.08.

Upon acceptance of appointment by a successor Trustee as provided in this Section, the Company shall publish notice of the succession of such Trustee hereunder (i) to the Holders of then outstanding Bearer Securities, by publication of such notice at least once in an Authorized Newpaper in London and in New York, as long as the Securities are listed on the Luxembourg Stock Exchange, in Luxembourg and (ii) to the Holders of Registered Securities by mailing such notice to such Holders at their addresses as they shall appear on the Security Register. If the Company fails to publish such notice within ten days after the acceptance of

appointment by the successor Trustee, the successor Trustee shall cause such notice to be published at the expense of the Company.

SECTION 6.11. *Successor by Merger, etc.*

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be eligible under the provisions of Section 6.08, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

If at the time such successor to the Trustee shall succeed to the trusts created by this Indenture any of the Securities shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor Trustee and deliver such Securities so authenticated. If at that time any of the Securities shall not have been authenticated, any successor Trustee may authenticate such Securities either in the name of any predecessor hereunder or in its own name. In all such cases such certificates shall have the full force which the Securities or this Indenture provide that the certificate of authentication of the Trustee shall have; *provided* that the right to adopt the certificate of authentication of any predecessor Trustee or to authenticate Securities in the name of any predecessor Trustee shall apply only to its successor or successors by merger, conversion or consolidation.

ARTICLE SEVEN

CONCERNING THE HOLDERS OF SECURITIES

SECTION 7.01. *Evidence of Action by Holders of Securities.*

Whenever in this Indenture it is provided that the Holders of a specified percentage in aggregate principal amount of the Securities may take any action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action), the fact that at the time of taking any such action the Holders of such specified percentage have joined therein may be evidenced (a) by any instrument or any number

of instruments of similar tenor executed by Holders of the Securities, in person or by agent or proxy appointed in writing, (b) by the record of the Holders of Securities voting in favor thereof at any meeting of Holders of the Securities, duly called and held in accordance with the provisions of Article Eight or (c) by a combination of such instrument or instruments and any such record of such a meeting of Holders of the Securities.

SECTION 7.02. *Proof of Execution of Instruments and of Holding of Securities.*

Subject to the provisions of Sections 6.01, 6.02 and 8.06, proof of the execution of any instrument by a Holder of a Security or his agent or proxy and proof of the holding by any Person of any of the Securities shall be sufficient if made in the following manner:

The fact and date of the execution by any such Person of any instrument may be proved by the certificate of any notary public or other officer of any jurisdiction authorized to take acknowledgments of deeds or administer oaths that the Person executing such instrument acknowledged to him the execution thereof, or by an affidavit of a witness to such execution sworn to before any such notary or other such officer. Where such execution is by or on behalf of any legal entity other than an individual, such certificate or affidavit shall also constitute sufficient proof of the authority of the Person executing the same.

The fact of the holding by any Holder of a Bearer Security, and the identifying number of such Bearer Security and the date of his holding the same, may be proved by the production of such Bearer Security or by a certificate executed by any trust company, bank, banker or recognized securities dealer satisfactory to the Trustee wherever situated, if such certificate shall be deemed by the Trustee to be satisfactory. Each such certificate shall be dated and shall state that on the date thereof a Bearer Security bearing a specified identifying number was deposited with or exhibited to such trust company, bank, banker or recognized securities dealer by the person named in such certificate. Any such certificate may be issued in respect of one or more Bearer Securities specified therein. The holding by the person named in any such certificate of any Bearer Security specified therein shall be presumed to continue for a period of one year from the date of such certificate unless at the time of any determination of such holding (a) another certificate bearing a later date issued in respect of the

same Bearer Security shall be produced, or (b) the Bearer Security specified in such certificate shall have ceased to be outstanding.

The ownership of Registered Securities shall be proved by the Securities Register.

Subject to Sections 6.01, 6.02 and 8.06, the fact and date of the execution of any such instrument and the amount and numbers of Securities held by the person so executing such instrument and the amount and numbers of any Security or Securities may also be proven in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in any other manner which the Trustee may deem sufficient.

The Trustee may require such additional proof of any matter referred to in this Section 7.02 as it shall deem necessary.

The record of any meeting of Holders of Securities shall be proved in the manner provided in Section 8.07.

SECTION 7.03. Who May Be Deemed Owners of Securities and Coupons.

The Company, the Trustee, any paying agent, the Security Registrar and any agent of the Company or the Trustee hereunder may treat, to the extent permitted by applicable law, the bearer of any Bearer Security and the bearer of any coupon appertaining thereto as the absolute owner of such Bearer Security or coupon, as the case may be (whether or not such Bearer Security or coupon shall be overdue and notwithstanding any notation of ownership or other writing thereon), for the purpose of receiving payment thereof or of any coupon appertaining thereto and for all other purposes, and, to the extent permitted by applicable law, neither the Company, the Trustee, any paying agent, the Security Registrar nor any agent of the Company or the Trustee hereunder shall to the extent permitted by applicable law be affected by any notice to the contrary. The Company, the Trustee, any paying agent, the Security Registrar and any agent of the Company or the Trustee hereunder may deem the Person in whose name a Security shall be registered upon the Security Register to be, and may treat him as, the absolute owner of such Security (whether or not such Security shall be overdue and notwithstanding any notation of ownership or other writing thereon), for the purpose of receiving payment of or on account of the principal of, and (subject to Section 2.03) interest on such Security and for all other purposes; and, to the extent permitted by applicable law,

neither the Company nor the Trustee nor any paying agent nor the Security Registrar nor any agent of the Company or the Trustee hereunder shall be affected by any notice to the contrary. All such payments so made to any such bearer or any such registered holder shall be valid and, to the extent of the sum or sums so paid, effectual to satisfy and discharge all liability for the money payable upon any such Security or any coupon appertaining to a Bearer Security.

SECTION 7.04. *Securities Owned by Company Disregarded.*

In determining whether the Holders of the required aggregate principal amount of Securities are present at a meeting of Holders of Securities for the purpose of determining a quorum or have concurred in any direction, consent or waiver or other action under this Indenture, Securities which are owned by the Company or by any Affiliate of the Company, shall be disregarded and deemed not to be outstanding for the purpose of any such determination, except that for the purpose of determining whether the Trustee shall be protected in relying on any such direction, consent or waiver or other action, only Securities which the Trustee knows are so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as outstanding for the purposes of this Section 7.04, if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Securities and that the pledgee is not an Affiliate of the Company. In case of a dispute to such right, any decision by the Trustee taken upon and in accordance with the advice of counsel shall be full protection to the Trustee.

SECTION 7.05. *Revocation of Consents.*

At any time prior to the taking of any action by the Holders of the percentage in aggregate principal amount of the Securities specified in this Indenture in connection with such action, any Holder of a Security the identifying number of which is shown by the evidence to be included in the Securities the Holders of which have consented to such action, may, by filing written notice with the Trustee at its Corporate Trust Office and upon proof of holding as provided in Section 7.02, revoke such action so far as concerns such Security. Except as aforesaid, any such action taken by the Holder of any Security shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Security and of any Security issued in substitution or exchange therefor, irrespective of whether any notation in regard thereto is made upon such Security. Any action taken by the Holders

of the percentage in aggregate principal amount of the Securities specified in this Indenture in connection with such action shall be conclusively binding upon the Company, the Trustee and the holders of all the Securities.

ARTICLE EIGHT

MEETINGS OF HOLDERS OF THE SECURITIES

SECTION 8.01. *Purposes of Meetings.*

A meeting of holders of the Securities may be called at any time and from time to time pursuant to the provisions of this Article Eight for any of the following purposes:

- (1) to give any notice to the Company or the Trustee, to give any direction to the Trustee or to take any other action authorized to be taken by holders of the Securities pursuant to any of the provisions of Article Five;
- (2) to remove the Trustee and appoint a successor Trustee pursuant to the provisions of Article Six;
- (3) to consent to the execution of an indenture or indentures supplemental hereto pursuant to the provisions of Section 9.02; or
- (4) to take any other action authorized to be taken by or on behalf of the holders of any specified percentage in aggregate principal amount of the Securities under any other provision of this Indenture or under applicable law.

SECTION 8.02. *Call of Meetings by Trustee.*

The Trustee may at any time call a meeting of Holders of the Securities to take any action specified in Section 8.01, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of the Holders of Securities, setting forth the time and place of such meeting and in general terms the action proposed to be taken at such meeting, shall be (i) mailed to Holders of Registered Securities at their addresses as they shall appear on the Security Register and (ii) given to all other Holders of then outstanding Bearer Securities by publication at least once in an Authorized Newspaper in London, in New York City and, as long as the Securities are listed on the Luxembourg Stock Exchange, in Luxembourg. Such notices

shall be mailed and published not less than 20 nor more than 180 days prior to the date fixed for the meeting. Any failure of the Trustee to mail and publish such notice, or any defect therein, shall not in any way impair or affect the validity of any such meeting.

SECTION 8.03. *Call of Meetings by Company or Holders.*

In case at any time the Company, pursuant to a resolution adopted by its Board of Directors, or the Holders of at least 10% in aggregate principal amount of the Securities then outstanding shall have requested the Trustee to call a meeting of Holders of the Securities to take any action authorized in Section 8.01, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have made the first publication of the notice of such meeting within 30 days after receipt of such request, then the Company or the Holders of the Securities in the amount above specified may determine the time and the place for such meeting and may call such meeting by mailing and publishing notice thereof as provided in Section 8.02.

SECTION 8.04. *Qualifications for Voting.*

To be entitled to vote at any meeting of Holders of Securities a person shall (a) be a Holder of one or more Securities or (b) be a person appointed by an instrument in writing as proxy by the Holder of one or more such Securities. The only persons who shall be entitled to be present or to speak at any meeting of the Holders of such Securities shall be the persons entitled to vote at such meeting and their counsel, any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

SECTION 8.05. *Quorum; Adjourned Meetings.*

The persons entitled to vote a majority in aggregate principal amount of the Securities at the time outstanding shall constitute a quorum for the transaction of all business specified in Section 8.01. No business shall be transacted in the absence of a quorum (determined as provided in this Section 8.05). In the absence of a quorum within 30 minutes after the time appointed for any such meeting, the meeting shall, if convened at the request of the holders of Securities (as provided in Section 8.03), be dissolved. In any other case the meeting shall be adjourned for a period of not less than ten days as determined by the chairman of the meeting. In the absence of a quorum at any such adjourned meeting, such adjourned meeting shall be

further adjourned for a period of not less than ten days as determined by the chairman of the meeting. Notice of the reconvening of any adjourned meeting shall be given as provided in Section 8.02, except that such notice need be published only once and must be mailed or published not less than five days prior to the date on which the meeting is scheduled to be reconvened.

Subject to the foregoing, at the second reconvening of any meeting adjourned for lack of a quorum, the persons entitled to vote 25% in aggregate principal amount of the Securities then outstanding shall constitute a quorum for the taking of any action set forth in the notice of the original meeting. Notice of the reconvening of an adjourned meeting shall state expressly the percentage of the aggregate principal amount of the Securities then outstanding which shall constitute a quorum.

At a meeting or an adjourned meeting duly convened and at which a quorum is present as aforesaid, any resolution and all matters (except as limited by the proviso in Section 9.02) shall be effectively passed and decided if passed or decided by the persons entitled to vote the lesser of (a) a majority in aggregate principal amount of the Securities then outstanding and (b) 75% in aggregate principal amount of the Securities represented and voting at the meeting.

Any holder of a Security who has executed in person or by proxy and delivered to the Trustee an instrument in writing complying with the provisions of Article Seven shall be deemed to be present for the purposes of determining a quorum and be deemed to have voted; *provided* that such Holder of a Security shall be considered as present or voting only with respect to the matters covered by such instrument in writing.

Any resolution passed or decision taken at any meeting of the Holders of Securities duly held in accordance with this Section shall be binding on all the Holders of Securities whether or not present or represented at the meeting.

SECTION 8.06. *Regulations.*

Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders of the Securities, in regard to proof of the holding of Securities and of the appointment of proxies, and in regard to the appoint-

ment and duties of inspectors of votes, the submission and examination of proxies, certificates, and such other matters concerning the conduct of the meeting as it shall think fit. Except as otherwise permitted or required by any such regulations, the holding of Securities shall be proved in the manner specified in Section 7.02 and the appointment of any proxy shall be proved in the manner specified in Section 7.02 or by having the signature of the person executing the proxy witnessed or guaranteed by any trust company, bank, banker or recognized securities dealer authorized by Section 7.02 to certify to the holding of Securities.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders of the Securities as provided in Section 8.03, in which case the Company or the holders of the Securities calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Holders of a majority in principal amount of the Securities represented at the meeting.

Subject to the provisions of Sections 7.04 and 8.04, at any meeting each Holder of a Security or proxy shall be entitled to one vote for each \$5,000 principal amount of each Security held or represented by him; *provided* that no vote shall be cast or counted at any meeting in respect of any Security challenged as not outstanding and ruled by the chairman or temporary chairman, as the case may be, of the meeting not to be outstanding. The chairman of the meeting shall have no right to vote except as a Holder of a Security or proxy. Any meeting of holders of the Securities duly called pursuant to the provisions of Section 8.02 or 8.03 at which a quorum is present may be adjourned from time to time, and the meeting may be held as so adjourned without further notice.

SECTION 8.07. *Voting.*

The vote upon any resolution submitted to any meeting of Holders of the Securities shall be by written ballot on which shall be subscribed the signatures of the Holders of the Securities or proxies and on which shall be inscribed identifying numbers, or to which shall be attached a list of identifying numbers, of the Securities held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution

and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of holders of the Securities shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting, and any adjourned meeting if required, and showing that said notice was published as provided in Section 8.02 and, if applicable, Section 8.05. The record shall be signed and verified by the permanent chairman and secretary of the meeting and one of the duplicates shall be delivered to the Company and the other to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting.

Any record so signed and verified shall be conclusive evidence of the matters therein stated.

SECTION 8.08. *No Delay of Rights by Meeting.*

Nothing in this Article Eight contained shall be deemed or construed to authorize or permit, by reason of any call of a meeting of holders of Securities or any rights expressly or impliedly conferred hereunder to make such call, any hindrance or delay in the exercise of any right or rights conferred upon or reserved to the Trustee or Holders of Securities under any provisions of this Indenture or of the Securities.

ARTICLE NINE

SUPPLEMENTAL INDENTURES

SECTION 9.01. *Supplemental Indentures Without Consent of Holders.*

Without the consent of any Holders of the Securities, the Company, when authorized by Board Resolutions, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for one or more of the following purposes:

- (a) to evidence the succession of another corporation to the Company, or successive successions, and the assumption by any such successor corporation of the covenants, agreements and obligations of the Company contained herein;
- (b) to add to the covenants of the Company, for the benefit of the Holders of Securities, or to surrender any right or power herein conferred upon the Company;

(c) to add any additional Events of Default;

(d) to amend this Indenture to conform to the provisions of the United States Trust Indenture Act of 1939 as in effect at the time of the execution of such supplemental indenture; and

(e) to cure any ambiguity, to correct or supplement any provision contained in this Indenture which may be defective or inconsistent with any other provision contained in this Indenture; to convey, transfer, assign, mortgage or pledge any property to or with the Trustee; or to make such other provisions in regard to matters or questions arising under this Indenture as shall not materially adversely affect the interests of the Holders of the Securities and the coupons.

The Trustee is hereby authorized to join with the Company in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations which may be therein contained and to accept the conveyance, transfer, assignment, mortgage or pledge of any property thereunder, and the Trustee may in its discretion, but shall not be obligated to, enter into any such supplemental indenture which adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Any supplemental indenture authorized by the provisions of this Section 9.01 may be executed by the Company and the Trustee without the consent of the holders of any of the Securities at the time outstanding, notwithstanding any of the provisions of Section 9.02.

SECTION 9.02. *Supplemental Indentures With Consent of Holders.*

With the consent (evidenced as provided in Section 7.01) of the Holders of not less than 66 $\frac{2}{3}$ % in aggregate principal amount of the Securities at the time outstanding (or such lesser amount as shall have acted at a meeting of Holders of Securities pursuant to Section 8.05), the Company and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the holders of Securities and/or coupons; *provided* that no such supplemental indenture shall (i) change the Stated Maturity of any Security, or reduce the principal amount thereof, or reduce the amount or extend the time of

payment of interest thereon, or make the principal thereof or interest thereon payable in any coin or currency other than that hereinbefore provided, without the consent of the Holder of each Security so affected, or (ii) amend the provisions of Section 8.05 to reduce the requirements of quorum or voting, or reduce the aforesaid percentage in aggregate principal amount of Securities the consent of the Holders of which is required for the execution of any such supplemental indenture or reduce the percentage in aggregate principal amount of Securities the holders of which are required to take any other action authorized to be taken by the Holders of any specified aggregate principal amount of Securities under any other provision of this Indenture or under applicable law, without the consent of the Holders of all Securities then outstanding, or (iii) modify or affect in any manner adverse to the holders of the Securities the terms and conditions of the obligations of the Company in respect of the due and punctual payment of the principal of and interest on the Securities, without the consent of the Holder of each Security so affected.

Upon the request of the Company, accompanied by a Board Resolution authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of Holders of the Securities as aforesaid, the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

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

Promptly after the execution and delivery by the Company and the Trustee of any supplemental indenture pursuant to the provisions of this Section 9.02, the Company shall (i) mail to Holders of Registered Securities at their addresses as they shall appear on the Security Register and (ii) give to all other Holders of outstanding Bearer Securities by publication at least once in an Authorized Newspaper in London, in New York City and, as long as the Securities are listed on the Luxembourg Stock Exchange, in

Luxembourg, a notice, setting forth in general terms the substance of such supplemental indenture. Any failure of the Company to mail and publish such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

SECTION 9.03. *Effect of Supplemental Indentures.*

Upon the execution and delivery of any supplemental indenture pursuant to the provisions of this Article Nine, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitation of rights, obligations, duties and immunities under this Indenture of the Trustee, the Company and the Holders of Securities and/or coupons shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

The Trustee, subject to the provisions of Sections 6.01 and 6.02, may receive an Officers' Certificate and Opinion of Counsel as conclusive evidence that any such supplemental indenture complies with the provisions of this Article Nine.

SECTION 9.04. *Notation on Securities.*

Securities authenticated and delivered after the execution and delivery of any supplemental indenture pursuant to the provisions of this Article Nine may bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. New Securities so modified as to conform, in the opinion of the Trustee and the Company, to any modification of this Indenture contained in any such supplemental indenture may be prepared by the Company, authenticated by the Trustee and delivered in exchange for the Securities then outstanding.

SECTION 9.05. *Waiver of Compliance by Holders.*

Anything in this Indenture to the contrary notwithstanding, any of the acts which the Company is required to do or is prohibited from doing by any of the provisions of this Indenture may, to the extent that such provisions might be changed or eliminated by a supplemental indenture pursuant to Section 9.02 hereof upon consent of the Holders of not less than 66 $\frac{2}{3}$ % in

aggregate principal amount of the Securities at the time outstanding (or such lesser amount as shall have acted at a meeting of the Holders of the Securities pursuant to Section 8.05), be omitted or done by the Company, if there is obtained the prior written consent thereto of the Holders of not less than 66½% in aggregate principal amount of the Securities at the time outstanding, or the prior written waiver of compliance with any such provision or provisions signed by such Holders. The Company agrees promptly to file with the Trustee a copy of each such consent or waiver.

ARTICLE TEN

MERGER, CONSOLIDATION, SALE OR CONVEYANCE

SECTION 10.01. *Merger, Consolidation or Sale of Assets by the Company.*

Nothing contained in this Indenture or in any of the Securities shall prevent any consolidation or merger of the Company with or into any other corporation or corporations or successive consolidations or mergers in which the Company or its successor or successors shall be a party or parties, or shall prevent any sale or conveyance of the property of the Company as an entirety or substantially as an entirety to any other corporation authorized to acquire and operate the same; provided, however, and the Company hereby covenants and agrees, that any such consolidation, merger, sale or conveyance shall be upon the condition that:

- (a) immediately after such consolidation, merger, sale or conveyance the corporation (whether the Company or such other corporation) formed by or surviving any such consolidation or merger, or to which such sale or conveyance shall have been made, shall not be in default in the performance or observance of any of the terms, covenants and conditions of this Indenture to be kept or performed by the Company;
- (b) the corporation (if other than the Company) formed by or surviving any such consolidation or merger, or to which such sale or conveyance shall have been made, shall be a corporation organized under the laws of the United States of America or any state thereof or the District of Columbia;
- (c) by supplemental indenture, satisfactory in form to the Trustee, executed and delivered to the Trustee by the corporation (if other than

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the Company) formed by such consolidation, or into which the Company shall have been merged, or by the corporation which shall have acquired such property, such corporation shall (i) expressly assume the due and punctual payment of the principal of and interest, if any, on all of the Securities, according to their tenor, and the due and punctual performance and observance of all the covenants and conditions of this Indenture to be performed or observed by the Company, (ii) agree to indemnify each Holder of a Security against any tax, assessment or governmental charge thereafter imposed on such Holder as a consequence of such merger, consolidation, transfer or conveyance with respect to the payment of the principal of or interest on the Securities (including any Additional Amounts required to be paid pursuant to the terms of the Securities and this Indenture), or withheld on the making of such payment, by the United States of America (or any other jurisdiction in which such successor corporation is incorporated, resident, or doing business) or by any political subdivision thereof or taxing authority therein and (iii) agree to indemnify the individuals liable therefor for the amount of United States Federal estate tax paid as a result of such merger, consolidation, transfer or conveyance in respect of Securities and coupons held by individuals who are not citizens or residents of the United States of America at the time of their death (*provided, however,* that in no event will such indemnity apply to any holder who is a fiduciary or partnership or is otherwise not the sole beneficial owner of a Security or coupon to the extent a beneficial owner, or a member of such partnership, would not have been entitled to such indemnity had such beneficial owner, or member, been the holder of such Security or coupon); and

(d) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that such consolidation, merger, conveyance or transfer and such supplemental indenture comply with this Article Ten and that all conditions precedent herein provided for relating to such transaction have been complied with.

SECTION 10.02. Successor Corporation Substituted.

Upon any consolidation or merger, or any conveyance or transfer of the properties and assets of the Company substantially as an entirety in

accordance with Section 10.01, the successor corporation formed by such consolidation or into which the Company is merged or to which such conveyance or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor corporation had been named as the Company herein, and thereafter the predecessor corporation shall be relieved of all obligations and covenants under the Indenture and the Securities and the predecessor corporation may be dissolved and liquidated.

ARTICLE ELEVEN

SATISFACTION AND DISCHARGE OF INDENTURE; UNCLAIMED MONEY

SECTION 11.01. *Satisfaction and Discharge of Indenture.*

If at any time (a) there shall have been delivered to the Trustee for cancellation all Securities theretofore authenticated and delivered and all unmatured coupons appertaining thereto (other than any Securities or coupons which shall have been mutilated, destroyed, lost or stolen and which shall have been replaced or paid as provided in Section 2.06 and other than Securities for whose payment money has theretofore been deposited with the Trustee or the paying agents in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 11.04) or there shall have been delivered to the Trustee evidence satisfactory to it of the destruction of all such Securities or coupons (other than as aforesaid) not theretofore delivered to the Trustee for cancellation, or (b) all such Securities and coupons not theretofore delivered to the Trustee for cancellation shall have become due and payable, or are by their terms to become due and payable within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption, and there shall be deposited with the Trustee as trust funds the entire amount (excluding, however, the amount of any funds theretofore repaid by the Trustee or the paying agents to the Company pursuant to Section 11.04) sufficient to pay at maturity or upon redemption all such Securities and coupons (other than any Securities or coupons which shall have been mutilated, destroyed, lost or stolen and which shall have been replaced or paid as provided in Section 2.06) not theretofore delivered to the Trustee for

cancellation, including principal and interest due or to become due to such date of maturity or date fixed for redemption, as the case may be, and if in either case there shall be paid all other sums payable hereunder by the Company, then this Indenture shall cease to be of further effect, and the Trustee, on demand of and at the cost and expense of the Company and upon delivery to the Trustee of an Officer's Certificate of the Company and an Opinion of Counsel stating that all conditions precedent to the satisfaction and discharge of this Indenture have been complied with, shall execute proper instruments acknowledging satisfaction of and discharging this Indenture; *provided* that in either case the Company shall also have paid or caused to be paid all other sums payable hereunder by the Company; and *provided further* that this Indenture shall continue in full force and effect for all purposes of (i) the substitution and exchange of Securities, (ii) the rights hereunder of Holders of Securities and coupons to receive payments of the principal of and interest on, the Securities, (iii) the other rights, duties and obligations of the Holders of Securities as beneficiaries hereof with respect to the amounts so deposited with the Trustee and (iv) the rights, obligations and immunities of the Trustee hereunder. The obligations of the Company to the Trustee in Section 6.06 shall survive the satisfaction and discharge of this Indenture.

SECTION 11.02. *Application of Deposited Funds.*

Subject to the provisions of Section 11.04, all money deposited with the Trustee pursuant to Section 11.01 shall be held in trust and applied by it, either directly or through any paying agent (including the Company acting as its own paying agent) to the payment as provided in this Indenture, to the Holders of the particular Securities and/or coupons for the payment or redemption of which such money has been deposited with the Trustee, of all sums due and to become due thereon for principal and interest but such money need not be segregated from other funds except to the extent required by law.

SECTION 11.03. *Repayment of Money Held by Paying Agent.*

In connection with the satisfaction and discharge of this Indenture, all money then held by the paying agents shall upon demand of the Company or the Trustee be paid to the Trustee and thereupon the paying agents shall be released from all further liability with respect to such money.

SECTION 11.04. *Return of Money Held Unclaimed for Two Years.*

Any money deposited with or paid to the Trustee or any paying agent for the payment of the principal of or interest on any Securities and not applied but remaining unclaimed for two years after the date upon which such principal or interest shall have become due and payable, shall, on a Company Order furnished to the Trustee or to any paying agent (with a copy to the Trustee), as the case may be, be repaid by the Trustee or the paying agents to the Company and the holder of such Security or coupons shall thereafter look only to the Company for any payment which such holder may be entitled to collect and all liability of the Trustee or the paying agents with respect to such money shall thereupon cease; *provided* that the Trustee or the paying agents, before being required to make any such repayment, may at the expense of the Company cause to be (i) mailed to Holders of Registered Securities at their addresses as they shall appear on the Security Register and (ii) published at least once in an Authorized Newspaper in London, in New York City and, as long as the Securities are listed on the Luxembourg Stock Exchange, in Luxembourg, prior to the date of such repayment a notice that said money has not been so applied and remains unclaimed and that after a date named therein any unclaimed balance of said money then remaining will be returned to the Company. It shall not be necessary for more than one such publication to be made in the same newspaper.

ARTICLE TWELVE

IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS

SECTION 12.01. *Incorporators, Stockholders, Officers and Directors of the Company Immune from Liability.*

No recourse under or upon any obligation, covenant or agreement of this Indenture, or of any Security or coupon, or for any claim based thereon or otherwise in respect thereof, shall be had against any incorporator, stockholder, officer, director or employee, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Indenture and the obligations issued hereunder are

solely corporate obligations, and that no such personal liability whatever shall attach to, or is or shall be incurred by, the incorporators, stockholders, officers, directors or employees, as such, of the Company or of any successor corporation, or any of them, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Indenture or in any of the Securities or implied therefrom; and that any and all such personal liability, either at common law or in equity or by constitution or statute, of, and any and all such rights and claims against, every such incorporator, stockholder, officer, director or employee, as such, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Indenture or in any of the Securities or implied therefrom, are hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issuance of such Securities.

ARTICLE THIRTEEN MISCELLANEOUS PROVISIONS

SECTION 13.01. *Provisions of Indenture, Securities and Coupons for the Sole Benefit of Parties and Holders of Securities and Coupons.*

Nothing in this Indenture, the Securities or coupons, expressed or implied, shall give or be construed to give to any Person other than the parties hereto and the Holders of the Securities and/or coupons, any legal or equitable right, remedy or claim under this Indenture, or under any covenant or provision therein contained, all such covenants and provisions being for the sole benefit of the parties hereto and the holders of Securities and/or coupons.

