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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

PROCESSED BY

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DISCLOSURE INCORPORATED

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended February 1, 1992 **Commission File Number 1-10951**

Federated Department Stores, Inc.

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

Incorporated in Delaware **I.R.S. No. 31-0513863**

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $.01 per share	New York Stock Exchange
Rights to Purchase Series A Junior Participating Preferred Stock	New York Stock Exchange
10% Series B Secured Notes Due February 15, 2000	New York Stock Exchange
Series D Secured Notes Due August 15, 1997	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:

None

The Company has filed all reports required to be filed by Section 12, 13, or 15(d) of the Act during the preceding 12 months and has been subject to such filing requirements for the past 90 days, during which period the Company distributed securities pursuant to a plan of reorganization.

Disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not required.

There were 80,009,737 shares of the Company's Common Stock outstanding as of March 31, 1992. The aggregate market value of the shares of such Common Stock held by nonaffiliates of the Company, based upon the last sale price as reported on the New York Stock Exchange Composite Tape on March 31, 1992, was approximately $1,137.6 million.

Unless the context otherwise requires, (i) references to the "Company" include Federated Department Stores, Inc. and its subsidiaries and (ii) references to "1991," "1990," and "1989" are references to the Company's fiscal years ended February 1, 1992, February 2, 1991, and February 3, 1990, respectively.

Item 1. Business

General. The Company is one of the leading operators of full-line department stores in the United States, with 220 stores in 26 states as of March 31, 1992. The Company's stores sell a wide range of merchandise, including men's, women's, and children's apparel and accessories, cosmetics, home furnishings, and other consumer goods, and are diversified by size of store, merchandising character, and character of community served. The stores are located at urban or suburban sites, principally in densely populated areas in the eastern, midwestern, northeastern, northwestern, and southeastern regions of the United States.

The Company conducts its business through seven retail operating divisions, while providing merchandise purchasing, credit, electronic data processing, and other support functions on an integrated, Company-wide basis. This organizational structure is designed to achieve economies of scale and the implementation of consistent, Company-wide merchandise assortments and merchandising strategies, while retaining the ability to tailor merchandise assortments and merchandising strategies to the particular character and customer base of the Company's various department store franchises.

The Company's seven retail operating divisions are Bloomingdale's, Abraham & Straus/Jordan Marsh, The Bon Marché, Burdines, Lazarus, Rich's/Goldsmith's, and Stern's. The following table sets forth certain information with respect to the Company's retail operating divisions:

	Year Founded	Principal Geographic Region	Number of Stores(a)	1991 Sales(b)	Gross Square Feet(c)
				(millions)	(thousands)
Bloomingdale's	1872	East	15	$1,066.6	4,149
Abraham & Straus/Jordan Marsh	1851	Northeast	35	1,385.3	9,743
The Bon Marché	1890	Northwest	39	719.2	4,638
Burdines	1898	Florida	46	1,126.8	7,433
Lazarus	1830	Midwest	40	914.4	7,635
Rich's/Goldsmith's	1867	Southeast	23	809.0	4,578
Stern's	1867	Northeast	22	640.6	3,834
			220	$6,661.9	42,010

(a) As of March 31, 1992.

(b) Excludes $194.5 million of sales of stores closed during 1991 and of stores which the Company has announced will be closed and $75.9 million of sales of the Company's Bloomingdale's By Mail subsidiary.

(c) Excludes gross square feet of stores closed during 1991 and of stores which the Company has announced will be closed. Includes total square footage of store locations, including office, storage, service, and other support space that is not dedicated to direct merchandise sales, but excludes warehouses and distribution terminals not located at store sites.

Each of the Company's retail operating divisions is a separate subsidiary of the Company, except that the Abraham & Straus/Jordan Marsh division comprises two separate subsidiaries of the Company.

The Company provides merchandise purchasing, credit, electronic data processing, and other support functions to its retail operating divisions on an integrated, Company-wide basis. Federated Merchandising, a division of the Company based in New York City, provides centralized buying services for the Company's retail operating divisions and is responsible for private label development for all of the Company's retail operating divisions other than Bloomingdale's (which has its own private label program). The Company's financial and credit services division ("FACS"), which is based near Cincinnati, Ohio, establishes and monitors credit policies on a Company-wide basis, and provides proprietary credit services (including statement processing and mailing, credit authorizations, new account development and processing, customer service, and collections) to each of the Company's retail operating divisions. The Company's data processing division ("SABRE"), which is based near Atlanta, Georgia, provides operational electronic data processing and management information services to each of the Company's retail operating divisions. In addition, a specialized staff maintained in the Company's corporate offices in Cincinnati, Ohio, provides services for all stores in such areas as store design and construction, real estate, insurance, supply purchasing, and transportation, as well as various other corporate office functions.

The Company and its predecessors have been operating department stores since 1830. The Company was organized as a Delaware corporation in 1929. Both the Company and Allied Stores Corporation ("Allied") were among the leading independent retailers in the United States prior to being acquired by Campeau Corporation ("Campeau") in 1988 and 1986, respectively, in highly leveraged transactions. Following the acquisitions, the Company and Allied disposed of a number of operating divisions, including all non-department store operations. Substantially all of the proceeds of such dispositions were used to pay down acquisition debt. However, during the course of 1989, it became apparent that their remaining indebtedness could not be supported by operations and, on January 15, 1990, the Company, Allied, and substantially all of their respective subsidiaries (collectively, the "Federated/Allied Companies") commenced proceedings under chapter 11 of the Bankruptcy Code (the "Reorganization Proceedings") to reorganize and to restructure their acquisition debt and other liabilities.

The Federated/Allied Companies emerged from bankruptcy pursuant to a plan of reorganization (the "POR") on February 4, 1992 (the "POR Effective Date"). Pursuant to the POR, among other transactions, (i) the liabilities of the Federated/Allied Companies were reduced by a net amount of approximately $5.0 billion, (ii) the Company distributed to prepetition creditors or reinstated approximately $3.9 billion aggregate principal amount of debt securities and other debt, approximately $398.8 million in cash, and approximately 79.2 million shares of Common Stock, par value $.01 per share (the "Common Stock"), of the Company, (iii) Allied was merged into the Company, and (iv) a new Board of Directors of the Company was elected. As a result of the POR, Campeau (now known as Camdev Corporation) no longer has any direct or indirect equity interest in the Company. For additional information regarding the Reorganization Proceedings, see Item 3 "Legal Proceedings."

The Company's executive offices are located at 7 West Seventh Street, Cincinnati, Ohio 45202, and its telephone number is (513) 579-7000.

Employees. As of February 1, 1992, the Company had approximately 78,900 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. Approximately 10% of the Company's employees as of February 1, 1992 were represented by unions. Management considers its relations with employees to be satisfactory.

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 somewhat in mid-Summer in anticipation of the Fall merchandising season and increasing substantially prior to the Christmas season when the Company must carry significantly higher inventory levels.

Purchasing. The Company purchases merchandise from many suppliers, no one of which accounted for as much as 5% of the Company's net purchases during 1991. The Company has no long-term purchase commitments or arrangements with any of its suppliers, and believes that it is not dependent on any one supplier. The Company believes its relations with its suppliers are satisfactory. The Company intends further to strengthen its vendor relationships by purchasing greater quantities of merchandise from fewer vendors.

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. Some of the retailers with which the Company competes have substantially greater financial resources than the Company.

Item 2. Properties

The properties of the Company consist primarily of stores and related retail facilities, including warehouses and distribution centers. The Company also owns or leases other properties including its corporate headquarters and other facilities at which centralized operational support functions are conducted. As of February 1, 1992, the Company operated 220 stores, of which 104 stores were entirely or mostly owned and 116 stores were entirely or mostly leased. See Item 1 "Business — General." 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. See Note 10 to the Consolidated Financial Statements. Substantially all of the Company's owned and leased real estate is subject to security interests in favor of certain creditors of the Company. See Note 12 to the Consolidated Financial Statements.

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 (except where indicated otherwise) were as follows:

	February 1, 1992		February 2, 1991	
Operating Division	Number of Stores	Gross Square Feet	Number of Stores	Gross Square Feet
Bloomingdale's	15	4,149	16	4,280
Abraham & Straus/Jordan Marsh	35	9,743	35	9,743
The Bon Marché	39	4,638	39	4,671
Burdines	46(a)	7,433(a)	64(c)	10,584(c)
Lazarus	40	7,635	42	9,055
Rich's/Goldsmith's	23	4,578	24	6,035
Stern's	22(b)	3,834(b)	24	4,478
	220	42,010	244	48,846

(a) Excludes one store, the closing of which was announced February 2, 1992.

(b) Excludes two stores, the closing of which was announced February 2, 1992.

(c) Excludes four stores, the closing of which was announced February 4, 1991.

Item 3. Legal Proceedings

The POR was confirmed by the United States Bankruptcy Court for the Southern District of Ohio, Western Division (the "Bankruptcy Court"), in Consolidated Case No. 1-90-00130 on January 10, 1992 and became effective on February 4, 1992. Notwithstanding the confirmation and effectiveness of the POR, the Bankruptcy Court continues to have jurisdiction to, among other things, resolve disputed prepetition claims against the Federated/Allied Companies, resolve matters related to the assumption, assumption and assignment, or rejection of executory contracts pursuant to the POR, and to resolve other matters that may arise in connection with or relate to the POR. Except as described below, provision was made under the POR in respect of all prepetition liabilities of the Federated/Allied Companies.

Pursuant to the POR, and based on the Company's estimate of the amount of such claims that ultimately will be allowed by the Bankruptcy Court, the Company has provided for the payment of approximately $285.0 million in respect of certain classes of claims against certain subsidiaries of the Company. Approximately $183.5 million of this amount constitutes cash that was segregated on the POR Effective Date, and is not reflected on the Company's Consolidated Balance Sheet as of February 1, 1992, while the remaining $101.5 million of this amount consists of deferred obligations which are reflected as "subsidiary trade obligations" on the Company's Consolidated Balance Sheet as of February 1, 1992. Both the cash portion and the deferred portion of this amount include amounts in respect of claims that have been allowed as well as amounts in respect of claims that are still being disputed by the Company. Approximately $58.1 million of the segregated cash had been paid out as of April 27, 1992 in respect of allowed claims. The total face amount of such claims which were still being disputed as of that date was approximately $387.3 million. In the event that the provisions applicable to the disputed claims prove to be inadequate, the holders of such disputed claims that ultimately are allowed by the Bankruptcy Court would have recourse to certain subsidiaries of the Company and, with respect to a portion of the consideration provided for such claims in the POR, to the Company. However, while there can be no assurance that the actual amounts of such disputed claims that are ultimately allowed by the Bankruptcy Court will not exceed the estimated amounts thereof, management does not expect that any variance between such actual and estimated amounts will have a material adverse effect on the Company's financial position.

In connection with the Reorganization Proceedings and the reorganization proceedings of Federated Stores, Inc. ("FSI"), formerly Campeau's United States holding company for the Company and Allied, the Internal Revenue Service (the "IRS") audited the tax returns of FSI and the Federated/Allied Companies for tax years 1984 through 1989 and asserted certain claims against the Federated/Allied Companies and other members of the FSI consolidated tax group. The issues raised by the IRS audit were resolved by agreement with the IRS in the Reorganization Proceedings except for two issues involving the use by the Federated/Allied Companies of an aggregate of $27.0 million of net operating and capital loss carryforwards ("NOLs") of an acquired company and the deductibility of approximately $176.3 million of so-called "break-up fees." These issues were litigated before the Bankruptcy Court and resolved in favor of the Federated/Allied Companies; however, on January 21, 1992, the IRS filed a notice of appeal in the Bankruptcy Court appealing the Bankruptcy Court's determination of these issues. While there can be no assurance with respect thereto, management does not expect that the resolution of these issues will have a material adverse effect on the Company's financial position.

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.

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

None.

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

The Common Stock is listed on the New York Stock Exchange (the "NYSE") under the trading symbol "FD." In connection with the issuance of shares of Common Stock pursuant to the POR, trading of the Common Stock (other than shares of Common Stock subject to the restrictions on disposition referred to below) commenced on the NYSE on a when-issued basis on February 5, 1992 and on a regular-way basis on March 17, 1992. During the period from February 5, 1992 to April 27, 1992, the high and low sales prices per share for such shares of Common Stock as reported on the NYSE Composite Tape were $18.25 and $11.25, respectively. A substantial portion (currently estimated at 70%) of the shares of Common Stock issued pursuant to the POR is, or upon actual distribution thereof to prepetition creditors pursuant to the POR will be, subject to certain restrictions on disposition (the "Restrictions") under the Agreement and Provisions Relating to Restrictions on Transfer of Certain Shares of Common Stock of Federated Department Stores, Inc. provided for in the POR and the Company's By-Laws. Such shares of Common Stock currently may not be traded on the NYSE and no established public market exists with respect thereto. The Restrictions are subject to a number of exceptions, including an exception relating to certain privately negotiated transactions in which, among other things, the purchaser agrees to be bound by the Restrictions. The Restrictions will lapse no later than August 4, 1994. As of March 31, 1992, there were approximately 1,400 holders of record of shares of Common Stock that are not subject to the Restrictions and approximately 800 holders of record of shares of Common Stock that are subject to the Restrictions.

The Company has not paid any dividends on its common stock during its two most recent fiscal years, and the Company does not anticipate paying any dividends on the Common Stock in the foreseeable future. In addition, the covenants in certain debt instruments to which the Company is a party restrict the ability of the Company to pay dividends.

Item 6. Selected Financial Data

(thousands, except dividend data)	The Company: Fiscal Year Ended February 1, 1992	The Company: Fiscal Year Ended February 2, 1991	The Company: Fiscal Year Ended February 3, 1990	The Company: Nine Months Ended January 28, 1989 (unaudited)	The Predecessor(a): 13 Weeks Ended April 30, 1988	The Predecessor(a): Fiscal Year Ended January 30, 1988
Consolidated Statements of Operations Data:						
Net sales, including leased department sales	$ 6,932,323	$ 7,141,983	$ 7,577,586	$ 5,867,002	$2,449,096	$11,117,840
Cost of sales, including occupancy and buying costs	4,964,471	5,172,892	5,447,121	4,163,904	1,827,501	8,191,571
Selling, publicity, delivery, and administrative expenses	1,700,880	1,833,918	1,881,017	1,377,952	555,235	2,298,802
Interest expense(b)	504,257	639,527	914,557	620,716	30,853	107,965
Interest income	(67,260)	(83,585)	(107,892)	(65,207)	(766)	(3,356)
Unusual items	—	—	1,067,817 (c)	10,000 (d)	315,680 (e)	(7,124) (f)
Total costs and expenses	7,102,348	7,562,752	9,202,620	6,107,365	2,728,503	10,587,858
Income (loss) before reorganization items, income taxes, extraordinary item, and cumulative effect of change in accounting principle	(170,025)	(420,769)	(1,625,034)	(240,363)	(279,407)	529,982
Reorganization items	(1,679,936)	(127,032)	(142,110)	—	—	—
Federal, state, and local income tax benefit (expense)	613,989	276,355	(6,783)	15,522	113,827	(217,000)
Extraordinary item — gain on debt discharge	2,165,515	—	—	—	—	—
Cumulative effect of change in accounting principle	(93,151)	—	—	—	—	—
Net income (loss)(g)(h)	$ 836,392	$ (271,446)	$(1,773,927)	$ (224,841)	$ (165,580)	$ 312,982
Depreciation and amortization	$ 260,884	$ 278,227	$ 317,575	$ 244,892	$ 69,717	$ 280,716
Capital expenditures	201,631	93,143	177,792	200,902	61,221	486,631
Cash dividends per share of common stock	$ —	$ —	$ —	$ —	$ —	$ 1.48
Balance Sheet Data (at year end):(i)						
Cash	$ 1,002,482	$ 453,560	$ 446,195	$ 119,482	$ 167,760	$ 93,217
Working capital	1,923,812	1,957,037	2,653,693	258,978	1,093,058	1,447,121
Total assets	7,501,145	9,150,056	9,592,231	11,259,169	6,098,874	6,008,717
Short-term borrowings and long-term debt due within one year	771,605	309,268	176,216	1,891,366	611,080	399,646
Liabilities subject to settlement under reorganization proceedings	—	6,475,129	6,729,168	—	—	—
Long-term debt (including preferred shares)	3,176,687	1,361,778	1,561,778	5,152,898	940,662	956,619
Shareholders' equity (deficit)	1,454,132	(1,398,528)	(1,127,082)	1,130,940	2,473,999	2,629,067

(See Notes on following page)

(a) For purposes of this table, the "Predecessor" refers to Federated Department Stores, Inc. prior to its acquisition by Campeau and does not include Allied. See Note 1 to the Consolidated Financial Statements.

(b) Excludes interest on unsecured prepetition indebtedness of $301,576, $290,979, and $11,300, respectively, for 1991, 1990, and 1989. See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(c) Consists primarily of a write-down of the excess of cost over the value of assets acquired. See Note 7 to the Consolidated Financial Statements.

(d) Consists of an adjustment to the gain on sale of Allied's Brooks Brothers subsidiary which was sold in April 1988.

(e) Consists of expenses, before income tax benefits, related to the tender offers for shares of Federated Department Stores, Inc. common stock.

(f) Consists of a gain from the sale by a subsidiary of its interest in a shopping center.

(g) See Notes 3, 4, 5, and 17 to the Consolidated Financial Statements.

(h) Per share data are not presented for the Company inasmuch as they are not meaningful because there were no publicly held shares of common stock of the Company following its acquisition by Campeau. Per share data are not presented for the period prior to the Company's acquisition by Campeau due to the general lack of comparability between the periods shown for the Predecessor with those shown for the Company. See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(i) Balance Sheet Data at February 1, 1992 reflects the adoption of fresh-start reporting. The application and impact of fresh-start reporting is set forth in greater detail in Note 3 to the Consolidated Financial Statements.

As a result of the Company's emergence from bankruptcy and its adoption of fresh-start reporting as of February 1, 1992, the Company's Consolidated Balance Sheets at and after February 1, 1992 and its Consolidated Statements of Operations for periods after February 1, 1992 will not be comparable to the Consolidated Financial Statements for prior periods included elsewhere herein. Among other things, the Consolidated Statement of Operations for the year ended February 1, 1992 includes as an extraordinary item a one-time gain of $2,165.5 million relating to debt discharged in the Reorganization Proceedings. In addition, as a result of fresh-start accounting, the Consolidated Balance Sheet at February 1, 1992 includes an intangible asset of $375.2 million denominated "Reorganization Value in Excess of Amounts Allocable to Identifiable Assets," which is being amortized on a straight-line basis over 20 years. See the Notes to the Consolidated Financial Statements.

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

Introduction

The discussion of results of operations and financial condition that follows is based upon the Company's Consolidated Financial Statements. The Company's results of operations and financial condition reflect the combination of the Federated/Allied Companies in the historical financial information presented, as well as the consummation of the POR and the transactions contemplated thereby. Accordingly, the financial condition and results of operations of the Company are generally not comparable between years due to the Reorganization Proceedings and the effects of the POR and the transactions contemplated thereby.

Results of Operations

Comparison of the 52 Weeks Ended February 1, 1992 and the 52 Weeks Ended February 2, 1991. Net sales for 1991 were $6,932.3 million, compared to $7,142.0 million for 1990, a decrease of 2.9%. From February 2, 1990 to February 1, 1992, the Company closed or announced the closing of 41 department stores and two specialty stores, opened three stores, discontinued operating a clearance center, and discontinued basement businesses at two subsidiaries. On comparable store basis, net sales increased 1.4%.

Cost of sales, including occupancy and buying costs, was 71.6% of net sales for 1991 compared to 72.4% for 1990. The decrease is primarily due to improved margins resulting from new merchandising strategies.

Selling, publicity, delivery, and administrative expenses were 24.5% of net sales for 1991 compared to 25.7% for 1990. The decrease is due to continued efforts to reduce expenses.

Net interest expense was $437.0 million for 1991, compared to $555.9 million for 1990. The Company did not accrue $301.6 million and $291.0 million of interest on unsecured prepetition debt obligations in 1991 and 1990, respectively. Interest payments net of interest received were $122.6 million for 1991 compared to $292.1 million for 1990. In 1991, the Company paid $43.0 million of interest as compared to $154.9 million in 1990 on prepetition indebtedness required under the terms of its previous debtor-in-possession working capital financing facility.

Reorganization items represent the expenses incurred as a result of the chapter 11 filings by the Federated/Allied Companies and subsequent reorganization efforts, including among other things, the closing of 25 stores, the consolidation of certain operations in 1991, and the adjustments to record the fair value of assets and liabilities at February 1, 1992. See Note 4 to the Consolidated Financial Statements.

The effective income tax rate of 33.2% for 1991 differs from the federal income tax statutory rate of 34.0% because of state and local income taxes, permanent differences arising from the amortization of goodwill, and certain reorganization items and the impact on the Company of the tax benefit associated with the implementation of the POR.

The extraordinary item in 1991 represents the gain on debt discharge resulting from the consummation of the POR. Because the debt is being discharged as a result of a chapter 11 case, no income tax expense has been recorded. See Note 15 to the Consolidated Financial Statements.

In connection with the consummation of the POR, the Company changed its method of accounting for postretirement benefits other than pensions from principally a cash basis to the accrual basis in accordance with Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The amount of additional liability recorded represents the incremental amount over the remaining liability for then-current retirees previously recorded in connection with the acquisition of the Company by Campeau.

Comparison of the 52 Weeks Ended February 2, 1991 and the 53 Weeks Ended February 3, 1990. Net sales in 1990 were $7,142.0 million, compared to $7,577.6 million for 1989, a decrease of 5.7%. On a comparable 52-week year basis, net sales decreased 4.3% from 1989. During 1990, the Company closed 16 stores and opened two stores. On a comparable store basis, net sales decreased 4.3% from 1989. The sales decrease was primarily due to the sluggish economy, the transition to a new merchandising strategy, and distractions caused by uncertainties regarding the Federated/Allied Companies' financial condition.

Cost of sales, including occupancy and buying costs, as a percent of net sales, increased to 72.4% in 1990 from 71.9% in 1989. The increase was primarily due to relatively constant or, in some cases, higher occupancy and buying costs combined with the decline in net sales.

Selling, publicity, delivery, and administrative expenses were 25.7% as a percent of net sales for 1990, compared to 24.8% for 1989. The increase was primarily the result of a decline in net sales and increased employee benefit costs from the prior year. In contrast, 1990 reflected the reduction in amortization of goodwill by $31.6 million from the prior year.

Net interest expense was $555.9 million for 1990, compared to $806.7 million for 1989. As a result of the chapter 11 filings, $291.0 million and $11.3 million of interest on unsecured prepetition debt obligations was not accrued in 1990 and 1989, respectively.

The unusual items in 1989 reflect the net effect of a $1,150.0 million write-down of excess of cost over net assets acquired, partially offset by an $82.2 million gain on the sale of a subsidiary.

Reorganization items represent the expenses incurred as a result of the chapter 11 filings by the Federated/Allied Companies and subsequent reorganization efforts, including among other things, the closing of 16 stores and the consolidation of merchandising services in 1990, and a non-recurring charge of $139.9 million for the write-off of financing costs related to unsecured debts in 1989. See Note 4 to the Consolidated Financial Statements.

The effective income tax rate of 50.4% for 1990 differs from the federal income tax statutory rate of 34.0% primarily due to the reinstatement of certain NOL carryforwards excluded in 1989, the effect of carrying back NOLs to years with higher federal income tax rates, state, and local income taxes, and permanent differences resulting from the amortization of goodwill and certain reorganization items. The effective tax rate for 1989 of (0.4)% reflects the exclusion of certain NOL carryforwards, state, and local income taxes, and permanent differences resulting from the write-down and amortization of goodwill.

Liquidity and Capital Resources

General. The Company's principal sources of liquidity are borrowings under certain credit facilities that are available to it, cash from operations, and cash on hand.

Federated Credit Corporation ("Federated Credit"), an indirect wholly owned subsidiary of the Company, is presently a party to a receivables-backed credit facility to finance the purchase of accounts receivable from Abraham & Straus, Bloomingdale's, Burdines, Lazarus, and Rich's. Pursuant to this facility, Federated Credit may borrow from time to time until August 5, 1993 amounts equal to up to 88% of eligible accounts receivable, subject to an overall maximum of $1.0 billion and subject to reduction in certain circumstances. As of February 1, 1992, Federated Credit had $684.1 million outstanding under this facility. Allied Stores Credit Corporation ("Allied Credit"), an indirect wholly owned subsidiary of the Company, is a party to a receivables-backed credit facility to finance the purchase of accounts receivable from Jordan Marsh, Stern's, and The Bon Marché. Pursuant to this facility, Allied Credit may borrow from time to time until May 5, 1993 amounts equal to up to 88% of eligible accounts receivable, subject to an overall maximum of $525.0 million and subject to reduction in certain circumstances. As of February 1, 1992, Allied Credit had $458.3 million outstanding under this facility. These receivables-backed credit facilities are further described in Note 12 to the Consolidated Financial Statements. In addition to the foregoing, the Company is a party to a letter of credit facility agreement providing for the issuance from time to time of up to $150.0 million aggregate face amount of letters of credit. This letter of credit facility is described in Note 12 to the Consolidated Financial Statements.

The POR resulted in an approximately $5.0 billion net reduction in indebtedness, liabilities subject to reorganization, and preferred stock obligations. However, the Company nonetheless had total long-term debt of approximately $3,176.7 million as of February 1, 1992. The Company's scheduled required repayments of long-term debt, other than receivables facilities and capitalized leases, for the next five fiscal years are as follows: 1992: $23.5 million; 1993: $13.0 million; 1994: $12.1 million; 1995: $295.8 million; 1996: $138.7 million. See Note 12 to the Consolidated Financial Statements for additional information regarding the maturities of the Company's long-term debt and the rates at which such long-term debt accrues interest.

Management of the Company believes that the Company's cash on hand and funds from operations, together with borrowings and letters of credit under the Company's existing credit facilities described above and funds available from other capital resources, will be sufficient to cover its reasonably foreseeable working capital, capital expenditure, and debt service requirements. The Company is seeking, however, further to deleverage its capital structure to reduce the Company's overall level of debt and debt service requirements and further enhance the Company's financial flexibility. The Company intends to seek to prepay a substantial portion of its long-term debt, including through the use of proceeds from public or private sales of equity securities or other capital markets transactions and the use of cash on hand. Prior to the date hereof, the Company filed a Registration Statement on Form S-1 which contemplates the offering of 40,000,000 shares of Common Stock in an underwritten public offering (the "Offering") and commenced discussions with a syndicate of banks for which Citibank, N.A. ("Citibank") is acting as agent regarding a working capital facilities agreement (the "Working Capital Facilities Agreement"). Subject to the consummation of the Offering and the Company entering into the Working Capital Facilities Agreement, the Company presently intends to apply the entire net proceeds of the Offering (the amount of which will depend on, among other things, the number of shares actually sold and the actual sales price), together with cash on hand (the amount of which is expected to be within the range of $400.0 million to $500.0 million as of the date hereof), to the prepayment of certain of the Company's long-term debt. As of the date hereof, the Company had obtained commitments from a bank syndicate led by Citibank for a $362.5 million three-year nonamortizing revolving credit loan and letter of credit facility (the "Working Capital Facility"). These commitments are subject to various conditions, including the successful completion of the Offering and the Company's receipt of not less than $500.0 million of gross proceeds therefrom, the prepayment by the Company of not less than $900.0 million of specified long-term debt, the absence of any material adverse change in the Company's business, financial condition, results of operations, or prospects, and the negotiation and execution of definitive loan documentation. There can be no assurance as to whether, or the terms upon which, the Offering will be consummated, the proposed Working Capital Facility will be obtained, or any prepayment of long-term debt will be effected.

Capital Expenditures. The Company's total capital expenditures were $201.6 million and $93.1 million in fiscal years 1991 and 1990, respectively. The Company's capital budget for the next five years is as follows: 1992: $228.2 million; 1993: $263.7 million; 1994: $240.4 million; 1995: $244.8 million; and 1996: $243.5 million. Management has allocated approximately $900.0 million of the Company's capital budget for such period to upgrade and maintain existing stores. The Company's long-term strategic plan contemplates the construction or acquisition by the Company of approximately 40 additional or replacement stores during the period from 1992 through 1996, four of which are expected to be opened during 1992. The Company also expects to consider from time to time various possible acquisitions, joint ventures, or other business acquisition transactions consistent with the Company's strategy to focus on its department store business. However, certain provisions of the Company's debt instruments impose restrictions on capital expenditures and could impair the Company's ability to obtain additional financing in the future or to take advantage of significant business opportunities that may arise. The Company's long-term strategic plan contemplates that its budgeted capital spending program will be funded from cash generated by operations.

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.

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

None.

Item 10. Directors and Executive Officers of the Registrant

Directors and Executive Officers

The following table sets forth certain information regarding the directors and executive officers of the Company:

Name	Age	Position with the Company
Allen I. Questrom	52	Chairman of the Board and Chief Executive Officer; Director
James M. Zimmerman	48	President and Chief Operating Officer; Director
Ronald W. Tysoe	39	Vice Chairman of the Board and Chief Financial Officer; Director
Thomas G. Cody	50	Executive Vice President
Dennis J. Broderick	43	Senior Vice President and General Counsel
John E. Brown	52	Senior Vice President and Controller
Karen M. Hoguet	35	Senior Vice President — Planning and Treasurer
Charlotte Beers	56	Director
Robert A. Charpie	66	Director
Lyle Everingham	65	Director
George V. Grune	62	Director
Reginald H. Jones	74	Director
John K. McKinley	72	Director
G. William Miller	67	Director
Karl M. von der Heyden	55	Director

Allen I. Questrom has been Chairman of the Board and Chief Executive Officer of the Company (including Allied prior to its merger into the Company) since February 1990; prior thereto, he was 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, and Chairman of Bullock's from September 1984 to January 1988. Mr. Questrom is also a member of the Board of Directors of

Principal Financial Group, a mutual life insurance company, and WEI Holdings, Inc., the holding company for the Wherehouse Entertainment record and tape store chain.

James M. Zimmerman has been President and Chief Operating Officer of the Company (including Allied prior to its merger into the Company) since May 1988; prior thereto, he was Chairman of Rich's since January 1984.

Ronald W. Tysoe has been Vice Chairman and Chief Financial Officer of the Company (including Allied prior to its merger into the Company) since April 1990; prior thereto, he served in various executive capacities with Campeau and certain of its subsidiaries, including, from April 1989 to January 1990, as President of Campeau.

Thomas G. Cody has been Executive Vice President, Legal and Human Resources, of the Company (including Allied prior to its merger into the Company) since May 1988; prior thereto, he served as Senior Vice President of the Company since 1982.

Dennis J. Broderick has been Senior Vice President and General Counsel of the Company (including Allied prior to its merger into the Company) since January 1990; prior thereto, he served as Vice President and General Counsel of Allied and General Counsel of the Company since May 1988 and Vice President of the Company since February 1987.

John E. Brown has been Senior Vice President of the Company (including Allied prior to its merger into the Company) since September 1988 and Controller of the Company since January 1992; prior to September 1988, he served as Vice President and Controller of the Company since October 1984.

Karen M. Hoguet has been Senior Vice President — Planning of the Company (including Allied prior to its merger into the Company) since April 1991 and Treasurer of the Company since January 1992; prior thereto, she served as Vice President of the Company and Allied since December 1988 and as Operating Vice President — Financial Planning and in other planning and buying capacities for the Company from 1982 until December 1988.

Charlotte Beers has been Chairman of the Board and Chief Executive Officer of Ogilvy & Mather, a New York-based advertising agency, since April 1992; prior thereto, she served as Chairman and Chief Executive Officer of Tatham-RSCG, a Chicago-based advertising agency, from 1982 until March 1992 and Vice Chairman of the RSCG Corporation of France, a French advertising agency, from 1988 until March 1992.

Robert A. Charpie has been Chairman of the Board of Ampersand Ventures Management Co., a venture capital firm, since October 1988; prior thereto, he was Chairman, President, and Chief Executive Officer of Cabot Corporation from February 1986 until his retirement in September 1988; prior to February 1986, he was President and Chief Executive Officer of Cabot Corporation. Mr. Charpie is also a member of the Board of Directors of Alliant Techsystems, Inc., a designer of tactical weapons and guidance systems, Ashland Coal, Inc., Cabot Corporation, Ceramics Process Systems Corporation, and Champion International Corporation.

Lyle Everingham was Chief Executive Officer of The Kroger Co. from 1978 and Chairman of the Board thereof from 1979 until his retirement in 1990. Mr. Everingham is also a member of the Board of Directors of Capital Holding Corporation, Cincinnati Milacron, Inc., and The Kroger Co.

George V. Grune has been Chairman of the Board and Chief Executive Officer of The Reader's Digest Association, Inc. since 1984. Mr. Grune is also a member of the Board of Directors of Avon Products, Inc., Chemical Banking Corporation, and CPC International, Inc.

Reginald H. Jones was Chairman of the Board and Chief Executive Officer of General Electric Company from December 1972 until his retirement in April 1981. Mr. Jones is also a member of the Board of Directors of ASA Limited and Birmingham Steel Co.

John K. McKinley has been a consultant to Texaco Inc. since December 1986; prior thereto, he was Chairman of the Board and Chief Executive Officer of Texaco Inc. from November 1980 until his retirement in December 1986. Mr. McKinley is also a member of the Board of Directors of Texaco Inc. In connection with certain litigation involving Texaco Inc. and Pennzoil Co., Texaco Inc. commenced proceedings under chapter 11 of the Bankruptcy Code in April 1987. Texaco Inc. emerged from bankruptcy on April 7, 1988 pursuant to a plan of reorganization.

G. William Miller has been Chairman of G. William Miller & Co., Inc., a Washington, D.C.-based merchant banking firm, since November 1982. Mr. Miller is also a member of the Board of Directors of Georgetown Industries, Inc., a holding company for steel, smelting, and manufacturing businesses, Kleinwort Benson Australian Income Fund, Inc., a New York-based investment management firm, Ralphs Holding Company, the holding company for Ralphs Grocery Company, a California-based grocery store operator, and Repligen Corporation, a Cambridge, Massachusetts-based manufacturer of biochemical and biocatalytic products, and was Chairman of the Board and Chief Executive Officer of FSI from January 1990 until February 2, 1992.

Karl M. von der Heyden has been Executive Vice President and Chief Financial Officer of RJR Nabisco Holdings Corp. and RJR Nabisco, Inc. since 1989; prior thereto, he was Senior Vice President and Chief Financial Officer of the H.J. Heinz Co. since 1983.

Board of Directors

In connection with the development of the POR, representatives of the Federated/Allied Companies consulted with representatives of certain creditors with respect to the composition of the Company's Board of Directors (the "Board") following the POR Effective Date. Based thereon, Spencer Stuart & Associates, Inc., a nationally recognized executive/director search firm, was retained to assist the Federated/Allied Companies in identifying candidates for possible election as additional directors. Pursuant to the POR, the Company has been consulting with representatives of such creditor groups (generally, the chairman of the statutory creditor committees appointed in connection with the Reorganization Proceedings) prior to electing such additional directors. It is anticipated that two additional directors will be elected to the Board by the existing directors as soon as practicable pursuant to this search process.

Messrs. Tysoe and Zimmerman have been directors of the Company and its predecessors since 1988. Mr. Questrom has been a director of the Company and its predecessors since 1990. Each of Ms. Beers and Messrs. Charpie, Everingham, Jones, McKinley, and Miller has been a director of the Company since February 4, 1992 and prior thereto was a director of FSI. Messrs. Grune and Mr. von der Heyden, each of whom was identified as a candidate for election to the Board pursuant to the search process described above, have been directors of the Company since April 29, 1992 and February 21, 1992, respectively.

The Company's Certificate of Incorporation and By-Laws provide that the directors of the Company are to be classified into three classes, with the directors in each class serving for three-year terms and until their successors are elected, except that the initial terms of the initial directors of the Company will expire at the 1993, 1994, or 1995 annual meeting of the stockholders of the Company, depending upon the particular class in which each such director is placed. Of the persons presently serving on the Board, the directors whose terms will expire at the 1993 annual meeting of stockholders are Ms. Beers and Messrs. McKinley and Tysoe; the directors whose terms will expire at the 1994 annual meeting of stockholders are Messrs. Charpie, Grune, Jones, and Zimmerman; and the directors whose terms will expire at the 1995 annual meeting of stockholders are Messrs. Everingham, Miller, Questrom, and von der Heyden. Any additional persons elected to the Board will be added to a particular class of directors to be determined at the time of such election, although in accordance with the Company's Certificate of Incorporation and By-Laws, the number of directors in each class will be identical or as nearly as practicable thereto based on the total number of directors then serving as such.

Pursuant to the By-Laws, no annual meeting of stockholders will be held in 1992. The first annual meeting of the stockholders of the Company will be held in 1993 following the completion of the Company's 1992 fiscal year.

Board Committees

The By-Laws provide that the Board may establish such directorate committees as it may from time to time determine. The Board has established the following standing committees: the Executive and Finance Committee; the Audit Review Committee; the Compensation Committee; and the Board Organization Committee. The By-Laws provide that the members of each of the Audit Review Committee, the Compensation Committee, and the Board Organization Committee will be persons who are not, and who, as of the effective time of the merger of Allied into the Company, were not then, and for the preceding two years had not been, full-time employees of the Company, any of its subsidiaries, or certain other entities, including FSI ("Non-Employee Directors"), and that a majority of the members of the Executive and Finance Committee will be Non-Employee Directors. For this purpose, any director who is elected to the Board by the stockholders and who is not at the time of such election a full-time employee of the Company or any of its subsidiaries, but who otherwise would not be a Non-Employee Director because he or she had been such an employee during the two-year period preceding the effective time of the Federated/Allied Merger, will be deemed to be a Non-Employee Director for all purposes other than membership on the Board Organization Committee.

Messrs. Everingham, Jones, McKinley, Miller, and Questrom (Chairman) serve on the Executive and Finance Committee. Messrs. Charpie, Everingham, Grune, Jones (Chairman), McKinley, and von der Heyden serve on the Audit Review Committee. Ms. Beers and Messrs. Charpie, Everingham, Grune, Jones, McKinley (Chairman), and von der Heyden serve on the Compensation Committee. Ms. Beers and Messrs. Charpie, Everingham (Chairman), and Jones serve on the Board Organization Committee.

The Executive and Finance Committee has all authority, consistent with the Delaware General Corporation Law, granted to it by the Board. Accordingly, the Executive and Finance Committee has and may exercise all the powers and authority of the Board in the oversight of the management of the business and affairs of the Company, except that the Executive and Finance Committee does not have the power to amend the Company's Certificate of Incorporation or By-Laws (except, to the extent authorized by a resolution of the Board, to fix the designations, preferences, and other terms of any preferred stock of the Company), adopt an agreement of merger or consolidation, authorize the issuance of stock, declare a dividend, or recommend to the stockholders of the Company the sale, lease, or exchange of all or substantially all of the Company's property and assets, a dissolution of the Company, or a revocation of a dissolution.

The Audit Review Committee reviews the professional services to be provided by the Company's independent auditors and the independence of such firm from management of the Company. This Committee also reviews the scope of the audit by the Company's independent auditors, the annual financial statements of the Company, the Company's system of internal accounting controls, and such other matters with respect to the accounting, auditing, and financial reporting practices and procedures of the Company as it may find appropriate or as may be brought to its attention, and meets from time to time with members of the Company's internal audit staff.

The Compensation Committee reviews executive salaries, administers the bonus, incentive compensation, and stock option plans of the Company, and approves the salaries and other benefits of the executive officers of the Company. In addition, this Committee consults with the Company's management regarding pension and other benefit plans and compensation policies and practices of the Company.

The Board Organization Committee considers and recommends criteria for the selection of nominees for election as directors and from time to time may select for presentation to the full Board recommended candidates for director. Subject to the rights, if any, of the holders of any preferred stock of the Company which may in the future be outstanding, the full Board may also from time to time select such candidates and in all events will act in respect of the filling of any vacancies on the Board, the recommendation of candidates for nomination for election by the stockholders, and the composition of all directorate committees.

Director Nomination Procedures

The By-Laws provide that nominations for election of directors by the stockholders will be made by the Board as described above or by any stockholder entitled to vote in the election of directors generally. The By-Laws require that stockholders intending to nominate candidates for election as directors deliver written notice thereof to the Secretary of the Company not later than 60 days in advance of the meeting of stockholders; provided, however, that in the event that the date of the meeting is not publicly announced by the Company by inclusion in a report filed with the Securities and Exchange Commission (the "Commission") or furnished to stockholders, or by mail, press release, or otherwise more than 75 days prior to the meeting, notice by the stockholder to be timely must be delivered to the Secretary of the Company not later than the close of business on the tenth day following the day on which such announcement of the date of the meeting was so communicated. The By-Laws further require that the notice by the stockholder set forth certain information concerning such stockholder and the stockholder's nominees, including their names and addresses, a representation that the stockholder is entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice, a description of all arrangements or understandings between the stockholder and each nominee, such other information as would be required to be included in a proxy statement soliciting proxies for the election of the nominees of such stockholder, and the consent of each nominee to serve as a director of the Company if so elected. The chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with these requirements. The By-Laws contain similar advance notice procedures applicable to any business proposed by any stockholder to be brought before an annual meeting of stockholders.

The Company's 1993 annual meeting has been scheduled to be held on May 21, 1993.