SECTION 13.02. *Successors and Assigns of Parties.*

Subject to the provisions of Article Six and Article Ten, whenever in this Indenture any of the parties hereto is named or referred to, the successors and assigns of such party shall be deemed to be included, and all the covenants, stipulations, promises and agreements in this Indenture contained by or on behalf of the Company or the Trustee shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

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SECTION 13.03. *Notices or Demands.*

Any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the holders of Securities to or on the Company may be given or served by being deposited postage prepaid in a post office letter box addressed, in the case of the Company (unless another address is filed by the Company with the Trustee for that purpose) as follows: Federated Department Stores, Inc., 7 West Seventh Street, Cincinnati, Ohio 45202; Attention: Treasurer. Any notice, direction, request or demand by the Company or by any Holder of Securities to or upon the Trustee shall be deemed to have been sufficiently given or made, for all purposes, if given or made at the Corporate Trust Office. All notices, elections, requests and demands required or permitted under this Indenture shall be in the English language, unless otherwise required in respect of published notices.

SECTION 13.04. *Holidays and Days When Banking Institutions Closed.*

In any case where the date of maturity of principal of or interest on the Securities or the date fixed for redemption of any Security shall not be at any place of payment a Business Day, then payment of principal or interest on the Securities at such place need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and, in the case of payment, no interest shall accrue for the period after such date.

SECTION 13.05. *Act of Holders.*

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee, and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent

shall be sufficient for any purpose of this Indenture and (subject to Section 6.01 hereof) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section 13.05.

(b) The fact and date of the execution by any Person of any such instrument or writing, or the authority of the Person executing the same, may be proved in any manner which the Trustee deems sufficient and in accordance with such reasonable requirements as the Trustee may determine.

(c) The amount of Bearer Securities held by any Holder, and the serial numbers of such Securities and the date of his holding the same, may be proved by the production of such Bearer Securities or by a certificate executed, as depositary, by any trust company, bank, banker or other depositary, wherever situated, if such certificate shall be deemed by the Trustee to be satisfactory, showing that at the date therein mentioned such Person had on deposit with such depositary, or exhibited to it, the Bearer Securities therein described; or such facts may be proved by the certificate or affidavit of the Person holding such Bearer Securities, if such certificate or affidavit is deemed by the Trustee to be satisfactory. The Trustee and the Company may assume that such ownership of any Bearer Security continues until (1) another certificate bearing a later date issued in respect of the same Bearer Security is produced, or (2) such Bearer Security is produced by some other Person, or (3) such Bearer Security is no longer outstanding. The amount and serial numbers of Bearer Securities held by any Person may also be proved in any other manner which the Trustee deems sufficient.

(d) The ownership of Registered Securities of any series shall be proved by the Securities Register.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other action by the holder of any Security shall bind the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done or suffered to be done by the Trustee or the Company or any agent of the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

SECTION 13.06. *Separability Clause.*

In case any provision in this Indenture or in the Securities or in any coupon shall be invalid, illegal or unenforceable, the validity, legality and

enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 13.07. *Governing Law.*

This Indenture, each of the Securities issued hereunder and each coupon appertaining thereto shall be deemed to be contracts made under the laws of the State of New York and shall for all purposes be governed by, and construed in accordance with, the laws of such State.

SECTION 13.08. *Table of Contents; Section Headings.*

The table of contents and the titles and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof and shall in no way modify or restrict any of the terms or provisions hereof.

SECTION 13.09. *Computation of Interest.*

Interest on the Securities shall be computed on the basis of a 360-day year of twelve 30-day months.

SECTION 13.10. *Counterparts.*

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

IN WITNESS WHEREOF, FEDERATED DEPARTMENT STORES, INC. has caused this Indenture to be duly signed and delivered by its Chairman or a Vice Chairman of the Board of Directors or its President or a Vice President or its Treasurer thereunto duly authorized, and its corporate seal to be affixed hereunto, and the same to be attested by its Secretary or an Assistant Secretary; and Morgan Guaranty Trust Company of New York has caused this Indenture to be signed and delivered by one of its Trust Officers thereunto duly authorized, and its corporate seal to be affixed hereunto, and the same to be attested by one of its Assistant Trust Officers, all as of the day and year first above written.

FEDERATED DEPARTMENT STORES, INC.

By: /s/ JAMES M. LEAHY

[SEAL]

Attest:

By: /s/ RICHARD J. BOYNTON
Assistant Secretary

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK

By: /s/ R. AMUNDSEN
Trust Officer

[SEAL]

Attest:

/s/ G. J. CASTELLANO
Assistant Trust Officer

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STATE OF OHIO }
COUNTY OF HAMILTON } ss.:

On the 9th day of July, 1985, before me personally came JAMES M. LEAHY to me known, who, being by me duly sworn, did depose and say that he resides at Cincinnati, Ohio; that he is Vice President of FEDERATED DEPARTMENT STORES, INC., one of the corporations described in and which executed the above instrument; that he knows the corporate seal of said corporation; that one of the seals affixed to the said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he signed his name thereto by like authority.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

/s/ BARBARA E. ULLMAN
Notary Public

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STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

On the 9th day of July, 1985, before me personally came R. AMUNDSEN, to me known, who, being by me duly sworn, did depose and say that he resides at Hicksville, N.Y. 11801, that he is a Trust Officer of MORGAN GUARANTY TRUST COMPANY OF NEW YORK, one of the corporations described in and which executed the above instrument; that he knows the corporate seal of said corporation; that one of the seals affixed to the said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he signed his name thereto by like authority.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

/s/ WILLIAM P. MIFSUD, JR.
Notary Public

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EXHIBIT 4.7

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11%

[CONFORMED COPY]

FEDERATED DEPARTMENT STORES, INC.

and

MORGAN GUARANTY TRUST COMPANY OF NEW YORK,

Trustee

INDENTURE

Dated as of February 1, 1985

U.S. \$100,000,000

11% Notes Due 1990

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THIS INDENTURE, dated as of February 1, 1985, between **FEDERATED DEPARTMENT STORES, INC.**, a corporation duly organized and existing under the laws of Delaware (hereinafter sometimes called the "Company"), and **Morgan Guaranty Trust Company of New York**, a banking corporation incorporated under the laws of New York, as Trustee hereunder (hereinafter sometimes called the "Trustee"),

WITNESSETH:

WHEREAS, the Company has duly authorized the creation of an issue of \$100,000,000 aggregate principal amount of its "11% Notes Due 1990" (hereinafter called the "Securities" or the "Notes") and, to provide the terms and conditions upon which the Securities are to be authenticated, issued and delivered, has duly authorized the execution and delivery of this Indenture;

WHEREAS, the texts of the Securities, including the face of the Bearer Security, the face of the Registered Security and the reverse of the Security, the coupons to be attached to the Bearer Securities and the Trustee's certificate of authentication are to be substantially in the following forms, respectively:

{ FORM OF FACE OF DEFINITIVE BEARER SECURITY }

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE UNITED STATES INTERNAL REVENUE CODE.

FEDERATED DEPARTMENT STORES, INC.

U.S. \$1,000

No.

11% NOTE DUE 1990

FEDERATED DEPARTMENT STORES, INC., a corporation duly organized and existing under the laws of Delaware (herein called the "Company",

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which term includes any successor corporation as defined in the Indenture hereinafter referred to), for value received, hereby promises to pay to bearer upon the surrender hereof the principal sum of One Thousand Dollars (U.S. \$1,000) on February 1, 1990 and to pay interest on said principal sum from February 1, 1985, payable annually on February 1 of each year commencing February 1, 1986, at the rate of 11% per annum until payment of said principal sum has been made or duly provided for, but only, in the case of such interest due on or before maturity, upon presentation and surrender of coupons attached hereto as they shall severally mature.

Reference is made to the further provisions set forth on the reverse hereof. Such provisions shall for all purposes have the same effect as though fully set forth in this place.

IN WITNESS WHEREOF, Federated Department Stores, Inc. has caused this Security to be signed by the facsimile signature of one of its officers and attested to by its Secretary by facsimile signature, and coupons for interest, bearing the facsimile signature of one of its officers and attested to by its Secretary by facsimile signature, to be attached hereto.

Dated: February 1, 1985

FEDERATED DEPARTMENT STORES, INC.

By

ATTEST:

By
Assistant Secretary

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{ FORM OF FACE OF REGISTERED SECURITY }**FEDERATED DEPARTMENT STORES, INC.****11% NOTE DUE 1990**

\$

No. R-

FEDERATED DEPARTMENT STORES, INC., a corporation duly organized and existing under the laws of Delaware (herein called the "Company", which term includes any successor corporation as defined in the Indenture hereinafter referred to), for value received, hereby promises to pay to

or registered assigns upon
surrender hereof the principal sum of Dollars on February 1, 1990 and to pay interest on said principal amount, at the rate of 11% per annum until payment of said principal sum has been made or duly provided for, payable annually on February 1 of each year commencing February 1, 1986 from the most recent date to which interest has been paid or duly provided for on the debt represented by this Security, unless the date hereof is a date to which interest has been paid or duly provided for, in which case from the date of this Security or, if no interest has been paid on the debt represented by this Security, from February 1, 1985. Notwithstanding the foregoing, subject to certain conditions contained in the Indenture, all Registered Securities authenticated by the Trustee after the close of business on January 15 (the "Record Date") in any year and prior to the following February 1 shall be dated the date of authentication but shall bear interest from such February 1.

Registered Securities may be transferred in denominations of \$1,000 and integral multiples thereof.

Reference is made to the further provisions set forth on the reverse hereof. Such provisions shall for all purposes have the same effect as though fully set forth in this place.

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IN WITNESS WHEREOF, Federated Department Stores, Inc. has caused this Security to be signed by the facsimile signature of one of its officers and attested to by its Secretary by facsimile signature.

FEDERATED DEPARTMENT STORES, INC.

By

Attest:

By
Assistant Secretary

[FORM OF REVERSE OF SECURITY]

11% NOTE DUE 1990

1. This Security is one of a duly authorized issue of Securities of the Company, designated as its "11% Notes Due 1990" (herein called the "Securities"), limited in aggregate principal amount to \$100,000,000, except as provided in the Indenture referred to below, all issued or to be issued under and pursuant to an indenture dated as of February 1, 1985 (herein called the "Indenture") duly executed and delivered by the Company to Morgan Guaranty Trust Company of New York, as Trustee (herein called the "Trustee"), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the holders of the Securities and any coupons appertaining thereto.

2. Payments with respect to Bearer Securities and the coupons appertaining thereto will be made in U.S. dollars upon presentment of such Bearer Securities or coupons, as the case may be, at the agency or agencies of the Company for such payment as the Company may determine from time to time located outside the United States, its territories and possessions. If such payment at the offices of all such agencies becomes illegal or effectively precluded because of the imposition of exchange controls or similar restrictions on the payment or receipt of such amounts in dollars, the Company may instruct the Trustee that such payments may be made at an

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office or agency in the United States. Except as provided in the preceding sentence, no payment of principal of or interest on Bearer Securities will be made to an address in the United States or by transfer to a bank account maintained in the United States. Payments with respect to Bearer Securities and the coupons appertaining thereto will be made subject to applicable laws and regulations by a U.S. dollar check drawn on a New York City bank.

3. Unless other arrangements satisfactory to the Company and the Trustee are made, payments with respect to the principal of Registered Securities will be made by a U.S. dollar check drawn on a bank in New York City against surrender of such Registered Security at the corporate trust office of Morgan Guaranty Trust Company of New York in New York City. Unless other arrangements satisfactory to the Company and the Trustee are made, payment of interest with respect to Registered Securities will be made by a U.S. dollar check drawn on a bank in New York City mailed to the registered holder of each such Security at the address of such registered holder as set forth in the Securities Register (as defined in the Indenture) on the Record Date next preceding the applicable interest payment date.

4. The Company agrees that, so long as any of the Securities are outstanding, it will maintain a paying agency in New York City for the payment of principal of the Registered Securities and a paying agency in at least one city in Western Europe, which will be Luxembourg as long as the Securities are listed on the Luxembourg Stock Exchange, for payments with respect to principal of and coupons appertaining to Bearer Securities. The Company hereby initially appoints as paying agencies the corporate trust office of the Trustee in New York City (for Registered Securities only), and the offices of the Trustee in London, England, Paris, France, Frankfurt am Main, West Germany and Amsterdam, The Netherlands, and Brussels, Belgium and the offices of Swiss Bank Corporation in Basle, Switzerland and Kredietbank S.A. Luxembourgeoise in Luxembourg. The Company shall have the right at any time and from time to time to vary or terminate any such appointment as paying agent and to appoint any other paying agents or agencies in such other places outside the United States and its territories and possessions as it may deem appropriate.

5. Bearer Securities may be exchanged for a like aggregate principal amount of Registered Securities in the manner and upon payment of the charges provided in the Indenture. Registered Securities may not be

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exchanged for Bearer Securities. Registered Securities may be transferred in the manner and upon payment of the charges provided in the Indenture.

6. The Company will pay, subject to certain exceptions and limitations set forth below, such additional amounts ("Additional Amounts") to the holder of any Security or any coupon appertaining thereto who is a foreign corporation, a non-resident alien individual, a non-resident alien fiduciary of a foreign estate or trust, or a foreign partnership, one or more of the members of which is a foreign corporation, a non-resident alien individual or non-resident alien fiduciary of a foreign estate or trust, in any such case as to the United States and its territories or its possessions and areas subject to its jurisdiction (a "United States Alien"), as may be necessary in order that every net payment of the principal of and interest on such Security and any other amounts payable on such Security, after withholding for or on account of any present or future tax, assessment or governmental charge imposed upon such holder with respect to or as a result of such payment by the United States or any political subdivision or taxing authority thereof or therein, will not be less than the amount provided in such Security or in any coupon appertaining thereto to be then due and payable; provided, however, that the Company will not be required to make any payment of Additional Amounts to any such holder for or on account of:

(a) any tax, assessment or other governmental charge which would not have been so imposed but for (i) the existence of any present or former connection between such holder (or between a fiduciary, settlor or beneficiary of, or person holding a power over, such holder, if such holder is an estate or trust, or between a member or shareholder of such holder, if such holder is a partnership or corporation) and the United States (including its territories, possessions and all areas subject to its jurisdiction), as the case may be, including, without limitation, such holder (or such fiduciary, settlor, beneficiary, member, person holding a power or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business, or present therein, or having, or having had, a permanent establishment therein, or (ii) the presentation by such holder of any such Security or coupon appertaining thereto for payment on a date more than 15 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;

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- (b) any estate, inheritance, gift, sales, transfer or personal property tax or any similar tax, assessment or governmental charge;
- (c) any tax, assessment or other governmental charge imposed by reason of such holder's past or present status as a personal holding company, foreign personal holding company or controlled foreign corporation with respect to the United States or as a corporation which accumulates earnings to avoid United States federal income tax;
- (d) any tax, assessment or other governmental charge which is payable otherwise than by withholding from payments on or in respect of any Security;
- (e) any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of principal of or interest on any Security, if such payment can be made without such withholding by any other paying agent;
- (f) any tax, assessment or other governmental charge which would not have been imposed but for the failure of such holder to comply with certification, information or other reporting requirements concerning the nationality, residence or identity of the holder or beneficial owner of such Security, if such compliance is required by statute or by regulation of the United States or of any political subdivision or taxing authority thereof or therein as a precondition to relief or exemption from such tax, assessment or other governmental charge;
- (g) any tax, assessment or other governmental charge imposed by reason of such holder's past or present status as the actual or constructive owner of 10% or more of the total combined voting power of all classes of stock entitled to vote of the Company; or
- (h) any combination of items (a), (b), (c), (d), (e), (f) or (g).

In addition, Additional Amounts will not be paid with respect to any payment on any Security to a United States Alien who is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent such payment would be required by the laws of the United States (or any political subdivision or taxing authority thereof) to be included in the income, for tax purposes, of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the holder of the Security.

7. If an Event of Default, as defined in the Indenture, with respect to any Security shall occur and be continuing, the Trustee or the holders of not less than 25% in principal amount of the Securities then outstanding (or such lesser amount as shall have acted at a meeting of holders of Securities pursuant to the provisions of the Indenture) may declare the entire principal amount hereof to be due and payable immediately, and upon such declaration the principal amount hereof shall become due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture. The Indenture provides that in certain circumstances such declaration and its consequences may be annulled by the holders of a majority in aggregate principal amount of the Securities then outstanding (or such lesser amount as shall have acted at a meeting of holders of Securities pursuant to the provisions of the Indenture).

8. The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than 66 $\frac{2}{3}$ % in aggregate principal amount of the Securities then outstanding (or such lesser amount as shall have acted at a meeting of holders of Securities pursuant to the provisions of the Indenture), evidenced as in the Indenture provided, to execute supplemental indentures supplementing or amending in any manner the Indenture or modifying in any manner the rights of the holders of Securities and/or the coupons appertaining thereto under the Indenture; provided that no such supplemental indenture shall (i) change the Stated Maturity (as defined in the Indenture) of any Security, or reduce the principal amount thereof, or reduce the amount or extend the time of payment of interest thereon, or make the principal thereof or interest thereon payable in any coin or currency other than that hereinbefore provided, without the consent in each case of the holder of each Security so affected, (ii) amend certain provisions of the Indenture to reduce quorum or voting requirements, or reduce the aforesaid percentage in aggregate principal amount of Securities the consent of the holders of which is required for the execution of any such supplemental indenture, or reduce the percentage in aggregate principal amount of the Securities the holders of which are required to take any other action authorized to be taken by the holders of any specified aggregate principal amount of Securities, without the consent of the holders of all Securities then outstanding, or (iii) modify or affect in any manner adverse to the holders of the Securities the terms and conditions of the obligations of the Company in respect of the due and

punctual payment of the principal of and interest on the Securities, without the consent of the holder of each Security so affected.

9. The Indenture provides that the Trustee may call a meeting of holders of the Securities for any of the purposes and upon the notice specified in the Indenture. In addition, the Company or the holders of at least 10% in aggregate principal amount of the Securities then outstanding may request the Trustee to call such a meeting and if the Trustee fails to do so within 30 days after receipt of such request then the Company or such holders, as the case may be, may call such meeting upon the notice specified in the Indenture. Persons entitled to vote a majority in aggregate principal amount of the Securities at the time outstanding shall constitute a quorum at a meeting of holders of Securities, except as set forth below. In the absence of such a quorum at a meeting of holders of Securities called at the request of holders of Securities (as provided in the Indenture) such meeting shall be dissolved, and in the absence of a quorum at a meeting of holders of Securities called at the request of the Company or the Trustee, such meeting shall be adjourned for a period of not less than ten days and, in the absence of a quorum at any such adjourned meeting, such adjourned meeting shall be further adjourned for another period of not less than ten days. At the second reconvening of any meeting of holders of Securities adjourned for lack of a quorum, persons entitled to vote 25% in aggregate principal amount of the Securities at the time outstanding shall constitute a quorum for the taking of any action set forth in the notice of the original meeting. At any meeting at which a quorum is present as aforesaid, any resolution and all matters (except as specified herein and in the Indenture) shall be effectively passed or decided by the holders of the lesser of (a) a majority in aggregate principal amount of the Securities then outstanding or (b) 75% in aggregate principal amount of the Securities represented and voting at the meeting.

10. Any consent or waiver by the holder of this Security (unless revoked as provided in the Indenture) shall be conclusive and binding upon such holder and upon all future holders of this Security and any Security which may be issued in substitution or exchange herefor, irrespective of whether any notation of such consent or waiver is made upon this Security or such other Security.

11. No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the

Company, which is absolute and unconditional, to pay the principal of and interest on this Security at the times and places, at the rate, and in the coin or currency herein prescribed.

12. The Securities may be redeemed at the option of the Company, as a whole but not in part, at any time prior to maturity, upon the giving of notice of redemption as described in the Indenture, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption, if the Company determines that, as a result of (i) any change in or amendment to the laws (or any regulations or rulings promulgated thereunder) of the United States or of any political subdivision or taxing authority thereof or therein affecting taxation, or any change in the official position regarding the application or interpretation of such laws, regulations or rulings, which change or amendment is announced or becomes effective on or after January 21, 1985, or (ii) any action taken by a taxing authority of, or brought in or taken by a court of competent jurisdiction in the United States or any political subdivision or taxing authority thereof or therein, on or after January 21, 1985, whether or not such action was taken or brought with respect to the Company, there is a substantial probability that the Company will become obligated to pay Additional Amounts with respect to the Securities as described herein. Prior to the publication of any notice of redemption pursuant to this paragraph, the Company is required to deliver to the Trustee (i) an officers' certificate stating that the Company is entitled to effect such redemption and setting forth in reasonable detail a statement of facts showing that the conditions precedent to the right of the Company to so redeem the Securities have occurred and (ii) an opinion of independent counsel satisfactory to the Trustee to such effect based on such statement of facts.

13. If the Company shall determine that any payment made outside the United States by the Company or any of its paying agents of principal of, or interest on, any Bearer Security or coupon appertaining thereto would, under any present or future laws or regulations of the United States, be subject to any certification, information or other reporting requirement of any kind, the effect of which requirement is the disclosure to the Company, any paying agent or any governmental authority of the nationality, residence or identity of a beneficial owner of such Bearer Security or coupon who is a United States Alien (as defined herein) (other than such a requirement (a) which would not be applicable to a payment made by the Company or any one of its paying agents either (i) directly to the beneficial owner or (ii) to a

custodian, nominee or other agent of the beneficial owner or (b) which can be satisfied by a custodian, nominee or other agent of the beneficial owner certifying to the effect that such beneficial owner is a United States Alien, provided, however, that, in each case referred to in clauses (a)(ii) and (b), payment by such custodian, nominee or agent to such beneficial owner is not otherwise subject to any such requirement), the Company shall redeem the Securities, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption, or, at the election of the Company if the conditions of the next succeeding paragraph are satisfied, pay the Additional Amounts specified in such paragraph. The Company shall make such determination and election as soon as practicable and publish prompt notice thereof (the "Determination Notice"), stating the effective date of such certification, information or reporting requirements, whether the Company will redeem the Securities or has elected to pay the Additional Amounts specified in the next succeeding paragraph, and (if applicable) the last day by which the redemption of the Securities must take place, as provided in the next succeeding sentence. If the Company redeems the Securities, such redemption will take place on such date, not later than one year after the publication of the Determination Notice, as the Company shall elect by notice to the Trustee at least 60 days prior to the date fixed for redemption, unless shorter notice is acceptable to the Trustee. Notwithstanding the foregoing, the Company shall not so redeem the Securities if the Company shall subsequently determine not less than 30 days prior to the date fixed for redemption, that subsequent payments would not be subject to any such requirement, in which case the Company shall publish prompt notice of such determination and any earlier redemption notice shall be revoked and of no further effect.

14. If and so long as the certification, information or other reporting requirements referred to in the preceding paragraph could be avoided by payment of a backup withholding tax or similar charge, the Company may elect to have the provisions of this paragraph apply in lieu of the provisions of such preceding paragraph. In such event, the Company will pay as Additional Amounts such amounts as may be necessary so that every net payment made outside the United States on or after the effective date of such requirements by the Company or any of its paying agents of principal or interest due in respect of any Bearer Security or any coupon appertaining

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thereto of which the beneficial owner is a United States Alien (but without any requirement that the nationality, residence or identity of such beneficial owner be disclosed to the Company, any paying agent or any governmental authority with respect to the payment of such Additional Amounts), after deduction or withholding for or on account of such backup withholding tax or similar charge (other than a backup withholding tax or similar charge which (i) would not be applicable in the circumstances referred to in the second parenthetical clause of the first sentence of the preceding paragraph or (ii) is imposed as a result of presentation of such Bearer Security or coupon for payment more than 15 days after the date on which such payment becomes due and payable or on which payment thereof is duly provided for, whichever occurs later), will not be less than the amount provided for in such Bearer Security or such coupon to be then due and payable. In the event that the Company elects to pay any Additional Amounts pursuant to this paragraph, the Company may nevertheless thereafter redeem the Securities, as a whole but not in part, at any time at a redemption price equal to 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption and any Additional Amounts required to be paid pursuant to this paragraph, subject to the provisions of the last two sentences of the immediately preceding paragraph. If the Company elects to pay Additional Amounts pursuant to this paragraph and the condition specified in the first sentence of this paragraph shall no longer be satisfied, then the Company shall redeem the Securities pursuant to the provisions of the immediately preceding paragraph.

15. As provided in the Indenture, notice of redemption shall be given, with respect to the holders of Bearer Securities, by publication once in an Authorized Newspaper (as such term is defined in the Indenture) published in London and, as long as the Securities are listed on the Luxembourg Stock Exchange, in Luxembourg, and, with respect to holders of Registered Securities, by mail at their registered addresses as provided in the Indenture, in each instance not less than 30 days and not more than 60 days prior to the date fixed for redemption.

16. The Company, the Trustee, the Security Registrar and any agent of the Company or the Trustee may deem and treat (a) the bearer of a Bearer Security and the bearer of any coupon appertaining thereto and (b) the person in whose name a Registered Security shall be registered upon the

Security Register, in each case as the absolute owner of such Security or of such coupon, as the case may be (whether or not such Security or such coupon shall be overdue and notwithstanding any notation of ownership or other writing thereon), for the purpose of receiving payment thereof and for all other purposes, and neither the Company nor the Trustee nor any agent of the Company or the Trustee shall, to the extent permitted by applicable law, be affected by any notice to the contrary. All such payments so made to any such holder shall be valid and, to the extent of the sum or sums so paid, effectual to satisfy and discharge all liability for the money payable hereupon or upon such coupon.

17. No recourse under or upon any obligation, covenant or agreement contained in the Indenture, or in this Security or any coupon appertaining hereto, or for any claim based thereon or otherwise in respect thereof, shall be had against any incorporator, stockholder, officer, director or employee, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that the Indenture and this Security are solely corporate obligations, and that no such personal liability whatever shall attach to, or is or shall be incurred by, the incorporators, stockholders, officers, directors or employees, as such, of the Company or of any successor corporation, or any of them, because of the creation of the indebtedness represented hereby, or under or by reason of the obligations, covenants or agreements contained in the Indenture or in this Security or implied herefrom; and that any and all such personal liability, either at common law or in equity or by constitution or statute, of, and any and all such rights and claims against, every such incorporator, stockholder, officer, director or employee, as such, because of the creation of the indebtedness represented hereby, or under or by reason of the obligations, covenants or agreements contained in the Indenture or in this Security or implied herefrom, are hereby expressly waived and released as a condition of, and as a consideration for, the execution of the Indenture and the issuance of this Security.

18. The Indenture, this Security and the coupons, if any, appertaining hereto shall be deemed to be contracts made under the laws of the State of New York and shall for all purposes be governed by, and construed in accordance with, the laws of such State.

19. Neither this Security, nor if this Security is a Bearer Security, any coupon appertaining thereto, shall be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been manually signed by the Trustee under the Indenture.

[FORM OF COUPON]

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE UNITED STATES INTERNAL REVENUE CODE.

Coupon No. [1-5]

U.S.\$110.00

Unless the Security below mentioned shall have been called for previous redemption and payment thereof duly made or provided for, FEDERATED DEPARTMENT STORES, INC., a corporation duly organized and existing under the laws of Delaware (the "Company"), on * will pay to bearer, upon surrender hereof, the amount shown hereon (together with any additional amounts in respect thereof which the Company may be required to pay according to the terms of said Security and the Indenture referred to therein), subject to applicable laws and regulations, by a U.S. dollar check drawn on a New York City bank, at the office of the agency or agencies of the Company outside the United States, its territories or possessions, as the Company may appoint as provided in said Security and in the Indenture referred to therein, such amount being one year's interest then payable on its 11% Notes Due 1990 No.

FEDERATED DEPARTMENT STORES, INC.

By
Officer

Attest:

By
Assistant Secretary

[* To be printed for each annual interest installment due on each February 1, commencing February 1, 1986 to and including February 1, 1990, corresponding to coupon numbers 1-5, respectively.]