Item 11. Executive and Director Compensation

Director Compensation

For 1992, each director of the Company who is not an employee of the Company or any of its subsidiaries will be paid an annual base retainer fee of $25,000, plus meeting fees of $1,250 for attendance at each meeting of the full Board or any committee of the Board. Each such director will also receive options to purchase shares of Common Stock as described in " — Benefit Plans and Agreements" and will be eligible to participate in the Executive Merchandise Discount Program as described in " — Benefit Plans and Agreements." Members of the Board who are also employees of the Company or any of its subsidiaries will receive no additional compensation for service on the Board.

Executive Compensation

The compensation discussion that follows has been prepared based on the actual compensation paid and benefits provided for the fiscal year ended February 1, 1992, by the Company, Allied, and their respective subsidiaries on a combined basis to their executive officers who presently are executive officers of the Company. The pre-POR Effective Date employment, compensation, and benefit arrangements of the Company and Allied that are presently expected to be maintained by the Company, and certain new arrangements and modifications to existing arrangements that became effective as of or following the POR Effective Date, are also described below. Compensation and benefit arrangements of the Company and Allied that were terminated as of the POR Effective Date are not described below.

Except to the extent specifically described below, amounts paid or payable to persons who are executive officers of the Company by FSI and its subsidiaries (other than the Company, Allied, and their respective subsidiaries) pursuant to benefit plans or agreements of FSI or such other subsidiaries of FSI are not described below inasmuch as no such amounts will be payable thereunder in respect of any executive officer of the Company for any period following the POR Effective Date.

Cash Compensation. The following table sets forth the cash compensation, including bonuses, paid or payable by the Company, Allied, and their respective subsidiaries, on a combined basis, in respect of the fiscal year ended February 1, 1992 to the five most highly compensated executive officers of the Company and Allied who presently are executive officers of the Company and to all such executive officers as a group (eight persons, including the five persons named in the following table):

		Combined Cash Compensation for the Fiscal Year Ended February 1, 1992	
	Position with the Company	**Salary and Other Except Bonus(1)**	**Bonus(2)**
Allen I. Questrom	Chairman of the Board and Chief Executive Officer	$2,000,000(3)	$ -0-(3)
James M. Zimmerman	President and Chief Operating Officer	1,000,000	300,000
Ronald W. Tysoe	Vice Chairman and Chief Financial Officer	650,000(4)	195,000
Thomas G. Cody	Executive Vice President	500,000	150,000
Dennis J. Broderick	Senior Vice President and General Counsel	250,000	75,000
All Executive Officers as a Group (8 persons)(5)		5,535,000	956,200

(1) Personal benefits received by the individuals named in the table were less than $25,000 for each such individual and personal benefits received by all executive officers as a group were less than $125,000.

(2) The bonus amounts shown were payable pursuant to a bonus plan approved by the Bankruptcy Court. That plan was replaced, on a prospective basis, by a new bonus plan effective as of February 2, 1992. See "— Benefit Plans and Agreements."

(3) 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 "— Benefit Plans and Agreements — Employment Agreements" for a discussion of the agreement, including nonrefundable payments due Mr. Questrom thereunder, as well as other agreements between the Company and certain of its executive officers.

(4) In addition, FSI paid Mr. Tysoe $350,000 pursuant to an employment agreement for the year ended February 1, 1992.

(5) Marvin S. Traub served as Vice Chairman of the Company and Chairman and Chief Executive Officer of Bloomingdale's during the Company's fiscal year ended February 1, 1992, and his cash compensation is included in the group information set forth in the table. However, Mr. Traub retired from all positions with the Company and its subsidiaries in February 1992. Under a consulting agreement between the Company and Mr. Traub (terminable by either party on six months' notice after an initial one-year term), Mr. Traub is entitled to an annual fee of $350,000 for the performance of consulting services. Mr. Traub is also entitled to an annual retirement benefit of approximately $72,000 under the Company's existing pension plan, as well as to certain lump sum distributions under the Company's retirement income and thrift incentive plan described below.

Benefit Plans and Agreements

Employment Agreements. 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 "Contract Period") (with successive optional one-year renewals thereafter). The agreement, which became an obligation solely of the Company as a result of the merger of Allied into the Company, provides for combined 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 Contract Period based on the percentage of appreciation in the aggregate market value of the common stock of the Company and Allied during the Contract Period (adjusted to reflect the restructuring of the Federated/Allied Companies' debt pursuant to the POR and the sale of equity). 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, nonrefundable value-added payment of $2.0 million was made upon commencement of the Contract Period and subsequent nonrefundable value-added payments of $800,000 were made on each of January 31, 1991 and 1992 and will be made on each subsequent January 31 during the Contract Period. These payments will be credited against the Company's contractual obligation to make any other payments under the formula described above. The obligations of the Company under the agreement with Mr. Questrom for base compensation and nonrefundable value-added payments are secured by a trust. Termination of the agreement by the Company other than for "cause" (as defined in the agreement) or termination of the agreement by Mr. Questrom for "good reason" (as defined in the agreement) would 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 Contract Period or any subsequent renewal period but for such termination.

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 their officers (other than Mr. Questrom) to replace their preexisting contracts and arrangements. Those agreements provide for salary continuation until the end of the term thereof if the officer is notified that his or her services are no longer required (other than for "cause," as defined in the agreements). However, compensation received from a new employer would reduce payments due under the agreements.

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 Broderick presently specify the following respective combined annual base salary rates and expiration dates: $1.0 million, April 30, 1994; $650,000, April 19, 1993; $500,000, May 15, 1993; and $250,000, June 30, 1993, respectively. Mr. Tysoe is also presently a party to an employment agreement with FSI (which will terminate as of August 4, 1992) providing for annual compensation of $350,000. The employment agreements (other than Mr. Questrom's agreement with the Company and Mr. Tysoe's agreement with FSI) also provide that an officer whose services are terminated (other than for "cause," as defined therein) may elect to receive benefits under the Company's and Allied's Master Severance Plan in lieu of salary continuation pursuant to his or her 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 up to one year's base salary to an officer under those circumstances. The employment agreement with executives who are merchandising division principals provides for an automatic extension of the term of employment thereunder for three years upon the occurrence of a change in control (as defined in such agreements) of the Company. The POR provided that the consummation of the transactions contemplated by the POR did not constitute a change in ownership or control for purposes of such employment agreements. The employment agreements with officers who are not merchandising division principals do not include provisions triggered by a change in ownership or control. Accordingly, the Company entered into severance agreements (the "Change-in-Control Agreements") described below.

Change-in-Control Agreements. Effective as of the POR Effective Date, the Company entered into a Change-in-Control Agreement with each of its executive officers other than Mr. Questrom (whose employment agreement contains certain severance provisions, as described above) and certain other officers and key employees. Under the Change-in-Control Agreements, if, prior to February 5, 1996, a change in control occurs and thereafter the Company or, in certain circumstances, the executive terminates the executive's employment and, in the case of a termination by the Company, cause (as defined in the Change-in-Control Agreement) therefor does not exist, the executive would be entitled to a cash severance benefit equal to 120%

of the base salary that the executive would have received during the three-year period following such termination had such termination not occurred (based generally upon the executive's then-current salary). However, in the case of any termination after February 4, 1993 the cash severance benefit otherwise payable under the agreement would be reduced by an amount equal to the product of (i) the cash severance benefit otherwise payable and (ii) a fraction, the numerator of which is the number of days between February 4, 1993 and the termination date and the denominator of which is 1,095 (except that this reduction may not exceed 240% of base salary). The cash severance benefit payable under the Change-in-Control Agreements will also be reduced by all amounts actually paid to the executive pursuant to any other employment or severance agreement or plan to which the executive and the Company are parties or in which the executive is a participant. After a termination of employment under circumstances in which the executive is eligible for the cash severance benefit, the executive would be entitled to certain welfare benefits for a minimum of one year, and to a prorated portion of any long-term incentive awards under the Bonus Plan described below, if applicable. The executive would also be paid an amount pursuant to the Change-in-Control Agreement to reimburse the executive for any excise tax imposed under sections 280G and 4999 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), including any tax payable by reason of such reimbursements.

Loans to Executives. In August 1988, the Company made a loan in the amount of $1.0 million to Mr. Zimmerman in connection with his relocation from Atlanta, Georgia to Cincinnati, Ohio. The loan bore interest at the rate of 7.81% per annum and was due on the earlier of August 16, 1998 or one year after Mr. Zimmerman's termination of employment. In June 1989, the Company made an additional loan to Mr. Zimmerman in the amount of $175,000. The loan was interest free as long as he remained an employee of the Company and was due on the earlier of June 2, 1999 or the termination of his employment. FSI made a secured, interest-free loan in the original principal amount of $500,000 to Mr. Tysoe in connection with his relocation to the United States in 1987. Under the terms of the loan and related arrangements, $50,000 of the principal amount of such loan effectively is forgiven for each year of continuous service by Mr. Tysoe with FSI, and Mr. Tysoe is entitled to reimbursements for the amounts of any income tax payable as a result of the interest-free nature of the loan and the $50,000 principal amounts to be forgiven each year. The principal balance of such loan was $350,000 as of the POR Effective Date. In August 1988, the Company made a loan in the amount of $225,000 to Rudolph V. Javosky, a 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 payable in installments from August 1, 1989 through August 1, 1997. The principal balance of such loan was $150,000 as of the POR Effective Date.

In connection with the POR, the loans to Mr. Zimmerman were forgiven and the Company agreed to reimburse Mr. Zimmerman for the amount of any income tax payable as a result thereof (including any tax on such reimbursement). The total amount of such reimbursement was $741,241. The value of such loan forgiveness and income tax reimbursement was taken into account in the determination of initial awards of Restricted Stock and Options to Mr. Zimmerman under the Equity Plan. See " — The Equity Plan and Bonus Plan." Mr. Tysoe will be required to terminate his employment with FSI not later than August 4, 1992. As a result, the note evidencing the loan from FSI to Mr. Tysoe will become payable and Mr. Tysoe will no longer be entitled to compensation under his existing employment agreement with FSI. The Company will reimburse Mr. Tysoe for the amount of the principal balance of the loan at the time of such termination and will also reimburse Mr. Tysoe for any income tax payable as a result thereof (including any tax on such reimbursement). The amount of such tax reimbursement has been estimated at $184,859 based on current income tax rates.

Retirement Programs. The Retirement Program previously established by the Company (the "Federated Program") and the Retirement Program previously established by Allied (the "Allied Program") are the primary programs for providing retirement benefits to the Company's employees. As of January 1, 1992, approximately 31,800 employees participated in the Federated Program and approximately 18,700 employees participated in the Allied Program. The principal components of each of these programs include a defined benefit pension plan and a profit sharing savings plan. The executive officers of the Company are participants in the Federated Program. Accordingly, the Federated Program is described below.

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain maximum limitations on the amount of retirement benefits that can be provided under the Federated Program. In addition, under IRS requirements, compensation deferred pursuant to the Company's former Executive Deferred Compensation Plan ("EDCP") cannot be included in calculating a participant's benefits under the Company's pension plan. To allow the Federated Program to provide benefits based on a participant's total compensation and total years of service, the Company adopted a Supplementary Executive Retirement Plan ("SERP") when it adopted its pension plan. In part, the Company's SERP, which is a non-qualified unfunded plan, provides to eligible executives retirement benefits on compensation deferred under the EDCP and benefits in excess of ERISA maximums, in each case based on the same formula contained in the Company's pension plan. As of January 1, 1992, approximately 350 employees were eligible under the terms of the Company's SERP. The Company suspended payments under its SERP and Allied suspended payments under its SERP at the commencement of the Reorganization Proceedings. The Company reinstated its SERP and Allied's SERP as of the POR Effective Date for then-active employees. The Company has reserved the right to suspend or terminate supplemental payments as to any category of employee or former employee, or to modify or terminate any other element of the Federated Program or the Allied Program, as the case may be, in accordance with applicable law.

Under the Federated Program, 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, taking into consideration the participant's Retirement Profit Sharing Credits (as discussed below).

Prior to adoption of the pension plan under the Federated Program, the Company's primary means of providing retirement benefits to employees was through the Retirement Income and Thrift Incentive Plan (the "RITI"), a defined contribution profit sharing plan. With the pension plan in place, the Company continued, and presently expects to continue, 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, continues to be maintained and invested until retirement at which time they are distributed. It is impractical to estimate the accrued benefits upon retirement of any participant or group of participants in the Thrift Incentive portion of RITI under the Federated Program 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 income of the Company, the number of participants in the plan, their annual contributions to the plan, the amount of the matching contributions of the Company, and the earnings on participants' accounts.

The following table shows the estimated hypothetical annual benefits payable under the Company's pension plan and SERP to persons retiring at their normal retirement age on January 1, 1992 in specified eligible compensation and years of service classifications, assuming that a retiring participant under the Federated Program elects a single life annuity distribution of his or her Retirement Profit Sharing Credits and the annual payments under such distribution would not exceed the level set forth below. Bonuses paid pursuant to the bonus plan approved by the Bankruptcy Court are not included in the definition of compensation for such purpose.

Final Average Compensation	Years of Service 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	111,100	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

Messrs. Questrom, Zimmerman, Tysoe, Cody, and Broderick have completed 25, 25, 4, 9, and 5 years of credited service, respectively, and their estimated annual retirement benefits at normal retirement age from the Company's pension plan and SERP, assuming their present salaries remained unchanged, would be $746,260, $364,529, $391,218, $166,029, and $83,356, respectively.

The Thrift Incentive portion of RITI provides for voluntary contributions by participating employees and for contributions by the Company matching a portion of the participants' contributions. All of the Company's employees who are eligible to participate in Federated's pension plan may participate in the Thrift Incentive portion of RITI. As of January 1, 1992, approximately 31,800 employees of the Company were eligible to participate in the Thrift Incentive portion of RITI. As of that date, approximately 14,500 employees of the Company were contributing participants.

For 1991, the Company allocated $2,795 to the Thrift Incentive accounts of each of the executives named in the cash compensation table other than Mr. Tysoe (for whom no amount was allocated) and $16,158 to the Thrift Incentive accounts of all executive officers as a group.

Certain Other Benefit Plans. The Company and Allied maintained, and the Company presently maintains, a Senior Executive Supplemental Medical Plan, which provides eligible senior executives supplemental coverage for up to $5,000 of out-of-pocket expenses not covered by the applicable basic contributory health plan available to employees generally. The total annual cost for all health plan coverage for which executive officers of the Company are expected to be eligible is estimated at $7,000 for each executive officer.

Divisions and subsidiaries of the Company offer their employees a discount on the purchase of merchandise sold by the division or subsidiary. The Company presently expects to continue this practice and to make available merchandise discounts based on total purchases made during the year to officers and directors of the Company. As a result of certain of these discounts being considered imputed income under the Internal Revenue Code and the rules and regulations thereunder, the Company and Allied have made, and it is anticipated that the Company will make, annual cash payments to eligible officers and directors in amounts equal to all or a portion of the income tax liability arising as a result of the recognition of such imputed income. The total combined additional executive discounts and income tax liability payments made to the persons named in the cash compensation table and all executive officers as a group in the fiscal year ended February 1, 1992 were: Mr. Questrom, $16,362; Mr. Zimmerman, $21,593; Mr. Tysoe, $16,327; Mr. Cody, $35,835; Mr. Broderick, $5,287; and all executive officers as a group, $159,191.

The Equity Plan and Bonus Plan. One of the key elements of the Company's business plan is the development of executive compensation arrangements designed to provide appropriate incentives to the management of the Company and its subsidiaries in an effort to assure the accomplishment of the Company's business plan and to permit the Company to attract and retain top-quality management personnel. Accordingly, in connection with the POR, the Company adopted (i) an Executive Equity Incentive Plan (the "Equity Plan"), which provides for the grants of restricted stock ("Restricted Stock"), stock options ("Options"), and other rights in respect of shares of Common Stock as provided in the Equity Plan and (ii) an Incentive Bonus Plan (the "Bonus Plan") to replace the bonus plan approved by the Bankruptcy Court for the period of the Reorganization Proceedings (which plan is designed to reward key employees by awarding such persons bonuses if certain predetermined performance goals are attained).

The Equity Plan. The Equity Plan is intended to provide an equity interest in the Company to key management personnel and thereby provide additional incentives for such persons to devote themselves to the maximum extent practicable to the businesses of the Company and its subsidiaries. The Equity Plan is also intended to aid in attracting persons of outstanding ability to enter and remain in the employ of the Company and its subsidiaries.

The Equity Plan is administered by the Compensation Committee of the Board (the "Compensation Committee"), no voting member of which may be an employee of the Company or its subsidiaries or, except as described below, eligible to receive awards under the Equity Plan. Pursuant to the Equity Plan, the Compensation Committee is authorized to grant Options, Restricted Stock, and other rights (collectively, "Awards") to officers and key employees of the Company and its subsidiaries. The Equity Plan also provides for the award of Options to Non-Employee Directors on the basis described below. A maximum of 4.6 million shares of Common Stock may be issued pursuant to the Equity Plan, not more than 1.2 million of which may be awarded in the form of Restricted Stock.

The Options granted under the Equity Plan may be incentive stock options ("ISOs"), non-qualified stock options, or combinations of the foregoing. Options awarded under the Equity Plan will have a term of up to 10 years and will be subject to the vesting requirements described below. A grant of Options may provide for deferred payment of the exercise price from the proceeds of sales through a bank or broker on the exercise date of some or all of the shares of Common Stock to which such exercise relates. The exercise price (the "Exercise Price") of Options (other than those granted to Non-Employee Directors described below) may not be less than: (i) the closing sale price per share of the Common Stock as reported in the NYSE Composite Transactions Report (or any other consolidated transactions reporting system which subsequently may replace such Composite Transactions Report) for the trading day immediately preceding the date determined in accordance with the authorization of the Board, or if there are no sales on such date, on the next preceding day on which there were sales, (ii) the average (whether weighted or not) or mean price, determined by reference to the closing sales prices, average between the high and low sales prices, or any other standard for determining price adopted by the Board, per share of the Common Stock as reported in the NYSE Composite Transactions Report as of the date or for the period determined in accordance with the authorization of the Board, or (iii) in the event that the Common Stock is not listed for trading on the NYSE as of a relevant date of grant, an amount determined in accordance with standards adopted by the Board.

Pursuant to the Equity Plan, each director of the Company who is not also an employee of the Company or any of its subsidiaries will be awarded non-qualified Options on an annual basis. Initial awards of Options to purchase 2,000 shares of Common Stock will be made to each such director as of May 5, 1992. For each subsequent year commencing with 1993, Options will be awarded to each such director as of the date of each annual meeting of stockholders of the Company. The number of shares of Common Stock to which such subsequent Options will relate will be equal to 200% of the preceding year's base retainer fee paid to such directors (annualized with respect to any partial year), divided by the Exercise Price on the award date (with such specific quotient rounded up to the nearest 100 shares). Such persons who are first elected to the Board other than at an annual meeting of stockholders (other than the initial directors with respect to the initial 2,000 share awards) will receive awards that are prorated in relation to the length of time they serve in their initial year on the Board.

While the Equity Plan provides for the grant of stock appreciation rights ("SARs") in tandem with Options, the Company does not presently intend to grant SARs. If SARs were to be granted, however, a holder of an SAR would receive, upon exercise of the SAR, in the discretion of the Compensation Committee, cash, shares of Common Stock, or a combination thereof having an aggregate value equal to all or some portion of the excess of the market price of the shares of Common Stock in respect of which the SAR is exercised over the aggregate Exercise Price of the related Option. The Option to which the SAR is related would be canceled to the extent of the exercise of the SAR.

A grant of Restricted Stock involves the immediate transfer by the Company to a participant of ownership of a specific number of shares of Common Stock in consideration of the performance of services. The participant is entitled immediately to voting, dividend, and other ownership rights in such shares. Restricted Stock will be subject for a period to be determined by the Compensation Committee at the date of grant to a "substantial risk of forfeiture" within the meaning of Section 83 of the Internal Revenue Code.

The risk of forfeiture as to shares of Restricted Stock initially awarded under the Equity Plan will lapse as to 20% of such shares as of each of the first two anniversaries of the award, 15% of such shares as of each of the next two anniversaries of the award, and 30% of such shares as of the fifth anniversary of the award. Options initially awarded to officers and key employees will vest as to 50% of the shares covered thereby on each of the first two anniversaries of the award. Options granted to directors of the Company who are not also employees of the Company or any of its subsidiaries will vest as to 25% of the shares covered thereby on each of the first four anniversaries of the award. The foregoing periods will be subject to acceleration in the event of a change-in-control of the Company and in certain other events, including death and disability. Pursuant to the Equity Plan, the Compensation Committee will review from time to time and may revise any of the foregoing vesting or other requirements as they apply to eligible participants other than directors of the Company who are not also employees of the Company or any of its subsidiaries.

Aggregate initial awards of 763,100 shares of Restricted Stock and Options to purchase an aggregate of 1,808,500 shares of Common Stock at an exercise price of $16.875 per share have been granted to officers and key employees of the Company and its subsidiaries. In general, these initial grants were awarded to specific officers and key employees based on guidelines derived from the salary ranges applicable to such officers and employees at the time of the award. These initial grants included the following awards of Restricted Stock and Options to the executive officers named in the cash compensation table above (other than Mr. Questrom, who already has certain equity appreciation rights under his existing employment agreement as described in "— Employment Agreements" and received no awards of Restricted Stock or Options) and all executive officers as a group: Mr. Zimmerman, 60,000 shares of Restricted Stock and Options to purchase 70,000 shares of Common Stock; Mr. Tysoe, 50,000 shares of Restricted Stock and Options to purchase 60,000 shares of Common Stock; Mr. Cody, 40,000 shares of Restricted Stock and Options to purchase 50,000 shares of Common Stock; Mr. Broderick, 12,000 shares of Restricted Stock and Options to purchase 10,000 shares of Common Stock; and all executive officers as a group, 181,000 shares of Restricted Stock and Options to purchase 209,000 shares of Common Stock.

The Bonus Plan. The Bonus Plan provides for the payment of cash compensation upon the achievement of individual, operating division, and corporate performance targets. The Bonus Plan is administered by the Compensation Committee. Specific awards and performance targets under the Bonus Plan will be established for annual and long-term measurement periods. The initial performance measurement periods for awards under the Bonus Plan commenced on February 2, 1992, with initial performance targets established for the Company's 1992 fiscal year and the three-year performance measurement period commencing February 2, 1992. It is expected that subsequent long-term awards will be based on updated performance targets for subsequent three-year measurement periods, and that performance targets will not be changed retroactively.

In general, it is expected that the annual performance awards under the Bonus Plan will not be materially greater than the annual performance awards to which the executive officers of the Company and Allied who are presently executive officers of the Company would have received under the bonus plan approved by the Bankruptcy Court had such plan been extended beyond the POR Effective Date. See" — Executive Compensation." No amount will be payable prior to 1995 with respect to the long-term performance awards. In general, assuming that specified performance targets are achieved, it is expected that eligible officers and key employees, including the then-eligible executive officers named in the cash compensation table above (other than Mr. Questrom), would receive long-term performance awards equal to, in general, 25% of the midpoint of the salary range applicable to such officers and key employees at the beginning of each of the three-year measurement periods ending following the Company's 1994, 1995, and 1996 fiscal years.

Item 12. Security Ownership and Certain Beneficial Owners and Management

According to certain filings made with the Commission by CS First Boston, Inc., 55 East 52nd Street, New York, New York 10055 ("CSFBI"), CSFBI was the beneficial owner, through wholly owned subsidiaries, of 10,176,846 shares of Common Stock as of April 2, 1992, which shares constituted approximately 12.6% of the total number of shares of Common Stock outstanding or deemed outstanding pursuant to Rule 13d-3(d)(1) under the Securities Exchange Act, as amended, as of such date. Such number of shares includes 541,225 shares that, on the terms and subject to the conditions of the Series A Warrants, CSFBI has the right, through wholly owned subsidiaries, to acquire from the Company at a purchase price of $25.00 per share and 1,000,000 shares that, on the terms and subject to the conditions of the Series B Warrants, CSFBI has the right, through a wholly owned subsidiary, to acquire from the Company at a purchase price of $35.00 per share. Accordingly, excluding shares purchasable upon exercise of the Series A and Series B Warrants, as of April 2, 1992, CSFBI beneficially owned 8,635,621 shares of Common Stock (approximately 10.8% of the total number of shares of Common Stock issued pursuant to the POR and under the Equity Plan as of such date). According to a Schedule 13D, dated February 12, 1992, as amended (the "CSFBI Schedule 13D"), filed with the Commission by CSFBI, CSFBI has sole investment power, but no voting power, over the shares of Common Stock beneficially owned by it. According to the CSFBI Schedule 13D, The Clipper Group, L.P., 55 East 52nd Street, New York, New York 10055, exercises the sole power to vote, and therefore also beneficially owns, the 8,635,621 shares of Common Stock owned directly by CSFBI's wholly owned subsidiaries.

Information regarding initial awards of Options and Restricted Stock under the Equity Plan, including non-discretionary awards to Non-Employee Directors, is set forth in Item 11 "Executive and Director Compensation — Benefit Plans and Agreements." As of March 31, 1992, all directors and executive officers as a group owned beneficially 181,000 shares of Common Stock, or approximately 0.2% of the total number of shares of Common Stock outstanding as of such date, as a result of awards under the Equity Plan. Certain members of management of the Company are or may be entitled to distributions of shares of Common Stock pursuant to the POR. However, the total number of such shares of Common Stock to be received by all executive officers of the Company as a group is not expected to exceed, in the aggregate, 0.1% of all of the shares of Common Stock outstanding as of March 31, 1992.

Except for undeliverable shares and shares held on account of disputed claims, disbursing agents under the POR are required to distribute the shares of Common Stock issued as of the POR Effective Date to the persons entitled thereto within 60 days of the POR Effective Date. In general, undeliverable shares and shares held on account of disputed claims will be held by the disbursing agents until 30 days following the end of each calendar quarter after the POR Effective Date during which such shares become deliverable or the disputed claim on account of which they are held becomes allowed. Pending distribution, the disbursing agents will cause the shares of Common Stock held by it in such capacity to be: (i) represented in person or by proxy at each meeting of the stockholders of the Company; (ii) voted in any election of directors of the Company, at the option of the disbursing agents, either (a) proportionally with the votes cast by the other stockholders of the Company, taken as a whole, or (b) for the nominees recommended by the Board; and (iii) voted with respect to any other matter, at the option of the disbursing agent(s), either (a) proportionally with the votes cast by the other stockholders of the Company, taken as a whole, or (b) as recommended by the Board. The Company is presently acting as the sole disbursing agent under the POR.

Item 13. Certain Relationships and Related Transactions

The POR provided, as an integral part thereof, for the execution and delivery by the Federated/Allied Companies and certain related and unrelated third parties of a settlement agreement providing for, among other things, the release by the Federated/Allied Companies and such other parties of the directors and officers of the Federated/Allied Companies (including such of the foregoing as are directors and/or officers of the Company) from any and all claims arising out of or relating to specified transactions and matters alleged to have involved, among other things, fraudulent conveyances and breaches of fiduciary duty. The release of any director or officer of any Federated/Allied Company was conditioned upon the reciprocal release of all of the Federated/Allied Companies and certain related parties, including their respective directors and officers, by such director or officer. In addition, the POR provided that the recipients of equity and debt securities pursuant to the POR would release the Federated/Allied Companies and their respective directors and officers from such claims.

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

2. *Financial Statement Schedules:*

		Location in this Report
Schedule II	— Amounts Receivable from Related Parties and Underwriters, Promoters, and Employees Other than Related Parties	S-2
Schedule V	— Property, Plant, and Equipment	S-3
Schedule VI	— Accumulated Depreciation, Depletion, and Amortization of Property, Plant, and Equipment	S-4
Schedule VIII	— Valuation and Qualifying Accounts	S-5
Schedule IX	— Short-Term Borrowings	S-6
Schedule X	— Supplementary Income Statement Information	S-7

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:*

The following exhibits are filed herewith or incorporated by reference as indicated below.

Exhibit No.	Description	Reference if Incorporated by Reference
3.1	— Certificate of Incorporation of the Company (Annex A to the Agreement and Plan of Merger, dated as of February 4, 1992, by and between Federated Department Stores, Inc. and Allied Stores Corporation)	Exhibit 3.1 to the Company's Registration Statement on Form 10, filed November 27, 1991, as amended (the "Form 10")

Exhibit No.	Description	Reference if Incorporated by Reference
3.1.1	— Certificate of Designation of Series A Junior Participating Preferred Stock of the Company	Exhibit 3.1.1 to the Form 10
3.2	— By-Laws of the Company	Exhibit 3.2 to the Form 10
4.1	— Certificate of Incorporation of the Company	See Exhibit 3.1
4.2	— By-Laws of the Company	See Exhibit 3.2
4.3	— Rights Agreement between the Company and the Rights Agent thereunder	Exhibit 4.3 to the Form 10
4.4	— Specimen Stock Certificate	Exhibit 4.4 to the Company's Registration Statement on Form S-1 (Registration No. 33-46902), filed April 1, 1992, as amended
10.1	— Series A Warrant Agreement	Exhibit 10.6 to the Form 10
10.2	— Series B Warrant Agreement	Exhibit 10.7 to the Form 10
10.3	— Agreement and Provisions Relating to Restrictions on Transfer of Certain Shares of Common Stock of the Company	Annex I to Exhibit 3.2 to the Form 10
10.3.1	— Form of Representations and Undertaking for Privately Negotiated Transfers of Subject Shares	Exhibit 4.4.1 to the Form 10
10.4	— Series A Secured Note Agreement	Exhibit 10.2 to the Form 10
10.5	— Series B Indenture	Exhibit 4.5 to the Form 10
10.5.1	— Form of Series B Note	Exhibit 4.5.1 to the Form 10
10.6	— Series C Secured Note Agreement	Exhibit 10.3 to the Form 10
10.7	— Series D Indenture	Exhibit 4.6 to the Form 10
10.7.1	— Form of Series D Note	Exhibit 4.6.1 to the Form 10
10.8	— Series E Secured Note Agreement	Exhibit 10.4 to the Form 10
10.9	— LC Facility Agreement	Exhibit 10.8 to the Form 10
10.10	— Shared Collateral Pledge Agreements	Exhibit 4.7 to the Form 10
10.11	— Shared Collateral Trust Agreement	Exhibit 4.8 to the Form 10
10.12	— Account Collateral Pledge and Security Agreement	Exhibit 4.9 to the Form 10
10.13	— Senior Convertible Discount Note Agreement	Exhibit 10.5 to the Form 10
10.14	— Loan Agreement, dated December 30, 1987 (the "Prudential Loan Agreement"), among Prudential Insurance of America, Allied Stores Corporation and certain subsidiaries of Allied named therein	Exhibit 10.12 to Allied's Form 10-K Annual Report for the year ended January 2, 1988

Exhibit No.	Description	Reference if Incorporated by Reference
10.14.1	— Amendment No. 1, dated as of December 29, 1988, to the Prudential Loan Agreement	Exhibit 10.9.1 to the Form 10
10.14.2	— Amendment No. 2, dated as of November 17, 1989, to the Prudential Loan Agreement	Exhibit 10.9.2 to the Form 10
10.14.3	— Amendment No. 3, dated as of February 5, 1992, to the Prudential Loan Agreement	Exhibit 10.9.3 to the Form 10
10.15	— Receivables-Backed Credit Agreement, dated November 13, 1990 (the "Federated Receivables-Backed Credit Agreement"), among Federated Credit, Pine Hill Funding Corporation, and General Electric Corporation, as agent	Exhibit 10.22 to the Form 10
10.15.1	— First Amendment and Consent, dated as of February 4, 1991, to the Federated Receivables-Backed Credit Agreement	Exhibit 10.22.1 to the Form 10
10.15.2	— Second Amendment and Consent, dated as of May 24, 1991, to the Federated Receivables-Backed Credit Agreement	Exhibit 10.22.2 to the Form 10
10.15.3	— Third Amendment and Consent, dated as of October 2, 1991, to the Federated Receivables-Backed Credit Agreement	Exhibit 10.22.3 to the Form 10
10.15.4	— Fourth Amendment and Consent, dated as of December 31, 1991, to the Federated Receivables-Backed Credit Agreement	Exhibit 10.22.4 to the Form 10
10.15.5	— Letter Agreement, dated February 5, 1992, amending the Federated Receivables-Backed Credit Agreement	Exhibit 10.22.5 to the Form 10
10.15.6	— Receivables Purchase Agreement, dated as of September 28, 1990 (the "Federated Receivables Purchase Agreement"), among Federated, Bloomingdales, Inc., Burdines, Inc., Rich's Inc. and Federated Credit	Exhibit 1 to the Company's Form 10-Q Quarterly Report for the quarter ended November 3, 1990
10.15.7	— First Amendment, dated as of October 2, 1991, to the Federated Receivables Purchase Agreement	Exhibit 10.22.7 to the Form 10

Exhibit No.	Description	Reference If Incorporated by Reference
10.15.8	— Second Amendment, dated as of November 22, 1991, to the Federated Receivables Purchase Agreement	Exhibit 10.22.8 to the Form 10
10.15.9	— Third Amendment, dated as of February 5, 1992, to the Federated Receivables Purchase Agreement	Exhibit 10.22.9 to the Form 10
10.15.10	— Liquidity Agreement, dated as of November 13, 1990, between Pine Hill Funding Corporation and General Electric Capital Corporation	Exhibit 10.22.10 to the Form 10
10.15.11	— Assignment and Security Agreement, dated as of February 4, 1991 (the "Federated Assignment and Security Agreement"), among Federated Credit, Pine Hill Funding Corporation, General Electric Capital Corporation, and Bankers Trust Company	Exhibit 10.22.11 to the Form 10
10.15.12	— Second Amendment, dated as of February 5, 1992, to the Federated Assignment and Security Agreement	Exhibit 10.22.12 to the Form 10
10.16	— Receivables-Backed Credit Agreement, dated as of June 22, 1990, among Allied Credit and SPC Funding Corporation, as Lender, and Chemical Bank, as Agent	Exhibit 2 to Allied's Form 8-K Current Report, dated July 30, 1990 ("Allied's Form 8-K")
10.16.1	— Receivables Purchase Agreement, dated as of June 22, 1990 (the "Allied Receivables Purchase Agreement"), among the sellers listed therein and Allied Credit	Exhibit 1 to Allied's Form 8-K
10.16.2	— First Amendment, dated as of February 5, 1992, to the Allied Receivables Purchase Agreement	Exhibit 10.23.2 to the Form 10
10.16.3	— Liquidity Agreement, dated as of June 22, 1990 (the "Allied Liquidity Agreement"), among SPC Funding Corporation, the banks party thereto, and Mitsui Taiyo Kobe Bank, Ltd., as Liquidity Agent	Exhibit 3 to Allied's Form 8-K
10.16.4	— First Amendment, dated as of January 4, 1991, to the Allied Liquidity Agreement	Exhibit 10.23.4 to the Form 10
10.16.5	— Second Amendment, dated as of January 17, 1992, to the Allied Liquidity Agreement	Exhibit 10.23.5 to the Form 10

Exhibit No.	Description	Reference if Incorporated by Reference
10.16.6	— Letter of Credit Reimbursement Agreement, dated as of June 22, 1990 (the "Allied LC Reimbursement Agreement"), among Allied Credit, Societe Generale, the banks listed therein, SPC Funding Corporation, and Chemical Bank, as Collateral Agent	Exhibit 4 to Allied's Form 8-K
10.16.7	— First Amendment, dated as of July 27, 1990, to the Allied LC Reimbursement Agreement	Exhibit 10.23.7 to the Form 10
10.16.8	— Second Amendment, dated as of December 31, 1990, to the Allied LC Reimbursement Agreement	Exhibit 10.23.8 to the Form 10
10.16.9	— Third Amendment, dated as of February 5, 1992, to the Allied LC Reimbursement Agreement	Exhibit 10.23.9 to the Form 10
10.16.10	— Surety Bond issued to SPC Funding Corporation, effective July 30, 1990	Exhibit 5 to Allied's Form 8-K
10.16.11	— Surety Bond issued to Mitsui Taiyo Kobe Bank, Ltd., as Liquidity Agent, effective July 30, 1990	Exhibit 6 to Allied's Form 8-K
10.16.12	— Receivables Assignment and Security Agreement, dated as of June 22, 1990 (the "Allied Receivables Assignment and Security Agreement"), among Allied Stores Corporation, Chemical Bank, SPC Funding Corporation, Financial Guaranty Insurance Company, and Mitsui Taiyo Kobe Bank, Ltd.	Exhibit 7 to Allied's Form 8-K
10.16.13	— First Amendment, dated as of February 5, 1992, to the Allied Receivables Assignment and Security Agreement	Exhibit 10.23.13 to the Form 10
10.17	— Tax Sharing Agreement	Exhibit 10.10 to the Form 10
10.18	— Ralphs Tax Indemnification Agreement	Exhibit 10.1 to the Form 10
10.19	— 1992 Equity Plan	Exhibit 10.11 to the Form 10
10.20	— 1992 Incentive Plan	Exhibit 10.12 to the Form 10
10.21	— Form of Severance Agreement	Exhibit 10.13 to the Form 10
10.22	— Form of Indemnification Agreement	Exhibit 10.14 to the Form 10
10.23	— 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 (the "1989 Form 10-K")

Exhibit No.	Description	Reference If Incorporated by Reference
10.24	— Performance Bonus Plan for Key Employees	Exhibit 10.1.6 to the 1989 Form 10-K
10.25	— Senior Executives Medical Plan	Exhibit 10.1.7 to the 1989 Form 10-K
10.26	— Employment agreement, dated February 2, 1990, between Allen I. Questrom and the Company	Exhibit 10.1.8 to the 1989 Form 10-K
10.27	— Supplementary Executive Retirement Plan, as amended	Exhibit 10.1.9 to the 1989 Form 10-K and Exhibit 4 to the Company's Schedule 14D-9 dated March 11, 1988
10.28	— Comprehensive Settlement Agreement	Exhibit 10.15 to the Form 10
22.1	— Subsidiaries of the Company	Exhibit 22.1 to the Form 10
24.1	— Consent of KPMG Peat Marwick	—
25.1	— Powers of Attorney	—

(b) During the fiscal quarter ended February 1, 1992, the Company filed a Current Report on Form 8-K, dated January 22, 1992, reporting information with respect to Items 3 and 7 of such Form.

SIGNATURES

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

FEDERATED DEPARTMENT STORES, INC.

By /s/ DENNIS J. BRODERICK
Dennis J. Broderick,
Senior Vice President and General Counsel

Date: April 29, 1992

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 indicated on April 29, 1992.

Signature	Title
* Allen I. Questrom	Chairman of the Board and Chief Executive Officer (principal executive officer) and Director
* Ronald W. Tysoe	Vice Chairman and Chief Financial Officer (principal financial officer) and Director
* John E. Brown	Senior Vice President and Controller (principal accounting officer)
* Charlotte Beers	Director
* Robert A. Charpie	Director
* Lyle Everingham	Director
* Reginald H. Jones	Director
* John K. McKinley	Director
* G. William Miller	Director
* Karl M. von der Heyden	Director
* James M. Zimmerman	Director

* The undersigned, by signing his name hereto, does sign and execute this Annual Report on Form 10-K pursuant to the Powers of Attorney executed by the above-named officers and directors and filed herewith.

/s/ DENNIS J. BRODERICK
Dennis J. Broderick,
Attorney-in-Fact

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Federated Department Stores, Inc. and subsidiaries (the "Company") as of February 1, 1992 and February 2, 1991 and the related consolidated statements of operations and cash flows for the fifty-two weeks ended February 1, 1992, the fifty-two weeks ended February 2, 1991 and the fifty-three weeks ended February 3, 1990. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Federated Department Stores, Inc. and subsidiaries at February 1, 1992 and February 2, 1991 and the results of their operations and their cash flows for the fifty-two weeks ended February 1, 1992, the fifty-two weeks ended February 2, 1991 and the fifty-three weeks ended February 3, 1990, in conformity with generally accepted accounting principles. Further, 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.

On February 4, 1992 the Company emerged from bankruptcy. As described in Notes 1 and 3 to the consolidated financial statements, the Company accounted for the reorganization as of February 1, 1992 and adopted "fresh-start reporting." As a result, the February 1, 1992 consolidated balance sheet is not comparable to the Company's February 2, 1991 consolidated balance sheet since it presents the consolidated financial position of the reorganized entity.

As discussed in Note 6 to the consolidated financial statements, the Company has adopted the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits other than Pensions," and changed its method of accounting for income taxes to adopt the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes."

KPMG PEAT MARWICK

Cincinnati, Ohio
March 30, 1992

FEDERATED DEPARTMENT STORES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(thousands)

	52 Weeks Ended February 1, 1992	52 Weeks Ended February 2, 1991	53 Weeks Ended February 3, 1990
Net Sales, including leased department sales	$ 6,932,323	$7,141,983	$ 7,577,586
Cost of sales, including occupancy and buying costs	4,964,471	5,172,892	5,447,121
Selling, publicity, delivery and administrative expenses	1,700,880	1,833,918	1,881,017
Interest expense (excludes interest on unsecured prepetition debt obligations of $301,576, $290,979, and $11,300, respectively)	504,257	639,527	914,557
Interest income	(67,260)	(83,585)	(107,892)
Unusual items	—	—	1,067,817
Total costs and expenses	7,102,348	7,562,752	9,202,620
Loss Before Reorganization Items, Income Taxes, Extraordinary Item and Cumulative Effect of Change in Accounting Principle	(170,025)	(420,769)	(1,625,034)
Reorganization items	(1,679,936)	(127,032)	(142,110)
Loss Before Income Taxes, Extraordinary Item, and Cumulative Effect of Change in Accounting Principle	(1,849,961)	(547,801)	(1,767,144)
Federal, state and local income tax benefit (expense)	613,989	276,355	(6,783)
Net Loss Before Extraordinary Item and Cumulative Effect of Change in Accounting Principle	(1,235,972)	(271,446)	(1,773,927)
Extraordinary item — gain on debt discharge	2,165,515	—	—
Cumulative effect of change in accounting for postretirement benefits other than pensions	(93,151)	—	—
Net Income (Loss)*	$ 836,392	$ (271,446)	$(1,773,927)

* Earnings per share are not presented because there were no publicly held shares of common stock of the Company during the periods presented.