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[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION FOR ALL SECURITIES]

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

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK, as Trustee

By
Authorized Officer

AND WHEREAS, the Company represents that all acts and things necessary to make the Securities and the coupons appertaining thereto, when the Securities have been executed by the Company and authenticated by the Trustee and delivered as provided in this Indenture, the valid, binding and legal obligations of the Company and to constitute these presents a valid indenture and agreement according to its terms, have been done and performed, and the execution and delivery by the Company of this Indenture and the issue hereunder of the Securities and the coupons appertaining thereto have in all respects been duly authorized; and the Company, in the exercise of legal right and power in it vested, is executing and delivering this Indenture and proposes to make, execute, issue and deliver the Securities and any coupons appertaining thereto;

Now, THEREFORE:

In order to declare the terms and conditions upon which the Securities are authenticated, issued and delivered, and in consideration of the premises, of the purchase and acceptance of the Securities by the Holders thereof, the Company covenants and agrees with the Trustee, for the equal and proportionate benefit of the respective Holders from time to time of the Securities, as follows:

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ARTICLE ONE

DEFINITIONS

SECTION 1.01. *Definitions.*

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) the terms defined in this Section (except as herein otherwise expressly provided or unless the context otherwise requires), for all purposes of this Indenture and of any indenture supplemental hereto, shall have the respective meanings specified in this Section;

(2) all terms of the masculine gender mean and include correlative terms of the feminine and neuter genders and terms importing the singular number mean and include the plural number and vice versa;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles in the United States of America; and

(4) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

Additional Amounts:

The term "Additional Amounts" has the meaning set forth in the form of the reverse of the Security appearing above.

Affiliate:

The term "Affiliate" means, with respect to any specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

Authorized Newspaper:

The term "Authorized Newspaper" means a newspaper in an official language of the country of publication (which, in the case of England, is expected to be the *Financial Times* of London and, in the case of Luxembourg, is expected to be the *Luxemburger Wort*) customarily published at least once a day for at least five days in each calendar week and of general circulation in the place in connection with which the term is used.

Authorized Officer:

The term "Authorized Officer" means the Chairman or any Vice Chairman of the Board of Directors, the President or any Vice President of the Company.

Bearer Security:

The term "Bearer Security" means any Security in bearer form, with or without the coupons appertaining thereto.

Board of Directors:

The term "Board of Directors" means the Board of Directors or the Executive Committee or Finance Committee of the Board of Directors of the Company or any other committee of the Board of Directors of the Company which may lawfully exercise the functions of the Board of Directors in respect to the matters referred to in this Indenture.

Board Resolution:

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

Business Day:

The term "Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in The City of New York or London or, as long as the Securities are listed on the Luxembourg Stock Exchange, in Luxembourg (or in the case of

payments of principal and premium, if any, or interest, in the city of the paying agent to which the Security or coupon is surrendered for payment) are authorized or obligated by law or executive order to be closed.

Company:

The term "Company" means Federated Department Stores, Inc., a Delaware corporation, and, subject to the provisions of Article Ten, shall also include its successors and assigns.

Company Order and Company Request:

The terms "Company Order" and "Company Request" mean, respectively, a written order or request signed in the name of the Company by any of its Authorized Officers, its Treasurer, its Secretary or any of its Assistant Secretaries, and delivered to the Trustee.

Corporate Trust Office:

The term "Corporate Trust Office" means the office of the Trustee in New York City at which at any particular time its corporate trust business shall be administered, which office at the date hereof is located at 30 West Broadway, New York, New York 10015, United States.

Coupon:

The term "coupon" means any interest coupon appertaining to a Bearer Security.

Event of Default:

The term "Event of Default" means any event specified as such in Section 5.01 or such other event as may be added by supplemental indenture pursuant to Article Nine, continued for the period of time, if any, and after the giving of notice, if any, therein designated.

Exchange Date:

The term "Exchange Date" has the meaning set forth in Section 2.08.

Funded Debt:

The term "Funded Debt" shall mean all indebtedness for money borrowed which by its terms matures more than twelve (12) months from

the date of computation of the amount thereof or which by its terms is renewable or extendible at the option of the obligor beyond twelve (12) months from the date of such computation.

Holder:

The term "Holder" of a Security or of a coupon, means (i) in the case of any Registered Security, the Person in whose name at the time such Registered Security is registered on the Security Register kept for that purpose in accordance with the terms hereof, (ii) in the case of any Bearer Security, the bearer of such Security, and (iii) in the case of any coupon, the bearer of such coupon, as the case may be.

Indenture:

The term "Indenture" means this Indenture as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof.

Maturity:

The term "Maturity", when used with respect to any Security, means the date on which the principal of that Security becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption, request for redemption or otherwise.

Mortgage:

The term "mortgage" shall mean any mortgage, pledge, lien or encumbrance given as security for Secured Debt.

Officers' Certificate:

The term "Officers' Certificate" means a certificate of the Company signed by any of its Authorized Officers, and its Treasurer, its Controller, its Secretary or any of its Assistant Treasurers, Assistant Secretaries, or Assistant Controllers, and delivered to the Trustee. Wherever this Indenture requires that an Officers' Certificate be signed also by an engineer or an accountant or other expert, such engineer, accountant or other expert (except as otherwise expressly provided in this Indenture) may be in the employ of the Company or may be another engineer, accountant or expert acceptable to the Trustee.

Operating Property:

The term "Operating Property" shall mean any real estate comprising a retail store, warehouse or other facility related to the general retail business of the Company or any Subsidiary, having in excess of 150,000 square feet of floor area in the aggregate, or any parking facility, whether a parking lot or parking garage, having a capacity in excess of 500 cars in the aggregate, in any case which has been owned and operated by the Company or any Subsidiary for more than 365 days.

Opinion of Counsel:

The term "Opinion of Counsel" means an opinion in writing signed by legal counsel, who may be an employee of or counsel to the Company or who may be other counsel satisfactory to Trustee.

Person:

The term "Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof. As used in this paragraph, the term "trust" shall include only a trust where the interest or interests of the beneficiary or beneficiaries are evidenced by a security.

Registered Security:

The term "Registered Security" means any Security registered in the Security Register of the Company, which Security shall be issued without coupons.

Responsible Officer:

The term "Responsible Officer" when used with respect to the Trustee means any officer in its Corporate Trust Department customarily performing corporate trust functions.

Sale and Leaseback Transaction:

The term "Sale and Leaseback Transaction" shall have the meaning set forth in Section 4.09.

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Secured Debt:

The term "Secured Debt" shall mean indebtedness for money borrowed by the Company or a Subsidiary (other than indebtedness owed by a Subsidiary to the Company, by a Subsidiary to a Subsidiary or by the Company to a Subsidiary) which is secured by a mortgage on (a) any Operating Property of the Company or a Subsidiary or (b) any shares of stock or indebtedness of a Subsidiary. The amount of Secured Debt at any time outstanding shall be the amount then owing thereon by the Company or a Subsidiary.

Security; Note; Outstanding:

The term "Security" or "Note" means any Registered or Bearer Security authenticated by the Trustee and delivered under this Indenture, including any global Security.

The term "outstanding", when used with reference to Securities, means, subject to the provisions of Section 7.04, as of any particular time, all Securities authenticated by the Trustee and delivered under this Indenture, except:

(a) Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(b) Securities for the payment or redemption of which money in the necessary amount (including interest, if any) shall have been deposited in trust with the Trustee or with the paying agents (other than the Company) or shall have been set aside and segregated in trust by the Company (if the Company shall act as its own paying agent), provided that if such Securities are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article Three provided, or provision satisfactory to the Trustee shall have been made for giving such notice; and

(c) Securities in lieu of or in substitution or exchange for which other Securities shall have been authenticated and delivered, or which have been paid, pursuant to the terms of Section 2.06, unless proof satisfactory to the Company and the Trustee is presented that any such Securities are held by persons in whose hands any of such Securities is a valid, binding and legal obligation of the Company.

Security Register:

The term "Security Register" has the meaning set forth in Section 2.05.

Security Registrar; Registrar:

The term "Security Registrar" or "Registrar" has the meaning set forth in Section 2.05.

Shareholders' Ownership:

The term "Shareholders' Ownership" shall mean as of any particular time the consolidated capital and surplus (including retained earnings) of the Company and its Subsidiaries, determined in accordance with generally accepted accounting principles, as shown in the most recent monthly consolidated financial statements of the Company and its Subsidiaries.

Stated Maturity:

The term "Stated Maturity" when used with respect to any Security or any instalment of interest thereon means the date specified in such Security, or in any coupon appertaining thereto, as the fixed date on which the principal of such Security or such instalment of interest is due and payable.

Subsidiary:

The term "Subsidiary" shall mean any corporation of which at least a majority in interest of the outstanding stock having by the terms thereof ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by the Company, or by one or more Subsidiaries, or by the Company and one or more Subsidiaries; provided, however, that unless the Board of Directors of the Company shall determine otherwise, the term "Subsidiary" shall not include (i) Federated Stores Realty, Inc., (ii) Federated Acceptance Corporation or any other corporation hereafter directly or indirectly owned or controlled as aforesaid the primary business of which consists of financing operations in connection with leasing and conditional sales transactions on behalf of the Company and its Subsidiaries and/or purchasing accounts receivable and/or making

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loans secured by accounts receivable or inventory or which is otherwise primarily engaged in the business of a finance company, or (iii) any other corporation which has been designated by a Board Resolution as not a Subsidiary for purposes of this Indenture.

Trustee:

The term "Trustee" means the corporation or trust company named as Trustee in this Indenture until any successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean such successor Trustee.

United States Alien:

The term "United States Alien" has the meaning set forth in the form of the reverse of the Security appearing above.

ARTICLE TWO
ISSUE AND EXECUTION OF SECURITIES

SECTION 2.01. *Designation, Amount, Authentication and Delivery of Securities.*

The Securities shall be designated as "11% Notes Due 1990" and shall be limited to \$100,000,000 in aggregate principal amount except as otherwise permitted in this Indenture. Upon the execution and delivery of this Indenture, or from time to time thereafter, the Securities may be executed by the Company and such Securities may thereupon be delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said Securities upon a Company Order.

SECTION 2.02. *Forms of Securities, Coupons and Trustee's Certificate of Authentication.*

The Securities, the coupons and the Trustee's certificate of authentication to be borne by the Securities shall be substantially of the tenor and

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purport as in this Indenture recited, and may have imprinted thereon such letters, numbers or other marks of identification or designation and such legends or endorsements as the Company may deem appropriate and as are not inconsistent with the provisions of this Indenture, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any securities exchange on which the Securities may be listed, or to conform to usage.

SECTION 2.03. *Denomination and Date of Securities; Payment of Principal and Interest.*

The definitive Securities shall be issuable initially as Bearer Securities with coupons. Thereafter, Bearer Securities may, at the option of the Holder thereof and pursuant to Section 2.05 hereof, be exchanged for Registered Securities. Securities shall be issuable in the denomination or denominations specified in this Indenture. Definitive Bearer Securities shall be issuable in the denomination of \$1,000 and definitive Registered Securities shall be issuable in denominations of \$1,000 or integral multiples thereof.

Each Bearer Security and the global Security provided for in Section 2.08 shall be dated February 1, 1985. Each Registered Security shall be dated the date of its authentication and shall bear interest and be payable as provided in this Indenture.

The Person in whose name any Registered Security is registered at the close of business on any record date (as hereinafter defined) with respect to any interest payment date shall be entitled to receive the interest payable on such interest payment date notwithstanding any transfer or exchange of such Registered Security subsequent to the record date and prior to such interest payment date, except that, if and to the extent the Company shall default in the payment of the interest due on such interest payment date or shall not have duly provided for the payment thereof, such defaulted interest shall be paid either to the Persons in whose names outstanding Registered Securities are registered on a subsequent date of record established by notice given by mail by or on behalf of the Company to the Holders of Registered Securities not less than 10 days preceding such subsequent date of record and payment of such defaulted interest shall be made not less than five days after such date of record, or in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be

listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed manner of payment, such payment shall be deemed practicable by the Trustee. The term "record date" as used with respect to an interest payment date for any Registered Security shall mean the day specified as such in such Registered Security.

The principal of and interest on the Securities shall be payable at the offices or agencies of the Company designated for that purpose, as provided in Section 4.02; provided, however, that interest on Registered Securities may be payable at the option of the Company by check mailed to the address of the Person entitled thereto as such address shall appear on the Security Register.

SECTION 2.04. *Execution of Securities.*

Each Security and each coupon shall be signed in the corporate name of the Company by any Authorized Officer, under its corporate seal (which may be printed, engraved or otherwise produced thereon by facsimile or otherwise) and attested to by the Secretary or any Assistant Secretary of the Company prior to the authentication of the Security, and the delivery of such Security by the Trustee upon a Company Order, after the authentication thereof hereunder, shall constitute due delivery of such Security and any coupons appertaining thereto on behalf of the Company. Such signatures may be the manual or facsimile signature of any such Authorized Officer and Secretary or Assistant Secretary and, if in facsimile, may be imprinted or otherwise reproduced on the Securities or the coupons. In case any Authorized Officer, Secretary or Assistant Secretary of the Company who shall have signed, or whose facsimile signature appears on, any of the Securities or coupons shall cease to be such Authorized Officer, Secretary or Assistant Secretary, as the case may be before the Securities shall have been authenticated and delivered by the Trustee or disposed of by the Company, such Security nevertheless may be authenticated and delivered or disposed of as though the Person who signed such Security or coupon had not ceased to be such Authorized Officer, Secretary or Assistant Secretary, as the case may be. Any Security or coupon may be signed on behalf of the Company by such Authorized Officer, Secretary or Assistant Secretary as, at the actual date of the execution of such Security or coupon, shall be the proper Authorized Officer of the Company, although at the date of the execution of

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this Indenture any such Person was not such an Authorized Officer, Secretary or Assistant Secretary, as the case may be.

Only such Securities as shall bear thereon a certificate of authentication substantially in the form herein recited, executed by the Trustee by manual signature of one of its authorized officers, shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. No coupon shall be entitled to the benefits of this Indenture or become valid or obligatory for any purpose until such certificate shall have been duly executed on the Bearer Security to which such coupon appertains. Such certificate by the Trustee upon any Security executed by the Company shall be conclusive evidence that the Security so authenticated has been duly authenticated and delivered hereunder and that the holder is entitled to the benefits of this Indenture. The Trustee shall not authenticate or deliver any Bearer Security until all matured coupons appertaining thereto shall have been detached and cancelled, except as otherwise permitted in Section 2.06.

SECTION 2.05. *Exchange and Registration of Transfer of Securities.*

The Company shall keep, at the office or agency to be maintained by the Company for such purpose (herein referred to as the "Security Registrar" or the "Registrar") in the Borough of Manhattan, The City of New York, as provided in Section 4.02, a register (herein sometimes referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Registered Securities and the registration of transfers of Registered Securities. The Company hereby initially appoints the Trustee at its Corporate Trust Office as Security Registrar. Upon written notice to the Trustee and any acting Security Registrar, the Company may appoint a successor Security Registrar for such purposes. At all reasonable times, the Security Register shall be open for inspection by the Trustee. Upon due presentation for registration of transfer of any Registered Security at the office of the Security Registrar, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the transferee or transferees, one or more new Registered Securities of like tenor of any authorized denominations for an equal aggregate principal amount.

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All Registered Securities presented for registration of transfer or for exchange, redemption or payment, as the case may be, shall (if so required by the Company or the Trustee or the Security Registrar) be duly endorsed by, or be accompanied by a written instrument or instruments of assignment and transfer in form satisfactory to the Person imposing such requirement, and duly executed by, the Holder or his attorney duly authorized in writing.

Bearer Securities shall be transferable by delivery.

Registered Securities may not be exchanged for Bearer Securities.

At the option of the Holder thereof, Bearer Securities may be exchanged for a like aggregate principal amount of Registered Securities of any authorized denominations, upon surrender at the office of the Security Registrar of such Bearer Securities to be exchanged with all unmatured coupons and all matured coupons in default thereto appertaining, and upon payment, if the Company shall so require, of the charges hereinafter provided. Whenever any Bearer Securities to be exchanged shall be surrendered at such office in accordance with this Section 2.05, the Company shall execute, and the Trustee shall authenticate and deliver in exchange therefor, the Registered Security or Securities which the holder of such Bearer Security making said exchange shall be entitled to receive.

No service charge shall be made for any exchange or registration of transfer of Securities, but the Company may require payment of a sum sufficient to cover any tax, assessment or other governmental charge that may be imposed in connection therewith, other than exchanges pursuant to Section 2.08, 3.04 or 9.04 not involving any transfer of Securities.

Neither the Trustee, the Security Registrar nor the Company shall be required to exchange or register a transfer of any Securities (i) selected, called or being called for redemption or (ii) during the 15-day period preceding the last day on which notice of redemption of Securities may be given.

All Securities issued pursuant to this Section 2.05 in exchange for or upon registration of transfer of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered for such exchange or registration of transfer.

SECTION 2.06. *Mutilated, Destroyed, Lost or Stolen Securities and Coupons.*

In case any Security shall become mutilated, destroyed, lost or stolen, and in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute, and the Trustee shall authenticate and deliver, a new Security of like tenor and principal amount (with coupons corresponding to the coupons, if any, appertaining to the mutilated, destroyed, lost or stolen Security before it was so mutilated, destroyed, lost or stolen) bearing a number not contemporaneously outstanding, in substitution for the Security so mutilated, destroyed, lost or stolen and the coupons, if any, appertaining thereto. In case any coupon appertaining to any Bearer Security shall become mutilated, destroyed, lost or stolen, the Company shall execute, and the Trustee shall authenticate and deliver, a new Bearer Security (with coupons corresponding to the coupons appertaining to the Bearer Security to which such mutilated, destroyed, lost or stolen coupon appertained before it was so mutilated, destroyed, lost or stolen) bearing a number not contemporaneously outstanding, in substitution for the Bearer Security with respect to which the coupons have become so mutilated, destroyed, lost or stolen and any coupons appertaining thereto. In every case the applicant for a substitute Security or any coupon appertaining thereto shall, at the expense of the applicant, furnish to the Company, the Trustee and the Security Registrar such security or indemnity as may be required by them to save each of them harmless. Also, in every case of destruction, loss or theft, the applicant shall furnish to the Company, the Trustee and the Security Registrar evidence to their satisfaction of the destruction, loss or theft of such Security (or such coupon or coupons) and of the ownership thereof and shall, in the case of an application for replacement of a coupon, surrender to the Trustee the Bearer Security to which such coupon appertains (with all coupons appertaining thereto not destroyed, lost or stolen). In every case of mutilation, the applicant shall surrender to the Trustee the Security so mutilated or to which the coupon or coupons so mutilated appertain, with all coupons appertaining thereto (including any mutilated coupons). The Trustee may authenticate any such substitute Security and deliver the same with the appurtenant coupons, if any. Upon the issuance of any substitute Security, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation

thereto and any other expenses connected therewith and in addition a further sum for each Security so issued in substitution. In case any Security or any coupon which has matured or is about to mature shall have become mutilated, destroyed, lost or stolen, the Company may (a) in the case of any such Security, pay or authorize the payment of the same instead of issuing a substitute Security as permitted by this Section 2.06 and (b) in the case of any such coupon, issue a substitute Bearer Security as permitted by this Section 2.06 without coupons corresponding to such mutilated, destroyed, lost or stolen coupons to the extent the Company shall pay or authorize the payment of such coupons.

Every substitute Security and the coupons, if any, appertaining thereto issued pursuant to the provisions of this Section 2.06 by virtue of the fact that any Security or coupon is destroyed, lost or stolen shall constitute an additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security or coupon shall at any time be found by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities and coupons duly issued hereunder. All Securities and coupons shall be held and owned upon the express condition that, to the extent permitted by law, the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities or coupons and shall preclude any and all other rights or remedies, notwithstanding any law or statute now existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

SECTION 2.07. *Cancellation of Surrendered Securities or Paid Coupons.*

All Securities surrendered for redemption pursuant to the provisions of Article Three and all Securities or coupons surrendered for payment or for substitution or exchange or registration of transfer pursuant to the provisions of Section 2.05, 2.06, 2.08 or 9.04 shall, if surrendered to the Company or any paying agent or the Security Registrar be delivered by it to the Trustee for cancellation or, if surrendered to the Trustee, be cancelled by the Trustee, and no Securities or coupons shall be issued in lieu thereof, except as otherwise provided in this Indenture. The Trustee shall destroy Securities and coupons surrendered to and cancelled by the Trustee and Securities and coupons surrendered to the Company or any paying agent or the Security

Registrar and delivered to the Trustee for cancellation, and shall deliver to the Company a certificate in respect of such destruction. If the Company shall acquire any of the Securities or coupons, however, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Securities or coupons unless and until the same are delivered to the Trustee for cancellation. Any Securities or coupons acquired by the Company and delivered to the Trustee shall be cancelled by the Trustee upon receipt of written instructions from the Company.

SECTION 2.08. *Global Security; Exchanges.*

Any Security issued pursuant to the provisions of Section 2.01 prior to the Exchange Date (as hereinafter defined) shall be in global form. The Company initially shall execute and the Trustee shall authenticate upon the same conditions and in substantially the same manner, and with like effect, as definitive Securities and the Trustee shall deliver, outside the United States of America and its territories and possessions and all other areas subject to its jurisdiction, to a common depositary for the Euro-clear System and CEDEL, S.A. one global Security (printed, typewritten or lithographed) in the principal amount of \$100,000,000 (the "Global Security" or "Global Note"). Such Global Security shall be issuable as a Bearer Security without coupons and substantially in the form of the definitive Bearer Securities but with such omissions, insertions and variations as may be appropriate for a global Security, all as may be determined by the Company, and shall bear substantially the following legend:

This Security has not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered, sold or delivered, directly or indirectly, in the United States of America, its territories or possessions, or to any area subject to the jurisdiction of the United States of America (the "United States"), or to or for the account of persons who are citizens, residents or nationals thereof (including any estate or trust that is subject to United States federal income taxation regardless of the source of its income and any corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof). This Security is a temporary Security without coupons, exchangeable in whole or in part upon request of the Holder hereof for definitive Securities in bearer form with coupons to the Trustee (as defined in this

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Security) not earlier than the 90th day after the date by which the distribution of the Securities has been completed, as determined by Lehman Brothers International, Inc., upon presentation of a certificate or certificates as to beneficial ownership in the forms set forth in the Indenture (as hereinafter defined), copies of which certificates are also available at such agency or at the office of the Trustee.

Without unnecessary delay but in any event not less than 20 days prior to the Exchange Date, the Company will execute and deliver to the Trustee definitive Securities. On or after the Exchange Date the Global Security may be surrendered to the Trustee to be exchanged, in whole or in part, for definitive Securities without charge (including any transfer or similar tax), and the Trustee shall authenticate and deliver, in exchange for such Global Security or the portions thereof to be exchanged, an equal aggregate principal amount of definitive Securities, but only upon presentation by Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euro-clear System or its successor (the "Euro-clear Operator") or by CEDEL, S.A. to the Trustee of a certificate with respect to the Securities or portions thereof being exchanged, signed by the Euro-clear Operator or by CEDEL, S.A., as the case may be, in substantially the following form, with such changes therein as shall be approved by the Company and the Trustee:

[Form of Certificate to be given
to the Trustee by the
Euro-clear Operator or CEDEL, S.A.]

This is to certify (i) that we have received from each of the persons appearing in our records as being entitled to a portion of that part of the U.S. \$100,000,000 in aggregate of principal amount of the Federated Department Stores, Inc. 11% Notes Due 1990 in global form (the "Global Security") submitted herewith for exchange (our "Account Holders") a certificate with respect to such portion of the Global Security in the form provided in Section 2.08 of the Indenture pursuant to which the Global Security was issued and (ii) that we are not submitting herewith for exchange any portion of such Global Security excepted in such certificates.

We further certify that as of the date hereof we have not received any notification to the effect that the statements made by or on behalf of our Account Holders with respect to any portion of the Global Security submitted herewith for exchange are no longer true.

[Morgan Guaranty Trust Company of
New York, Brussels office, as operator
of the Euro-clear System or CEDEL,
S.A.]

Dated: By:

The certificate of the Euro-clear Operator or CEDEL, S.A. delivered to the Trustee as provided above shall be based on a certificate or certificates of the persons listed in the records of the Euro-clear Operator or CEDEL, S.A. as being entitled to a portion of the Global Security. Each such certificate of such person shall be dated on or after the 75th day after the completion of the distribution of the Securities, as determined by Lehman Brothers International, Inc. and shall be in substantially the following form:

[Form of certificate to be given to the Euro-clear Operator
or CEDEL, S.A. by Account Holders]

FEDERATED DEPARTMENT STORES, INC.

This is to certify that as of the date hereof (and except as provided in the third paragraph hereof,)* U.S.\$..... principal amount of the Global 11% Notes Due 1990 of Federated Department Stores, Inc (the "Global Security") held by you for our account is beneficially owned by persons who are not citizens, nationals or residents of the United States of America, its possessions or territories (including an estate or trust that is subject to United States federal income taxation regardless of its source of income and any corporation, partnership or other entity organized under the laws thereof or any political subdivision thereof).

We undertake to advise you by telex on or prior to the date fixed for exchange of such portion of the Global Security if the above statement as to beneficial ownership is not correct on such date fixed for exchange of such portion of the Global Security as to all of the above-mentioned principal amount of such Global Security then appearing in your books as being held for our account, specifying such portion of such amount as to which said statement is incorrect.

* Omit if not applicable.

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[This certificate excepts and does not relate to U.S.\$..... principal amount of the above-mentioned Global Security held by you for our account as to which we are on the date hereof not able so to certify and as to which we understand exchange and delivery of definitive Securities cannot be made until we are able so to certify.]*

We understand that this certificate is required in connection with certain securities and tax legislation in the United States of America. If administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate or a copy thereof to any interested party in such proceedings.

Dated:

Delivery to the Trustee by the Euro-clear Operator or CEDEL, S.A. of the certificate provided above may be relied upon by the Trustee as conclusive evidence that a related certificate or certificates of the persons listed in the records of the Euro-clear Operator or CEDEL, S.A. as being entitled to a portion of the Global Security has or have been delivered to the Euro-clear Operator or CEDEL, S.A. as contemplated above. Upon any such exchange of a portion of the Global Security for definitive Securities, the Global Security shall be endorsed by the Trustee to reflect the reduction of the principal amount evidenced thereby. Until so exchanged in full, the Global Security shall in all respects be entitled to the same benefits under this Indenture as definitive Securities authenticated and delivered hereunder except that the beneficial Holders of such Global Security shall not be entitled to receive payment of interest thereon. Any exchange of a portion of such Global Security or delivery of definitive Securities shall be made outside the United States of America and its territories and possessions and all other areas subject to its jurisdiction. For the purposes hereof, "Exchange Date" shall mean the 90th day after the date by which the distribution of the Securities has been completed, as determined by Lehman Brothers International, Inc., provided that Lehman Brothers International, Inc. shall have advised the Trustee and the Company of the date of such completion of the distribution and the Exchange Date within 15 days subsequent to such completion.

* Omit if not applicable.

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ARTICLE THREE
REDEMPTION OF SECURITIES

SECTION 3.01. *Redemption.*

The Securities may not be redeemed prior to maturity except under the circumstances, and pursuant to the terms and conditions and at the redemption price, specified in the form of Security set forth in this Indenture.

SECTION 3.02. *Procedures for Redemption.*

On or before the Business Day next preceding the day fixed for redemption of Securities pursuant to this Indenture, the Company shall deposit with the Trustee or with the paying agents (or, if the Company is acting as its own paying agent, segregate and hold in trust as provided in Section 4.04) an amount of money sufficient to redeem on the date fixed for redemption all Securities called for redemption and then outstanding at the applicable redemption price thereof and (except if the date fixed for redemption shall be an interest payment date, then such interest shall be paid as provided in Section 4.01) accrued interest to the date of redemption.

The Trustee shall not in any event be liable for the payment of principal or interest on any Securities called for redemption as herein provided, except to the extent that money shall have been furnished to it for such purpose.

SECTION 3.03. *Notice of Redemption.*

In case the Company shall desire to exercise the right to redeem all of the Securities pursuant to the terms of paragraph twelve of the form of the reverse of the Security set forth in this Indenture, it shall fix a date for redemption and shall notify the Trustee to such effect at least 55 days prior to the date so fixed. In case the Company shall redeem all of the Securities pursuant to the terms of paragraph thirteen of the form of the reverse of the Security set forth in this Indenture, it shall fix a date for redemption and shall notify the Trustee to such effect as provided in said paragraph. The Trustee, in the name and at the expense of the Company, shall not less than 30 nor more than 60 days prior to the date fixed for redemption (i) mail by first class mail, postage prepaid, a notice of such redemption to the Holders of Registered Securities so to be redeemed at their addresses as the same appear on the Security Register and (ii) publish (on a Business Day) such a

notice of redemption for the benefit of holders of Bearer Securities so to be redeemed at least once prior to the date fixed for redemption in an Authorized Newspaper in London and, as long as the Securities are listed on the Luxembourg Stock Exchange, in Luxembourg.