The accompanying notes are an integral part of these Consolidated Financial Statements.

FEDERATED DEPARTMENT STORES, INC.

CONSOLIDATED BALANCE SHEETS
(thousands)

ASSETS

	February 1, 1992	February 2, 1991
Current Assets:		
Cash	$1,002,482	$ 453,560
Accounts receivable	1,515,378	1,629,219
Merchandise inventories	1,167,346	1,291,533
Supplies and prepaid expenses	42,615	43,475
Deferred income tax benefit	113,342	—
Total Current Assets	3,841,163	3,417,787
Property and Equipment — net	2,499,700	2,749,867
Excess of Cost Over Net Assets Acquired	—	1,856,914
Reorganization Value in Excess of Amounts Allocable to Identifiable Assets	375,244	—
Notes Receivable	420,575	815,779
Other Assets	364,463	309,709
Total Assets	$7,501,145	$ 9,150,056

LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)

	February 1, 1992	February 2, 1991
Current Liabilities:		
Short-term borrowings and long-term debt due within one year	$ 771,605	$ 309,268
Accounts payable and accrued liabilities	1,111,011	897,249
Income taxes	34,735	254,233
Total Current Liabilities	1,917,351	1,460,750
Liabilities Subject to Settlement Under Reorganization Proceedings	—	6,475,129
Long-Term Debt	3,176,687	1,004,000
Deferred Income Taxes	746,627	1,192,053
Other Liabilities	206,348	58,874
Redeemable Cumulative Exchangeable Preferred Stock	—	357,778
Shareholders' Equity (Deficit)	1,454,132	(1,398,528)
Total Liabilities and Shareholders' Equity (Deficit)	$7,501,145	$ 9,150,056

The accompanying notes are an integral part of these Consolidated Financial Statements.

FEDERATED DEPARTMENT STORES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(thousands)

	52 Weeks Ended February 1, 1992	52 Weeks Ended February 2, 1991	53 Weeks Ended February 3, 1990
Cash flows from operations:			
Net income (loss)	$ 836,392	$(271,446)	$(1,773,927)
Adjustments to reconcile net income (loss) to net cash provided/(used) by operating activities:			
Depreciation and amortization	212,186	227,695	235,454
Amortization of financing costs	7,893	54,365	80,907
Amortization of goodwill	48,698	50,532	82,121
Amortization of debt discount	—	—	46,463
Write down of excess of cost over net assets acquired	—	—	1,150,000
Cumulative effect of change in accounting for postretirement benefits other than pensions	93,151	—	—
Gain on sale of subsidiary	—	—	(82,183)
Change in assets and liabilities:			
(Increase)/Decrease in accounts receivable	111,174	61,048	(67,128)
Decrease in merchandise inventories	183,840	106,502	24,437
(Increase)/Decrease in supplies and prepaid expenses	860	1,583	(334)
Decrease in notes receivable	400,383	—	—
Decrease in excess of cost over net assets acquired	133,000	—	—
(Increase)/Decrease in other assets not separately identified	69,090	(86,680)	17,431
Decrease in accounts payable and accrued liabilities due to reorganization activities	—	—	(389,464)
Increase/(Decrease) in accounts payable and accrued liabilities not separately identified	154,787	183,322	(30,197)
Increase/(Decrease) in current income taxes	170,942	183,386	(103,394)
Increase/(Decrease) in deferred income taxes	(524,829)	(251,499)	168,832
Decrease in other liabilities due to reorganization activities	—	—	(330,633)
Decrease in other liabilities not separately identified	(12,692)	(79)	(41,222)
	1,884,875	258,729	(1,012,837)
Changes due to reorganization activities:			
Write-off of financing costs	—	—	139,886
Gain on discharge of pre-petition liabilities and settlement of tax claims	(2,568,265)	—	—
Net adjustment in accounts for fair value	1,231,389	—	—
Net cash provided/(used) by operating activities	547,999	258,729	(872,951)
Cash flows from investing activities:			
Purchase of property and equipment	(201,631)	(93,143)	(177,792)
Disposition of property and equipment	8,465	28,191	61,611
Property and equipment transferred to other assets	169,515	121,713	3,288
Decrease in divisional transfer notes	—	—	25,000
Other changes in excess of cost over net assets acquired	—	—	(38,906)
Proceeds from sale of subsidiary	—	—	430,000
Net cash provided/(used) by investing activities	(23,651)	56,761	303,201
Cash flows from financing activities:			
Capital contribution	—	—	27,465
Issuance of redeemable cumulative exchangeable preferred stock	—	—	43,726
Accretion of deferred issuance costs on redeemable cumulative exchangeable preferred stock	—	—	1,036
Dividend paid	—	—	(500,000)
Debt issued	684,153	376,000	1,324,505
Debt issue costs	(45,774)	(22,266)	(145,848)
Debt repaid	(502,999)	(881,198)	(724,478)
Increase in debt due to court approval of prepetition debt	—	438,250	—
Deferral of debt due to reorganization activities	—	—	(6,009,071)
Notes receivable and restricted cash	—	—	255,696
Increase/(Decrease) in outstanding checks	24,194	35,128	(105,736)
Net cash provided/(used) by financing activities	159,574	(54,086)	(5,832,705)
Cash flow effect of reorganization activities:			
Increase/(Decrease) in liabilities subject to settlement under reorganization proceedings	244,102	(254,039)	6,729,168
Settlement of liabilities subject to settlement	(379,102)	—	—
Net cash effect of reorganization activities	(135,000)	(254,039)	6,729,168
Net increase in cash	548,922	7,365	326,713
Cash beginning of period	453,560	446,195	119,482
Cash end of period	$ 1,002,482	$ 453,560	$ 446,195
Supplemental cash flow information:			
Cash paid during the year:			
Interest paid	$ 190,207	$ 374,258	$ 714,353
Interest received	$ 67,601	$ 82,173	$ 100,802
Income taxes (net of refunds received)	$ 18	$(109,350)	$ 19,450

The accompanying notes are an integral part of these Consolidated Financial Statements.

FEDERATED DEPARTMENT STORES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Reorganization and Emergence from Chapter 11.

Federated Department Stores, Inc. (the "Company") is a retail organization operating department stores selling a wide range of merchandise including women's, men's and children's apparel, cosmetics, home furnishings, and other consumer goods.

On February 4, 1992 (the "POR Effective Date"), the Company emerged from Chapter 11 ("Chapter 11") of the United States Bankruptcy Code as the surviving corporation resulting from the Joint Plan of Reorganization (the "POR") of its predecessor companies, Federated Department Stores, Inc. ("Federated") and Allied Stores Corporation ("Allied"), and substantially all of their respective subsidiaries (collectively, the "Federated/Allied Companies"). The POR, which was confirmed by the Bankruptcy Court on January 10, 1992, resulted in an approximately $5.0 billion net reduction in the total indebtedness, liabilities subject to reorganization, and redeemable preferred stock of the Federated/Allied Companies.

The POR provided for, among other things, the cancellation of certain indebtedness in exchange for cash, new indebtedness, and/or new equity securities, the discharge of other prepetition claims, the cancellation of all prepetition ownership interests in Federated and Allied, the settlement of certain claims and mutual releases of certain claims of the Federated/Allied Companies and other persons or entities (including certain affiliated persons or entities), the assumption or rejection of executory contracts and unexpired leases to which any Federated/Allied Company was a party, and the election of a board of directors for the Company (the "Board of Directors").

In addition to the foregoing, on the POR Effective Date and in accordance with the POR, Allied was merged into the Company. The merger was accounted for as a combination of entities under common control. The financial statements for the 52 weeks ended February 1, 1992, therefore, present the combined financial position, results of operations, and cash flows for the Company and Allied. The financial statements for prior periods have been restated on a combined basis to furnish comparative information. As of February 1, 1992, in accordance with AICPA Statement of Position 90-7 "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" (SOP 90-7), the Company adopted "fresh-start reporting" and reflected the effects of such adoption in the financial statements for the 52 weeks then ended.

The Chapter 11 cases of the Federated/Allied Companies were commenced on January 15, 1990 (the "Petition Date"). For financial reporting purposes, those liabilities and obligations whose disposition was dependent upon the outcome of the Chapter 11 cases have been segregated and reclassified as liabilities subject to settlement under reorganization proceedings on the Consolidated Balance Sheet as of February 2, 1991. During the pendency of their Chapter 11 cases, the Federated/Allied Companies discontinued accruing interest on their unsecured prepetition obligations. The net expense occurring as a result of the Chapter 11 filings and subsequent reorganization efforts of the Federated/Allied Companies have been segregated from ordinary operations in the Consolidated Statements of Operations.

2. Summary of Significant Accounting Policies

The Company has implemented the recommended accounting for entities emerging from Chapter 11 reorganization set forth in SOP 90-7. Accordingly, the February 1, 1992 Consolidated Balance Sheet is not comparable to the February 2, 1991 Consolidated Balance Sheet. (See Note 3.)

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions have been eliminated.

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

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

Substantially all merchandise inventories are valued by the retail method and stated on the LIFO (last-in, first-out) basis, which is generally 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.

Reorganization value in excess of amounts allocable to identifiable assets is being amortized on a straight-line basis over 20 years. The excess of cost over net assets acquired was amortized on a straight-line basis over 40 years.

In connection with the adoption of fresh-start reporting, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). Prior to the adoption of fresh-start reporting, the Company accounted for income taxes under Statement of Financial Accounting Standards No. 96 ("SFAS No. 96"). Under both SFAS No. 109 and SFAS No. 96, deferred income taxes are provided for at the statutory rates on the difference between financial statement basis and tax basis of assets and liabilities and, under SFAS No. 109, are classified in the balance sheet as current or non-current consistent with the assets and liabilities which give rise to such deferred income taxes.

Also in connection with the adoption of fresh-start reporting, the Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits other than Pensions" ("SFAS No. 106"), which requires that the cost of these benefits be recognized in the financial statements over an employee's term of service with the Company. (See Note 6).

Financing costs are amortized over the life of the related debt.

3. Fresh-Start Reporting

The primary valuation methodology employed to determine the reorganization value of the Company was a net present value approach, based on the Company's forecasts of unleveraged, after-tax cash flows calculated for each year over the five-year period from 1992 to 1996, capitalizing projected earnings before interest and taxes at multiples ranging from 8.5 to 10.0 selected to value earnings and cash flows beyond 1996, and discounting the resulting amounts to present value at rates ranging from 15.0% to 17.0% selected to approximate the Company's projected weighted average cost of capital.

The adjustments to reflect the consummation of the POR, including the subsequent gain on debt discharge of prepetition liabilities and the adjustment to record assets and liabilities at their fair values (including the establishment of reorganization value in excess of amounts allocable to identifiable assets), have been reflected in the accompanying consolidated financial statements. Accordingly, a black line is shown to separate the February 1, 1992 Consolidated Balance Sheet from the prior year since it is not prepared on a comparable basis.

The effect of the POR on the Company's Consolidated Balance Sheet as of February 1, 1992 is as follows:

Adjustments to Record Plan of Reorganization

	Pre-Fresh Start Balance Sheet February 1, 1992	Debt Discharge(a)	Fresh-Start Accounting Changes(b)	Fresh-Start Fair Value Adjustments(c)	Fresh-Start Balance Sheet February 1, 1992
			(millions)		
ASSETS					
Current Assets:					
Cash	$ 1,401.3	$ (398.8)	$	$	$1,002.5
Accounts receivable	1,518.1	(2.7)			1,515.4
Merchandise inventories	1,107.7			59.6	1,167.3
Supplies and prepaids	42.6				42.6
Deferred income tax benefit	—		136.6	(23.3)	113.3
Total Current Assets	4,069.7	(401.5)	136.6	36.3	3,841.1
Property and Equipment, net	2,561.3			(61.6)	2,499.7
Reorganization Value in Excess of Amounts Allocable to Identifiable Assets	—			375.2	375.2
Excess of Costs Over Net Assets Acquired	1,675.2			(1,675.2)	—
Notes Receivable	415.4	5.2			420.6
Other Assets	257.8	16.0		90.7	364.5
Total Assets	$ 8,979.4	$ (380.3)	$136.6	$(1,234.6)	$7,501.1
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities:					
Short-term borrowings and long-term debt due within one year	$ 742.4	$ 29.2	$	$	$ 771.6
Accounts payable and accrued liabilities	1,076.2	34.8			1,111.0
Income taxes payable	425.2	(473.8)	48.7	34.7	34.8
Total Current Liabilities	2,243.8	(409.8)	48.7	34.7	1,917.4
Liabilities Subject to Settlement Under Reorganization Proceedings	6,719.2	(6,719.2)			—
Long-Term Debt	752.0	2,424.7			3,176.7
Deferred Income Taxes	667.2	81.7	28.4	(30.7)	746.6
Other Liabilities	46.2	14.6	152.7	(7.2)	206.3
Redeemable Cumulative Exchangeable Preferred Stock	357.8	(357.8)			—
Shareholders' Equity (Deficit):					
Common Stock	—	0.8			0.8
Additional Paid in Capital	915.3	2,015.4		(1,477.4)	1,453.3
Retained Earnings	(2,722.1)	2,569.3	(93.2)	246.0	—
Total Shareholders' Equity	(1,806.8)	4,585.5	(93.2)	(1,231.4)	1,454.1
Total Liabilities and Shareholders' Equity (Deficit)	$ 8,979.4	$ (380.3)	$136.6	$(1,234.6)	$7,501.1

(a) To record the settlement of liabilities subject to settlement under reorganization proceedings, the settlement of certain income tax claims, and other transactions in connection with the POR.

(b) To record the cumulative effect of adopting SFAS No. 106 and SFAS No. 109 as of the POR Effective Date.

(c) To record the adjustments to state assets and liabilities at fair value and to eliminate the deficit in accumulated earnings against additional paid-in capital.

The following unaudited Consolidated Pro Forma Statement of Operations reflects the financial results of the Company as if the POR and change in accounting principle had been effective February 2, 1991.

	For the 52 Weeks Ended February 1, 1992		
	As Reported	Adjustments (millions)	Pro Forma
Net Sales, including leased department sales	$ 6,932.3	$ —	$6,932.3
Cost of sales, including occupancy and buying costs	4,964.5	(5.2) (a)	4,959.3
Selling, publicity, delivery and administrative expenses	1,700.8	(5.5) (b)	1,695.3
Interest expense	504.3	(157.1) (c)	347.2
Interest income	(67.3)	26.4 (c)	(40.9)
Total costs and expenses	7,102.3	(141.4)	6,960.9
Income (Loss) Before Reorganization Items, Income Taxes, Extraordinary Item and Cumulative Effect of Change in Accounting Principle	(170.0)	141.4	(28.6)
Reorganization items	(1,679.9)	1,679.9 (d)	—
Income (Loss) Before Income Taxes, Extraordinary Item and Cumulative Effect of Change in Accounting Principle	(1,849.9)	1,821.3	(28.6)
Federal, state and local income tax benefit (expense)	614.0	(610.2) (e)	3.8
Income (Loss) Before Extraordinary Item and Cumulative Effect of Change in Accounting Principle	(1,235.9)	1,211.1	(24.8)
Extraordinary item — gain on debt discharge	2,165.5	(2,165.5) (f)	—
Cumulative effect of change in accounting for postretirement benefits other than pensions	(93.2)	93.2 (g)	—
Net Income (Loss)	$ 836.4	$ (861.2)	$ (24.8)

(a) To reflect the projected savings in personnel and operating expenses from the consolidation of merchandising and marketing operations for Burdines and Maas.

(b) To reflect the net effect of the following: the reversal of the historical amortization of the excess of cost over net assets acquired, the projected cost savings in personnel and operating expenses from the consolidation of operations for Burdines and Maas, the amortization of reorganization value in excess of amounts allocable to identifiable assets, the incremental expense impact of adopting SFAS No. 106, the amortization of awards of restricted stock granted under the Equity Plan, and the reclassification of expenses under the pre-POR Effective Date bonus plan from reorganization expense.

(c) To reverse historical interest expense and interest income and record interest expense on the debt incurred in connection with the POR and interest income from remaining notes receivable after giving effect to the POR. The assumed interest expense, amortization of deferred debt expense, and interest rates are as follows:

	For the 52 Weeks Ended February 1, 1992 (millions)	Assumed Interest Rate
Interest expense:		
Receivables facilities	$ 67.2	6.60%
Note monetization facility	37.5	10.61%
Series A secured notes	35.7	7.50%
Series B secured notes	55.3	10.00%
Series C secured notes	13.8	7.50%
Series D secured notes	30.5	10.00%
Series E secured notes	7.0	7.50%
Mortgage facility	37.3	10.25%
Senior convertible discount notes	15.4	6.00%
Other secured real estate	0.5	8.30%
Capitalized leases	5.7	9.57%
Subsidiary trade obligations	7.0	6.94%
Administrative tax notes	2.9	8.50%
Other	7.4	10.82%
	323.2	
Amortization of deferred debt expense	24.0	
Total interest expense	$ 347.2	

The Company intends to maintain and invest cash balances in the ordinary course of its business. Such anticipated cash balances are subject to seasonal variations and other uncertainties, however, and the consolidated pro forma statement of income does not reflect any estimate of interest income thereon.

(d) To reverse historical reorganization expense which will not be incurred subsequent to the POR Effective Date and to reclassify pre-POR Effective Date bonus plan expense to selling, publicity, delivery, and administrative expenses.

(e) To reverse the income tax effect of fresh-start adjustments and record the income tax effect of pro forma adjustments for items that are deductible for income tax purposes, using an assumed effective income tax rate of 39%.

(f) To reverse the gain on debt discharged pursuant to the POR.

(g) To reverse the cumulative effect of adopting SFAS No. 106.

4. Reorganization Items

The net expense incurred as a result of the Chapter 11 filings and subsequent reorganization efforts has been segregated from ordinary operations in the Consolidated Statements of Operations.

	52 Weeks Ended February 1, 1992	52 Weeks Ended February 2, 1991	53 Weeks Ended February 3, 1990
		(millions)	
Adjustments to fair value	$1,231.4	$ —	$ —
Restructuring costs	378.8	96.5	—
Professional fees and other expenses related to bankruptcy	110.8	68.7	2.9
Financing costs	—	—	139.9
Interest income	(41.1)	(38.2)	(0.7)
	$1,679.9	$ 127.0	$142.1

Adjustments to fair value reflect the net change to state assets and liabilities at fair value. 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 consist of the write-off of the unamortized portion of deferred financing costs relating to 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.

5. Extraordinary Item — Gain On Debt Discharge

The POR resulted in the discharge of approximately $5.0 billion of pre-petition claims against the Federated/Allied Companies during Chapter 11 through the distribution of $398.8 million in cash and the issuance of 79.2 million shares of new common stock to creditors. The value of cash and securities distributed was $2.2 billion less than the allowed claims, and the resultant gain was recorded as an extraordinary item.

6. Cumulative Effect of Accounting Changes

In connection with the adoption of fresh-start reporting, the Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits other than Pensions," as of February 1, 1992. The cumulative effect of the change on retained earnings prior to the adoption of fresh-start reporting at February 1, 1992 was $152.7 million, net of income taxes of $59.5 million. (See Note 17.) The Company also adopted SFAS No. 109, "Accounting for Income Taxes," as of February 1, 1992. The cumulative effect of the change to SFAS No. 109 was not material. (See Note 15.)

7. Unusual Items

Unusual items for the 53 weeks ended February 3, 1990 represent a $1,150.0 million write down of excess of costs over net assets acquired, net of a gain on the sale of Allied's AnnTaylor subsidiary of $82.2 million.

8. Accounts Receivable

	February 1, 1992	February 2, 1991
	(millions)	
Due from customers	$1,473.3	$1,453.9
Less: Allowance for doubtful accounts	59.2	39.1
	1,414.1	1,414.8
Other receivables	101.3	214.4
Net receivables	$1,515.4	$1,629.2
Allowance for doubtful accounts as % of customer receivables	4.0%	2.7%

Sales through the Company's credit plans were $3.5 billion, $3.7 billion, and $4.0 billion for the 52 weeks ended February 1, 1992, the 52 weeks ended February 2, 1991, and the 53 weeks ended February 3, 1990, respectively.

Finance charge revenues amounted to $225.7 million, $217.9 million, and $220.8 million for the 52 weeks ended February 1, 1992, the 52 weeks ended February 2, 1991, and the 53 weeks ended February 3, 1990, respectively.

9. Inventories

Merchandise inventories were $1.2 billion at February 1, 1992, compared to $1.3 billion at February 2, 1991. As a result of the adoption of fresh-start reporting, merchandise inventories were adjusted to the estimated fair market value as of February 1, 1992, and the LIFO inventory cost, therefore, approximated the cost of such inventory using the first-in, first-out method. Inventories were $28.7 million lower at February 2, 1991, than they would have been had the retail method been used without the application of the LIFO method.

10. Properties and Leases

	February 1, 1992	February 2, 1991
	(millions)	
Land	$ 455.0	$ 495.0
Buildings on owned land	850.2	1,130.0
Buildings on leased land and leasehold improvements	512.8	696.8
Store fixtures and equipment	634.8	966.2
Property not used in operations	6.0	7.0
Leased properties under capitalized leases	40.9	75.5
	2,499.7	3,370.5
Less accumulated depreciation and amortization	—	620.6
	$2,499.7	$2,749.9

The Company adopted fresh-start reporting, as of February 1, 1992, which required fixed assets to be adjusted to fair value. Such adjustment resulted in a $61.6 million decrease in net property and equipment.

The adoption of fresh-start reporting did not result in any material change in the remaining useful lives of the Company's property and equipment.

Buildings on leased land and leasehold improvements includes approximately $203.4 million at February 1, 1992 and $215.6 million at February 2, 1991 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.

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 also require additional payments based on percentages of sales and some contain purchase options.

Minimum rental commitments (excluding executory costs) at February 1, 1992, for noncancellable leases are:

	Capital Leases	Operating Leases	Total
		(millions)	
Fiscal year:			
1992	$ 10.7	$ 68.8	$ 79.5
1993	9.7	70.4	80.1
1994	7.7	66.2	73.9
1995	6.6	62.5	69.1
1996	6.4	59.1	65.5
After 1996	61.1	544.3	605.4
Total minimum lease payments	$102.2	$871.3	$973.5
Less amount representing interest	46.6		
Present value of net minimum capital lease payments	$ 55.6		

Capitalized leases are included in the Consolidated Balance Sheets as property and equipment while the related obligation is included as short-term ($5.7 million) and long-term ($49.9 million) debt. Amortization of capitalized leases is included in depreciation and amortization expense. Total minimum lease payments shown above have not been reduced by minimum sublease rentals of approximately $0.7 million on capital leases and $8.4 million on operating leases.

Rental expense consists of:

	52 Weeks Ended February 1, 1992	52 Weeks Ended February 2, 1991	53 Weeks Ended February 3, 1990
		(millions)	
Capital leases —			
Contingent rentals	$ 3.0	$ 2.8	$ 3.5
Operating leases —			
Minimum rentals	61.2	61.2	78.6
Contingent rentals	8.9	10.0	10.2
	73.1	74.0	92.3
Less income from subleases —			
Capital leases	0.7	1.7	1.5
Operating leases	9.3	5.9	10.8
	10.0	7.6	12.3
	$63.1	$66.4	$80.0
Personal property —			
Operating leases	$38.9	$37.1	$27.6

11. Notes Receivable

On May 3, 1988, Federated sold its Bullock's/Bullock's 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 (see Note 12) and distributed the proceeds to the Company. At the end of fiscal year 1991, Federated received $400.0 million pursuant to a letter of credit which secured the payment of a $400.0 million promissory note (the "Macy Note") from R. H. Macy & Co. ("Macy") for the sale of Federated's Bullock's/Bullock's Wilshire and I. Magnin divisions.

The remaining $400.0 million note receivable bears interest at 9½% and is supported by a letter of credit. The interest rate on the Macy Note was ½% over LIBOR.

12. Financing

Pursuant to the POR, the Company issued new debt (along with new common stock) to settle liabilities classified as "Liabilities Subject to Settlement Under Reorganization Proceedings."

Short-term and long-term debt as of February 1, 1992 consisted of the following:

	(millions)
Short-term debt:	
Receivables facilities	$ 742.4
Current portion of long-term debt	29.2
Total short-term debt and current portion of long-term debt	$ 771.6
Long-term debt:	
Series A secured notes	472.8
Series B secured notes	554.2
Series C secured notes	182.6
Series D secured notes	305.6
Series E secured notes	93.0
Senior convertible discount notes	256.9
Receivables facilities	400.0
Mortgage facility	365.2
Subsidiary trade obligations	101.5
Note monetization facility	352.0
Other secured real estate	6.3
Capitalized leases	49.9
Administrative tax notes	35.2
Other	1.5
Total long-term debt	$3,176.7

Future maturities of long-term debt, other than receivables facilities and capitalized leases, are shown below:

	(millions)
Fiscal year:	
1993	$ 13.0
1994	12.1
1995	295.8
1996	138.7
1997	646.8
After 1997	1,620.4

Short-term debt outstanding as of February 2, 1991 consisted of receivables facilities of $309.3 million and long-term debt consisted of note monetization facilities of $704.0 million and receivables facility of $300.0 million. The remainder of Federated's and Allied's debt at February 2, 1991 was classified as "Liabilities Subject to Settlement Under Reorganization Proceedings."

Pursuant to the POR, the Company issued the Series A Notes, Series B Notes, Series C Notes, Series D Notes, Series E Notes, and the Senior Convertible Discount Notes (the "Convertible Notes") (collectively, the "New Debt"). In addition, in consideration of certain distributions under the POR, a letter of credit facility (the "LC Facility") providing for the issuance from time to time until February 2, 1995, of up to $150.0 million aggregate face amount of letters of credit was made available to the Company.

The capital stock of the Company's principal subsidiaries, substantially all of the Company's cash, and certain of the Company's real property have been pledged or mortgaged, as the case may be, as security for various components of the New Debt (other than the Convertible Notes, which are unsecured) and the LC

Facility on a shared basis. In addition, the debt instruments pursuant to which the New Debt was issued contain a number of restrictive covenants and events of default, including covenants limiting capital expenditures, incurrence of debt, and sales of assets, and require the Company to achieve certain financial ratios, some of which become more restrictive over time.

Under certain circumstances, the Company will be required to apply to the repayment or redemption of the Series A Notes, Series B Notes, Series C Notes, Series D Notes, and Series E Notes, a portion of the net proceeds realized from (i) the sale, conveyance, or other disposition of collateral securing such debt or (ii) the sale by the Company for its own account of shares of its capital stock.

The following discussion summarizes certain provisions of the New Debt and the LC Facility.

The Series A Secured Notes

The Series A Notes are secured obligations of the Company which mature on February 15, 2000 and bear interest at the rate per annum equal to, at the Company's option, either (i) Citibank's Alternate Base Rate III plus 1.5% (the "Base Rate") or (ii) LIBOR plus 2.5% (the "LIBOR Rate"). Interest at the Base Rate is payable quarterly on March 15, June 15, September 15, and December 15, commencing March 15, 1992. Interest at the LIBOR Rate is payable at the end of each one-, two-, three-, or six-month period (a "LIBOR Interest Period"), as selected by the Company, except that, with respect to any LIBOR Interest Period of six months, accrued and unpaid interest will be payable at the end of the third and sixth months of such LIBOR Interest Period.

The Company is required to pay on the dates indicated below the percentages of the originally outstanding principal amount of the Series A Notes indicated below, together with accrued interest to the date of payment (subject to adjustment to reflect prior prepayments and decreases in aggregate principal amount of Series A Notes outstanding resulting from the exchange of Series A Notes for Series B Notes at the option of the holders of the Series A Notes, as described below):

February 15, 1996	12.2%
February 15, 1997	14.6%
February 15, 1998	17.0%
February 15, 1999	17.0%
February 15, 2000	Remaining balance

The Series B Secured Notes

The Series B Notes are secured obligations of the Company which mature on February 15, 2000 and bear interest at the rate of 10.0% per annum, payable semiannually on June 15 and December 15 of each year, commencing June 15, 1992.

The Company is required to prepay or redeem on the dates indicated below the following percentages of the originally outstanding principal amount of Series B Notes indicated below, together with accrued interest to the date of payment (subject to adjustment to reflect prior prepayments and increases in the aggregate principal amount of Series B Notes outstanding resulting from the exchange of Series A Notes for Series B Notes at the option of the holders of the Series A Notes, as described below):

February 15, 1996	12.2%
February 15, 1997	14.6%
February 15, 1998	17.0%
February 15, 1999	17.0%
February 15, 2000	Remaining balance

Each holder of Series A Notes may at any time deliver to the Company all or a portion of such holder's Series A Notes and receive in exchange therefor an equal aggregate principal amount (except for amounts not evenly divisible by $1,000) of Series B Notes, provided that the interest rate on the Series B Notes for each of the 20 trading days preceding the date on which such holder notifies the Company of its intention to effect such exchange is less than or equal to the interest rate then in effect on such Series A Notes. The minimum aggregate principal amount of Series A Notes that may be so exchanged is $1.0 million or an integral multiple of $1,000 in excess thereof, other than in connection with an exchange of all of such holder's Series A Notes. If at any time the aggregate outstanding principal balance of all Series A Notes is less than $12.5 million, the Company may require all remaining Series A Notes to be exchanged for Series B Notes.

The Series C Secured Notes

The Series C Notes are secured obligations of the Company which mature on February 4, 1995 and bear interest at the rate per annum equal to, at the Company's option, either (i) the Base Rate or (ii) the LIBOR Rate. Interest at the Base Rate is payable quarterly on March 15, June 15, September 15, and December 15 of each year, commencing March 15, 1992. Interest at the LIBOR Rate is payable at the end of each LIBOR Interest Period, as selected by the Company, except, with respect to any LIBOR Interest Period of six months, accrued and unpaid interest will be payable at the end of the third and sixth months of such LIBOR Interest Period. The Series C Notes are convertible, at the holder's option, into Series D Notes as described below.

The Series D Secured Notes

The Series D Notes are secured obligations of the Company which mature on August 15, 1997 and will bear interest at the rate of 9.0% per annum, payable June 15 and December 15 of each year, commencing June 15, 1992; provided, however, that from and after February 15, 1995, each Series D Note will bear interest at a rate per annum equal to 350 basis points above the average interest rate for 2-Year Treasury Notes during the 20 trading days immediately preceding February 15, 1995.

In addition, the Company is required to pay to the holders of the Series D Notes annual financing fees, payable annually in arrears, (i) in an amount equal to 1.0% of the aggregate principal amount of Series D Notes outstanding on February 15, 1993, 1994, and 1995 and (ii) in an amount equal to 2.0% of the aggregate principal amount of Series D Notes outstanding on February 15, 1996 and 1997.

Each holder of Series C Notes may at any time deliver to the Company all or a portion of such holder's Series C Notes and receive in exchange therefor an equal aggregate principal amount (except for amounts not evenly divisible by $1,000) of Series D Notes, provided that the interest rate on the Series D Notes for each of the 20 trading days preceding the date on which such holder notifies the Company of its intention to effect such exchange is less than or equal to the interest rate then in effect on such Series C Notes. The minimum aggregate principal amount of Series C Notes that may be so exchanged is $1.0 million or an integral multiple of $1,000 in excess thereof, other than in connection with an exchange of all of such holder's Series C Notes. If at any time the aggregate outstanding principal balance of all Series C Notes is less than $12.5 million, the Company may require all remaining Series C Notes to be exchanged for Series D Notes.

The Series E Secured Notes

The Series E Notes are secured obligations of the Company which mature on February 15, 2000 and bear interest at the rate per annum equal to, at the Company's option, either (i) the Base Rate or (ii) the LIBOR Rate. Interest at the Base Rate is payable quarterly on March 15, June 15, September 15, and December 15, commencing March 15, 1992. Interest at the LIBOR Rate is payable at the end of each LIBOR Interest Period, as selected by the Company, except, with respect to any LIBOR Interest Period of six months, accrued and unpaid interest will be payable at the end of the third and sixth months of such LIBOR Interest Period.

The Company is required to pay on the dates indicated below the percentages of the originally outstanding principal amount of Series E Notes indicated below, together with accrued interest to the date of payment (subject to adjustment to reflect prior prepayments):

February 15, 1996	12.2%
February 15, 1997	14.6%
February 15, 1998	17.0%
February 15, 1999	17.0%
February 15, 2000	Remaining balance

The Senior Convertible Discount Notes

The Convertible Notes are unsecured obligations of the Company which mature on February 15, 2004 and bear interest at the rate of 6.0% payable semiannually on February 15 and August 15, commencing August 15, 1995; provided, however, that such interest rate will be reset effective as of February 15, 1995 to a rate (not to exceed 10% per annum) equal to the sum of (i) the average rate for hypothetical Eight-Year Treasury Notes during the 20 consecutive trading days ending February 15, 1995 and (ii) 200 basis points, unless the per share closing price of the Common Stock is at least equal to $30.00, $32.00 or $35.00, respectively, for 20 consecutive trading days in any of the first, second, or third 12-month periods following February 15, 1995. The Convertible Notes will not bear cash interest prior to February 15, 1995, but will accrete original issue discount (the difference between the deemed issue price as of the POR Effective Date of $835.81 per $1,000 of stated principal amount and such stated principal amount) semiannually at the rate of 6.0% per annum compounded semiannually during the period from February 3, 1992 to February 15, 1995.

On each of February 15, 2002 and 2003, the Company is required to pay an amount equal to 33.3% of the aggregate stated principal amount of the Convertible Notes initially outstanding, and is required to pay any remaining balance on February 15, 2004, in each case together with accrued interest to the date of payment. In addition, subject to the limitations contained in certain other debt instruments to which the Company is a party, at any time on or after February 15, 1995, the Company may make optional prepayments or redemptions of the Convertible Notes in whole or part. All such prepayments will be made at 100% of the stated principal amount so prepaid or redeemed, together with interest accrued to the date of prepayment or redemption.

At any time at the option of a holder of Convertible Notes, such holder will have the right to convert the principal of any such holder's Convertible Notes that is $100,000 stated principal amount or an integral multiple of such amount (or such lesser stated principal amount that represents all of such holder's Convertible Notes) into fully-paid and non-assessable shares of Common Stock at the rate of 27.86 shares of Common Stock for each $1,000 stated principal amount of Convertible Notes, provided that such conversion rate will be appropriately adjusted in order to prevent dilution of such conversion rights in the event of certain changes in or events affecting the Common Stock and certain consolidations, mergers, sales, leases, transfers, or other dispositions to which the Company is a party. In addition, if at any time the closing per share price of the Company's Common Stock is $42.00 or more for 20 consecutive trading days, or if the aggregate outstanding stated principal amount of the Convertible Notes is $12.5 million or less, the Company may require the conversion of all outstanding Convertible Notes into Common Stock.

LC Facility

The LC Facility provides for the issuance for the benefit of the Company and its eligible subsidiaries from time to time until February 2, 1995, of up to $150.0 million aggregate face amount of letters of credit. The Company will pay letter of credit fees in the amount of 2.0% per annum for each trade letter of credit and 2.5% per annum for each standby letter of credit, which fees will be payable quarterly in arrears with respect to the actual number of days any such letter of credit is outstanding during the preceding quarter. Interest on the unreimbursed drawn amounts under any letter of credit will accrue at the Base Rate.

Accounts Receivable Facility

Federated Credit Corporation ("Federated Credit"), an indirect wholly owned subsidiary of the Company, is a party to a receivables-backed credit facility to finance the purchase of accounts receivable from Abraham & Straus, Bloomingdale's, Burdines, Lazarus, and Rich's. Pursuant to this facility, Federated Credit may borrow from time to time until August 5, 1993 amounts equal to up to 88% of eligible accounts receivable, subject to an overall maximum of $1,000.0 million and subject to reduction in certain circumstances. As of February 1, 1992, Federated Credit had $684.1 million outstanding under this facility. Allied Stores Credit Corporation ("Allied Credit"), an indirect wholly owned subsidiary of the Company, is a party to a receivables-backed credit facility to finance the purchase of accounts receivable from Jordan Marsh, Stern's, and The Bon Marché. Pursuant to the facility, Allied Credit may borrow from time to time until May 5, 1993 amounts equal to up to 88% of eligible accounts receivable, subject to an overall maximum of $525.0 million and subject to reduction in certain circumstances. As of February 1, 1992, Allied Credit had $458.3 million outstanding under this facility. Borrowings under these facilities are secured by security interests in the accounts receivable purchased by Federated Credit and Allied Credit, as the case may be, and certain other collateral, and bear interest at rates based upon the rates paid by the respective lenders under the facilities on commercial paper sold by such lenders from time to time to finance their loans under the facilities.

Mortgage Facility

Certain of the Company's real estate subsidiaries are parties to a mortgage loan agreement. As of February 1, 1992, approximately $365.2 million was outstanding under this agreement. Under an amendment entered into pursuant to the Plan of Reorganization, borrowings under the agreement will mature in 2002 and bear interest at a rate per annum equal to 260 basis point over the average rate for 12-year treasury notes determined no later than May 4, 1992. Borrowings under the agreement are secured by liens on certain real property.

Subsidiary Trade Obligations

In addition to the cash distribution made on the POR Effective Date, the holders of certain allowed general unsecured prepetition claims against certain of the Company's subsidiaries are entitled to receive an additional cash payment on February 4, 1995.

The obligations of the applicable subsidiaries of the Company (the "Subsidiary Trade Obligors") to make such payments (the "Subsidiary Trade Obligations") have been estimated by the Company at $101.5 million in the aggregate, exclusive of interest. The Subsidiary Trade Obligations bear interest at the rate of 6.94% per annum, payable annually on February 15, commencing on February 15, 1993. The Subsidiary Trade Obligations are unsecured obligations of the applicable Subsidiary Trade Obligors, guaranteed by the Company on a subordinated basis.

Note Monetization Facility

On May 3, 1988, Federated sold certain divisions for consideration consisting of two $400.0 million promissory notes. Federated subsequently transferred the notes to grantor trusts of which it is the beneficiary. The trusts borrowed $704.0 million under note monetization facilities, using the notes as collateral, and distributed the proceeds of such borrowing to Federated. At the end of fiscal year 1991, Federated received $400.0 million pursuant to a letter of credit which secured the payment of a $400.0 million promissory note received from Macy in connection with the sale to Macy of Federated's Bullock's/Bullock's Wilshire and I. Magnin divisions. In connection therewith, the entire $352.0 million of indebtedness incurred by one of the grantor trusts was defeased. The other trust's borrowing under the remaining note monetization facility matures in two equal installments on May 3, 1997 and 1998, and bears interest at fluctuating interest rates based on LIBOR, subject to certain adjustments. The Company is not an obligor on the borrowing under the note monetization facility, and the lender's recourse thereunder is limited to the trust's assets and the Company's interest in the trust.

Interest and financing costs are as follows:

	52 Weeks Ended February 1, 1992	52 Weeks Ended February 2, 1991	53 Weeks Ended February 3, 1990
		(millions)	
Interest on debt	$479.8	$578.7	$ 835.8
Amortization of financing costs	18.3	54.4	80.9
Interest on capitalized leases	6.4	7.4	7.7
Subtotal	504.5	640.5	924.4
Less:			
Interest capitalized relating to sold or transferred divisions	—	—	(8.6)
Interest capitalized on construction	(0.2)	(1.0)	(1.2)
Interest income	(67.3)	(83.6)	(107.9)
	$437.0	$555.9	$ 806.7

13. Accounts Payable and Accrued Liabilities

	February 1, 1992	February 2, 1991
	(millions)	
Merchandise and expense accounts payable	$ 709.2	$562.9
Restructuring and other merger costs	147.3	72.8
Accrued interest	10.2	13.0
Taxes other than income taxes	62.3	45.2
Other	182.0	203.3
	$1,111.0	$897.2

14. Liabilities Subject to Settlement Under Reorganization Proceedings

With the exception of payments required in respect of the Subsidiary Trade Obligations (see Note 12) and with respect to disputed general unsecured claims against certain of the Company's subsidiaries (see Note 21), all payments and distributions required by the POR to be made by the Company or any of its subsidiaries in respect of prepetition claims against the Federated/Allied Companies have been made or provided for, and no further recourse to the Company or any of its subsidiaries may be had by any person with respect to such prepetition claims.