The notice, if mailed or published as herein provided, shall be conclusively presumed to have been duly given to the Holders of a Registered Security to whom such notice is mailed and, if published, to all Holders of Bearer Securities, whether or not any Holder receives such notice. Neither any failure to give notice by mail nor any defect in the notice to the Holder of any Registered Security designated for redemption shall affect the validity of the proceedings for the redemption of any other Security. Neither failure to give notice by publication as provided above, nor any defect in any notice so published, shall affect the sufficiency of any notice to such Holders of Bearer Securities as provided above. In case by reason of the suspension of publication of any Authorized Newspaper or Authorized Newspapers or by reason of any other cause it shall be impossible or, in the opinion of the Trustee, impracticable to publish any notice to Holders of Bearer Securities as provided above, then such notification to such holders as shall be given with the approval of the Trustee shall constitute sufficient notice to such holders for every purpose hereunder.

Each such notice of redemption shall specify the date fixed for redemption, the redemption price, the place or places of payment, that payment will be made upon presentation and surrender of the Securities to be redeemed with all coupons, if any, appertaining thereto maturing after the date fixed for redemption, that interest accrued to the date fixed for redemption will be paid as specified in said notice and that on and after said date interest thereon will cease to accrue.

SECTION 3.04. When Securities Called for Redemption Become Due and Payable.

If notice of redemption has been published or mailed as provided in Section 3.03, the Securities specified in such notice shall become due and payable on the date and at the place or places stated in such notice, at the applicable redemption price, together with accrued interest to the date fixed for redemption, and on and after said date (unless the Company shall default in the payment of such Securities at the applicable redemption price plus accrued interest) interest on the Securities so to be redeemed shall cease

to accrue and the unmatured coupons appertaining to Bearer Securities shall be void. On presentation and surrender of such Securities at said place or places of payment, with all unmatured coupons, if any, thereto appertaining, such Securities shall be paid and redeemed by the Company at the applicable redemption price together with accrued interest to the date fixed for redemption (except if the date fixed for redemption shall be an interest payment date). In any case where the date fixed for redemption is an interest payment date (i) the coupon maturing on such date appertaining to each of the Bearer Securities called for redemption shall be detached and presented for payment as provided in Section 4.01, and (ii) interest payable on or prior to the date fixed for redemption to the Holders of Registered Securities shall be payable to the holders of such Registered Securities registered as such on the relevant record date, according to their terms and the provisions of Section 2.03.

If any Bearer Security surrendered for redemption shall not be accompanied by all appurtenant coupons maturing after the redemption date, such Bearer Security may be paid after deducting from the redemption price an amount equal to the face amount of all such missing coupons or the surrender of such missing coupon or coupons may be waived by the Company and the Trustee, if there be furnished to them such security or indemnity as they may require to hold each of them harmless. If thereafter the Person who surrendered such Bearer Security for redemption shall surrender to the Trustee any such missing coupon in respect of which a deduction shall have been made from the redemption price, such holder shall be entitled to receive the amount so deducted.

ARTICLE FOUR PARTICULAR COVENANTS OF THE COMPANY

SECTION 4.01. *Payment of Principal of and Interest on Securities.*

The Company will duly and punctually pay or cause to be paid the principal of and interest on each of the Securities at the places, at the respective times and in the manner provided in the form of the Securities and in the coupons. The interest on the Bearer Securities (including Additional Amounts payable as provided in Section 4.03 in respect of

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principal of and interest on any Security) shall be payable only upon presentation and surrender of the several coupons for such interest installments as are evidenced thereby as they severally mature. For the purpose of making such payments of interest on the Securities, the Company (unless it shall act as its own paying agent pursuant to Section 4.04(b)) will pay to the paying agents, on or before the Business Day next preceding the day on which interest on the Securities is due and payable by the Company, the amount which will be due and payable on that day. For the purpose of paying the principal of outstanding Securities on their maturity dates, the Company (unless it shall act as its own paying agent pursuant to Section 4.04(b)) will pay to the paying agents on or before the Business Day next preceding the maturity date of the Securities an amount sufficient to make such payment.

SECTION 4.02. *Appointment of Agents.*

As long as any of the Securities remain outstanding, the Company will maintain one or more agencies where notices and demands to or upon the Company in respect of the Securities, the coupons or this Indenture may be served and where the Securities and coupons may be presented for payment, for transfer and for registration of transfer and for exchange as in this Indenture provided. The Company hereby initially appoints the Trustee at its Corporate Trust Office as its agent where such notices and demands may be served. The Company, as long as the Securities are outstanding, will maintain a paying agent in New York City (for Registered Securities only) and the Company hereby initially appoints the Trustee at its Corporate Trust Office as such paying agent. In addition, the Company will maintain a paying agent in at least one major city in Western Europe as long as the Securities are outstanding, which shall be Luxembourg as long as the Securities are listed on the Luxembourg Stock Exchange. The Company has initially appointed the offices specified in the form of Security as the Company's paying agents, but the Company shall have the right at any time and from time to time to vary or terminate any such appointment as paying agent and to appoint additional and other such agents. The Company will give to the Trustee notice of the location of such additional and other offices or agencies of the Company and of any change in the location of any of such offices or agencies. No agent appointed by the Company pursuant to this Section shall be liable to the Company or to the Holder of any Security or coupon except in the case of its own negligent action, its own negligent failure to act or its own willful misconduct.

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SECTION 4.03. Payment of Additional Amounts.

The Company, in respect of principal of and interest on the Securities, will pay such Additional Amounts as may be required by terms of the sixth, thirteenth and fourteenth paragraphs of the form of the reverse of the Security set forth in this Indenture. At least five Business Days prior to February 1, 1986 (or any earlier date fixed for redemption of the Securities) and at least five Business Days prior to each date of payment of the principal or interest with respect to the Securities thereafter if there shall have been any change with respect to the matters set forth in the below-mentioned Officers' Certificate, the Company shall furnish the Trustee and any paying agent with an Officers' Certificate instructing the Trustee and any such paying agent as to whether payments in respect of the Securities due on such date shall be made without deduction or withholding for or on account of any taxes described in the sixth, thirteenth and fourteenth paragraphs of the form of the reverse of the Security set forth in this Indenture. If any such deduction or withholding shall be required, then such Officers' Certificate shall specify on the basis of such facts as are known to the Company the amount required to be deducted or withheld on such payment to the Holders of the Securities and the Additional Amounts, if any, due to Holders of the Securities and thereafter the Company will pay to the Trustee and any such paying agent, to the extent appropriate, such Additional Amounts as shall be required to be paid to such Holders.

If the Company determines that any payment of principal or interest due in respect of any Securities or coupon appertaining thereto would be subject to certain United States certification, information or other reporting requirements, the Company will either redeem the Securities as specified in, or elect to pay such Additional Amounts as may be required by the terms of, the form of the reverse of the Security set forth in this Indenture.

Except as specifically provided in Sections 4.03 and 10.01, the Company shall not be required to make any payment with respect to any tax, assessment or other governmental charge imposed by any government or any political subdivision thereof or taxing authority therein. Whenever in this Indenture there is mentioned, in any context, the payment of principal of or interest on, any Security or any coupons appertaining thereto, such mention shall be deemed to include mention of the payment of Additional

Amounts provided for in Sections 4.03 and 10.01, to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof pursuant to such provisions, and express mention of the payment of Additional Amounts (if applicable) in any provisions hereof shall not be construed as excluding Additional Amounts in those provisions hereof where such express mention is not made.

SECTION 4.04. *Paying Agents to Hold Funds in Trust.*

(a) Whenever the Company shall appoint a paying agent other than the Trustee, it will cause such paying agent to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to the provisions of this Section 4.04,

(1) that it will hold all sums held by it as such agent for the payment of the principal of or interest on the Securities in trust for the benefit of the Holders of the Securities, or of the coupons, as the case may be, and will notify the Trustee of the receipt of sums to be so held;

(2) that it will give the Trustee notice of any failure by the Company to make any payment of the principal of or interest on the Securities when the same shall be due and payable; and

(3) that at any time during the continuance of any such default, upon the written request of the Trustee, it will forthwith pay to the Trustee all sums so held in trust.

(b) If the Company shall act as its own paying agent, it will, on or before each due date of the principal of or interest on the Securities, set aside, segregate and hold in trust for the benefit of the Holders of the Securities and of the coupons, as the case may be, a sum sufficient to pay such principal or interest so becoming due. The Company will promptly notify the Trustee of such action or any failure to take such action or of any failure by the Company to make any payment of the principal of and interest on the Securities when the same shall become due and payable.

(c) Anything in this Section 4.04 to the contrary notwithstanding, the Company may, at any time, for the purpose of obtaining satisfaction and discharge of this Indenture, or for any other reason, pay or cause to be paid

to the Trustee all sums held in trust by it or any paying agent hereunder as required by this Section 4.04, such sums to be held by the Trustee upon the trusts herein contained.

(d) Anything in this Section 4.04 to the contrary notwithstanding, the agreement to hold sums in trust as provided in this Section is subject to the provisions of Sections 11.03 and 11.04.

SECTION 4.05. *Appointment of Trustee by Company.*

The Company, whenever necessary to avoid or fill a vacancy in the office of the Trustee, will appoint, in the manner provided in Section 6.09, a Trustee, so that there shall at all times be a Trustee hereunder.

SECTION 4.06. *Statement as to Compliance.*

On or before a date not more than four months after the end of each fiscal year of the Company ending after the date hereof, the Company will file with the Trustee an Officers' Certificate stating that in the course of the performance of their duties as such officers they would normally obtain knowledge of any action or failure to act on the part of the Company in violation of any covenant, agreement, provision or condition contained in this Indenture, stating whether or not they have obtained knowledge of any action or failure to act on the part of the Company during the preceding fiscal year which, in their opinion, is in violation of any covenant, agreement, provision or condition contained in this Indenture and, if so, specifying each such default of which the signers may have knowledge and the nature thereof.

SECTION 4.07. *Corporate Existence.*

Subject to Article Ten hereof, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights (charter and statutory) and franchises; *provided, however,* that the Company shall not be required to preserve any such right or franchise if the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and that the loss thereof is not disadvantageous in any material respect to the holders of the Securities.

SECTION 4.08. *Restrictions on Secured Debt.*

After the date hereof the Company will not at any time create, assume or guarantee, and will not cause, suffer or permit any Subsidiary to create, assume or guarantee, any Secured Debt without making effective provision (and the Company covenants that in such case it will make or cause to be made effective provision) whereby the Securities then outstanding and any other indebtedness of or guaranteed by the Company or such Subsidiary then entitled thereto, subject to applicable priorities of payment, shall be secured equally and ratably with such Secured Debt so long as such Secured Debt shall be outstanding; provided, however, that the foregoing covenants shall not be applicable to the following:

(a)(i) Mortgages on property to secure all or part of the cost of acquiring, substantially repairing or altering, constructing, developing or substantially improving such property, or to secure indebtedness incurred to provide funds for any such purpose or for reimbursement of funds previously expended for any such purpose, provided the commitment of the creditor to extend the credit secured by any such mortgage shall have been obtained not later than 24 months after the later of (A) the completion of the acquisition, substantial repair or alteration, construction, development or substantial improvement of such property or (B) the placing in operation of such property or of such property as so substantially repaired or altered, constructed, developed or substantially improved; or (ii) the acquisition of property subject to any mortgage upon such property existing at the time of acquisition thereof, whether or not assumed by the Company or a Subsidiary; or (iii) mortgages existing on the property or on the outstanding shares or indebtedness of a corporation at the time such corporation shall become a Subsidiary; or (iv) mortgages on property of a corporation existing at the time such corporation is merged into or consolidated with the Company or a Subsidiary or at the time of a sale, lease or other disposition of the assets of a corporation or other entity as an entirety or substantially as an entirety to the Company or a Subsidiary; provided, however, that the lien of any such mortgages described above in clauses (i) through (iv) do not spread (x) to other property at the time owned by the Company or any Subsidiary, with the exception of the land (including related land contiguous thereto) and the balance of the building or buildings, if any, on or in which said

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substantial repair or alteration, construction, development or substantial improvement was made, or (y) to other property thereafter acquired other than additions to such excepted property; or

(b) Mortgages on property of the Company or a Subsidiary in favor of the United States of America or any State thereof, or any department, agency or instrumentality or political subdivision of the United States of America or any State thereof, or in favor of any other country, or any department, agency or instrumentality or political subdivision thereof, to secure partial, progress, advance or other payments pursuant to any contract or statute or to secure any indebtedness incurred for the purpose of financing all or any part of the purchase price or the cost of construction or improvement of the property subject to such mortgages; or

(c) Any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any mortgage existing on the date hereof or referred to in the foregoing subparagraphs (a) and (b); provided, however, that the principal amount of Secured Debt secured thereby shall not exceed the principal amount outstanding at the time of such extension, renewal or replacement, and that the mortgage so extended, renewed or replaced shall be limited to the property subject thereto at the time of such extension, renewal or replacement and additions to such property.

Notwithstanding the foregoing provisions of this Section 4.08, the Company and any Subsidiary may create, assume or guarantee Secured Debt which would otherwise be subject to the foregoing restrictions in an aggregate amount which, together with the amount of all other Secured Debt of the Company and its Subsidiaries then outstanding which would otherwise be subject to the foregoing restrictions (not including Secured Debt permitted to be created, assumed or guaranteed under subparagraphs (a) through (c) above), does not at the time exceed 5% of Shareholders' Ownership.

SECTION 4.09. Restrictions on Sales and Leasebacks.

The Company will not, and will not permit any Subsidiary to, sell or transfer (except to the Company or one or more Subsidiaries, or both) any Operating Property which was such on the date of this Indenture with the

intention of taking back a lease on such property, except a lease for a temporary period (not exceeding 24 months) with the intent that the use by the Company or such Subsidiary of such property will be discontinued on or before the expiration of such period (herein referred to as a "Sale and Leaseback Transaction"), other than the sale of such property in one or more Sale and Leaseback Transactions of not more than an aggregate of \$100,000,000 in value at any time outstanding; provided, further, that the Company or a Subsidiary may in addition engage in one or more Sale and Leaseback Transactions if the Company or Subsidiary shall apply an amount equal to the value of the property so leased to the retirement (other than any mandatory retirement), within 120 days of the effective date of any such arrangement, of indebtedness for money borrowed by the Company or a Subsidiary (other than such indebtedness owned by the Company or a Subsidiary) which was recorded as Funded Debt as of the date of its creation and which, in the case of such indebtedness of the Company, is not subordinate and junior in right of payment to the prior payment of the Securities.

The term "value" shall mean, in computing the value of a Sale and Leaseback Transaction or the aggregate value of such Transactions, as of any particular time, the amount equal to the greater of (i) the net proceeds of the sale of the property or properties leased pursuant to such Sale and Leaseback Transaction or Transactions, or (ii) the amount of such property or properties at the time of entering into each such Sale and Leaseback Transaction, as shown on the Company's or Subsidiary's books of account net of accumulated depreciation and amortization, in either case divided first by the number of full years of the term of the lease and then multiplied by the number of full years of such term remaining at the time of determination, without regard to any renewal or extension options contained in the lease. Any retirement of Securities pursuant to the proviso in the preceding paragraph shall be subject to the provisions of Article Three hereof.

ARTICLE FIVE**REMEDIES****SECTION 5.01. *Events of Default; Declaration of Principal Due; Waiver of Default***

In case one or more of the following Events of Default shall have occurred and be continuing with respect to any Security, that is to say:

- (a) default in the payment of the principal of any Security as and when the same shall become due and payable, either at Maturity, upon redemption, by declaration or otherwise, and continuance of such default for a period of five Business Days; or
- (b) default in the payment of any instalment of interest upon any Security as and when the same shall become due and payable and continuance of such default for a period of thirty days; or
- (c) failure on the part of the Company duly to observe or perform any other of the covenants or agreements on its part contained in the Security or in this Indenture (other than a default with respect to which performance is dealt with specifically elsewhere in this Section), and such failure shall continue unremedied for a period of 90 days after the date on which written notice of such failure, stating the specific event or events complained of and requiring the Company to remedy the same and stating that such notice is a "Notice of Default" hereunder, shall have been given to the Company by the Trustee, or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Securities at the time outstanding (or such lesser amount as shall have acted at a meeting of Holders of Securities pursuant to Section 8.05); or
- (d) a court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Company in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appoint a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property, or order the winding-up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(e) the Company shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar official) of the Company or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due or shall take any corporate action in furtherance of any of the foregoing;

then and in each and every such case, unless the principal of all the Securities shall have already become due and payable, either the Trustee or the Holders of not less than 25% in aggregate principal amount of the Securities then outstanding hereunder (or such lesser amount as shall have acted at a meeting of Holders of the Securities pursuant to Section 8.05) by notice in writing to the Company (and to the Trustee if given by Holders of such Securities), may declare the principal amount of all the Securities to be due and payable immediately, and upon any such declaration of acceleration the same, together with any accrued interest and any other amounts owing hereunder, shall become and shall be immediately due and payable, anything contained in this Indenture or in the Securities to the contrary notwithstanding. This provision, however, is subject to the condition that if, at any time after such a declaration of acceleration has been made, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Company shall pay or shall deposit with the Trustee a sum sufficient to pay all matured instalments of interest upon all the Securities and such amount as shall be sufficient to cover reasonable compensation to the Trustee, its agents, attorneys and counsel, and all other expenses and liabilities reasonably incurred, and all reasonable advances made, by the Trustee except as a result of its negligence or bad faith, and any and all defaults under the Indenture, other than the non-payment of the principal amount of Securities which shall have become due by acceleration, shall have been remedied—then and in every such case the Holders of a majority in aggregate principal amount of the Securities then outstanding (or such lesser amount as shall have acted at a meeting of the Holders of the Securities pursuant to Section 8.05), by written notice to the Company and the Trustee, may waive

with respect to all Securities all defaults and rescind and annul such declaration and its consequences; but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.

In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned because of such rescission and annulment or for any other reason or shall have been determined adversely to the Trustee, then and in every such case the Company, the Trustee and the Holders of the Securities shall be restored respectively to their former positions and rights hereunder, and all rights, remedies and powers of the Company, the Trustee and the Holders of the Securities shall continue as though no such proceedings had been taken.

SECTION 5.02. *Payment of Securities on Default.*

The Company covenants that (a) in case default shall be made in the payment of any installment of interest, if any, on any of the Securities as and when the same shall become due and payable, and such default shall have continued for a period of 30 days, or (b) in case default shall be made in the payment of the principal of any of the Securities as and when the same shall have become due and payable, whether upon Maturity or upon redemption or upon declaration or otherwise, and such default shall have continued for a period of five business days—then, upon demand of the Trustee, the Company will pay to the Trustee, for the benefit of the Holders of the Securities and coupons the whole amount that then shall have become due and payable on all such Securities and coupons for principal or interest, if any, or both, as the case may be, with interest (to the extent that payment of such interest is enforceable under applicable law) upon the overdue principal and upon overdue instalments of interest at the same rate as the rate of interest specified in the Security and, in addition thereto, such further amount as shall be sufficient to cover reasonable compensation to the Trustee, its agents, attorneys and counsel, and all other expenses and liabilities reasonably incurred, and all reasonable advances made, by the Trustee except as a result of its negligence or bad faith.

In case the Company shall fail forthwith to pay such amounts upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any action or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute

any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against the Company or other obligor upon the Securities and collect in the manner provided by law out of the property of the Company or other obligor upon the Securities wherever situated the moneys adjudged or decreed to be payable.

In case there shall be pending proceedings for the bankruptcy, reorganization or liquidation of the Company or any other obligor upon the Securities under the Federal bankruptcy law or any other similar applicable Federal or State law, or in case a receiver or trustee shall have been appointed for the property of the Company or such other obligor, or in the case of any other judicial proceedings relative to the Company or such other obligor upon the Securities or to the creditors or property of the Company or such other obligor, the Trustee, irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section 5.02, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal and interest, if any, owing and unpaid in respect of the Securities, and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee, its agents, attorneys and counsel, and for reimbursement of all expenses and liabilities reasonably incurred, and all reasonable advances made, by the Trustee except as a result of its negligence or bad faith) and of the Holders of the Securities and/or coupons allowed in any such judicial proceedings relative to the Company or other obligor upon the Securities or to the creditors or property of the Company or such other obligor, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute all amounts received with respect to the claims of the Holders of the Securities and coupons and of the Trustee on their behalf; provided, however, that nothing contained in this Indenture shall be deemed to give to the Trustee any right to accept or to consent to any plan of reorganization or otherwise, by action of any character in any such proceedings, to waive or change in any way any right of any Holder of Securities or coupons. Any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized by each Holder of a Security or coupon to make payments to the Trustee and, in the event that the Trustee shall

consent to the making of payments directly to the Holders of the Securities and coupons, to pay to the Trustee such amount as shall be sufficient to cover reasonable compensation to the Trustee, its agents, attorneys and counsel, and all other expenses and liabilities reasonably incurred, and all reasonable advances made, by the Trustee except as a result of its negligence or bad faith.

All rights of action and of asserting claims under this Indenture, or under any of the Securities or coupons, may be enforced by the Trustee without the possession of any of the Securities or coupons, or the production thereof on any trial or other proceedings relative thereto, and any such action or proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall be for the ratable benefit of the Holders of the Securities and coupons.

In case of a default hereunder the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

SECTION 5.03. Application of Money Collected by Trustee.

Any moneys collected by the Trustee pursuant to Section 5.02 shall be applied in the order following, at the date or dates fixed by the Trustee and, in case of the distribution of such moneys on account of principal or interest, upon presentation of the several Securities and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

FIRST: To the payment of costs and expenses of collection, and of all amounts payable to the Trustee and each predecessor Trustee under Section 6.06;

SECOND: In case the principal of the Securities shall not have become due at Maturity, upon redemption, by declaration or otherwise, to the payment of interest on the Securities, in the order of the Maturity of the instalments of such interest, with interest (so far as may be lawful) and to the extent that such interest has been collected by the Trustee)

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upon the overdue instalments of interest at the same rate as the rate of interest specified in the Securities, such payments to be made ratably to the persons entitled thereto, without discrimination or preference;

THIRD: In case the principal of the Securities shall have become due, by declaration or otherwise, to the payment of the whole amount then owing and unpaid upon the Securities for principal and interest, with interest upon the overdue principal and (so far as may be lawful and to the extent that such interest has been collected by the Trustee) upon overdue instalments of interest at the same rate as the rate of interest specified in the Securities; and in case such moneys shall be insufficient to pay in full the whole amount so due and unpaid upon the Securities, then to the payment of such principal and interest, without preference or priority of principal over interest, or of interest over principal or of any instalment of interest over any other instalment of interest, or of any Security over any other Security, ratably to the aggregate of such principal and accrued and unpaid interest; and

FOURTH: To the payment of the remainder, if any, to the Company, its successors or assigns, or to whosoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

SECTION 5.04. *Proceedings by Holders of Securities.*

No Holder of any Security or coupon shall have any right by virtue of any provision of this Indenture to institute any action or proceeding at law or in equity or in bankruptcy or otherwise, upon or under or with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless such Holder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof, as hereinbefore provided, and unless also the Holders of not less than 25% in aggregate principal amount of the Securities then outstanding (or such lesser amount as shall have acted at a meeting of the Holders of the Securities pursuant to Section 8.05) shall have made written request upon the Trustee to institute such action or proceedings in its own name as Trustee hereunder and shall have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee, for sixty days after its receipt of such notice, request and offer of indemnity, shall have failed to institute any such action or proceedings and no direction inconsistent with such written request shall

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have been given to the Trustee pursuant to Section 5.06; it being understood and intended, and being expressly covenanted by the taker and Holder of every Security or coupon with every other such taker and Holder and the Trustee, that no one or more Holders of Securities or coupons shall have any right in any manner whatever by virtue or by availing himself of any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders of Securities or coupons, or to obtain or seek to obtain priority over or preference to any other such Holders or coupons, or to enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all Holders of Securities and coupons. For the protection and enforcement of the provisions of this Section 5.04, each and every Holder of Securities or coupons, and the Trustee shall be entitled to such relief as can be given either at law or in equity.

If the Trustee or any Holder of any Security or coupon has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case the Company, the Trustee and the Holders shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding has been instituted.

Notwithstanding any other provisions in this Indenture, however, the right of any Holder of any Security or coupon to receive payment of the principal of and interest, if any, on such Security or to receive payment in respect of such coupon, on or after the respective due dates expressed in such Security, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

SECTION 5.05. Remedies Cumulative and Continuing.

All powers and remedies given by this Article Five to the Trustee or to the Holders of Securities and/or coupons shall, to the extent permitted by law, be deemed cumulative and not exclusive of any other such powers and remedies or of any other powers and remedies available to the Trustee or the Holders of Securities and/or coupons, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements

contained in this Indenture, and no delay or omission of the Trustee or of any Holder of Securities or coupons to exercise any right or power accruing upon any default occurring and continuing as aforesaid shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence therein; and, subject to the provisions of Section 5.04, every power and remedy given by this Article Five or by law to the Trustee or to the Holders of Securities and/or coupons may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Holder of Securities and/or coupons.

SECTION 5.06. *Rights of Holders of Majority in Amount of Securities to Direct Trustee.*

The Holders of a majority in aggregate principal amount of the Securities at the time outstanding (or such lesser amount as shall have acted at a meeting of Holders of Securities pursuant to Section 8.05) shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee; provided, however, that, subject to the provisions of Section 6.01 hereof, the Trustee shall have the right to decline to follow any such direction if the Trustee, being advised by counsel, shall determine that the action so directed may not lawfully be taken or is not in accordance with the provisions of this Indenture, or if the Trustee in good faith shall by a Responsible Officer determine that the action so directed would be unduly prejudicial to the Holders of the Securities not taking part in such direction.

SECTION 5.07. *Undertaking to Pay Costs.*

All parties to this Indenture agree, and each Holder of any Security or coupon by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; provided, however, that the provisions of this Section 5.07 shall not apply to any suit instituted by the Trustee, to any suit instituted by any person or group of persons holding in the aggregate more than 10% in principal

amount of the outstanding Securities, or to any suit instituted by the Holder of any Security or coupon for the enforcement of the payment of the principal of or interest on any Security on or after the due date thereof or of such coupon.

SECTION 5.08. *Notice of Defaults to Holders of Securities.*

The Trustee shall, within 90 days after the occurrence of default, give notice of all such defaults known to a Responsible Officer of the Trustee (i) to all Holders of then outstanding Bearer Securities by publication at least once in an Authorized Newspaper in London and, as long as the Securities are listed on the Luxembourg Stock Exchange, in Luxembourg and (ii) to all Holders of then outstanding Registered Securities, by mailing such notice to such Holders at their addresses as they shall appear on the Security Register, unless all such defaults known to such Responsible Officer of the Trustee shall have been cured before the giving of such notice (the term "default" or "defaults" for purposes of this Section 5.08 being defined to be any event or events, as the case may be, specified in clauses (a), (b), (c), (d) and (e) of Section 5.01, excluding periods of grace, if any, and the giving of notice, if any, provided for therein); *provided* that, except in the case of a default in the payment of principal of or interest on any of the Securities, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors or Responsible Officers, or both, of the Trustee in good faith determines that the withholding of such notice is in the interest of Holders of the Securities and coupons. Concurrently with mailing and publication thereof the Trustee shall send a copy of each such notice to each securities exchange on which the Company has advised the Trustee that the Securities are listed.

**ARTICLE SIX
CONCERNING THE TRUSTEE**

SECTION 6.01. *Duties and Liabilities of Trustee.*

The Trustee, except during the continuance of an Event of Default known to it, undertakes to perform only such duties as are specifically set forth in this Indenture. In case an Event of Default known to it has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in

their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own wilful misconduct, except that:

(a) unless an Event of Default known to it shall have occurred and be continuing:

(i) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture;

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

(c) the Trustee shall not be liable with respect to any action taken, suffered or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in principal amount of the Securities at the time outstanding (or such lesser amount as shall have acted at a meeting of Holders of Securities pursuant to Section 8.05) relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture; and

(d) the Trustee shall not be charged with knowledge of any Event of Default unless either (1) a Responsible Officer of the Trustee

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assigned to its corporate trust department shall have actual knowledge of such Event of Default or (2) written notice of such Event of Default shall have been given to the Trustee by the Company or any other obligor on the Securities or by the Holders of at least 5% in aggregate principal amount of the Securities then outstanding.