Those petition date liabilities which were paid or compromised under the POR were separately classified in the Consolidated Balance Sheet prior to the POR Effective Date. As of February 2, 1991 Liabilities Subject to Settlement Under Reorganization Proceedings consisted of:

	February 2, 1991
	(millions)
Long-term debt	$5,615.6
Merchandise and expense accounts payable	338.2
Accrued interest expense	350.5
Other accounts payable and accrued liabilities	154.1
Deferred compensation	16.7
	$6,475.1

15. Taxes

Income tax (benefit) expense is as follows:

	52 Weeks Ended February 1, 1992			52 Weeks Ended February 2, 1991			53 Weeks Ended February 3, 1990		
	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total
					(millions)				
Federal	$(25.9)	$(457.5)	$(483.4)	$(69.4)	$(187.6)	$(257.0)	$(36.8)	$ 51.7	$ 14.9
State and local	42.6	(173.2)	(130.6)	0.6	(20.0)	(19.4)	5.9	(14.0)	(8.1)
	$ 16.7	$(630.7)	$(614.0)	$(68.8)	$(207.6)	$(276.4)	$(30.9)	$ 37.7	$ 6.8

The income tax expense (benefit) reported differs from the expected tax computed by applying the federal income tax statutory rate of 34% to loss before income taxes, extraordinary item and cumulative effect of change in accounting principle. The reasons for this difference and their tax effects are as follows:

	52 Weeks Ended February 1, 1992	52 Weeks Ended February 2, 1991	53 Weeks Ended February 3, 1990
		(millions)	
Expected tax	$(629.0)	$(186.2)	$(600.8)
Permanent differences arising from:			
Acquisition financing		—	17.3
Write down and amortization of goodwill	16.6	17.1	418.9
Certain non-deductible reorganization items	13.3	16.3	—
Effect of consummation of POR	68.2	—	—
Effect of carrying back net operating losses to years with higher federal income tax rates	—	(20.0)	—
(Reinstatement) Exclusion of cumulative net operating loss carry forwards	—	(90.5)	153.7
State and local income taxes, net of federal income tax benefit	(86.2)	(12.9)	(9.4)
Other	3.1	(0.2)	27.1
	$(614.0)	$(276.4)	$ 6.8

As of February 1, 1992, deferred income taxes and deferred income tax benefit are comprised of the tax effects of the following cumulative temporary differences: merchandise inventories — $77.9 million, items accounted for on a cash basis for tax purposes — ($189.5 million), the excess of book basis over tax basis of property and equipment — $595.7 million, the deferred tax gains from the sales of divisions — $79.6 million and other items — $69.6 million.

In connection with the POR and the plan of reorganization of Federated Stores, Inc. ("FSI"), formerly Campeau's United States holding company for the Company and Allied, the FSI consolidated tax group (which, with respect to periods prior to the POR Effective Date, included the Federated/Allied Companies) triggered certain gains (the "Gains") estimated at approximately $1.8 billion. Under applicable federal tax law, each member of the FSI consolidated tax group would be severally liable for the entire amount of any tax liability incurred by any other member of the group, generally, prior to February 4, 1992. Under an indemnification agreement entered into pursuant to the POR, among other things, Ralphs Grocery Company ("Ralphs"), a former subsidiary of FSI, would generally be liable to the Company for 21% of the first $71.43 million in tax liability with respect to the Gains and the Company would indemnify Ralphs for any tax liability above that amount. The Company believes that net operating and capital losses and carryforwards ("NOLs") sufficient to offset the Gains were available at the time the Gains were triggered and, accordingly, that the Company will have no regular federal income tax liability in respect thereof and that it has adequately provided for its estimated alternative minimum tax liability. However, there are a number of issues that may arise which, if determined adversely, could limit the amount of available NOLs, and therefore result in tax liability to the Company. These issues include, without limitation, the availability of certain deductions previously claimed by the FSI consolidated tax group and the applicability of certain provisions of the Internal Revenue Code of 1986, as amended, generally limiting the availability of NOL carryforwards following certain changes in ownership. While there can be no assurance with respect thereto, management does not expect that the resolution of these issues will have a material adverse effect on the Company's financial position.

In connection with the Chapter 11 cases, the Internal Revenue Service ("IRS") audited the tax returns of the Federated/Allied Companies for tax years 1984 through 1989 and asserted certain claims against the Federated/Allied Companies and other members of the FSI consolidated tax group. The issues raised by the IRS audit were resolved by agreement with the IRS in the Chapter 11 cases except for two issues involving the use by the Federated/Allied Companies of an aggregate of $27.0 million of NOLs of an acquired company and the deductibility of approximately $176.3 million of so-called "break-up fees." These issues were litigated before the Bankruptcy Court and resolved in favor of the Federated/Allied Companies; however, the IRS has appealed the Bankruptcy Court's determination of these issues. While there can be no assurance with respect thereto, management does not expect that the resolution of these issues will have a material adverse effect on the Company's financial position.

16. Retirement Plans

The Company has defined benefit plans ("Pension Plans") and defined contribution plans ("Profit Sharing Plans") 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, for certain employees, in excess of qualified plan limitations. Net retirement income for these plans totaled $2.0 million for the 52 weeks ended February 1, 1992, $0.5 million for the 52 weeks ended February 2, 1991, and $1.7 million for the 53 weeks ended February 3, 1990.

Pension Plans

Net pension income for the Company's Pension Plans amounted to $10.0 million for the 52 weeks ended February 1, 1992, $8.3 million for the 52 weeks ended February 2, 1991, and $8.5 million for the 53 weeks ended February 3, 1990, and included the following actuarially determined components:

	52 Weeks Ended February 1, 1992	52 Weeks Ended February 2, 1991	53 Weeks Ended February 3, 1990
		(millions)	
Service Cost	$ 16.7	$ 17.8	$ 15.4
Interest cost	37.4	35.7	31.5
Actual return on assets	(138.6)	(3.4)	(76.4)
Net amortization and deferrals	74.5	(58.4)	21.0
	$ (10.0)	$ (8.3)	$ (8.5)

Service cost and interest cost were calculated using discount rates ranging from 8.5% to 9.0% and the rate of increase in future compensation levels was 6%. The long-term rate of return on assets was 10% for the 52 weeks ended February 1, 1992 and February 2, 1991 and ranged from 8% to 10% for the 53 weeks ended February 3, 1990.

The following table sets forth the projected actuarial present value of benefit obligations and funded status at December 31, 1991 and 1990, for the Pension Plans:

	December 31, 1991	December 31, 1990
	(millions)	
Accumulated benefit obligations	$477.8	$431.4
Less: Present value of net accumulated benefits available under the Profit Sharing Plan	63.1	58.4
Net accumulated benefit obligations, including vested benefits of $401.4 million and $362.9 million, respectively	414.7	373.0
Projected compensation increases	66.7	68.0
Projected benefit obligations	481.4	441.0
Plan assets (primarily stocks, bonds and U.S. government securities)	700.1	601.9
Unrecognized loss/(gain)	—	10.8
Unrecognized prior service cost	—	2.3
Unrecognized net transition asset	—	(30.0)
	700.1	585.0
Prepaid pension expense	$218.7	$144.0

The discount rate used in determining the actuarial present value of projected benefit obligations was 8.0% for December 31, 1991 and ranged from 8.5% to 9.0% for December 31, 1990 and the rate of increase in future compensation levels was 4.5% for December 31, 1991 and 6.0% for December 31, 1990.

The Company's policy is to fund the Pension Plans at or above the minimum required by law. At December 31, 1991 and 1990, the Company had met the full funding limitation. Plan assets are held by independent trustees.

The adoption of fresh-start reporting required the pension assets to be adjusted to fair value which resulted in a $64.7 million increase to net pension assets as of February 1, 1992.

Supplementary Retirement Plan

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

	52 Weeks Ended February 1, 1992	52 Weeks Ended February 2, 1991	53 Weeks Ended February 3, 1990
		(millions)	
Service cost	$1.0	$1.1	$1.1
Interest cost on projected benefit obligations	2.0	1.9	1.3
Net amortization and deferral	0.9	0.9	0.8
	$3.9	$3.9	$3.2

Service cost and interest cost were calculated using discount rates ranging from 8.5% to 9.0% and a rate of increase in future compensation levels of 6%.

The following table sets forth the projected actuarial present value of benefit obligations at December 31, 1991 and 1990, for the supplementary retirement plan:

	December 31, 1991	December 31, 1990
	(millions)	
Accumulated benefit obligations, including vested benefits of $4.4 million and $12.0 million, respectively	$ 4.4	$12.3
Projected compensation increases	7.2	11.8
Projected benefit obligations	11.6	24.1
Unrecognized gain (loss)	—	(3.6)
Unrecognized prior service cost	—	(4.7)
Unrecognized net transition obligation	—	(1.0)
Accrued supplementary retirement liability	$11.6	$14.8

The discount rate used in determining the actuarial present value of projected benefit obligations was 8.0% for December 31, 1991 and ranged from 8.5% to 9.0% for December 31, 1990. The rate of increase in future compensation levels was 4.5% for December 31, 1991 and 6.0% for December 31, 1990. The supplementary retirement plan is not funded.

In connection with the POR, the Company reinstated the supplementary retirement plan for the then current employees and, through a $7.2 million adjustment, reduced the accrued liability for the supplementary retirement plan to its fair value.

Profit Sharing Plans

The Profit Sharing Plans include a voluntary savings feature for eligible employees. The contribution is a percentage of the Company's pre-tax earnings for the year with a minimum contribution by the Company which ranged from 12.5% to 20% of employee's eligible savings. Profit sharing expense amounted to $4.1 million for the 52 weeks ended February 1, 1992, $3.9 million for the 52 weeks ended February 2, 1991, and $3.6 million for the 53 weeks ended February 3, 1990. The Profit Sharing Plans had net assets at December 31, 1991, aggregating $703.5 million held in independent trusts.

17. Postretirement Health Care and Life Insurance Benefits

In addition to providing pension and other supplemental benefits, certain retired employees are currently provided with specified health care, life insurance, and merchandise purchase discount 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, and if they agree to contribute a portion of the cost (except for the merchandise purchase discount). The Company has the right to modify or terminate these benefits. Health care and life insurance benefits are provided to both retired and active employees through medical benefit trusts, group life trusts, and insurance companies with insurance premiums based on benefits paid.

The Company adopted SFAS No. 106 as of February 1, 1992, which requires that the cost of these benefits be recognized in the financial statements over an employee's service period with the Company. The Company has therefore recognized a transition obligation of $152.7 million in postretirement benefits it sponsors in accordance with SFAS No. 106 as of February 1, 1992. Previously, except for a $43.7 million remaining liability recorded in a purchase business combination, such costs were recorded under the cash method.

The following table sets forth the plans' combined financial status included in the Company's Consolidated Balance Sheet at February 1, 1992, after fresh-start reporting:

	(millions)
Accumulated postretirement benefit obligation:	
Retirees	$145.0
Fully eligible active plan participants	25.5
Other active plan participants	25.9
Total	$196.4
Plan assets at fair value	—
Accrued postretirement benefit obligation	$196.4

For measurement purposes, a 12% annual rate of increase in the cost of covered health care benefits was assumed for 1992. The rate is assumed to decrease gradually to 5% in the year 2004 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. For example, increasing the health care cost trend rate by one percentage point in each year would increase the accumulated postretirement benefit obligation as of December 31, 1991 by $5.8 million and the net periodic cost by $0.9 million for the year.

The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 8.0%.

18. Employee Equity Plan

The Company has implemented an Equity Plan intended to provide an equity interest in the Company to key management personnel and thereby provide additional incentives for such persons to devote themselves to the maximum extent practicable to the businesses of the Company and its subsidiaries. The Equity Plan is administered by the Compensation Committee of the Board of Directors (the "Compensation Committee"). The Compensation Committee is authorized to grant options, stock appreciation rights and restricted stock to officers and key employees of the Company and its subsidiaries. The Equity Plan also provides for the award of options to non-employee directors. A maximum of 4.6 million shares of Common Stock may be issued pursuant to the Equity Plan, not more than 1.2 million of which may be awarded in the form of restricted stock.

Aggregate initial awards of 763,100 shares of restricted stock and options to purchase an aggregate of 1,808,500 shares of Common Stock at an exercise price of $16.875 per share were granted to officers and key employees of the Company and its subsidiaries subsequent to the POR Effective Date.

19. Shareholders' Equity

The Company's Certificate of Incorporation provides (i) that the authorized capital stock of the Company consists of 250 million shares of Common Stock and 125 million shares of preferred stock, par value $.01 per share ("Preferred Stock"). No shares of Preferred Stock were issued pursuant to the POR. Pursuant to the POR, 79,246,637 shares of Common Stock were issued as of the POR Effective Date. In addition, the POR provided for the issuance of an additional 204,000 shares of Common Stock to the U.S. Treasury in five equal annual installments.

Common Stock

The holders of the Common Stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders. Subject to preferential rights that may be applicable to any Preferred

Stock, holders of Common Stock are entitled to receive ratably such dividends as may be declared by the Board of Directors out of funds legally available therefor. However, it is not presently anticipated that dividends will be paid on Common Stock in the foreseeable future and certain of the debt instruments to which the Company is a party restrict the payment of dividends. All of the outstanding shares of Common Stock issued pursuant to the POR are fully paid and nonassessable.

A substantial portion of the shares of Common Stock issued pursuant to the POR is subject to certain restrictions on disposition under the Agreement and Provisions Relating to Restrictions on Transfer of Certain Shares of Common Stock of Federated Department Stores, Inc. provided for in the POR and the By-Laws.

Preferred Share Purchase Rights

Each share of Common Stock is accompanied by one right (a "Right") issued pursuant to the Share Purchase Rights Agreement between the Company and The Bank of New York, as Rights Agent (the "Share Purchase Rights Agreement"). Each Right entitles the registered holder thereof to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock, par value $.01 per share (the "Series A Preferred Shares"), of the Company at a price (the "Purchase Price") of $62.50 per one one-hundredth of a Series A Preferred Share, subject to adjustment.

In general, the Rights will not become exercisable or transferable apart from the shares of Common Stock with which they were issued unless a person or group of affiliated or associated persons becomes the beneficial owner of, or commences a tender offer that would result in beneficial ownership of, 20% or more of the outstanding Common Stock (any such person or group of persons being referred to as an "Acquiring Person"). Thereafter, under certain circumstances, each Right (other than any Rights that are or were beneficially owned by an Acquiring Person, which Rights will be void) could become exercisable to purchase at the Purchase Price a number of shares of Common Stock having a market value equal to two times the Purchase Price. The Rights will expire on February 4, 2002, unless earlier exercised by the holders or redeemed by the Company prior to becoming exercisable at a redemption price of $.03 per Right (subject to adjustment).

Future Stock Issuances

In addition to the Common Stock issued pursuant to the POR as of the POR Effective Date, the Company has a contingent obligation under the POR to issue one share of Common Stock for each $25.00 recovered from certain of Allied's insurers under policies having an aggregate maximum recovery limitation of $30.0 million. There can be no assurance than any such recovery will be achieved. In addition, the Company's stockholders will not have preemptive rights to purchase additional shares of the Company's capital stock upon any issuance of such shares authorized by the Board of Directors.

The Company is also authorized to issue 8,564,107 shares of Common Stock (subject to adjustment) upon the conversion of the Convertible Notes and five million shares of Common Stock (subject to adjustment) upon the exercise of the Series A Warrants and Series B Warrants. The Series A Warrants were issued under the Series A Warrant Agreement between the Company and The Bank of New York, as Warrant Agent (the "Series A Warrant Agreement"). The Series B Warrants were issued under the Series B Warrant Agreement between the Company and The First Boston Corporation, as the initial holder of the Series B Warrants (the "Series B Warrant Agreement"). Each Warrant, when exercised, will entitle the holder thereof to acquire one share of Common Stock at an exercise price of (i) $25.00 per share, in the case of the Series A Warrants, or (ii) $35.00 per share, in the case of the Series B Warrants.

The Series A Warrants are not transferable until the earlier of (i) February 4, 1994 and (ii) six months after the first post-POR Effective Date sale by the Company of shares of its capital stock for cash, other than pursuant to the exercise of any option, warrant, or other right to purchase shares of capital stock of the Company issued or granted pursuant to the POR, the Equity Plan (or any other employee benefit plan), or the Share Purchase Rights Agreement (or any similar successor agreement). The Series B Warrants are not transferable prior to February 4, 1995. Four million shares of Common Stock are subject to the Series A Warrants and one million shares of Common Stock are subject to the Series B Warrants, in each case subject to adjustment in certain events to prevent dilution of the rights conferred thereby as set forth in the applicable Warrant Agreement. The Series A Warrants expire February 15, 1996 and the Series B Warrants expire February 15, 2000.

	52 Weeks Ended February 1, 1992	52 Weeks Ended February 2, 1991	53 Weeks Ended February 3, 1990
		(millions)	
Preferred stock	$ —	$ —	$ —
Common stock:			
Balance, beginning of period	—	—	—
Issuance of common stock	0.8	—	—
Balance, end of year	0.8	—	—
Additional paid-in capital:			
Balance, beginning of period	915.3	915.3	1,399.4
Capital contribution	—	—	67.0
Dividends accrued and paid and accretion of deferred issuance costs on preferred stock	—	—	(39.5)
Write-off of unamortized portion of deferred costs on preferred stock issuance	—	—	(11.6)
Issuance of common stock	2,015.4	—	—
Dividend	—	—	(500.0)
Eliminate deficit in accumulated earnings	(1,477.4)		
Balance, end of year	1,453.3	915.3	915.3
Accumulated equity (deficit):			
Balance, beginning of period	(2,313.8)	(2,042.4)	(268.5)
Net income (loss)	836.4	(271.4)	(1,773.9)
Eliminate deficit in accumulated earnings	1,477.4	—	—
Balance, end of year	—	(2,313.8)	(2,042.4)
Total shareholders' equity (deficit)	$ 1,454.1	$(1,398.5)	$(1,127.1)

20. Quarterly Results (unaudited)

Quarterly results for the 52 weeks ended February 1, 1992 and the 52 weeks ended February 2, 1991, were as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(millions)			
52 Weeks Ended February 1, 1992:				
Net sales	$1,593.4	$1,495.7	$1,708.9	$ 2,134.3
Cost of sales, including occupancy and buying costs	1,142.9	1,088.3	1,218.9	1,514.4
Loss before income taxes, extraordinary item and cumulative effect of change in accounting principle	(85.0)	(210.4)	(80.0)	(1,474.5)
Federal, state and local income tax benefit	20.8	66.6	19.0	507.6
Extraordinary item — gain on debt discharge	—	—	—	2,165.5
Cumulative effect of change in accounting principle	—	—	—	(93.2)
Net income (loss)	$ (64.2)	$ (143.8)	$ (61.0)	$ 1,105.4
52 Weeks Ended February 2, 1991:				
Net sales	$1,590.4	$1,525.7	$1,767.2	$ 2,258.7
Cost of sales, including occupancy and buying costs	1,149.5	1,140.3	1,266.0	1,617.1
Loss before income taxes	(143.4)	(186.4)	(121.4)	(96.6)
Federal, state and local income tax benefit	43.9	60.1	34.7	137.7
Net income (loss)	$ (99.5)	$ (126.3)	$ (86.7)	$ 41.1

21. Legal Proceedings

Notwithstanding the confirmation and effectiveness of the POR, the Bankruptcy Court continues to have jurisdiction to, among other things, resolve disputed prepetition claims against the Federated/Allied Companies, resolve matters related to the assumption, assumption and assignment, or rejection of executory contracts pursuant to the POR, and to resolve other matters that may arise in connection with or relate to the POR. Pursuant to the POR, and based on the Company's estimate of the amount of such claims that ultimately will be allowed by the Bankruptcy Court, the Company has provided for the payment of approximately $285.0 million in respect of certain classes of claims against certain subsidiaries of the Company. Approximately $183.5 million of this amount was segregated on the POR Effective Date, while the remaining $101.5 million is reflected as "subsidiary trade obligations" on the Company's Consolidated Balance Sheet as of February 1, 1992. (See Note 12.) Both the cash portion and the deferred portion of this amount include amounts in respect of claims that have been allowed as well as amounts in respect of claims that are still being disputed by the Company. The total face amount of such claims which are still being disputed by the Company is approximately $358.4 million. While there can be no assurance that the actual amounts of such claims that are ultimately allowed by the Bankruptcy Court will not exceed the estimated amounts thereof, management does not expect that any variance between such actual and estimated amounts will have a material adverse effect on the Company's financial position.

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.

INDEX TO FINANCIAL STATEMENT SCHEDULES

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.

FEDERATED DEPARTMENT STORES, INC.

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

Column A	Column B	Column C	Column D		Column E	
			Deductions		Balance at End of Period	
Name of Debtor	Balance at Beginning of Period	Additions	(1) Amounts Collected	(2) Amounts Written Off	(1) Current	(2) Not Current
James E. Gray	$ 500,000	$ —	$ —	$ —	$ —	$500,000
James Zimmerman	1,175,000	—	—	1,175,000	—	—
Gordon R. Cooke	200,000	—	—	—	—	200,000
Rudy Javosky	175,000	—	25,000	—	25,000	125,000
Carl Tooker	150,000	—	—	—	33,441	116,559

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, subject to extension in certain circumstances.

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 was interest free as long as he was an employee of the Company and was due the earlier of June 2, 1999 or termination. In connection with the POR, the loan to Mr. Zimmerman was forgiven and the Company reimbursed Mr. Zimmerman for $741,241 of income tax payable as a result thereof (including tax on such reimbursement.)

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.

FEDERATED DEPARTMENT STORES, INC.