None of the provisions of this Indenture shall be construed as requiring the Trustee to expend or risk its own funds or otherwise to incur any personal financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

SECTION 6.02. *Reliance on Documents, Opinions, etc.*

Subject to Section 6.01:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by a Company Request or a Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) the Trustee may consult with counsel and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with such advice or Opinion of Counsel;

(d) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Holders of the Securities pursuant to the provisions of this Indenture unless such holders of the Securities shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred therein or thereby;

(e) the Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture;

(f) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder; and

(g) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney.

SECTION 6.03. No Responsibility for Recitals, etc.

The recitals contained herein and in the Securities, except the Trustee's certificate of authentication, shall be taken as the statements of the Company and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representation as to the validity or sufficiency of this Indenture or the Securities or coupons; provided that the Trustee shall not be relieved of its duty to authenticate Securities only as authorized by this Indenture. The Trustee shall not be accountable for the use or application by the Company of any of the Securities or of the proceeds thereof.

SECTION 6.04. Trustee or Paying Agent May Become Owner or Pledgee of Securities or Coupons.

The Trustee or any paying agent or any other agent of the Trustee or the Company, in its individual or any other capacity, may become the owner or pledgee of Securities or coupons and may otherwise engage in transactions with, and collect obligations owing to it by, the Company (and retain such collections for its own account) with the same rights it would have if it were not Trustee or paying agent or such other agent.

SECTION 6.05. *Money to Be Held in Trust.*

Subject to the provisions of Sections 11.03 and 11.04, all money received by the Trustee or any paying agent shall, until used or applied as herein provided, be held in trust for the purposes for which received, but need not be segregated from other funds except to the extent required by law. Neither the Trustee nor any paying agent shall be under any liability for interest on any money received by it hereunder except such as it may agree with the Company to pay thereon.

SECTION 6.06. *Compensation, Reimbursement and Indemnification of Trustee.*

The Company covenants and agrees to pay to the Trustee from time to time reasonable compensation (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust), and the Company will pay or reimburse the Trustee or any predecessor Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee or any predecessor Trustee in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence or bad faith. The Company also covenants to indemnify each of the Trustee and any predecessor Trustee for, and to hold each harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this Trust and the performance of its duties hereunder, including the costs and expenses of defending itself against any claim of liability in connection with the exercise or performance of its rights, powers or duties hereunder (except any liability incurred with negligence or bad faith on the part of the Trustee). The obligations of the Company under this Section 6.06 to compensate the Trustee and to pay or reimburse the Trustee and any predecessor Trustee for expenses, disbursements and advances shall constitute additional indebtedness hereunder and shall survive the satisfaction and discharge of this Indenture. Such additional indebtedness shall have a prior claim to that of the Securities upon all property and funds held or collected by the Trustee as such, except funds held in trust for the benefit of the Holders of Securities or coupons, and the Securities are hereby subordinated to such senior claim.

SECTION 6.07. Officers' Certificate as Evidence.

Subject to Section 6.01, whenever in the administration of the provisions of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action to be taken hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officers' Certificate of the Company, as requested by and delivered to the Trustee, and such Officers' Certificate, in the absence of negligence or bad faith on the part of the Trustee, shall be full warrant to the Trustee for any action taken, suffered or omitted by it under the provisions of this Indenture upon the faith thereof.

SECTION 6.08. Eligibility of Trustee.

The Trustee hereunder shall at all times be a corporation or trust company organized and doing business under the laws of the United States of America or of any State thereof, which (a) is authorized under such laws to exercise corporate trust powers, (b) is subject to supervision or examination by Federal or State authority and (c) shall have at all times a combined capital and surplus of not less than five million dollars. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section 6.08, the combined capital and surplus of such corporation at any time shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 6.08, the Trustee shall resign immediately in the manner and with the effect specified in Section 6.09.

SECTION 6.09. Resignation or Removal of Trustee.

(a) The Trustee, or any Trustee or Trustees hereafter appointed, may at any time resign by (i) giving written notice of resignation to the Company, (ii) mailing notice thereof to all Holders of Registered Securities at their addresses as they shall appear on the Security Register and (iii) giving notice thereof to Holders of outstanding Bearer Securities by publication at least once in an Authorized Newspaper in London and, as long as the Securities are listed on the Luxembourg Stock Exchange, in Luxembourg.

Upon receiving such notice of resignation and evidence satisfactory to it of such mailing and publication, the Company shall promptly appoint a successor Trustee by written instrument, in duplicate, executed by the Company, and one copy of such instrument shall be delivered to the resigning Trustee and one copy to the successor Trustee. If no successor Trustee shall have been so appointed and have accepted appointment within 30 days after the publication of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, or any holder who has been a bona fide holder of a Security for at least six months may, subject to the provisions of Section 5.07, on behalf of himself and all others similarly situated, petition any such court for the appointment of a successor Trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor Trustee.

(b) If at any time any of the following shall occur:

(1) the Trustee shall cease to be eligible in accordance with the provisions of Section 6.08 and shall fail to resign after written request therefor by the Company or by any Holder of a Security, or

(2) the Trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then the Company by Board Resolution may remove the Trustee and appoint a successor Trustee by written instrument delivered to the Trustee so removed and to the successor Trustee, or, subject to the provisions of Section 5.07, any Holder who has been a bona fide Holder for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor Trustee.

(c) The Holders of a majority in aggregate principal amount of the Securities at the time outstanding (or such lesser amount as shall have acted at a meeting of Holders of Securities pursuant to Section 8.05) may at any time remove the Trustee and nominate a successor Trustee unless within ten days after such nomination the Company objects thereto in which case the Trustee so removed or any Holder, upon the terms and conditions and otherwise as in subsection (b) of this Section 6.09 provided, may petition any court of competent jurisdiction for an appointment of a successor Trustee.

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(d) Any resignation or removal of the Trustee and appointment of a successor Trustee pursuant to any of the provisions of this Section shall become effective upon acceptance of appointment by the successor Trustee as provided in Section 6.10.

SECTION 6.10. *Acceptance by Successor to Trustee.*

Every successor Trustee appointed as provided in Section 6.09 shall execute, acknowledge and deliver to the Company and to its predecessor Trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as Trustee herein; but, nevertheless, on the written request of the Company or of the successor Trustee, the Trustee ceasing to act shall, upon payment of any amounts then due it pursuant to the provisions of Section 6.06, execute and deliver an instrument transferring to such successor Trustee all the rights and powers of the Trustee so ceasing to act. Upon request of any such successor Trustee, the Company shall execute any and all instruments in writing in order more fully and certainly to vest in and confirm to such successor Trustee all such rights and powers of the Trustee so ceasing to act. Any Trustee ceasing to act shall, nevertheless, have a prior claim to that of the Securities upon all property or funds held or collected by such Trustee to the extent of any amounts then due it pursuant to the provisions of Section 6.06.

No successor Trustee shall accept appointment as provided in this Section unless at the time of such acceptance such successor Trustee shall be eligible under Section 6.08.

Upon acceptance of appointment by a successor Trustee as provided in this Section, the Company shall publish notice of the succession of such Trustee hereunder (i) to the Holders of then outstanding Bearer Securities, by publication of such notice at least once in an Authorized Newspaper in London and, as long as the Securities are listed on the Luxembourg Stock Exchange, in Luxembourg and (ii) to the Holders of Registered Securities by mailing such notice to such Holders at their addresses as they shall appear on the Security Register. If the Company fails to publish such notice within ten days after the acceptance of appointment by the successor

Trustee, the successor Trustee shall cause such notice to be published at the expense of the Company.

SECTION 6.11. Successor by Merger, etc.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be eligible under the provisions of Section 6.08, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

If at the time such successor to the Trustee shall succeed to the trusts created by this Indenture any of the Securities shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor Trustee and deliver such Securities so authenticated. If at that time any of the Securities shall not have been authenticated, any successor Trustee may authenticate such Securities either in the name of any predecessor hereunder or in its own name. In all such cases such certificates shall have the full force which the Securities or this Indenture provide that the certificate of authentication of the Trustee shall have; *provided* that the right to adopt the certificate of authentication of any predecessor Trustee or to authenticate Securities in the name of any predecessor Trustee shall apply only to its successor or successors by merger, conversion or consolidation.

ARTICLE SEVEN
CONCERNING THE HOLDERS OF SECURITIES

SECTION 7.01. Evidence of Action by Holders of Securities.

Whenever in this Indenture it is provided that the Holders of a specified percentage in aggregate principal amount of the Securities may take any action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action), the fact that at the time of taking any such action the Holders of such specified percentage have joined therein may be evidenced (a) by any instrument or any number

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of instruments of similar tenor executed by Holders of the Securities, in person or by agent or proxy appointed in writing, (b) by the record of the Holders of Securities voting in favor thereof at any meeting of Holders of the Securities, duly called and held in accordance with the provisions of Article Eight or (c) by a combination of such instrument or instruments and any such record of such a meeting of Holders of the Securities.

SECTION 7.02. *Proof of Execution of Instruments and of Holding of Securities.*

Subject to the provisions of Sections 6.01, 6.02 and 8.06, proof of the execution of any instrument by a Holder of a Security or his agent or proxy and proof of the holding by any Person of any of the Securities shall be sufficient if made in the following manner:

The fact and date of the execution by any such Person of any instrument may be proved by the certificate of any notary public or other officer of any jurisdiction authorized to take acknowledgments of deeds or administer oaths that the Person executing such instrument acknowledged to him the execution thereof, or by an affidavit of a witness to such execution sworn to before any such notary or other such officer. Where such execution is by or on behalf of any legal entity other than an individual, such certificate or affidavit shall also constitute sufficient proof of the authority of the Person executing the same.

The fact of the holding by any Holder of a Bearer Security, and the identifying number of such Bearer Security and the date of his holding the same, may be proved by the production of such Bearer Security or by a certificate executed by any trust company, bank, banker or recognized securities dealer satisfactory to the Trustee wherever situated, if such certificate shall be deemed by the Trustee to be satisfactory. Each such certificate shall be dated and shall state that on the date thereof a Bearer Security bearing a specified identifying number was deposited with or exhibited to such trust company, bank, banker or recognized securities dealer by the person named in such certificate. Any such certificate may be issued in respect of one or more Bearer Securities specified therein. The holding by the person named in any such certificate of any Bearer Security specified therein shall be presumed to continue for a period of one year from the date of such certificate unless at the time of any determination of such holding (a) another certificate bearing a later date issued in respect of the

same Bearer Security shall be produced, or (b) the Bearer Security specified in such certificate shall have ceased to be outstanding.

The ownership of Registered Securities shall be proved by the Securities Register.

Subject to Sections 6.01, 6.02 and 8.06, the fact and date of the execution of any such instrument and the amount and numbers of Securities held by the person so executing such instrument and the amount and numbers of any Security or Securities may also be proven in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in any other manner which the Trustee may deem sufficient.

The Trustee may require such additional proof of any matter referred to in this Section 7.02 as it shall deem necessary.

The record of any meeting of Holders of Securities shall be proved in the manner provided in Section 8.07.

SECTION 7.03. Who May Be Deemed Owners of Securities and Coupons.

The Company, the Trustee, any paying agent, the Security Registrar and any agent of the Company or the Trustee hereunder may treat, to the extent permitted by applicable law, the bearer of any Bearer Security and the bearer of any coupon appertaining thereto as the absolute owner of such Bearer Security or coupon, as the case may be (whether or not such Bearer Security or coupon shall be overdue and notwithstanding any notation of ownership or other writing thereon), for the purpose of receiving payment thereof or of any coupon appertaining thereto and for all other purposes, and, to the extent permitted by applicable law, neither the Company, the Trustee, any paying agent, the Security Registrar nor any agent of the Company or the Trustee hereunder shall to the extent permitted by applicable law be affected by any notice to the contrary. The Company, the Trustee, any paying agent, the Security Registrar and any agent of the Company or the Trustee hereunder may deem the Person in whose name a Security shall be registered upon the Security Register to be, and may treat him as, the absolute owner of such Security (whether or not such Security shall be overdue and notwithstanding any notation of ownership or other writing thereon), for the purpose of receiving payment of or on account of the principal of, and (subject to Section 2.03) interest on such Security and for all other purposes; and, to the extent permitted by applicable law,

neither the Company nor the Trustee nor any paying agent nor the Security Registrar nor any agent of the Company or the Trustee hereunder shall be affected by any notice to the contrary. All such payments so made to any such bearer or any such registered holder shall be valid and, to the extent of the sum or sums so paid, effectual to satisfy and discharge all liability for the money payable upon any such Security or any coupon appertaining to a Bearer Security.

SECTION 7.04. Securities Owned by Company Disregarded.

In determining whether the Holders of the required aggregate principal amount of Securities are present at a meeting of Holders of Securities for the purpose of determining a quorum or have concurred in any direction, consent or waiver or other action under this Indenture, Securities which are owned by the Company or by any Affiliate of the Company, shall be disregarded and deemed not to be outstanding for the purpose of any such determination, except that for the purpose of determining whether the Trustee shall be protected in relying on any such direction, consent or waiver or other action, only Securities which the Trustee knows are so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as outstanding for the purposes of this Section 7.04, if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Securities and that the pledgee is not an Affiliate of the Company. In case of a dispute to such right, any decision by the Trustee taken upon and in accordance with the advice of counsel shall be full protection to the Trustee.

SECTION 7.05. Revocation of Consents.

At any time prior to the taking of any action by the Holders of the percentage in aggregate principal amount of the Securities specified in this Indenture in connection with such action, any Holder of a Security the identifying number of which is shown by the evidence to be included in the Securities the Holders of which have consented to such action, may, by filing written notice with the Trustee at its Corporate Trust Office and upon proof of holding as provided in Section 7.02, revoke such action so far as concerns such Security. Except as aforesaid, any such action taken by the Holder of any Security shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Security and of any Security issued in substitution or exchange therefor, irrespective of whether any notation in regard thereto is made upon such Security. Any action taken by the Holders

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of the percentage in aggregate principal amount of the Securities specified in this Indenture in connection with such action shall be conclusively binding upon the Company, the Trustee and the holders of all the Securities.

ARTICLE EIGHT

MEETINGS OF HOLDERS OF THE SECURITIES

SECTION 8.01. *Purposes of Meetings.*

A meeting of holders of the Securities may be called at any time and from time to time pursuant to the provisions of this Article Eight for any of the following purposes:

- (1) to give any notice to the Company or the Trustee, to give any direction to the Trustee or to take any other action authorized to be taken by holders of the Securities pursuant to any of the provisions of Article Five;
- (2) to remove the Trustee and appoint a successor Trustee pursuant to the provisions of Article Six;
- (3) to consent to the execution of an indenture or indentures supplemental hereto pursuant to the provisions of Section 9.02; or
- (4) to take any other action authorized to be taken by or on behalf of the holders of any specified percentage in aggregate principal amount of the Securities under any other provision of this Indenture or under applicable law.

SECTION 8.02. *Call of Meetings by Trustee.*

The Trustee may at any time call a meeting of Holders of the Securities to take any action specified in Section 8.01, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of the Holders of Securities, setting forth the time and place of such meeting and in general terms the action proposed to be taken at such meeting, shall be (i) mailed to Holders of Registered Securities at their addresses as they shall appear on the Security Register and (ii) given to all other Holders of then outstanding Bearer Securities by publication at least once in an Authorized Newspaper in London and, as long as the Securities are listed on the Luxembourg Stock Exchange, in Luxembourg. Such notices shall be mailed

and published not less than 20 nor more than 180 days prior to the date fixed for the meeting. Any failure of the Trustee to mail and publish such notice, or any defect therein, shall not in any way impair or affect the validity of any such meeting.

SECTION 8.03. *Call of Meetings by Company or Holders.*

In case at any time the Company, pursuant to a resolution adopted by its Board of Directors, or the Holders of at least 10% in aggregate principal amount of the Securities then outstanding shall have requested the Trustee to call a meeting of Holders of the Securities to take any action authorized in Section 8.01, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have made the first publication of the notice of such meeting within 30 days after receipt of such request, then the Company or the Holders of the Securities in the amount above specified may determine the time and the place for such meeting and may call such meeting by mailing and publishing notice thereof as provided in Section 8.02.

SECTION 8.04. *Qualifications for Voting.*

To be entitled to vote at any meeting of Holders of Securities a person shall (a) be a Holder of one or more Securities or (b) be a person appointed by an instrument in writing as proxy by the Holder of one or more such Securities. The only persons who shall be entitled to be present or to speak at any meeting of the Holders of such Securities shall be the persons entitled to vote at such meeting and their counsel, any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

SECTION 8.05. *Quorum; Adjourned Meetings.*

The persons entitled to vote a majority in aggregate principal amount of the Securities at the time outstanding shall constitute a quorum for the transaction of all business specified in Section 8.01. No business shall be transacted in the absence of a quorum (determined as provided in this Section 8.05). In the absence of a quorum within 30 minutes after the time appointed for any such meeting, the meeting shall, if convened at the request of the holders of Securities (as provided in Section 8.03), be dissolved. In any other case the meeting shall be adjourned for a period of not less than ten days as determined by the chairman of the meeting. In the absence of a quorum at any such adjourned meeting, such adjourned meeting shall be

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further adjourned for a period of not less than ten days as determined by the chairman of the meeting. Notice of the reconvening of any adjourned meeting shall be given as provided in Section 8.02, except that such notice need be published only once and must be mailed or published not less than five days prior to the date on which the meeting is scheduled to be reconvened.

Subject to the foregoing, at the second reconvening of any meeting adjourned for lack of a quorum, the persons entitled to vote 25% in aggregate principal amount of the Securities then outstanding shall constitute a quorum for the taking of any action set forth in the notice of the original meeting. Notice of the reconvening of an adjourned meeting shall state expressly the percentage of the aggregate principal amount of the Securities then outstanding which shall constitute a quorum.

At a meeting or an adjourned meeting duly convened and at which a quorum is present as aforesaid, any resolution and all matters (except as limited by the proviso in Section 9.02) shall be effectively passed and decided if passed or decided by the persons entitled to vote the lesser of (a) a majority in aggregate principal amount of the Securities then outstanding and (b) 75% in aggregate principal amount of the Securities represented and voting at the meeting.

Any holder of a Security who has executed in person or by proxy and delivered to the Trustee an instrument in writing complying with the provisions of Article Seven shall be deemed to be present for the purposes of determining a quorum and be deemed to have voted; *provided* that such Holder of a Security shall be considered as present or voting only with respect to the matters covered by such instrument in writing.

Any resolution passed or decision taken at any meeting of the Holders of Securities duly held in accordance with this Section shall be binding on all the Holders of Securities whether or not present or represented at the meeting.

SECTION 8.06. *Regulations.*

Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders of the Securities, in regard to proof of the holding of Securities and of the appointment of proxies, and in regard to the appoint-

ment and duties of inspectors of votes, the submission and examination of proxies, certificates, and such other matters concerning the conduct of the meeting as it shall think fit. Except as otherwise permitted or required by any such regulations, the holding of Securities shall be proved in the manner specified in Section 7.02 and the appointment of any proxy shall be proved in the manner specified in Section 7.02 or by having the signature of the person executing the proxy witnessed or guaranteed by any trust company, bank, banker or recognized securities dealer authorized by Section 7.02 to certify to the holding of Securities.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders of the Securities as provided in Section 8.03, in which case the Company or the holders of the Securities calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Holders of a majority in principal amount of the Securities represented at the meeting.

Subject to the provisions of Sections 7.04 and 8.04, at any meeting each Holder of a Security or proxy shall be entitled to one vote for each \$1,000 principal amount of each Security held or represented by him; *provided* that no vote shall be cast or counted at any meeting in respect of any Security challenged as not outstanding and ruled by the chairman or temporary chairman, as the case may be, of the meeting not to be outstanding. The chairman of the meeting shall have no right to vote except as a Holder of a Security or proxy. Any meeting of holders of the Securities duly called pursuant to the provisions of Section 8.02 or 8.03 at which a quorum is present may be adjourned from time to time, and the meeting may be held as so adjourned without further notice.

SECTION 8.07. Voting.

The vote upon any resolution submitted to any meeting of Holders of the Securities shall be by written ballot on which shall be subscribed the signatures of the Holders of the Securities or proxies and on which shall be inscribed identifying numbers, or to which shall be attached a list of identifying numbers, of the Securities held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution

and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of holders of the Securities shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting, and any adjourned meeting if required, and showing that said notice was published as provided in Section 8.02 and, if applicable, Section 8.05. The record shall be signed and verified by the permanent chairman and secretary of the meeting and one of the duplicates shall be delivered to the Company and the other to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting.

Any record so signed and verified shall be conclusive evidence of the matters therein stated.

SECTION 8.08. *No Delay of Rights by Meeting.*

Nothing in this Article Eight contained shall be deemed or construed to authorize or permit, by reason of any call of a meeting of holders of Securities or any rights expressly or impliedly conferred hereunder to make such call, any hindrance or delay in the exercise of any right or rights conferred upon or reserved to the Trustee or Holders of Securities under any provisions of this Indenture or of the Securities.

ARTICLE NINE

SUPPLEMENTAL INDENTURES

SECTION 9.01. *Supplemental Indentures Without Consent of Holders.*

Without the consent of any Holders of the Securities, the Company, when authorized by Board Resolutions, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for one or more of the following purposes:

(a) to evidence the succession of another corporation to the Company, or successive successions, and the assumption by any such successor corporation of the covenants, agreements and obligations of the Company contained herein;

(b) to add to the covenants of the Company, for the benefit of the Holders of Securities, or to surrender any right or power herein conferred upon the Company;

- (c) to add any additional Events of Default;
- (d) to amend this Indenture to conform to the provisions of the United States Trust Indenture Act of 1939 as in effect at the time of the execution of such supplemental indenture; and
- (e) to cure any ambiguity, to correct or supplement any provision contained in this Indenture which may be defective or inconsistent with any other provision contained in this Indenture; to convey, transfer, assign, mortgage or pledge any property to or with the Trustee; or to make such other provisions in regard to matters or questions arising under this Indenture as shall not materially adversely affect the interests of the Holders of the Securities and the coupons.

The Trustee is hereby authorized to join with the Company in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations which may be therein contained and to accept the conveyance, transfer, assignment, mortgage or pledge of any property thereunder, and the Trustee may in its discretion, but shall not be obligated to, enter into any such supplemental indenture which adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Any supplemental indenture authorized by the provisions of this Section 9.01 may be executed by the Company and the Trustee without the consent of the holders of any of the Securities at the time outstanding, notwithstanding any of the provisions of Section 9.02.

SECTION 9.02. *Supplemental Indentures With Consent of Holders.*

With the consent (evidenced as provided in Section 7.01) of the Holders of not less than 66 $\frac{2}{3}$ % in aggregate principal amount of the Securities at the time outstanding (or such lesser amount as shall have acted at a meeting of Holders of Securities pursuant to Section 8.05), the Company and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the holders of Securities and/or coupons; *provided* that no such supplemental indenture shall (i) change the Stated Maturity of any Security, or reduce the principal amount thereof, or reduce the amount or extend the time of

payment of interest thereon, or make the principal thereof or interest thereon payable in any coin or currency other than that hereinbefore provided, without the consent of the Holder of each Security so affected, or (ii) amend the provisions of Section 8.05 to reduce the requirements of quorum or voting, or reduce the aforesaid percentage in aggregate principal amount of Securities the consent of the Holders of which is required for the execution of any such supplemental indenture or reduce the percentage in aggregate principal amount of Securities the holders of which are required to take any other action authorized to be taken by the Holders of any specified aggregate principal amount of Securities under any other provision of this Indenture or under applicable law, without the consent of the Holders of all Securities then outstanding, or (iii) modify or affect in any manner adverse to the holders of the Securities the terms and conditions of the obligations of the Company in respect of the due and punctual payment of the principal of and interest on the Securities, without the consent of the Holder of each Security so affected.

Upon the request of the Company, accompanied by a Board Resolution authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of Holders of the Securities as aforesaid, the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

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

Promptly after the execution and delivery by the Company and the Trustee of any supplemental indenture pursuant to the provisions of this Section 9.02, the Company shall (i) mail to Holders of Registered Securities at their addresses as they shall appear on the Security Register and (ii) give to all other Holders of outstanding Bearer Securities by publication at least once in an Authorized Newspaper in London and, as long as the Securities are listed on the Luxembourg Stock Exchange, in Luxembourg, a notice,

setting forth in general terms the substance of such supplemental indenture. Any failure of the Company to mail and publish such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

SECTION 9.03. *Effect of Supplemental Indentures.*

Upon the execution and delivery of any supplemental indenture pursuant to the provisions of this Article Nine, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitation of rights, obligations, duties and immunities under this Indenture of the Trustee, the Company and the Holders of Securities and/or coupons shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

The Trustee, subject to the provisions of Sections 6.01 and 6.02, may receive an Officers' Certificate and Opinion of Counsel as conclusive evidence that any such supplemental indenture complies with the provisions of this Article Nine.

SECTION 9.04. *Notation on Securities.*

Securities authenticated and delivered after the execution and delivery of any supplemental indenture pursuant to the provisions of this Article Nine may bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. New Securities so modified as to conform, in the opinion of the Trustee and the Company, to any modification of this Indenture contained in any such supplemental indenture may be prepared by the Company, authenticated by the Trustee and delivered in exchange for the Securities then outstanding.

SECTION 9.05. *Waiver of Compliance by Holders.*

Anything in this Indenture to the contrary notwithstanding, any of the acts which the Company is required to do or is prohibited from doing by any of the provisions of this Indenture may, to the extent that such provisions might be changed or eliminated by a supplemental indenture pursuant to Section 9.02 hereof upon consent of the Holders of not less than 66 $\frac{2}{3}$ % in

aggregate principal amount of the Securities at the time outstanding (or such lesser amount as shall have acted at a meeting of the Holders of the Securities pursuant to Section 8.05), be omitted or done by the Company, if there is obtained the prior written consent thereto of the Holders of not less than 66 $\frac{2}{3}$ % in aggregate principal amount of the Securities at the time outstanding, or the prior written waiver of compliance with any such provision or provisions signed by such Holders. The Company agrees promptly to file with the Trustee a copy of each such consent or waiver.

ARTICLE TEN

MERGER, CONSOLIDATION, SALE OR CONVEYANCE

SECTION 10.01. *Merger, Consolidation or Sale of Assets by the Company.*

Nothing contained in this Indenture or in any of the Securities shall prevent any consolidation or merger of the Company with or into any other corporation or corporations or successive consolidations or mergers in which the Company or its successor or successors shall be a party or parties, or shall prevent any sale or conveyance of the property of the Company as an entirety or substantially as an entirety to any other corporation authorized to acquire and operate the same; provided, however, and the Company hereby covenants and agrees, that any such consolidation, merger, sale or conveyance shall be upon the condition that:

(a) immediately after such consolidation, merger, sale or conveyance the corporation (whether the Company or such other corporation) formed by or surviving any such consolidation or merger, or to which such sale or conveyance shall have been made, shall not be in default in the performance or observance of any of the terms, covenants and conditions of this Indenture to be kept or performed by the Company;

(b) the corporation (if other than the Company) formed by or surviving any such consolidation or merger, or to which such sale or conveyance shall have been made, shall be a corporation organized under the laws of the United States of America or any state thereof or the District of Columbia;

(c) by supplemental indenture, satisfactory in form to the Trustee, executed and delivered to the Trustee by the corporation (if other than

the Company) formed by such consolidation, or into which the Company shall have been merged, or by the corporation which shall have acquired such property, such corporation shall (i) expressly assume the due and punctual payment of the principal of and interest, if any, on all of the Securities, according to their tenor, and the due and punctual performance and observance of all the covenants and conditions of this Indenture to be performed or observed by the Company, (ii) agree to indemnify each Holder of a Security against any tax, assessment or governmental charge thereafter imposed on such Holder as a consequence of such merger, consolidation, transfer or conveyance with respect to the payment of the principal of or interest on the Securities (including any Additional Amounts required to be paid pursuant to the terms of the Securities and this Indenture), or withheld on the making of such payment, by the United States of America (or any other jurisdiction in which such successor corporation is incorporated, resident, or doing business) or by any political subdivision thereof or taxing authority therein and (iii) agree to indemnify the individuals liable therefor for the amount of United States Federal estate tax paid as a result of such merger, consolidation, transfer or conveyance in respect of Securities and coupons held by individuals who are not citizens or residents of the United States of America at the time of their death (*provided, however,* that in no event will such indemnity apply to any holder who is a fiduciary or partnership or is otherwise not the sole beneficial owner of a Security or coupon to the extent a beneficial owner, or a member of such partnership, would not have been entitled to such indemnity had such beneficial owner, or member, been the holder of such Security or coupon); and

(d) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that such consolidation, merger, conveyance or transfer and such supplemental indenture comply with this Article Ten and that all conditions precedent herein provided for relating to such transaction have been complied with.

SECTION 10.02. Successor Corporation Substituted.

Upon any consolidation or merger, or any conveyance or transfer of the properties and assets of the Company substantially as an entirety in

accordance with Section 10.01, the successor corporation formed by such consolidation or into which the Company is merged or to which such conveyance or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor corporation had been named as the Company herein, and thereafter the predecessor corporation shall be relieved of all obligations and covenants under the Indenture and the Securities and the predecessor corporation may be dissolved and liquidated.

ARTICLE ELEVEN

SATISFACTION AND DISCHARGE OF INDENTURE; UNCLAIMED MONEY

SECTION 11.01. *Satisfaction and Discharge of Indenture.*

If at any time (a) there shall have been delivered to the Trustee for cancellation all Securities theretofore authenticated and delivered and all unmatured coupons appertaining thereto (other than any Securities or coupons which shall have been mutilated, destroyed, lost or stolen and which shall have been replaced or paid as provided in Section 2.06 and other than Securities for whose payment money has theretofore been deposited with the Trustee or the paying agents in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 11.04) or there shall have been delivered to the Trustee evidence satisfactory to it of the destruction of all such Securities or coupons (other than as aforesaid) not theretofore delivered to the Trustee for cancellation, or (b) all such Securities and coupons not theretofore delivered to the Trustee for cancellation shall have become due and payable, or are by their terms to become due and payable within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption, and there shall be deposited with the Trustee as trust funds the entire amount (excluding, however, the amount of any funds theretofore repaid by the Trustee or the paying agents to the Company pursuant to Section 11.04) sufficient to pay at maturity or upon redemption all such Securities and coupons (other than any Securities or coupons which shall have been mutilated, destroyed, lost or stolen and which shall have been replaced or paid as provided in Section 2.06) not theretofore delivered to the Trustee for

cancellation, including principal and interest due or to become due to such date of maturity or date fixed for redemption, as the case may be, and if in either case there shall be paid all other sums payable hereunder by the Company, then this Indenture shall cease to be of further effect, and the Trustee, on demand of and at the cost and expense of the Company and upon delivery to the Trustee of an Officer's Certificate of the Company and an Opinion of Counsel stating that all conditions precedent to the satisfaction and discharge of this Indenture have been complied with, shall execute proper instruments acknowledging satisfaction of and discharging this Indenture; *provided* that in either case the Company shall also have paid or caused to be paid all other sums payable hereunder by the Company; and *provided further* that this Indenture shall continue in full force and effect for all purposes of (i) the substitution and exchange of Securities, (ii) the rights hereunder of Holders of Securities and coupons to receive payments of the principal of and interest on, the Securities, (iii) the other rights, duties and obligations of the Holders of Securities as beneficiaries hereof with respect to the amounts so deposited with the Trustee and (iv) the rights, obligations and immunities of the Trustee hereunder. The obligations of the Company to the Trustee in Section 6.06 shall survive the satisfaction and discharge of this Indenture.

SECTION 11.02 *Application of Deposited Funds.*

Subject to the provisions of Section 11.04, all money deposited with the Trustee pursuant to Section 11.01 shall be held in trust and applied by it, either directly or through any paying agent (including the Company acting as its own paying agent) to the payment as provided in this Indenture, to the Holders of the particular Securities and/or coupons for the payment or redemption of which such money has been deposited with the Trustee, of all sums due and to become due thereon for principal and interest but such money need not be segregated from other funds except to the extent required by law.

SECTION 11.03. *Repayment of Money Held by Paying Agent.*

In connection with the satisfaction and discharge of this Indenture, all money then held by the paying agents shall upon demand of the Company or the Trustee be paid to the Trustee and thereupon the paying agents shall be released from all further liability with respect to such money.

SECTION 11.04. *Return of Money Held Unclaimed for Two Years.*

Any money deposited with or paid to the Trustee or any paying agent for the payment of the principal of or interest on any Securities and not applied but remaining unclaimed for two years after the date upon which such principal or interest shall have become due and payable, shall, on a Company Order furnished to the Trustee or to any paying agent (with a copy to the Trustee), as the case may be, be repaid by the Trustee or the paying agents to the Company and the holder of such Security or coupons shall thereafter look only to the Company for any payment which such holder may be entitled to collect and all liability of the Trustee or the paying agents with respect to such money shall thereupon cease; *provided* that the Trustee or the paying agents, before being required to make any such repayment, may at the expense of the Company cause to be (i) mailed to Holders of Registered Securities at their addresses as they shall appear on the Security Register and (ii) published at least once in an Authorized Newspaper in London and, as long as the Securities are listed on the Luxembourg Stock Exchange, in Luxembourg, prior to the date of such repayment a notice that said money has not been so applied and remains unclaimed and that after a date named therein any unclaimed balance of said money then remaining will be returned to the Company. It shall not be necessary for more than one such publication to be made in the same newspaper.

ARTICLE TWELVE**IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS****SECTION 12.01. *Incorporators, Stockholders, Officers and Directors of the Company Immune from Liability.***

No recourse under or upon any obligation, covenant or agreement of this Indenture, or of any Security or coupon, or for any claim based thereon or otherwise in respect thereof, shall be had against any incorporator, stockholder, officer, director or employee, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Indenture and the obligations issued hereunder are

solely corporate obligations, and that no such personal liability whatever shall attach to, or is or shall be incurred by, the incorporators, stockholders, officers, directors or employees, as such, of the Company or of any successor corporation, or any of them, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Indenture or in any of the Securities or implied therefrom; and that any and all such personal liability, either at common law or in equity or by constitution or statute, of, and any and all such rights and claims against, every such incorporator, stockholder, officer, director or employee, as such, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Indenture or in any of the Securities or implied therefrom, are hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issuance of such Securities.

ARTICLE THIRTEEN MISCELLANEOUS PROVISIONS

SECTION 13.01. *Provisions of Indenture, Securities and Coupons for the Sole Benefit of Parties and Holders of Securities and Coupons.*

Nothing in this Indenture, the Securities or coupons, expressed or implied, shall give or be construed to give to any Person other than the parties hereto and the Holders of the Securities and/or coupons, any legal or equitable right, remedy or claim under this Indenture, or under any covenant or provision therein contained, all such covenants and provisions being for the sole benefit of the parties hereto and the holders of Securities and/or coupons.

SECTION 13.02. *Successors and Assigns of Parties.*

Subject to the provisions of Article Six and Article Ten, whenever in this Indenture any of the parties hereto is named or referred to, the successors and assigns of such party shall be deemed to be included, and all the covenants, stipulations, promises and agreements in this Indenture contained by or on behalf of the Company or the Trustee shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

SECTION 13.03. *Notices or Demands.*

Any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the holders of Securities to or on the Company may be given or served by being deposited postage prepaid in a post office letter box addressed, in the case of the Company (unless another address is filed by the Company with the Trustee for that purpose) as follows: Federated Department Stores, Inc., 7 West Seventh Street, Cincinnati, Ohio 45202; Attention: Treasurer. Any notice, direction, request or demand by the Company or by any Holder of Securities to or upon the Trustee shall be deemed to have been sufficiently given or made, for all purposes, if given or made at the Corporate Trust Office. All notices, elections, requests and demands required or permitted under this Indenture shall be in the English language, unless otherwise required in respect of published notices.

SECTION 13.04. *Holidays and Days When Banking Institutions Closed.*

In any case where the date of maturity of principal or interest on the Securities or the date fixed for redemption of any Security shall not be at any place of payment a Business Day, then payment of principal or interest on the Securities at such place need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and, in the case of payment, no interest shall accrue for the period after such date.

SECTION 13.05. *Act of Holders.*

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee, and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent

shall be sufficient for any purpose of this Indenture and (subject to Section 6.01 hereof) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section 13.05.

(b) The fact and date of the execution by any Person of any such instrument or writing, or the authority of the Person executing the same, may be proved in any manner which the Trustee deems sufficient and in accordance with such reasonable requirements as the Trustee may determine.

(c) The amount of Bearer Securities held by any Holder, and the serial numbers of such Securities and the date of his holding the same, may be proved by the production of such Bearer Securities or by a certificate executed, as depositary, by any trust company, bank, banker or other depository, wherever situated, if such certificate shall be deemed by the Trustee to be satisfactory, showing that at the date therein mentioned such Person had on deposit with such depository, or exhibited to it, the Bearer Securities therein described; or such facts may be proved by the certificate or affidavit of the Person holding such Bearer Securities, if such certificate or affidavit is deemed by the Trustee to be satisfactory. The Trustee and the Company may assume that such ownership of any Bearer Security continues until (1) another certificate bearing a later date issued in respect of the same Bearer Security is produced, or (2) such Bearer Security is produced by some other Person, or (3) such Bearer Security is no longer outstanding. The amount and serial numbers of Bearer Securities held by any Person may also be proved in any other manner which the Trustee deems sufficient.

(d) The ownership of Registered Securities of any series shall be proved by the Securities Register.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other action by the holder of any Security shall bind the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done or suffered to be done by the Trustee or the Company or any agent of the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

SECTION 13.06. *Separability Clause.*

In case any provision in this Indenture or in the Securities or in any coupon shall be invalid, illegal or unenforceable, the validity, legality and

enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 13.07. *Governing Law.*

This Indenture, each of the Securities issued hereunder and each coupon appertaining thereto shall be deemed to be contracts made under the laws of the State of New York and shall for all purposes be governed by, and construed in accordance with, the laws of such State.

SECTION 13.08. *Table of Contents; Section Headings.*

The table of contents and the titles and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof and shall in no way modify or restrict any of the terms or provisions hereof.

SECTION 13.09. *Computation of Interest.*

Interest on the Securities shall be computed on the basis of a 360-day year of twelve 30-day months.

SECTION 13.10. *Counterparts.*

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

IN WITNESS WHEREOF, FEDERATED DEPARTMENT STORES, INC. has caused this Indenture to be duly signed and delivered by its Chairman or a Vice Chairman of the Board of Directors or its President or a Vice President or its Treasurer thereunto duly authorized, and its corporate seal to be affixed hereunto, and the same to be attested by its Secretary or an Assistant Secretary; and Morgan Guaranty Trust Company of New York has caused this Indenture to be signed and delivered by one of its Trust Officers thereunto duly authorized, and its corporate seal to be affixed hereunto, and the same to be attested by one of its Assistant Trust Officers, all as of the day and year first above written.

FEDERATED DEPARTMENT STORES, INC.

By: /s/ JAMES M. LEAHY

[SEAL]

Attest:

By: /s/ RICHARD J. BOYNTON
Assistant Secretary

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK

[SEAL]

By: /s/ J. N. CREAN
Trust Officer

Attest:

/s/ G. J. CASTELLANO
Assistant Trust Officer

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STATE OF OHIO }
COUNTY OF HAMILTON } ss.:

On the 1st day of February, 1985, before me personally came JAMES M. LEAHY to me known, who, being by me duly sworn, did depose and say that he resides at Cincinnati, Ohio; that he is Vice President of FEDERATED DEPARTMENT STORES, INC., one of the corporations described in and which executed the above instrument; that he knows the corporate seal of said corporation; that one of the seals affixed to the said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he signed his name thereto by like authority.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

/s/ BARBARA E. ULLMAN
Notary Public

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STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

On the 4th day of February, 1985, before me personally came J. N. CREAN, to me known, who, being by me duly sworn, did depose and say that he resides at Allendale, New Jersey 07401, that he is a Trust Officer of MORGAN GUARANTY TRUST COMPANY OF NEW YORK, one of the corporations described in and which executed the above instrument; that he knows the corporate seal of said corporation; that one of the seals affixed to the said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he signed his name thereto by like authority.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

/s/ SUE SCALCIONE
Notary Public

EXHIBIT 4.10

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7.95%

[CONFORMED COPY]

NOTE AGREEMENT
FEDERATED DEPARTMENT STORES, INC.

METROPOLITAN LIFE INSURANCE COMPANY
One Madison Avenue
New York, New York 10010
Attention: Treasurer

March 1, 1977

Dear Sirs:

FEDERATED DEPARTMENT STORES, Inc., a Delaware corporation (herein called the "Company"), agrees with you as follows:

§ 1. Issue of Notes.

§ 1.1. Authorization. The Company has duly authorized an issue of \$100,000,000 aggregate principal amount of its 7.95% notes, due March 1, 2002 (herein called the "Notes"). such Notes to have terms and provisions substantially as set forth in Exhibit A hereto with such changes therein, if any, as shall be approved by you and by the Company. The term "Notes" as used in this Agreement shall include the notes delivered to you pursuant to § 1.2 and any note or notes delivered in substitution or exchange therefor in accordance with the provisions of any Note or Notes. The term "Notes" shall include the singular number as well as the plural.

§ 1.2. Sale of Notes; Closings. Subject to the terms and conditions herein set forth, the Company hereby agrees to sell to you and you hereby agree to purchase from the Company, \$100,000,000 aggregate principal amount of the Notes on two dates (herein sometimes called the "closing dates") as follows (or, in each case, on such other date as may be mutually agreed upon by the Company and you):

<u>Closing Date</u>	<u>Aggregate Principal Amount of Notes to be Purchased</u>
March 1, 1977	\$50,000,000
December 1, 1977	\$50,000,000

The purchase price of such Notes shall be 100% of the principal amount thereof. Delivery of the Notes so to be purchased by you

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on each closing date shall be made at your office address set forth above, at eleven o'clock in the forenoon on such closing date, by the Company's delivering to you, against payment of the purchase price therefor, a printed Note payable to you or registered assigns, dated such closing date, and in the principal amount set forth above for such closing date.

The purchase price of such Notes is to be paid by your delivery to the Company of immediately available funds in the amount of such purchase price.

§ 2. Representations and Warranties.

The Company represents and warrants that:

§ 2.1. **Financial Statements.** You have been furnished with a copy of each of the following financial statements:

(i) the consolidated balance sheets of the Company and its consolidated subsidiaries for the fiscal years ended on January 29, 1972, February 3, 1973, February 2, 1974, February 1, 1975 and January 31, 1976, and the related consolidated statements of income, shareholders' equity, and changes in financial position, of the Company and its consolidated subsidiaries for such fiscal years, including in each case the related schedules and notes, if any, and accompanied in each case by the opinion of independent public accountants,

(ii) the consolidated balance sheets of Rich's, Inc. and its subsidiary for the fiscal years ended on January 29, 1972, February 3, 1973, February 2, 1974, February 1, 1975 and January 31, 1976, and the related consolidated statements of earnings, stockholders' investment, and changes in financial position, of Rich's, Inc. and its subsidiary for such fiscal years, including in each case the related schedules and notes, if any, and accompanied in each case by the opinion of independent public accountants,

(iii) the consolidated balance sheet of the Company and its consolidated subsidiaries as at January 31, 1976, as restated to

reflect the acquisition of Rich's, Inc., and the consolidated statements of income, shareholders' equity, and changes in financial position, of the Company and its consolidated subsidiaries for the five years ended January 31, 1976, as so restated, including in each case the related schedules and notes, if any, and in each case certified by an authorized financial officer of the Company, and

(iv) the interim consolidated balance sheet of the Company and its consolidated subsidiaries as at October 30, 1976, and the consolidated statements of income, shareholders' equity and changes in financial position of the Company and its consolidated subsidiaries for the 39-week periods ended November 1, 1975 and October 30, 1976, including in each case the related schedules and notes, if any, and in each case certified by an authorized financial officer of the Company.

Said financial statements described in subdivisions (i), (iii) and (iv) above are complete and correct in all material respects and fairly present (a) the financial condition of the Company and its consolidated subsidiaries as at the respective dates of said balance sheets, and (b) the results of the operations of the Company and its consolidated subsidiaries for the respective fiscal years or 39-week period ended on said dates, all in conformity with generally accepted accounting principles applied on a consistent basis (except as otherwise therein or in the notes thereto stated) throughout the periods involved. To the best of the Company's knowledge and belief, the Company and its consolidated subsidiaries did not have on October 30, 1976 any contingent liabilities or liabilities for taxes which are substantial in amount in relation to the financial condition of the Company and its consolidated subsidiaries, considered as a whole, except as referred to or reflected or provided for in said balance sheet or the related schedules and notes thereto as at that date.

§ 2.2. No Material Changes. There has been no material and adverse change in the business or in the condition, financial or otherwise, of the Company and its consolidated subsidiaries subsequent to October 30, 1976.

§ 2.3. Earnings Coverage. The net earnings available for fixed charges of the Company and subsidiary institutions, consolidated as provided in Section 81(2), as amended, of the New York Insurance Law, for the most recent period of five fiscal years have averaged per year not less than one and one-half times their average consolidated annual fixed charges applicable to such period, and during at least one of the last two fiscal years of such period, such net earnings available for fixed charges were not less than one and one-half times their consolidated fixed charges for such year. As used in this § 2.3 the terms "net earnings available for fixed charges", "subsidiary institutions" and "fixed charges" have the respective meanings assigned to them in Section 81(2), as amended, of the New York Insurance Law.

§ 2.4. Draft Registration Statement; Existing Funded Debt; Corporate Power. The Company has furnished you with a copy of the Company's Form S-7 Registration Statement under the Securities Act of 1933, proof of January 27, 1977 (the "draft Registration Statement"), which draft Registration Statement correctly sets forth a brief description of the business, operations, capitalization and principal properties of the Company and its consolidated subsidiaries considered as a whole. The draft Registration Statement correctly sets forth the Funded Debt of the Company and its consolidated subsidiaries outstanding on October 30, 1976. Neither the Company nor any consolidated subsidiary has incurred, assumed or guaranteed, or in any manner become liable in respect of, any Funded Debt since October 30, 1976, other than the Notes. The Company has the corporate power and authority to enter into this Agreement, to execute and deliver the Notes and to carry out the transactions contemplated hereby and thereby.

§ 2.5. Corporate Matters. The Company's consolidated subsidiaries consist of Ohio Appliances, Inc., a distributor of certain household major appliances in southern and central Ohio having assets of less than \$7,000,000, Rich's of Alabama, Inc., which was incorporated in 1973 as a subsidiary of Rich's, Inc. and the principal business of which is the operation of department stores in Alabama, and a number of other corporations having assets which in the aggregate do not exceed \$10,000. All shares of stock of each class of each consolidated subsidiary which are owned by the Company or a consolidated subsidiary are so owned free and clear of any pledge, lien, encumbrance, charge or security interest of

any kind and all such shares have been validly issued and are fully paid and non-assessable. The Company is, and each of its consolidated subsidiaries is, a duly incorporated and validly existing corporation in good standing under the laws of its respective jurisdiction of incorporation and has duly qualified and is in good standing as a foreign corporation in each jurisdiction wherein the nature of the business transacted by it or its ownership of property makes such qualification necessary or wherein the failure to qualify might materially and adversely affect the business or the condition, financial or otherwise, of the Company and its consolidated subsidiaries considered as a whole.

§ 2.6. Title to Properties. Subject to the matters referred to in § 2.7, the Company and its consolidated subsidiaries have good and marketable fee title to all of their respective real properties and good title to all of their other respective properties (including leasehold improvements) reflected in the consolidated balance sheet as at October 30, 1976 referred to in § 2.1(iv), or purported to have been acquired after said date, excepting however, property sold or otherwise disposed of subsequent to said date, subject in each case only to such encumbrances as do not materially impair the use of such properties in the operations of the Company or its consolidated subsidiaries. The draft Registration Statement correctly sets forth a listing of the material store locations of the Company and its consolidated subsidiaries whether owned or leased.

§ 2.7. Leases and Liens. The Company and its consolidated subsidiaries enjoy peaceful and undisturbed possession under all of the leases under which they are operating, none of which leases contains any unusual or burdensome provision which materially adversely affects or impairs the operations of the Company or any of its consolidated subsidiaries, and all such leases are valid and subsisting and in full force and effect. There are no security interests, mortgages, liens, charges or encumbrances of any nature whatsoever on, or pledges of, any of the present properties and assets of the Company or its consolidated subsidiaries, other than encumbrances which do not materially impair the use of such properties or assets in the operations of the Company or its consolidated subsidiaries.

§ 2.8. Trademarks, Patents, etc. The Company and its consolidated subsidiaries possess such trademarks, trade names, copyrights,

patents, licenses, or rights in any thereof, as are adequate in the opinion of the Company for the conduct of their businesses as now conducted and presently proposed to be conducted, without known conflict with the rights of others which may have a material and adverse effect on the operations or financial condition of the Company and its consolidated subsidiaries.

§ 2.9. Litigation. There are no actions, suits or proceedings (whether or not purportedly on behalf of the Company or any of its consolidated subsidiaries) pending or, to the knowledge of the Company, threatened against or affecting the Company or any of its consolidated subsidiaries at law or in equity or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, or before any arbitrator of any kind, which individually or in the aggregate involve the possibility (excluding any such actions, suits or proceedings to the extent that the possibility of an unfavorable outcome of the magnitude claimed is deemed by the Company to be remote) of any material and adverse change in the business, operations, properties, or assets, or in the financial condition, of the Company or any of its consolidated subsidiaries; and neither the Company nor any of its consolidated subsidiaries is in default with respect to any judgment, order, writ, injunction, decree, award, rule or regulation of any court, arbitrator or federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, other than defaults which do not individually or in the aggregate involve the possibility of any material and adverse change in the business, operations, properties, or assets, or in the financial condition, of the Company, or any of its consolidated subsidiaries.

§ 2.10. Burdensome Provisions. Neither the Company nor any of its consolidated subsidiaries is a party to any agreement or instrument or subject to any charter or other corporate restriction or any judgment, order, writ, injunction, decree, award, rule, or regulation which in the opinion of the Company materially and adversely affects or in the future may (so far as the Company can now foresee) materially and adversely affect the business, operations, prospects, properties or assets, or condition, financial or otherwise, of the Company or any of its consolidated subsidiaries.

§ 2.11. Compliance with Other Instruments. To the best knowledge of the Company after inquiry, neither the Company nor any of its consolidated subsidiaries is in default in the performance, observance, or fulfillment of any of the obligations, covenants or conditions contained in any bond, debenture, note or other evidence of Indebtedness of the Company or such consolidated subsidiary or contained in any instrument under or pursuant to which any thereof has been issued or made and delivered. Neither the execution and delivery of this Agreement, the consummation of the transactions herein contemplated, nor compliance with the terms, conditions and provisions hereof and of the Notes will conflict with or result in a breach of any of the terms, conditions or provisions of the certificate or articles of incorporation or by-laws of the Company or any of its consolidated subsidiaries or of any agreement or instrument to which the Company or any of its consolidated subsidiaries is now a party or by which any of them may be bound, or constitute a default thereunder, or result in the creation or imposition of any security interest, mortgage, lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Company or any of its consolidated subsidiaries.

§ 2.12. Force Majeure. Since October 30, 1976, neither the business, properties nor assets of the Company or any of its consolidated subsidiaries have been materially and adversely affected in any way as the result of any fire, explosion, earthquake, accident, strike, lockout, combination of workmen, flood, drought, embargo, confiscation, condemnation, riot, activities of armed forces, act of God, or act of the public enemy.

§ 2.13. Tax Liability. The Company and its consolidated subsidiaries have filed all tax returns which are required to be filed in all jurisdictions in which they are qualified to do business, and have paid all taxes which have become due pursuant to such returns. No extensions which involve any material liability on the part of the Company or any consolidated subsidiary have been granted by the Company or any consolidated subsidiary for those tax years which absent the grant of any such extensions would have been closed by applicable statutes, and for such tax years all federal income tax liability of the Company and its consolidated subsidiaries has been satisfied. No federal income tax

deficiencies have been assessed against the Company or any consolidated subsidiary which have not been paid. The federal income tax liability of the Company and its consolidated subsidiaries has been audited and satisfied for all taxable years up to and including the taxable year ended February 2, 1974. In the opinion of the Company all tax liabilities were adequately provided for as at October 30, 1976, and are now so provided for on the books of the Company.

§ 2.14. Governmental Action. No action of, or registration, qualification or filing with, any governmental or public body or authority is required to authorize, or is otherwise required in connection with, the execution, delivery and performance of this Agreement or the Notes.

§ 2.15. Offering of Notes. The Company has not either directly or through any agent sold or offered for sale or disposed of, or attempted or offered to dispose of, the Notes or any part thereof, or any similar obligation of the Company, to, or solicited any offers to buy any thereof from, or otherwise approached or negotiated in respect thereof with, any person or persons other than you; and the Company agrees that it will not directly or indirectly sell or offer for sale or dispose of, or attempt or offer to dispose of, any thereof to, or solicit any offers to buy any thereof from, or otherwise approach or negotiate in respect thereof with, any person or persons so as thereby to bring the issuance or sale of the Notes within the provisions of Section 5 of the Securities Act of 1933, as amended.

§ 2.16. Not Foreign National. Neither the Company nor any of its consolidated subsidiaries (i) is a "national" of a foreign country designated in Executive Order No. 8389, as amended, of the President of the United States of America, or of any "designated enemy country" as defined in Executive Order No. 9193, as amended by Executive Order No. 9989, of the President of the United States of America, or is a "national" of any "designated foreign country" within the meaning of the Foreign Assets Control Regulations or the Cuban Assets Control Regulations of the United States Treasury Department, 31 C.F.R., Subtitle B, Chapter V, as amended, or (ii) is, or is acting on behalf of or for the benefit of, a "person in Southern Rhodesia", within the meaning of the Rhodesian Sanctions Regulations of the United States Treasury Department, 31 C.F.R., Subtitle B, Chapter V, as amended.

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§ 2.17. Use of Proceeds. The net proceeds from the sale of the Notes will be added to the general funds of the Company and will be used in part to reduce short-term Indebtedness of the Company. None of the proceeds of the sale of the Notes will be used for the purpose of purchasing or carrying any "margin security" as defined in Regulation G (12 C.F.R., Chapter II, Part 207) of the Board of Governors of the Federal Reserve System (herein called a "margin security") or for the purpose of reducing or retiring any Indebtedness which was originally incurred to purchase or carry a "margin security" or for any other purpose which might constitute this transaction a "purpose credit" within the meaning of said Regulation G.

Except for not more than 1,800,000 shares of the Company's common stock held in its treasury, neither the Company nor any of its consolidated subsidiaries owns or has any present intention of acquiring any "margin security". Such "margin securities" (including, without limitation, said shares of the Company's common stock held in its treasury) do not constitute, and the Company does not intend or foresee that such "margin securities" will at any time constitute, a substantial part of the assets of the Company. Neither the Company nor any agent acting on its behalf has taken or will take any action which might cause this Agreement or the Notes to violate Regulation G, Regulation T (12 C.F.R., Chapter II, Part 220), Regulation X (12 C.F.R., Chapter II, Part 224) or any other regulation of the Board of Governors of the Federal Reserve System or to violate Section 7 of the Securities Exchange Act of 1934, in each case as in effect as of the first closing date or as of the date of such action, as the case may be.

§ 2.18. Environmental Regulations. The Company and its consolidated subsidiaries are using their best efforts to comply with all applicable laws and regulations relating to pollution control in all jurisdictions where the Company and its consolidated subsidiaries are presently doing business, respectively; and the Company will use its best efforts to comply, and to cause each of its consolidated subsidiaries to comply, with all such laws and regulations which may be legally imposed from time to time in the respective jurisdictions in which the Company or any consolidated subsidiary may then be doing business; *provided, however, that neither the Company nor any consolidated subsidiary shall be required to comply with any such law or regulation if the*

applicability or validity thereof shall currently be contested in good faith by appropriate proceedings by the Company or such consolidated subsidiary, as the case may be.

§ 2.19. Employee Retirement Income Security Act of 1974. Neither the Company nor any consolidated subsidiary has incurred any accumulated funding deficiency within the meaning of the Employee Retirement Income Security Act of 1974 which would have a material and adverse effect on the operations or financial condition of the Company or any consolidated subsidiary. Neither the Company nor any consolidated subsidiary has incurred any material liability to the Pension Benefit Guaranty Corporation established under said Act in connection with any Plan.