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
52 Weeks Ended February 1, 1992:					
Land	$ 494,960	$ —	$ —	$ (39,916)	$ 455,044
Buildings, substantially all on owned land	1,130,052	11,985	1,820	(290,055)	850,162
Buildings on leased land, improvements to leased properties and leaseholds	696,796	27,359	3,478	(207,856)	512,821
Store fixtures and equipment	966,171	162,287	42,679	(450,954)	634,825
Property not used in operations	6,969	—	—	(1,034)	5,935
Capitalized leases	75,516	—	11,877	(22,726)	40,913
	$3,370,464	$201,631	$59,854	$(1,012,541)	$2,499,700
52 Weeks Ended February 2, 1991:					
Land	$ 511,006	$ 350	$ 188	$ (16,208)	$ 494,960
Buildings, substantially all on owned land	1,106,055	10,702	6,642	19,937	1,130,052
Buildings on leased land, improvements to leased properties and leaseholds	780,617	14,539	12,115	(86,245)	696,796
Store fixtures and equipment	974,444	67,552	37,836	(37,989)	966,171
Property not used in operations	55,440	—	12,685	(35,786)	6,969
Capitalized leases	81,922	—	6,406	—	75,516
	$3,509,484	$ 93,143	$75,872	$ (156,291)	$3,370,464
53 Weeks Ended February 3, 1990:					
Land	$ 517,482	$ 18	$ 6,494	$ —	$ 511,006
Buildings, substantially all on owned land	1,101,862	18,521	15,712	1,384	1,106,055
Buildings on leased land, improvements to leased properties and leaseholds	736,089	50,977	6,037	(412)	780,617
Store fixtures and equipment	900,748	111,553	29,937	(7,920)	974,444
Property not used in operations	86,273	(3,277)	27,556	—	55,440
Capitalized leases	87,895	—	5,973	—	81,922
	$3,430,349	$177,792	$91,709	$ (6,948)	$3,509,484

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	6⅔% to 33⅓%

FEDERATED DEPARTMENT STORES, INC.

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

Column A	Column B	Column C	Column D	Column E	Column F
Classification	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Retirements	Other Changes — Add (Deduct) Describe (Transfers)	Balance at End of Period
52 Weeks Ended February 1, 1992:					
Buildings, substantially all on owned land ...	$137,253	$ 43,357	$ 1,880	$(178,730)	$ —
Buildings on leased land, improvements to leased properties and leaseholds	125,066	39,357	3,126	(161,297)	—
Store fixtures and equipment	337,217	122,687	42,245	(417,659)	—
Property not used in operations	630	351	—	(981)	—
Capitalized leases	20,431	6,434	4,138	(22,727)	—
	$620,597	$212,186	$51,389	$(781,394)	$ —
52 Weeks Ended February 2, 1991:					
Buildings, substantially all on owned land ...	$ 88,151	$ 45,167	$ 2,431	$ 6,366	$137,253
Buildings on leased land, improvements to leased properties and leaseholds	107,291	41,665	4,544	(19,346)	125,066
Store fixtures and equipment	258,361	132,315	31,861	(21,598)	337,217
Property not used in operations	5,674	1,373	6,417	—	630
Capitalized leases	15,684	7,175	2,428	—	20,431
	$475,161	$227,695	$47,681	$ (34,578)	$620,597
53 Weeks Ended February 3, 1990:					
Buildings, substantially all on owned land ...	$ 48,803	$ 40,634	$ 1,285	$ (1)	$ 88,151
Buildings on leased land, improvements to leased properties and leaseholds	63,930	46,715	3,524	170	107,291
Store fixtures and equipment	147,354	136,176	21,340	(3,829)	258,361
Property not used in operations	3,142	3,847	1,315	—	5,674
Capitalized leases	10,236	8,082	2,634	—	15,684
	$273,465	$235,454	$30,098	$ (3,660)	$475,161

FEDERATED DEPARTMENT STORES, INC.

SCHEDULE VIII — VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

Column A	Column B	Column C		Column D	Column E
		Additions			
Classification	Balance at Beginning of period	(1) Charged to Costs and Expenses	(2) Charged to Other Accounts — Describe	Deductions from Reserves — Describe (Note A)	Balance at End of Period
Accounts receivable — allowance for doubtful accounts (applied as a reduction of assets):					
Years Ended:					
February 1, 1992	$39,087	$87,237	$ —	$67,131	$59,193
February 2, 1991	$40,290	$58,210	$ —	$59,413	$39,087
February 3, 1990	$33,715	$53,789	$ —	$47,214	$40,290

NOTE:

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

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

Column A	Column B	Column C	Column D	Column E	Column F
Category of Aggregate Short-Term Borrowings	Balance at End of Period	Weighted Average Interest Rate	Maximum Amount Outstanding During the Period	Average Amount Outstanding During the Period (Note A)	Weighted Average Interest Rate During the Period (Note B)
Year Ended February 1, 1992:					
Accounts Receivable Facility(C)	$684,153	4.31%	$ 684,153	$324,166	5.89%
Accounts Receivable Facility(D)	458,269	4.54	520,452	427,060	6.07
Year Ended February 2, 1991:					
Accounts Receivable Facility(C)	$ —	— %	$ 166,676	$ 8,293	14.24%
Accounts Receivable Facility(D)	179,229	7.40	485,968	234,541	9.66
Year Ended February 3, 1990:					
Federated bank loans	$136,216	10.74%	$1,065,000	$823,303	11.73%
Allied Receivables Facilities	40,000	11.00	227,000	70,861	11.29
Allied Working Capital Facilities	—	—	349,000	240,674	12.85
Campeau Undertaking	—	—	100,000	27,898	9.88
FSI Notes	—	—	127,759	98,565	13.19

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.

(C) Accounts Receivable Facility of Federated Credit Corporation.

(D) Accounts Receivable Facility of Allied Stores Credit Corporation.

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

Column A	Column B Charged to Costs and Expenses		
Item	52 Weeks Ended February 1, 1992	52 Weeks Ended February 2, 1991	53 Weeks Ended February 3, 1990
Advertising costs	$299,085	$293,086	$293,071

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.

INDEX TO EXHIBITS

Exhibit Number	Description		Sequentially Numbered Page
3.1	— Certificate of Incorporation of the Company (Annex A to the Agreement and Plan of Merger, dated as of February 4, 1992, by and between Federated Department Stores, Inc. and Allied Stores Corporation)	Exhibit 3.1 to the Company's Registration Statement on Form 10, filed November 27, 1991, as amended (the "Form 10")	
3.1.1	— Certificate of Designation of Series A Junior Participating Preferred Stock of the Company	Exhibit 3.1.1 to the Form 10	
3.2	— By-Laws of the Company	Exhibit 3.2 to the Form 10	
4.1	— Certificate of Incorporation of the Company	See Exhibit 3.1	
4.2	— By-Laws of the Company	See Exhibit 3.2	
4.3	— Rights Agreement between the Company and the Rights Agent thereunder	Exhibit 4.3 to the Form 10	
4.4	— Specimen Stock Certificate	Exhibit 4.4 to the Company's Registration Statement on Form S-1 (Registration No. 33-46902), filed April 1, 1992, as amended	
10.1	— Series A Warrant Agreement	Exhibit 10.6 to the Form 10	
10.2	— Series B Warrant Agreement	Exhibit 10.7 to the Form 10	
10.3	— Agreement and Provisions Relating to Restrictions on Transfer of Certain Shares of Common Stock of the Company	Annex I to Exhibit 3.2 to the Form 10	
10.3.1	— Form of Representations and Undertaking for Privately Negotiated Transfers of Subject Shares	Exhibit 4.4.1 to the Form 10	
10.4	— Series A Secured Note Agreement	Exhibit 10.2 to the Form 10	
10.5	— Series B Indenture	Exhibit 4.5 to the Form 10	
10.5.1	— Form of Series B Note	Exhibit 4.5.1 to the Form 10	
10.6	— Series C Secured Note Agreement	Exhibit 10.3 to the Form 10	
10.7	— Series D Indenture	Exhibit 4.6 to the Form 10	
10.7.1	— Form of Series D Note	Exhibit 4.6.1 to the Form 10	
10.8	— Series E Secured Note Agreement	Exhibit 10.4 to the Form 10	
10.9	— LC Facility Agreement	Exhibit 10.8 to the Form 10	
10.10	— Shared Collateral Pledge Agreements	Exhibit 4.7 to the Form 10	
10.11	— Shared Collateral Trust Agreement	Exhibit 4.8 to the Form 10	

INDEX TO EXHIBITS

Exhibit Number	Description		Sequentially Numbered Page
10.12	— Account Collateral Pledge and Security Agreement	Exhibit 4.9 to the Form 10	
10.13	— Senior Convertible Discount Note Agreement	Exhibit 10.5 to the Form 10	
10.14	— Loan Agreement, dated December 30, 1987 (the "Prudential Loan Agreement"), among Prudential Insurance of America, Allied Stores Corporation and certain subsidiaries of Allied named therein	Exhibit 10.12 to Allied's Form 10-K Annual Report for the year ended January 2, 1988	
10.14.1	— Amendment No. 1, dated as of December 29, 1988, to the Prudential Loan Agreement	Exhibit 10.9.1 to the Form 10	
10.14.2	— Amendment No. 2, dated as of November 17, 1989, to the Prudential Loan Agreement	Exhibit 10.9.2 to the Form 10	
10.14.3	— Amendment No. 3, dated as of February 5, 1992, to the Prudential Loan Agreement	Exhibit 10.9.3 to the Form 10	
10.15	— Receivables-Backed Credit Agreement, dated November 13, 1990 (the "Federated Receivables-Backed Credit Agreement"), among Federated Credit, Pine Hill Funding Corporation, and General Electric Corporation, as agent	Exhibit 10.22 to the Form 10	
10.15.1	— First Amendment and Consent, dated as of February 4, 1991, to the Federated Receivables-Backed Credit Agreement	Exhibit 10.22.1 to the Form 10	
10.15.2	— Second Amendment and Consent, dated as of May 24, 1991, to the Federated Receivables-Backed Credit Agreement	Exhibit 10.22.2 to the Form 10	
10.15.3	— Third Amendment and Consent, dated as of October 2, 1991, to the Federated Receivables-Backed Credit Agreement	Exhibit 10.22.3 to the Form 10	
10.15.4	— Fourth Amendment and Consent, dated as of December 31, 1991, to the Federated Receivables-Backed Credit Agreement	Exhibit 10.22.4 to the Form 10	

INDEX TO EXHIBITS

Exhibit Number	Description		Sequentially Numbered Page
10.15.5	— Letter Agreement, dated February 5, 1992, amending the Federated Receivables-Backed Credit Agreement	Exhibit 10.22.5 to the Form 10	
10.15.6	— Receivables Purchase Agreement, dated as of September 28, 1990 (the "Federated Receivables Purchase Agreement"), among Federated, Bloomingdales, Inc., Burdines, Inc., Rich's Inc. and Federated Credit	Exhibit 1 to the Company's Form 10-Q Quarterly Report for the quarter ended November 3, 1990	
10.15.7	— First Amendment, dated as of October 2, 1991, to the Federated Receivables Purchase Agreement	Exhibit 10.22.7 to the Form 10	
10.15.8	— Second Amendment, dated as of November 22, 1991, to the Federated Receivables Purchase Agreement	Exhibit 10.22.8 to the Form 10	
10.15.9	— Third Amendment, dated as of February 5, 1992, to the Federated Receivables Purchase Agreement	Exhibit 10.22.9 to the Form 10	
10.15.10	— Liquidity Agreement, dated as of November 13, 1990, between Pine Hill Funding Corporation and General Electric Capital Corporation	Exhibit 10.22.10 to the Form 10	
10.15.11	— Assignment and Security Agreement, dated as of February 4, 1991 (the "Federated Assignment and Security Agreement"), among Federated Credit, Pine Hill Funding Corporation, General Electric Capital Corporation, and Bankers Trust Company	Exhibit 10.22.11 to the Form 10	
10.15.12	— Second Amendment, dated as of February 5, 1992, to the Federated Assignment and Security Agreement	Exhibit 10.22.12 to the Form 10	
10.16	— Receivables-Backed Credit Agreement, dated as of June 22, 1990, among Allied Credit and SPC Funding Corporation, as Lender, and Chemical Bank, as Agent	Exhibit 2 to Allied's Form 8-K Current Report, dated July 30, 1990 ("Allied's Form 8-K")	
10.16.1	— Receivables Purchase Agreement, dated as of June 22, 1990 (the "Allied Receivables Purchase Agreement"), among the sellers listed therein and Allied Credit	Exhibit 1 to Allied's Form 8-K	

INDEX TO EXHIBITS

Exhibit Number	Description		Sequentially Numbered Page
10.16.2	— First Amendment, dated as of February 5, 1992, to the Allied Receivables Purchase Agreement	Exhibit 10.23.2 to the Form 10	
10.16.3	— Liquidity Agreement, dated as of June 22, 1990 (the "Allied Liquidity Agreement"), among SPC Funding Corporation, the banks party thereto, and Mitsui Taiyo Kobe Bank, Ltd., as Liquidity Agent	Exhibit 3 to Allied's Form 8-K	
10.16.4	— First Amendment, dated as of January 4, 1991, to the Allied Liquidity Agreement	Exhibit 10.23.4 to the Form 10	
10.16.5	— Second Amendment, dated as of January 17, 1992, to the Allied Liquidity Agreement	Exhibit 10.23.5 to the Form 10	
10.16.6	— Letter of Credit Reimbursement Agreement, dated as of June 22, 1990 (the "Allied LC Reimbursement Agreement"), among Allied Credit, Societe Generale, the banks listed therein, SPC Funding Corporation, and Chemical Bank, as Collateral Agent	Exhibit 4 to Allied's Form 8-K	
10.16.7	— First Amendment, dated as of July 27, 1990, to the Allied LC Reimbursement Agreement	Exhibit 10.23.7 to the Form 10	
10.16.8	— Second Amendment, dated as of December 31, 1990, to the Allied LC Reimbursement Agreement	Exhibit 10.23.8 to the Form 10	
10.16.9	— Third Amendment, dated as of February 5, 1992, to the Allied LC Reimbursement Agreement	Exhibit 10.23.9 to the Form 10	
10.16.10	— Surety Bond issued to SPC Funding Corporation, effective July 30, 1990	Exhibit 5 to Allied's Form 8-K	
10.16.11	— Surety Bond issued to Mitsui Taiyo Kobe Bank, Ltd., as Liquidity Agent, effective July 30, 1990	Exhibit 6 to Allied's Form 8-K	

INDEX TO EXHIBITS

Exhibit Number	Description		Sequentially Numbered Page
10.16.12	— Receivables Assignment and Security Agreement, dated as of June 22, 1990 (the "Allied Receivables Assignment and Security Agreement"), among Allied Stores Corporation, Chemical Bank, SPC Funding Corporation, Financial Guaranty Insurance Company, and Mitsui Taiyo Kobe Bank, Ltd.	Exhibit 7 to Allied's Form 8-K	
10.16.13	— First Amendment, dated as of February 5, 1992, to the Allied Receivables Assignment and Security Agreement	Exhibit 10.23.13 to the Form 10	
10.17	— Tax Sharing Agreement	Exhibit 10.10 to the Form 10	
10.18	— Ralphs Tax Indemnification Agreement	Exhibit 10.1 to the Form 10	
10.19	— 1992 Equity Plan	Exhibit 10.11 to the Form 10	
10.20	— 1992 Incentive Plan	Exhibit 10.12 to the Form 10	
10.21	— Form of Severance Agreement	Exhibit 10.13 to the Form 10	
10.22	— Form of Indemnification Agreement	Exhibit 10.14 to the Form 10	
10.23	— 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 (the "1989 Form 10-K")	
10.24	— Performance Bonus Plan for Key Employees	Exhibit 10.1.6 to the 1989 Form 10-K	
10.25	— Senior Executives Medical Plan	Exhibit 10.1.7 to the 1989 Form 10-K	
10.26	— Employment agreement, dated February 2, 1990, between Allen I. Questrom and the Company	Exhibit 10.1.8 to the 1989 Form 10-K	
10.27	— Supplementary Executive Retirement Plan, as amended	Exhibit 10.1.9 to the 1989 Form 10-K and Exhibit 4 to the Company's Schedule 14D-9 dated March 11, 1988	
10.28	— Comprehensive Settlement Agreement	Exhibit 10.15 to the Form 10	
22.1	— Subsidiaries of the Company	Exhibit 22.1 to the Form 10	
24.1	— Consent of KPMG Peat Marwick	—	
25.1	— Powers of Attorney	—	

EXHIBIT 24.1

CONSENT OF INDEPENDENT AUDITORS

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

We consent to incorporation by reference in Registration Statement No. 33-45633 on Form S-8 of Federated Department Stores, Inc. of our report dated March 30, 1992, which report appears in the February 1, 1992 annual report on Form 10-K of Federated Department Stores, Inc.

Our report refers to the Company's adoption of "fresh-start reporting" to reflect the Company's emergence from bankruptcy as of February 1, 1992 and the Company's adoption of Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes."

KPMG Peat Marwick
KPMG PEAT MARWICK

Cincinnati, Ohio
April 28, 1992

EXHIBIT 25.1

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Ronald W. Tysoe, Dennis J. Broderick, Boris Auerbach, Robert A. Profusek, J. Lawrence Manning, Jr., Mark E. Betzen, Wendy S. Dann and Shannon E. Gorrell, or any of them, my true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agents, or any of them, may deem necessary or advisable to enable the Company to comply with the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacities indicated above, such Annual Report and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: April 29, 1992

Allen I. Questrom

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Ronald W. Tysoe, Dennis J. Broderick, Boris Auerbach, Robert A. Profusek, J. Lawrence Manning, Jr., Mark E. Betzen, Wendy S. Dann and Shannon E. Gorrell, or any of them, my true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agents, or any of them, may deem necessary or advisable to enable the Company to comply with the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacities indicated above, such Annual Report and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: April 29, 1992

Karl M. von der Heyden

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Ronald W. Tysoe, Dennis J. Broderick, Boris Auerbach, Robert A. Profusek, J. Lawrence Manning, Jr., Mark E. Betzen, Wendy S. Dann and Shannon E. Gorrell, or any of them, my true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agents, or any of them, may deem necessary or advisable to enable the Company to comply with the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacities indicated above, such Annual Report and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: April 29, 1992

Charlotte Beers

Charlotte Beers

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Dennis J. Broderick, Boris Auerbach, Robert A. Profusek, J. Lawrence Manning, Jr., Mark E. Betzen, Wendy S. Dann and Shannon E. Gorrell, or any of them, my true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agents, or any of them, may deem necessary or advisable to enable the Company to comply with the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacities indicated above, such Annual Report and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: April 29, 1992

Ronald W. Tysoe

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Ronald W. Tysoe, Dennis J. Broderick, Boris Auerbach, Robert A. Profusek, J. Lawrence Manning, Jr., Mark E. Betzen, Wendy S. Dann and Shannon E. Gorrell, or any of them, my true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agents, or any of them, may deem necessary or advisable to enable the Company to comply with the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacities indicated above, such Annual Report and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: April 29, 1992

James M. Zimmerman

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Ronald W. Tysoe, Dennis J. Broderick, Boris Auerbach, Robert A. Profusek, J. Lawrence Manning, Jr., Mark E. Betzen, Wendy S. Dann and Shannon E. Gorrell, or any of them, my true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agents, or any of them, may deem necessary or advisable to enable the Company to comply with the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacities indicated above, such Annual Report and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: April 29, 1992

G. William Miller

G. William Miller

POWER OF ATTORNEY

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Dated: April 29, 1992

John K. McKinley

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Ronald W. Tysoe, Dennis J. Broderick, Boris Auerbach, Robert A. Profusek, J. Lawrence Manning, Jr., Mark E. Betzen, Wendy S. Dann and Shannon E. Gorrell, or any of them, my true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agents, or any of them, may deem necessary or advisable to enable the Company to comply with the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacities indicated above, such Annual Report and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: April 29, 1992

Robert A. Charpie

Robert A. Charpie

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Ronald W. Tysoe, Dennis J. Broderick, Boris Auerbach, Robert A. Profusek, J. Lawrence Manning, Jr., Mark E. Betzen, Wendy S. Dann and Shannon E. Gorrell, or any of them, my true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agents, or any of them, may deem necessary or advisable to enable the Company to comply with the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacities indicated above, such Annual Report and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: April 28, 1992

Reginald H. Jones

/Reginald H. Jones

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Ronald W. Tysoe, Dennis J. Broderick, Boris Auerbach, Robert A. Profusek, J. Lawrence Manning, Jr., Mark E. Betzen, Wendy S. Dann and Shannon E. Gorrell, or any of them, my true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agents, or any of them, may deem necessary or advisable to enable the Company to comply with the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacities indicated above, such Annual Report and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: April 27, 1992

Lyle Everingham

Lyle Everingham

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Ronald W. Tysoe, Dennis J. Broderick, Boris Auerbach, Robert A. Profusek, J. Lawrence Manning, Jr., Mark E. Betzen, Wendy S. Dann and Shannon E. Gorrell, or any of them, my true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agents, or any of them, may deem necessary or advisable to enable the Company to comply with the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacities indicated above, such Annual Report and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: April 28, 1992

John E. Brown