The making of the loan under this Agreement by you will not involve any prohibited transaction within the meaning of the Employee Retirement Income Security Act of 1974 or Section 4975 of the Internal Revenue Code as amended. The representation by the Company under this second paragraph of this § 2.19 is made in reliance upon and subject to the accuracy of your representation in § 4 as to the source of the funds for the making of the loan to be made hereunder by you.

§ 2.20. Authorization of Agreement and Notes. The Company is duly authorized under all applicable provisions of law to create and issue the Notes and to execute, deliver and perform this Agreement, and all corporate action on its part required in connection therewith has been duly taken. No vote, consent or other approval or authorization of any holder or holders of any shares of stock of the Company is required for such authorization, execution, delivery or performance. This Agreement is, and each Note when issued will be, a legal, valid and binding obligation of the Company enforceable in accordance with its terms.

§ 3. Conditions of Purchase.

Your obligation to purchase and pay for the Notes to be purchased by you on each closing date shall be subject to the performance by the Company of all its agreements theretofore to be performed hereunder, to the accuracy of its representations and warranties herein contained and to the satisfaction, prior to or concurrently with such closing date, of the following further conditions:

§ 3.1. Opinion of Special Counsel. You shall have received, on each closing date, from Messrs. Dewey, Ballantine, Bushby, Palmer & Wood,

who are acting as special counsel for you in connection with this transaction, a favorable opinion in form and substance satisfactory to you,

(i) to the effect that the Company is a duly organized and existing corporation in good standing under the laws of the State of Delaware and has the corporate power and authority to own its property and to carry on its business as then conducted in each case as described in the draft Registration Statement;

(ii) to the effect that this Agreement has been duly authorized, executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company, enforceable in accordance with its terms, except to the extent limited by bankruptcy, insolvency or other similar laws of general application relating to or affecting the enforcement of creditors' rights, and that no consent of shareholders is required for the execution and delivery of this Agreement or the Notes;

(iii) to the effect that the Note or Notes sold by the Company to you on such closing date have been duly authorized, executed and delivered by the Company and constitute legal, valid and binding obligations of the Company, enforceable in accordance with their terms, except to the extent limited by bankruptcy, insolvency or other similar laws of general application relating to or affecting the enforcement of creditors' rights;

(iv) to the effect that no action of, or registration, qualification or filing with, any governmental or public body or authority is required to authorize, or is otherwise required in connection with, the execution, delivery and performance of this Agreement or the Notes;

(v) to the effect that, based on the circumstances contemplated by this Agreement, including the representations set forth in § 2.15 and the first paragraph of § 4, (A) the offer, issue, sale and delivery of the Notes by the Company to you on such closing date constitute exempted transactions under the Securities Act of 1933, as in effect on such closing date, and neither registration thereunder of such Notes nor qualification of an indenture in respect thereof under the Trust Indenture Act of 1939, as in effect on such closing date, is required, and (B) if you should in the future deem it expedient to sell all of such Notes, or any part thereof (or any Notes delivered in exchange therefor), which you do not now contemplate or foresee, such sale would be an exempted transaction under said

Securities Act and would not itself under present law require registration of such Notes, or any part thereof, under said Securities Act or the qualification of an indenture in respect of such Notes, or any part thereof, under said Trust Indenture Act of 1939, provided either (i) that a public offering, within the meaning of said Securities Act, of such Notes, or any part thereof, is not involved, or (ii) if such a public offering is involved, that at the time of such sale you are not, within the meaning of said Securities Act, engaging or participating, directly or indirectly, in a distribution of such Notes, or any part thereof, for the Company or for any other person (including yourself) deemed under Section 2(11) of said Securities Act to be an issuer of such Notes;

(vi) to the effect that neither the consummation of the transactions contemplated herein nor the use by the Company of all or any portion of the proceeds of the loan will violate Section 7 of the Securities Exchange Act of 1934, as then in effect, or any rules and regulations respecting the extension of credit promulgated thereunder, including, without limitation, Regulations G, T and X (12 C.F.R., Chapter II) of the Board of Governors of the Federal Reserve System;

(vii) to the effect that the legal opinion referred to in § 3.2 and delivered on such closing date is satisfactory in form and substance to said special counsel and that in their opinion you are justified in relying thereon; and

(viii) as to such other matters incident to the transactions contemplated by this Agreement as you may reasonably desire.

§ 3.2. Opinion of Company Counsel. You shall have received on each closing date from Boris Auerbach, Esq., counsel for the Company, a favorable opinion in form and substance satisfactory to you and to your special counsel,

(i) as to all matters specified in subdivisions (ii), (iii), (iv), (v)(A), (vi) and (viii) of § 3.1;

(ii) to the effect that the Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and has full power and authority to own its properties and to carry on its business as described in the draft

Registration Statement, including power to enter into this Agreement and to issue and sell the Notes;

(iii) to the effect that each of the consolidated subsidiaries of the Company is a duly organized and existing corporation in good standing under the laws of the jurisdiction of its incorporation and has the corporate power and authority to own its property and to carry on its business as then conducted and described in the draft Registration Statement;

(iv) to the effect that the Company has, and each of its consolidated subsidiaries has, duly qualified as a foreign corporation in each jurisdiction in the United States of America wherein the character of the property owned or leased by it or wherein the nature of the business transacted by it makes such qualification necessary or wherein the failure to qualify might materially and adversely affect the business or the condition, financial or otherwise, of the Company and its consolidated subsidiaries considered as a whole, and each of them is in good standing as a foreign corporation in each such jurisdiction;

(v) to the effect that neither the execution and delivery of this Agreement, the consummation of the transactions herein contemplated, nor compliance with the terms, conditions and provisions hereof and of the Notes, will conflict with or result in a breach of any of the terms, conditions or provisions of, or constitute a default under, or result in the creation or imposition of any security interest, mortgage, lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Company or any of its consolidated subsidiaries pursuant to the terms of, the certificate or articles of incorporation or by-laws of the Company or any of its consolidated subsidiaries or of any agreement or instrument, of which such counsel (having made inquiry with respect thereto) has knowledge, to which the Company or any of its consolidated subsidiaries is then a party or by which any of them may be bound; and

(vi) to the effect that the shares of stock of each class of each consolidated subsidiary owned by the Company or any consolidated subsidiary are validly issued, fully paid and non-assessable and

are so owned free and clear of any pledge, lien, encumbrance, charge or security interest of any kind.

§ 3.3. Representations True. The representations and warranties in § 2.1 to § 2.20, inclusive, shall (except as affected by the transactions contemplated hereby) be true in all material respects on and as of each closing date with the same effect as though such representations and warranties had been made on and as of such closing date.

§ 3.4. Events of Default. No event shall have occurred and be continuing on such closing date which would constitute an event of default, as defined in the Notes, or with notice or lapse of time or both would constitute such an event of default.

§ 3.5. Officer's Certificate. The Company shall have delivered to you, on each closing date, a certificate or certificates, signed by an authorized officer of the Company, to the effect that the facts required to exist by § 3.3 and § 3.4 exist on such closing date and as to such other matters as you may reasonably request.

§ 3.6. Proceedings, Instruments, etc. All proceedings to be taken in connection with the transactions contemplated by this Agreement, and all documents incidental thereto, shall be satisfactory in form and substance to you and your special counsel; and you shall have received copies of all documents which you may reasonably request in connection with said transactions and copies of the records of all corporate proceedings in connection therewith in form and substance satisfactory to you and your special counsel.

§ 3.7. Legality. The Notes acquired by you on each closing date shall qualify as legal investments for mutual life insurance companies under Section 81(2)(b), as amended, of the New York Insurance Law (without resort to any "basket" provisions, such as Section 81(17), as amended, of the New York Insurance Law, permitting portions of your assets to be invested in securities not otherwise legally eligible for investment) and shall not be prohibited by any other applicable law or governmental regulation; and you shall have received such certificates or other evidence as you may reasonably request to establish compliance with this condition.

§ 4. Representations of Purchaser. This Agreement is made with you in reliance upon your representation to the Company (which, by your acceptance hereof, you confirm) that you are purchasing the Notes to be purchased by you for your own account for the purpose of investment and not with a view to, or for sale in connection with, the distribution thereof, nor with any present intention of distributing or selling such Notes, but subject, nevertheless, to any requirement of law that the disposition of your property shall at all times be within your control.

You further represent and warrant that no part of the loan to be made hereunder by you will be made out of the assets of any separate account maintained by you. As used in this paragraph the term "separate account" shall have the meaning assigned to it in the Employee Retirement Income Security Act of 1974.

§ 5. Financial Statements; Compliance Certificates; Additional Information and Inspection.

§ 5.1. Financial Statements and Reports. The Company will deliver to you (so long as you, or any nominee designated by you, shall hold any of the Notes) and to each institutional investor holding not less than ten per centum (10%) of the Notes at the time outstanding (herein in this § 5.1 called an "institutional investor"), in duplicate:

(a) as soon as practicable, and in any event within 60 days after the end of each quarterly period (other than the last quarterly period) in each fiscal year, consolidated statements of income and source and application of funds of the Company and its Subsidiaries for that part of the fiscal year ended with the last day of such quarterly period, and a consolidated balance sheet of the Company and its Subsidiaries as at the end of such period, setting forth in each case in comparative form the corresponding figures for and as at the end of the corresponding period of the preceding fiscal year, all in reasonable detail and certified by an authorized financial officer of the Company subject to year-end audit adjustments; the Company's quarterly report to the Securities and Exchange Commission on Form 10-Q (or successor form) shall be deemed to satisfy the requirements of this paragraph (a) so long

as said quarterly report includes consolidated statements of income and consolidated balance sheets;

(b) as soon as practicable, and in any event within the earlier of 10 days after the filing by the Company with the Securities and Exchange Commission of its annual report on Form 10-K (or successor form) or 120 days after the end of each fiscal year, consolidated statements of income, shareholders equity, and changes in financial position of the Company and its Subsidiaries for such fiscal year, and a consolidated balance sheet of the Company and its Subsidiaries as at the end of such fiscal year, setting forth in comparative form, in each case, the corresponding figures for the preceding fiscal year, all in reasonable detail and accompanied by a report or opinion of independent public accountants of recognized national standing selected by the Company to the effect that, based on their examination of said financial statements in accordance with generally accepted auditing standards, the aforesaid statements present fairly the financial position of the Company and its Subsidiaries as at the end of such year and the results of their operations and the changes in their financial position for the year then ended; the Company's annual report to the Securities and Exchange Commission on Form 10-K (or successor form) shall be deemed to satisfy the requirements of this paragraph (b) so long as said annual report includes consolidated statements of income, shareholders equity, and changes in financial position, and consolidated balance sheets, in each case accompanied by such report or opinion;

(c) concurrently with the aforesaid financial statements delivered pursuant to § 5.1(b), the written statement of said accountants that in making the examination necessary for their report or opinion on said financial statements they have obtained no knowledge of any default by the Company in the observance or performance of any of the terms, covenants, provisions or conditions of this Agreement or the Notes, or, if such accountants shall have obtained knowledge of any such default, they shall disclose in such statement the default or defaults and the nature and status thereof; but such accountants shall not be liable directly or indirectly to anyone for any failure to obtain knowledge of any such default;

(d) concurrently with the aforesaid financial statements delivered pursuant to § 5.1(b), a certificate of an authorized financial officer of the Company (1) stating that a review of the activities of the Company and its Subsidiaries during the preceding fiscal year has been made under his supervision to determine whether the Company has fulfilled all of its obligations under this Agreement and the Notes, (2) stating that, to the best of his knowledge, (i) the Company is not in default in the fulfillment of any of the terms, covenants, provisions or conditions of this Agreement or the Notes or (ii) if any such default exists, specifying such default or defaults and the nature and status thereof, and (3) setting forth, as at the end of such fiscal year, the relevant computations made to ascertain compliance by the Company and its Subsidiaries with the requirements of § 2.6 and § 2.7 of the Notes;

(e) as soon as practicable, all such other financial statements and reports as the Company shall send to its shareholders and all regular and periodic reports which it or any of its Subsidiaries shall file with the Securities and Exchange Commission, or any governmental agency or agencies substituted therefor;

(f) within 60 days after the filing thereof in the office of the Secretary of State of Delaware, copies, certified by said Secretary of State, of all amendments to the certificate of incorporation of the Company;

(g) promptly after any corporation shall become a Subsidiary having total assets in excess of \$5,000,000, written notice thereof, including the name of such corporation, the jurisdiction of its incorporation and the nature of its business;

(h) copies of such detailed audit reports submitted to the Company by independent accountants in connection with any annual or interim audit of the accounts of the Company and its Subsidiaries made by such accountants as you (or such other institutional investor) may from time to time reasonably request;

(i) as promptly as practicable (but in any event not later than 15 days) after the Company receives from the Pension Benefit Guaranty Corporation a notice of intent to terminate any Plan or to appoint a trustee to administer any Plan, the statement of an

authorized financial officer of the Company setting forth details with respect to the events resulting in such notice of intent to terminate or to appoint a trustee and the action which the Company proposes to take with respect thereto, together with a copy of such notice of intent to terminate or to appoint a trustee;

(j) promptly after learning of any event of default, written notice thereof and of the nature of such event of default and what action the Company proposes to take with respect thereto; and

(k) such other information as to the business and properties of the Company and of its Subsidiaries, including financial statements and other reports filed with any governmental department, bureau, commission or agency, domestic or foreign, as you (or such other institutional investor) may from time to time reasonably request.

§ 5.2. Inspection. You (so long as you, or any nominee designated by you, shall hold any of the Notes) and each institutional investor holding not less than ten per centum (10%) of the Notes at the time outstanding shall have the right to visit and inspect, at your (or such other institutional investor's) expense, any of the properties of the Company and any of the properties of any of its consolidated subsidiaries, to examine its books of account and those of its consolidated subsidiaries and to discuss the affairs, finances and accounts of the Company and its consolidated subsidiaries with its and their officers, all at such reasonable times and as often as you (or such other institutional investor) may reasonably request.

§ 6. Miscellaneous.

§ 6.1. Expenses, Stamp Taxes, etc. Whether or not the transactions contemplated by this Agreement shall be consummated, the Company agrees to pay, and to save you harmless against liability for the payment of, all out-of-pocket expenses arising in connection with these transactions, including (without limitation) any United States documentary stamp taxes and other taxes, if any (including any interest or penalty for nonpayment or delay in payment), which may be determined to be payable in respect of the execution and delivery of any Note issued under this Agreement or any modification of this Agreement or of any Note (other than transfer taxes), all printing costs and

the reasonable fees and out-of-pocket disbursements of counsel for the Company and your special counsel, and the reasonable fees and out-of-pocket disbursements of any local counsel retained by counsel for the Company and your said special counsel. The obligations of the Company under this § 6.1 shall survive the payment or prepayment of the Notes.

§ 6.2. Successors and Assigns. All covenants, agreements, representations and warranties made herein or in certificates delivered in connection herewith by or on behalf of the Company shall survive the issue and delivery of the Notes to you and payment therefor, and shall continue in full force and effect so long as any Note is outstanding and unpaid and as provided in § 6.1, and shall bind the successors and assigns of the Company, whether so expressed or not, and all such covenants, agreements, representations and warranties shall inure to the benefit of your successors and assigns.

§ 6.3. Payments. Notwithstanding any contrary provision hereof or of the Notes, the Company agrees that, so long as you or any nominee designated by you shall be the holder of any Notes, the Company will promptly and punctually pay to you all amounts payable in respect of the principal of, premium, if any, or interest on, any Notes then held by you or such nominee in immediately available New York funds to Account No. 002-1-039505 at The Chase Manhattan Bank, N.A., Metropolitan Branch, 33 East 23rd Street, New York, New York 10010 (or in such other manner or at such other address as you may from time to time designate to the Company in writing), all without any presentment thereof and without any notation of such payment being made thereon.

In the event that you shall sell, transfer or otherwise dispose of any Notes you will, prior to the delivery of such Notes, make or cause to be made a notation thereon of the date to which interest has been paid thereon and, if not theretofore made, a notation on such Notes of the extent to which payment has been made on account of the principal thereof.

§ 6.4. Notices. All communications provided for hereunder or under the Notes shall be in writing, and if to you, mailed or delivered to you at the address shown at the beginning of this Agreement, Atten-

tion of the Treasurer; or if to the Company, mailed or delivered to the Company at its office at 222 West Seventh Street, Cincinnati, Ohio 45202, Attention Treasurer, or addressed to either party at any other address in the United States of America that such party may hereafter designate by written notice to the other party.

§ 6.5. Loss, Theft, Destruction or Mutilation of Notes. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of any Note and, in the case of any such loss, theft or destruction, upon receipt of indemnity reasonably satisfactory to the Company, or, in the case of any such mutilation, upon surrender and cancellation of such Note, the Company will make and deliver, in lieu of such lost, stolen, destroyed or mutilated Note, a new Note of like tenor and unpaid principal amount and dated as of the date to which interest has been paid on the Note so lost, stolen, destroyed or mutilated. Your indemnity agreement shall constitute indemnity satisfactory to the Company for the purposes of this § 6.5 and of § 1.3 of any Note held by you.

§ 6.6. Amendment and Waiver. No provision of this Agreement may be waived, changed, modified, discharged or terminated orally but only by an agreement in writing signed by the party against whom the enforcement of any waiver, change, modification, discharge or termination is sought.

§ 6.7. Defined Terms. The terms used herein and in certificates delivered pursuant hereto which are defined in Exhibit A hereto shall have the meanings assigned thereto in Exhibit A hereto, unless otherwise defined. For purposes of this Agreement, (a) the term "*Plan*" shall mean an employee benefit plan or other plan maintained for employees of the Company or any of its consolidated subsidiaries and subject to the provisions of Title IV of the Employee Retirement Income Security Act of 1974; and (b) the term "*consolidated subsidiary*" shall mean any corporation of which at least a majority in interest of the outstanding stock having by the terms thereof ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly

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owned or controlled by the Company, or by one or more consolidated subsidiaries, or by the Company and one or more consolidated subsidiaries; *provided, however,* that unless the Board of the Company shall determine otherwise, the term "*consolidated subsidiary*" shall not include (1) Federated Stores Realty, Inc. and (2) Federated Acceptance Corporation or any other corporation hereafter directly or indirectly owned or controlled as aforesaid the primary business of which consists of financing operations in connection with leasing and conditional sales transactions on behalf of the Company and its consolidated subsidiaries and/or purchasing accounts receivable and/or making loans secured by accounts receivable or inventory or which is otherwise primarily engaged in the business of a finance company.

§ 6.8. **Law Governing.** This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

§ 6.9. **Headings.** The headings of the sections and subsections of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

If the foregoing is satisfactory to you, please sign the form of acceptance on the enclosed counterpart of this letter and forward the same to the Company, whereupon this letter will become a binding agreement between you and the Company.

Yours very truly,

FEDERATED DEPARTMENT STORES, INC.

By LAWRENCE M. ISAACS
Executive Vice President

The foregoing Agreement is hereby accepted as of the date first above written.

METROPOLITAN LIFE INSURANCE COMPANY

By ARTHUR G. TYPERMASS
Vice President

JOHN C. KELSH
Associate General Counsel

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EXHIBIT A

FEDERATED DEPARTMENT STORES, INC.

7.95% Note

Due March 1, 2002

R-----
\$-----

New York, New York
-----, 19--

FEDERATED DEPARTMENT STORES, INC., a corporation duly organized and existing under the laws of the State of Delaware (hereinafter called the "Company"), for value received, hereby promises to pay to -----, or registered assigns, on March 1, 2002, the principal amount of -----

----- DOLLARS (or so much thereof as shall not have been prepaid) in such coin or currency of the United States of America as at the time of payment shall be legal tender for public and private debts, at the principal office of the Company, in Cincinnati, Ohio, and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) at said office, in like coin or currency, on the unpaid portion of said principal amount from the date hereof, semiannually on the first day of March and September in each year, commencing on the first such day after the date hereof, at the rate of seven and ninety-five hundredths per centum (7.95%) per annum until such unpaid portion of such principal amount shall have become due and payable and at the rate of eight and ninety-five hundredths per centum (8.95%) per annum thereafter and, so far as may be lawful, on any overdue installment of interest at the rate of eight and ninety-five hundredths per centum (8.95%) per annum.

§ 1. The Notes. Exchanges and Prepayments.

§ 1.1. Notes. This Note is one of an authorized issue of registered Notes without coupons (hereinafter called the "Notes"), each in the denomination of \$1,000 or a multiple thereof, made or to be made by the Company in an aggregate principal amount of \$100,000,000, maturing on March 1, 2002, bearing interest payable at the same rate and on the same dates as the interest on the principal amount of this Note and issued pursuant to a Note Agreement dated March 1, 1977 (here-

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inafter called the "Note Agreement") between the Company and Metropolitan Life Insurance Company, and is entitled to the benefits thereof.

§ 1.2. Transfer or Exchange of Notes. The Company shall keep at its office or agency maintained as provided in § 2.2 a register in which the Company shall provide for the registration of Notes and for the registration of transfer of Notes. The holder of this Note may, at its option and either in person or by duly authorized attorney, surrender the same for registration of transfer at such office or agency and, without expense to the holder (other than transfer taxes, if any), receive in exchange therefor a printed Note or Notes, dated as of the date to which interest has been paid on the Note or Notes so exchanged, each in the principal amount of \$1,000 or any multiple thereof, for the same aggregate unpaid principal amount as the Note or Notes so surrendered for transfer or exchange and each registered in such name or names as may be designated by such holder. Every Note presented or surrendered for registration of transfer shall be duly endorsed, or shall be accompanied by a written instrument of transfer duly executed, by the holder of such Note or his attorney duly authorized in writing. Every Note so made and delivered in exchange for this Note shall in all other respects be in the same form and have the same terms as this Note. No transfer or exchange of any Note shall be valid unless made in such manner at such office or agency.

§ 1.3. Loss, Theft, Destruction or Mutilation of Notes. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Note and, in the case of any such loss, theft or destruction, upon receipt of indemnity reasonably satisfactory to the Company, or, in the case of any such mutilation, upon surrender and cancellation of this Note, the Company will make and deliver, in lieu of such lost, stolen, destroyed or mutilated Note, a new Note of like tenor and unpaid principal amount and dated as of the date to which interest has been paid on the Note so lost, stolen, destroyed or mutilated.

§ 1.4. Registered Holders. Prior to due presentment for registration of transfer of this Note, the Company may deem and treat the registered holder hereof as the absolute owner hereof for the purpose of receiving payment of or on account of the principal of and premium,

if any, and interest on this Note and for the purposes of any notices, waivers or consents hereunder, and payments of this Note shall be made only to or upon the order in writing of the registered holder hereof.

§ 1.5. Mandatory Prepayments. The Company covenants and agrees that on March 1, 1983 and on each March 1 thereafter, to and including March 1, 2001, it will prepay \$5,000,000 aggregate principal amount of the outstanding Notes (each such prepayment date being hereinafter called a "Mandatory Prepayment Date"). Each such prepayment shall be made at the principal amount so to be prepaid together with accrued interest thereon to such Mandatory Prepayment Date, without premium, and otherwise as provided in § 1.8.

§ 1.6. Optional Prepayments. A. Upon notice given as provided in § 1.7, and otherwise as provided in § 1.8, the Company, at its option, may prepay on any Mandatory Prepayment Date an additional principal amount of the outstanding Notes equal to the amount of the prepayment required by § 1.5 on such Mandatory Prepayment Date or any lesser multiple of \$50,000, together with accrued interest thereon to such Mandatory Prepayment Date, and without premium. If the Company shall not exercise its option under this § 1.6A on any Mandatory Prepayment Date, such option shall lapse as to such date and may not be exercised at any time thereafter.

B. Upon notice given as provided in § 1.7, and otherwise as provided in § 1.8, the Company at its option may prepay the Notes as a whole at any time or in part from time to time in multiples of \$50,000, at the principal amount so to be prepaid, together with accrued interest thereon to the date fixed for such prepayment, plus a premium equal to the applicable percentage of the principal amount so to be prepaid, determined as follows:

if prepaid prior to March 1, 1978	-----	7.950%
if prepaid thereafter and prior to March 1, 1979	-----	7.620%
if prepaid thereafter and prior to March 1, 1980	-----	7.290%
if prepaid thereafter and prior to March 1, 1981	-----	6.955%
if prepaid thereafter and prior to March 1, 1982	-----	6.625%
if prepaid thereafter and prior to March 1, 1983	-----	6.295%
if prepaid thereafter and prior to March 1, 1984	-----	5.965%

if prepaid thereafter and prior to March 1, 1985	5.630%
if prepaid thereafter and prior to March 1, 1986	5.300%
if prepaid thereafter and prior to March 1, 1987	4.970%
if prepaid thereafter and prior to March 1, 1988	4.640%
if prepaid thereafter and prior to March 1, 1989	4.305%
if prepaid thereafter and prior to March 1, 1990	3.975%
if prepaid thereafter and prior to March 1, 1991	3.645%
if prepaid thereafter and prior to March 1, 1992	3.315%
if prepaid thereafter and prior to March 1, 1993	2.980%
if prepaid thereafter and prior to March 1, 1994	2.650%
if prepaid thereafter and prior to March 1, 1995	2.320%
if prepaid thereafter and prior to March 1, 1996	1.990%
if prepaid thereafter and prior to March 1, 1997	1.655%
if prepaid thereafter and prior to March 1, 1998	1.325%
if prepaid thereafter and prior to March 1, 1999	0.995%
if prepaid thereafter and prior to March 1, 2000	0.665%
if prepaid thereafter and prior to March 1, 2001	0.330%
and without premium if prepaid thereafter.	

C. Prior to December 1, 1987, the Company may not make any pre-payment pursuant to paragraph B of this § 1.6, directly or indirectly, as a part of a refunding or anticipated refunding operation by the application directly or indirectly of moneys borrowed or representing the proceeds of a Sale and Leaseback Transaction or a sale of Customer Receivables if, in any such case, the interest rate or effective interest cost (calculated in accordance with accepted financial practice) shall be less than seven and ninety-five hundredths per centum (7.95%) per annum.

D. No prepayment of less than all of the Notes pursuant to this § 1.6 shall be credited to or relieve the Company to any extent from its obligation to make any prepayment of the Notes required by § 1.5.

§ 1.7. Notice of Prepayment and Other Notices. The Company shall give written notice of prepayment of this Note or any portion hereof pursuant to § 1.6, not less than 30 or more than 60 days prior to the date fixed for such prepayment in such notice, which notice shall specify the amount so to be prepaid, together with the premium, if any, to be paid thereon and the date fixed for such prepayment. Such notice of prepayment and all other notices to be given to any holder of this Note shall be given by registered or certified mail to the regis-

tered holder hereof at its address designated on the register maintained by the Company on the date fixed for such notice of prepayment or other notice and shall be deemed to be given when received. Each notice of prepayment pursuant to paragraph B of § 1.6 shall be accompanied by a certificate of an authorized financial officer of the Company stating the facts showing compliance with the provisions of such section applicable thereto. Upon notice of any prepayment pursuant to § 1.6 being given as provided in this § 1.7, the Company covenants and agrees that it will prepay on the date therein fixed for prepayment the principal amount of this Note so to be prepaid as specified in such notice at the principal amount thereof, together with interest accrued thereon to such date fixed for prepayment, plus the applicable premium, if any.

§ 1.8. Allocation of Prepayments. In the event of any prepayment of less than all of the outstanding Notes, the Company will allocate the principal amount so to be prepaid (but only in units of \$1,000) among the registered holders of Notes in proportion, as nearly as may be, to the respective unpaid principal amounts of such Notes of which they shall be registered holders.

§ 1.9. Surrender of Notes; Notation Thereon. Upon any prepayment of a portion of the principal amount of this Note, the holder hereof at its option may require the Company to make and deliver, at the expense of the Company (other than for transfer taxes, if any), upon surrender of this Note, a new Note registered in such name or names as may be designated by such holder for the principal amount of this Note then remaining unpaid, dated as of the date to which interest has been paid on the unpaid principal amount of this Note, or may present this Note to the Company for notation hereon of the payment of the portion of the principal amount of this Note so prepaid. The Company may, as a condition of payment of all or any of the principal of, premium, if any, and interest on, this Note, require the holder to present this Note for notation of such payment and, if this Note be paid in full, require the surrender hereof.

§ 1.10. Interest After Date Fixed for Prepayment. This Note, or the portion hereof called for prepayment as herein provided, shall cease to bear interest on and after the date fixed for such prepayment,

unless, upon presentation for the purpose, the Company shall fail to pay this Note or such portion, as the case may be, in which event this Note or such portion, as the case may be, shall bear interest thereafter and until paid at the rate of eight and ninety-five hundredths per centum (8.95%) per annum and, so far as may be lawful, any overdue installment of interest shall bear interest at the rate of eight and ninety-five hundredths per centum (8.95%) per annum.

§ 2. Covenants. The Company covenants and agrees that so long as this Note shall be outstanding:

§ 2.1. To Pay Principal and Interest. The Company will punctually pay or cause to be paid the principal and interest (and premium, if any) to become due in respect of this Note according to the terms hereof at the place of payment hereinabove specified.

§ 2.2. Maintenance of Company Office. The Company will maintain an office or agency in Cincinnati, Ohio (or such other place in the United States of America as the Company may designate in writing to the holder hereof) where notices, presentations and demands to or upon the Company in respect of the Notes may be given or made. Unless another office or agency is subsequently designated by the Company, the office of the Company for the purpose of this § 2.2 shall be at 222 West Seventh Street, Cincinnati, Ohio 45202.

§ 2.3. To Keep Books; To Set Aside Reserves. The Company will, and will cause each of its Subsidiaries to, keep proper books of record and account in which proper entries will be made of its transactions in accordance with generally accepted accounting principles.

§ 2.4. Payment of Taxes; Corporate Existence. The Company will, and will cause each of its Subsidiaries to,

A. pay and discharge promptly or cause to be paid and discharged promptly all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or upon any of its property, real, personal or mixed, or upon any part thereof, before the same shall become in default, as well as all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien or charge upon its property; provided, however, that

neither the Company nor any Subsidiary shall be required to pay any such tax, assessment, charge, levy or claim if the amount, applicability or validity thereof shall currently be contested in good faith by the Company or such Subsidiary and if the Company or such Subsidiary, as the case may be, shall have set aside on its books reserves in respect thereof (segregated to the extent required by generally accepted accounting principles) deemed adequate in the judgment of the Company; and

B. do or cause to be done all things necessary to preserve and keep in full force and effect its existence, rights and franchises; *provided, however,* that nothing in this § 2.4B shall prevent the abandonment, modification or termination of the existence, rights and franchises of any Subsidiary, or any abandonment, modification or termination of any right or franchise of the Company, if, in the judgment of the Company, such abandonment, modification or termination is in the interest of the Company and not disadvantageous in any material respect to the holder of any Note.

§ 2.5. Maintenance of Properties. The Company will, and will cause each of its Subsidiaries to, maintain and keep, or cause to be maintained and kept, its properties in good repair, working order and condition, and from time to time make or cause to be made all needful and proper repairs, renewals, replacements and improvements so that the business carried on in connection therewith may be properly and advantageously conducted at all times; *provided, however,* that nothing in this § 2.5 shall prevent the Company or any of its Subsidiaries from discontinuing the operation and the maintenance of any of its properties if such discontinuance is, in the judgment of the Company, desirable in the conduct of its business and not disadvantageous in any material respect to the holder of any Note.

§ 2.6. Limitation on Secured Debt. After the date hereof the Company will not at any time create, assume or guarantee, and will not cause, suffer or permit any Subsidiary to create, assume or guarantee, any Secured Debt without making effective provision (and the Company covenants that in such case it will make or cause to be made effective provision) whereby the Notes then outstanding and any other Indebtedness of or guaranteed by the Company or such Subsidiary then entitled thereto, subject to applicable priorities of

payment, shall be secured equally and ratably with such Secured Debt so long as such Secured Debt shall be outstanding; provided, however, that the foregoing covenants shall not be applicable to the following:

A. (i) Mortgages on property to secure all or part of the cost of acquiring, substantially repairing or altering, constructing, developing or substantially improving such property, or to secure indebtedness incurred to provide funds for any such purpose or for reimbursement of funds previously expended for any such purpose, provided the commitment of the creditor to extend the credit secured by any such mortgage shall have been obtained not later than 24 months after the later of (a) the completion of the acquisition, substantial repair or alteration, construction, development or substantial improvement of such property or (b) the placing in operation of such property or of such property as so substantially repaired or altered, constructed, developed or substantially improved; or (ii) the acquisition of property subject to any mortgage upon such property existing at the time of acquisition thereof, whether or not assumed by the Company or a Subsidiary; or (iii) mortgages existing on the property or on the outstanding shares or Indebtedness of a corporation at the time such corporation shall become a Subsidiary; or (iv) mortgages on property of a corporation existing at the time such corporation is merged into or consolidated with the Company or a Subsidiary or at the time of a sale, lease or other disposition of the assets of a corporation or other entity as an entirety or substantially as an entirety to the Company or a Subsidiary; provided, however, that the lien of any such mortgage does not spread (a) to other property at the time owned by the Company or any Subsidiary, with the exception of the land (including related land contiguous thereto) and the balance of the building or buildings, if any, on or in which said substantial repair or alteration, construction, development or substantial improvement was made, or (b) to other property thereafter acquired other than additions to such excepted property; or

B. Mortgages on property of the Company or a Subsidiary in favor of the United States of America or any State thereof, or any department, agency or instrumentality or political subdivision of the United States of America or any State thereof,

or in favor of any other country, or any department, agency or instrumentality or political subdivision thereof, to secure partial, progress, advance or other payments pursuant to any contract or statute or to secure any indebtedness incurred for the purpose of financing all or any part of the purchase price or the cost of construction or improvement of the property subject to such mortgages; or

C. Any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any mortgage existing on the date hereof or referred to in the foregoing subparagraphs A and B; *provided, however,* that the principal amount of Secured Debt secured thereby shall not exceed the principal amount outstanding at the time of such extension, renewal or replacement, and that the mortgage so extended, renewed or replaced shall be limited to the property subject thereto at the time of such extension, renewal or replacement and additions to such property.

Notwithstanding the foregoing provisions of this § 2.6, the Company and any Subsidiary may create, assume or guarantee Secured Debt which would otherwise be subject to the foregoing restrictions in an aggregate amount which, together with the amount of all other Secured Debt of the Company and its Subsidiaries then outstanding which would otherwise be subject to the foregoing restrictions (not including Secured Debt permitted to be created, assumed or guaranteed under subparagraphs A through C above) does not at the time exceed 5% of Shareholders' Ownership.

§ 2.7. Limitation on Sale and Leasebacks. The Company will not, and will not permit any Subsidiary to, sell or transfer (except to the Company or one or more Subsidiaries, or both) any Operating Property which was such on the date of the Note Agreement with the intention of taking back a lease on such property, except a lease for a temporary period (not exceeding 24 months) with the intent that the use by the Company or such Subsidiary of such property will be discontinued on or before the expiration of such period (herein referred to as a "Sale and Leaseback Transaction"), other than the sale of such property in one or more Sale and Leaseback Transactions of not more than an aggregate of \$100,000,000 in value: *provided, however,* that the Company

or a Subsidiary may in addition engage in one or more Sale and Leaseback Transactions if the Company or Subsidiary shall apply an amount equal to the value of the property so leased to the retirement (other than any mandatory retirement), within 120 days of the effective date of any such arrangement, of Indebtedness for money borrowed by the Company or a Subsidiary (other than such Indebtedness owned by the Company or a Subsidiary) which was recorded as Funded Debt as of the date of its creation and which, in the case of such Indebtedness of the Company, is not subordinate and junior in right of payment to the prior payment of the Notes.

The term "value" shall mean, in computing the value of a Sale and Leaseback Transaction or the aggregate value of such Transactions, as of any particular time, the amount equal to the greater of (i) the net proceeds of the sale of the property or properties leased pursuant to such Sale and Leaseback Transaction or Transactions, or (ii) the amount of such property or properties at the time of entering into each such Sale and Leaseback Transaction, as shown on the Company's or Subsidiary's books of account net of accumulated depreciation and amortization, in either case divided first by the number of full years of the term of the lease and then multiplied by the number of full years of such term remaining at the time of determination, without regard to any renewal or extension options contained in the lease. Any retirement of Notes pursuant to the proviso in the preceding paragraph shall be effected by prepayment pursuant to (and at the price, including any applicable premium, specified in) § 1.6B and shall be subject to the applicable provisions of § 1 relating to such prepayment, including without limitation § 1.6C.

§ 2.8. Consolidation, Merger, Sale or Conveyance. The Company will not consolidate or merge with or into any other corporation or corporations, or sell, lease, convey, transfer or otherwise dispose of the property of the Company as an entirety or substantially as an entirety to any other corporation, unless (and the Company hereby covenants and agrees that any such consolidation, merger, sale, lease, conveyance, transfer or other disposition shall be upon the condition that) (a) such other corporation is authorized to acquire and operate the same; (b) immediately after such consolidation, merger, sale, lease, conveyance, transfer or other disposition the corporation (whether the Company or such other corporation) formed by or surviving any such

consolidation or merger, or to which such sale, lease, conveyance, transfer or other disposition shall have been made, shall not be in default in the performance or observance of any of the terms, covenants and conditions of this Note or the Note Agreement to be kept or performed by the Company; (c) the corporation (if other than the Company) formed by or surviving any such consolidation or merger, or to which such sale, lease, conveyance, transfer or other disposition shall have been made, shall be a corporation organized under the laws of the United States of America or any state thereof; and (d) the due and punctual payment of the principal of, and premium (if any) and interest on all of the Notes, according to their tenor, and the due and punctual performance and observance of all the covenants and conditions of this Note and the Note Agreement to be performed or observed by the Company, shall be expressly assumed, by an instrument, satisfactory in form to the holder of this Note, executed and delivered to such holder by the corporation (if other than the Company) formed by such consolidation, or into which the Company shall have been merged, or by the corporation which shall have acquired such property.

§ 3. Amendment and Waiver. Any term, covenant, agreement or condition of the Notes may, with the consent of the Company, be amended or compliance therewith may be waived (either generally or in a particular instance and either retroactively or prospectively), by one or more written instruments signed by the holder or holders of not less than 66 $\frac{2}{3}$ % in aggregate principal amount of the Notes at the time outstanding; *provided, however, that*

A. no such amendment or waiver shall

(1) reduce the principal of, or the premium or rate of interest on, any of the Notes, or subordinate or otherwise modify the terms of payment of the principal thereof or premium or interest thereon, without the consent of the holder of each Note so affected, or

(2) modify or alter the provisions of § 1.5 of any of the Notes or reduce the percentage or otherwise modify the requirements in respect of Notes required pursuant to this § 3 to approve any such amendment or effectuate any such waiver, without the consent of the holders of all the Notes then outstanding; and

B. no such waiver shall extend to or affect any obligation not expressly waived or impair any right consequent thereon.

Any amendment or waiver pursuant to this § 3 shall apply equally to all the holders of the Notes and shall be binding upon them, upon each future holder of any Note and upon the Company. In the case of an amendment or waiver of the character described in § 3A, a notation shall be made on each outstanding Note, the holder of which has consented to such amendment or waiver, to indicate that such amendment or waiver has been effected, and the holder of this Note hereby agrees that he shall surrender this Note for such notation. In the case of any other amendment or waiver, no notation need be made on the Notes at the time outstanding, but any Note executed and delivered thereafter may, at the option of the Company, bear a notation referring to any such amendment or waiver then in effect.

In determining whether the registered holders of the requisite principal amount of outstanding Notes have given any authorization, consent or waiver under this § 3, Notes owned by the Company, any Subsidiary of the Company and/or any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any such Subsidiary shall be disregarded and deemed not to be outstanding.

§ 4. Certain Definitions.

For all purposes of the Notes, unless the context otherwise requires:

A. The term "Board" with respect to the Company shall mean the board of directors of the Company or such committee thereof as may be duly empowered to act on behalf of the Board during intervals between meetings thereof.

B. The term "Company" shall mean Federated Department Stores, Inc., a Delaware corporation, and its successors which become such in accordance with § 2.8.

C. The term "corporation" shall include corporations, and, except for the purposes of § 2.8, associations, joint stock companies and business trusts.

D. The term "Customer Receivables" shall mean amounts owing as a result of sales by the Company or any Subsidiary to retail store customers.

E. The term "Funded Debt" shall mean all Indebtedness for money borrowed which by its terms matures more than twelve (12) months from the date of computation of the amount thereof or which by its terms is renewable or extendible at the option of the obligor beyond twelve (12) months from the date of such computation.

F. The term "Indebtedness" with respect to any corporation shall mean and include all obligations which in accordance with generally accepted accounting principles would be included in determining total liabilities as shown on the liability side of a balance sheet as at the date as of which Indebtedness is to be determined, in any event including, without limitation, (1) obligations secured by any mortgage, pledge or lien existing on property owned subject to such mortgage, pledge or lien, whether or not the obligations secured thereby shall have been assumed, and (2) guarantees of Indebtedness of others, endorsements of Indebtedness of others (other than for purposes of collection in the ordinary course of business), obligations to purchase goods or services for the purpose of supplying funds for the purchase or payment of, or measured by, Indebtedness of others and other contingent obligations in respect of, or to purchase or otherwise acquire or service, Indebtedness of others.

G. The term "mortgage" shall mean any mortgage, pledge, lien or encumbrance given as security for Secured Debt.

H. The term "Operating Property" shall mean any real estate comprising a retail store, warehouse or other facility related to the general retail business of the Company or any Subsidiary, having in excess of 150,000 square feet of floor area in the aggregate, or any parking facility, whether a parking lot or parking garage, having a capacity in excess of 500 cars in the aggregate, in any case which has been owned and operated by the Company or any Subsidiary for more than 365 days.

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I. The term "person" shall mean an individual, a corporation, a partnership, a trust, an unincorporated organization or a government or any agency or political subdivision thereof.

J. The term "Sale and Leaseback Transaction" shall have the meaning set forth in § 2.7.

K. The term "Secured Debt" shall mean Indebtedness for money borrowed by the Company or a Subsidiary (other than Indebtedness owed by a Subsidiary to the Company, by a Subsidiary to a Subsidiary or by the Company to a Subsidiary) which is secured by a mortgage on (a) any Operating Property of the Company or a Subsidiary, or (b) any shares of stock or Indebtedness of a Subsidiary. The amount of Secured Debt at any time outstanding shall be the amount then owing thereon by the Company or a Subsidiary.

L. The term "Shareholders' Ownership" shall mean as of any particular time the consolidated capital and surplus (including retained earnings) of the Company and its Subsidiaries, determined in accordance with generally accepted accounting principles, as shown in the most recent monthly consolidated financial statements of the Company and its Subsidiaries.

M. The term "stock" shall include any and all shares, interests, participations or other equivalents (however designated) of corporate stock.

N. The term "Subsidiary" shall mean any corporation of which at least a majority in interest of the outstanding stock having by the terms thereof ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by the Company, or by one or more Subsidiaries, or by the Company and one or more Subsidiaries; provided, however, that unless the Board of the Company shall determine otherwise, the term "Subsidiary" shall not include (a) Federated Stores Realty, Inc., (b) Federated Acceptance Corporation or any other corporation hereafter directly or

indirectly owned or controlled as aforesaid the primary business of which consists of financing operations in connection with leasing and conditional sales transactions on behalf of the Company and its Subsidiaries and/or purchasing accounts receivable and/or making loans secured by accounts receivable or inventory or which is otherwise primarily engaged in the business of a finance company, or (c) any other corporation which has been designated by resolution of the Board of the Company as not a Subsidiary for purposes of this Note, which resolution shall state the Board's determination that such designation does not materially and adversely affect the interests of the holders of the Notes.

All accounting terms used herein not expressly defined in this Note shall have the meanings respectively given to them in accordance with generally accepted accounting principles.

§ 5. Defaults and Remedies.

§ 5.1. **Events of Default.** This Note, together with accrued interest hereon, shall become and be due and payable upon demand of the holder hereof if any one or more of the following events (herein called "events of default") shall occur for any reason whatsoever (and whether such occurrence shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) and be continuing at the time of such demand or at the time of a similar demand from the holder of any other Note, that is to say:

A. if default shall be made in the due and punctual payment of the principal of, or premium on, any Note when and as the same shall become due and payable, whether at maturity or at a date fixed for prepayment or by acceleration or otherwise, and such default shall have continued for a period of 5 days;

B. if default shall be made in the due and punctual payment of any installment of interest on any Note, when and as such interest installment shall become due and payable, and such default shall have continued for a period of 15 days;

C. if default shall be made in the performance or observance of any covenant, agreement or condition contained in § 2.6 through § 2.8, inclusive, and such default shall have continued for a period

of 15 days after written notice thereof to the Company by the holder of any Note;

D. (i) if default shall be made in the performance or observance of any other of the covenants, agreements or conditions contained in this Note (other than in §2.5) or the Note Agreement, and such default shall have continued for a period of 30 days after written notice thereof to the Company by the holder of any Note, or (ii) if default shall be made in the performance or observance of any of the covenants, agreements or conditions contained in § 2.5 of this Note, and such default shall have continued for a period of 90 days after written notice thereof to the Company by the holder of any Note;

E. if default shall occur with respect to any evidence of Indebtedness (other than the Notes) of the Company or of any of its Subsidiaries or under any agreement under which any evidence of Indebtedness may be issued by the Company or any such Subsidiary, in any case where the aggregate amount of Indebtedness with respect to which any such default or defaults shall have occurred is \$10,000,000 or more, and as a result of such default any holder of any such evidence of Indebtedness or any trustee therefor or representative thereof shall have the right to declare the same immediately due and payable;

F. if any representation or warranty made by the Company in the Note Agreement or in any writing furnished in connection with or pursuant to the Note Agreement shall be false or misleading in any material respect on the date as of which made;

G. if the Company or any of its Subsidiaries shall

- (1) admit in writing its inability to pay its debts generally as they become due,
- (2) file a petition in bankruptcy or a petition to take advantage of any insolvency act,
- (3) make an assignment for the benefit of its creditors,
- (4) consent to the appointment of a receiver of itself or of the whole or any substantial part of its property, or

(5) file a petition or answer seeking reorganization, arrangement or winding-up under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any State thereof or any other country or jurisdiction;

H. if a court of competent jurisdiction shall enter an order, judgment or decree appointing, without the consent of the Company or the Subsidiary involved, a receiver of the Company or any of its Subsidiaries or of the whole or any substantial part of their respective properties, or approving a petition filed against the Company and/or such Subsidiaries seeking reorganization, arrangement or winding-up of the Company and/or such Subsidiary or adjudicating the Company or such Subsidiary a bankrupt under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any State thereof or any other country or jurisdiction, and such order, judgment or decree shall not be vacated or set aside or stayed within 60 days from the date of the entry thereof;

I. if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Company or any of its Subsidiaries or of the whole or any substantial part of their respective properties and such custody or control shall not be terminated or stayed within 60 days from the date of assumption of such custody or control; or

J. if final judgment for the payment of money in excess of \$2,000,000 shall be rendered by a court of record against the Company or any of its Subsidiaries and the Company or such Subsidiary shall not discharge the same or provide for its discharge in accordance with its terms, or procure a stay of execution thereon within 60 days from the date of entry thereof and within said period of 60 days, or such longer period during which execution of such judgment shall have been stayed, appeal therefrom and cause the execution thereof to be stayed during such appeal.

§ 5.2. Suits for Enforcement. In case any one or more of the events of default specified in § 5.1 shall happen and be continuing, the holder of this Note may proceed to protect and enforce such holder's

rights either by suit in equity or by action at law, or both, whether for the specific performance of any covenant, condition or agreement contained in this Note or in aid of the exercise of any power granted in this Note, or proceed to enforce the payment of this Note or to enforce any other legal or equitable right of the holder of this Note. If any holder of a Note shall demand payment thereof or take any other action in respect of an event of default, the Company will forthwith give written notice, addressed as in § 1.7 provided, to the other holders of Notes, specifying such action and the nature of the event of default.

§ 5.3. Remedies Cumulative. No remedy herein conferred upon the holder hereof is intended to be exclusive of any other remedy and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise.

§ 5.4. Remedies Not Waived. No course of dealing between the Company and the holder hereof nor any delay on the part of the holder hereof in exercising any rights hereunder shall operate as a waiver of any rights of any holder hereof.

§ 6. Covenants Bind Successors and Assigns. All the covenants, stipulations, promises and agreements in this Note contained by or on behalf of the Company shall bind its successors and assigns, whether so expressed or not.

§ 7. Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of New York.

§ 8. Headings. The headings of the sections and subsections of this Note are inserted for convenience only and do not constitute a part of this Note.

IN WITNESS WHEREOF, FEDERATED DEPARTMENT STORES, INC. has caused this Note to be signed in its corporate name by its officer thereunto duly authorized, and to be dated as of the day and year first above written.

FEDERATED DEPARTMENT STORES, INC.

By -----
Executive Vice President

By -----
Treasurer

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EXHIBIT 11.1

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EXHIBIT 11.1

FEDERATED DEPARTMENT STORES, INC.
(The Predecessor)

EXHIBIT OF PRIMARY AND FULLY DILUTED EARNINGS PER SHARE

	13 Weeks Ended April 30, 1988		52 Weeks Ended January 30, 1988		52 Weeks Ended January 31, 1987	
	Shares	Income	Shares	Income	Shares	Income
	(thousands, except per share data)					
Net income and average number of shares outstanding.....	88,828	\$ (165,580)	92,148	\$ 312,982	96,905	\$ 287,600
Earnings per share		<u><u>\$ (1.86)</u></u>		<u><u>\$3.40</u></u>		<u><u>\$2.97</u></u>
Primary Computation						
Average number of common share equivalents:						
Stock options	*		435		466	
Gross share obligation for deferred compensation plan	*		2,104		2,553	
Appreciation of treasury stock method-proceeds from tax savings due to market appreciation at average market price applied to purchase of treasury shares ..	*		(298)		(394)	
Adjustment of net income for dividend equivalents				1,743		1,711
Adjusted number of common and common equivalent shares outstanding and adjusted net income	88,828	<u><u>\$ (165,580)</u></u>	94,389	<u><u>\$ 314,725</u></u>	99,530	<u><u>\$ 289,311</u></u>
Primary earnings per share		<u><u>\$ (1.86)</u></u>		<u><u>\$3.33</u></u>		<u><u>\$2.91</u></u>
Fully Diluted Computation						
Additional adjustments to a fully diluted basis:						
Stock options	*		377		32	
Reduction in shares repurchased with tax savings.....	*		72		13	
Adjusted number of shares outstanding and net income on a fully diluted basis	88,828	<u><u>\$ (165,580)</u></u>	94,838	<u><u>\$ 314,725</u></u>	99,575	<u><u>\$ 289,311</u></u>
Fully diluted earnings per share		<u><u>\$ (1.86)</u></u>		<u><u>\$3.32</u></u>		<u><u>\$2.91</u></u>

*The financial statements for the 13 weeks ended April 30, 1988 reflect expense to accrue for the settlement of common share equivalents in connection with the change in control, and therefore, they are excluded from these computations.

Note: All share and per share data reflect the 2-for-1 common stock split on April 13, 1987.

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EXHIBIT 22

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SUBSIDIARIES OF FEDERATED DEPARTMENT STORES, INC.

A & S Extra Real Estate, Inc.
A & S Galleria Real Estate, Inc.
A & S Real Estate, Inc.
A & S Walt Whitman Real Estate, Inc.
Blocks, Inc.
Bloomingdale's Boca Raton Real Estate, Inc.
Bloomingdale's By Mail Ltd.
Bloomingdale's Extra Real Estate, Inc.
Bloomingdale's, Inc.
Bloomingdale's King of Prussia Real Estate, Inc.
Bloomingdale's Properties, Inc.
Bloomingdale's Real Estate, Inc.
Bloomingdale's Short Hills Real Estate, Inc.
Bloomingdale's Third Avenue Real Estate, Inc.
Bloomingdale's White Flint Real Estate, Inc.
Bloomingdale's Willow Grove Real Estate, Inc.
Burdines, Inc.
Burdines Main Store Real Estate, Inc.
Burdines Real Estate, Inc.
Burdines Real Estate II, Inc.
Federated Acceptance Corporation
Federated Credit Corporation*
Federated Credit Holdings Corporation*
Federated Real Estate, Inc.
Federated Stores Realty, Inc.
Gold Circle, Inc.
Goldsmith's Inc.
Goldsmith's Real Estate, Inc.
Lazarus Extra Real Estate, Inc.
Lazarus Real Estate, Inc.
Lazarus Real Estate II, Inc.
Retail Services, Inc.
Rich's Augusta Mall Real Estate, Inc.
Rich's Brookwood Village Real Estate, Inc.
Rich's Columbia Mall Real Estate, Inc.
Rich's, Inc.
Rich's Lenox Square Real Estate, Inc.
Rich's Main Store Real Estate, Inc.
Rich's North DeKalb Real Estate, Inc.
Rich's Real Estate, Inc.
Rich's Shannon Mall Real Estate, Inc.
22 East Advertising Corporation
22 East Realty Corporation

*Denotes subsidiaries that did not commence chapter 11 proceedings.

EXHIBIT 25

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POWER OF ATTORNEY

The undersigned Directors and officers of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitute and appoint Boris Auerbach and Dennis J. Broderick, and each of them, their true and lawful attorney or attorneys-in-fact, with full power of substitution, for them and in their name, place and stead, to sign on their behalf as a Director or officer of the Company, or both, as the case may be, an Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 on Form 10-K for the fiscal year ended February 2, 1991, and to sign any and all amendments to such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney or attorney-in-fact, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as they might or could do in person, hereby ratifying and confirming all that said attorney or attorneys-in-fact, or any of them or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Date: _____



Allen I. Questrom,
Chairman of the Board and
Director (Principal Executive
Officer)

Date: _____

Ronald W. Tysoe,
Vice Chairman of the Board,
Director and Chief Financial
Officer (Principal Financial
Officer)

Date: _____

John A. Muskovich,
Vice President and Controller
(Principal Accounting Officer)

Date: _____

James M. Zimmerman,
Director

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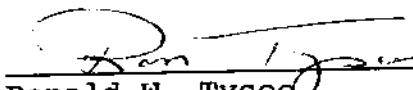
POWER OF ATTORNEY

The undersigned Directors and officers of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitute and appoint Boris Auerbach and Dennis J. Broderick, and each of them, their true and lawful attorney or attorneys-in-fact, with full power of substitution, for them and in their name, place and stead, to sign on their behalf as a Director or officer of the Company, or both, as the case may be, an Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 on Form 10-K for the fiscal year ended February 2, 1991, and to sign any and all amendments to such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney or attorney-in-fact, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as they might or could do in person, hereby ratifying and confirming all that said attorney or attorneys-in-fact, or any of them or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Date: _____

Allen I. Questrom,
Chairman of the Board and
Director (Principal Executive
Officer)

Date: May 1, 1991


Ronald W. Tysor,
Vice Chairman of the Board,
Director and Chief Financial
Officer (Principal Financial
Officer)

Date: _____

John A. Muskovich,
Vice President and Controller
(Principal Accounting Officer)

Date: _____

James M. Zimmerman,
Director

POWER OF ATTORNEY

The undersigned Directors and officers of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitute and appoint Boris Auerbach and Dennis J. Broderick, and each of them, their true and lawful attorney or attorneys-in-fact, with full power of substitution, for them and in their name, place and stead, to sign on their behalf as a Director or officer of the Company, or both, as the case may be, an Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 on Form 10-K for the fiscal year ended February 2, 1991, and to sign any and all amendments to such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney or attorney-in-fact, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as they might or could do in person, hereby ratifying and confirming all that said attorney or attorneys-in-fact, or any of them or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Date: _____

Allen I. Questrom,
Chairman of the Board and
Director (Principal Executive
Officer)

Date: _____

Ronald W. Tysoe,
Vice Chairman of the Board,
Director and Chief Financial
Officer (Principal Financial
Officer)

Date: 4/30/91

J. A. Muskovich
John A. Muskovich,
Vice President and Controller
(Principal Accounting Officer)

Date: _____

James M. Zimmerman,
Director

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POWER OF ATTORNEY

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Date: _____

Allen I. Questrom,
Chairman of the Board and
Director (Principal Executive
Officer)

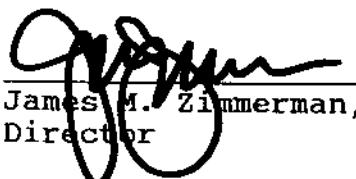
Date: _____

Ronald W. Tysoe,
Vice Chairman of the Board,
Director and Chief Financial
Officer (Principal Financial
Officer)

Date: _____

John A. Muskovich,
Vice President and Controller
(Principal Accounting Officer)

Date: May 1, 1991


James M. Zimmerman,
Director

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