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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the fiscal year ended January 30, 1988

Commission File Number 1-163

Federated Department Stores, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

31-0513863
(I.R.S. Employer Identification No.)

7 West Seventh Street
Cincinnati, Ohio
(Address of principal executive offices)

45202
(Zip Code)

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(513) 579-7000
Registrant's telephone number

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

Bethel Information Services
Gaithersburg, Maryland

Title of each class

Name of each exchange
on which registered

Common Stock, \$1.25 par value

New York Stock Exchange

8 1/2% Sinking Fund Debentures due September 15, 1995

New York Stock Exchange

7 1/2% Sinking Fund Debentures due March 15, 2002

New York Stock Exchange

7.35% Sinking Fund Debentures due January 1, 1997

New York Stock Exchange

10 1/2% Sinking Fund Debentures due June 15, 2010

New York Stock Exchange

10 1/2% Sinking Fund Debentures due May 1, 2013

New York Stock Exchange

9 1/2% Sinking Fund Debentures due March 1, 2016

New York Stock Exchange

7 1/2% Notes due December 15, 1996

9 1/2% Notes due November 1, 1992

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

The aggregate market value of registrant's Common Stock, \$1.25 par value, held by non-affiliates of
registrant (based on the closing price of registrant's common stock, New York Stock Exchange—Composite
Transactions on March 15, 1988) is \$5,478,162,116.

Number of shares of Common Stock, \$1.25 par value, outstanding as of March 15, 1988: 88,856,681.

EXHIBIT INDEX OR SEQUENTIALLY NUMBERED PAGES: 21-22

AMT OF SEQUENTIALLY NUMBERED PAGES: 299

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PART I

Item 1. Business.

Federated Department Stores, Inc. (the "Company") is a diversified retail firm serving customers through department stores, mass merchandising stores, other stores and supermarkets. At January 30, 1988, its fourteen general merchandise divisions operated in the aggregate 238 department stores, 76 mass merchandising stores and 232 other stores in major retail markets in 38 states and its Ralphs division operated 129 supermarkets in California. The Company has approximately 135,200 employees, which number is subject to substantial seasonal variation.

The Company is a Delaware corporation, incorporated in 1929 and has its principal office at 7 West Seventh Street, Cincinnati, Ohio.

The operation of each division of the Company is largely autonomous with respect to current operations, personnel, merchandising, purchasing and other similar matters. Direct buying is conducted by each of the divisions by the individual buyers and merchandise personnel of each division in the open market under competitive conditions.

The business of each of the Company's department stores, mass merchandising stores, other stores and supermarkets is conducted under highly competitive conditions. The principal methods of competition involve price, quality of products offered for sale, and service. The business of the Company's department, mass merchandising and other stores is seasonal in nature with substantial amounts of their sales and earnings occurring during the Christmas season.

On April 1, 1988, the Company entered into a Merger Agreement (the "Campeau Merger Agreement") with Campeau Corporation ("Campeau"), Campeau Corporation (U.S.) Inc. ("Campeau U.S.") and CRTF Corporation ("CRTF"), pursuant to which the Company will be acquired by Campeau pursuant to a tender offer and subsequent merger with an affiliate of Campeau. The Company also entered into a Settlement Agreement (the "Settlement Agreement") with Campeau, Campeau U.S., CRTF, R.H. Macy & Co., Inc. ("Macy") and FDS Acquisition Corporation ("FDS") on April 1, 1988. See Item 12(c) herein.

Department Stores

Abraham and Straus, Bloomingdale's, Bullock's/Bullocks Wilshire, Burdines, Filene's, Foley's, Goldsmith's, Lazarus, I. Magnin, and Rich's each comprised a separate division of the Company at January 30, 1988. These ten divisions operated in the aggregate 238 stores.

These 238 stores occupied in the aggregate 46,440,000 square feet of floor area and are located in many of the nation's major metropolitan areas including, Albuquerque, Atlanta, Austin, Birmingham, Boston, Chicago, Cincinnati, Columbus, Dallas, Dayton, Fort Lauderdale, Fort Worth, Houston, Indianapolis, Lexington, Los Angeles, Louisville, Memphis, Miami, New York, Oklahoma City, Orlando, Philadelphia, Phoenix, San Antonio, San Diego, San Francisco, Seattle, Tampa, Tucson, Tulsa, Washington, D.C. and West Palm Beach.

Each of the department stores is a leading retail institution in the community in which it is located. Each carries the classes of merchandise usually handled by such stores, including men's, women's and children's wearing apparel and accessories; and many carry home furnishings, housewares and appliances.

In connection with the Settlement Agreement, the Company has entered into an Asset Purchase Agreement dated April 1, 1988, with Campeau, Campeau U.S., CRTF and Macy pursuant to which the Company will sell to Macy upon consummation of the Campeau tender offer the Company's Bullock's/Bullocks Wilshire and I. Magnin divisions for an aggregate purchase price of \$1.1 billion. In addition, Campeau has disclosed that it has agreed to sell to The May Department Stores Company, the Company's Filene's and Foley's divisions.

Mass Merchandising

The Company's mass merchandising division operates 76 mass merchandising stores in Ohio, Kentucky, New York, Georgia, North Carolina, South Carolina, Tennessee and Florida under the Gold Circle and Richway names. These 76 stores occupied in the aggregate 8,239,000 square feet of floor area.

The Company's mass merchandising stores are strongly price competitive. They offer budget soft goods and wide assortments in selected convenience hard goods. In addition to carrying well-known brand name merchandise, they market private label goods including some wearing apparel, health and beauty aids, automotive supplies and lawn and garden tools and supplies.

Other Stores

At January 30, 1988, The Children's Place division operated 162 children's apparel specialty outlet and super stores and 28 women's accessories stores operating under The Accessory Place name in 30 states. The Company's MainStreet division, a chain of family-oriented, soft goods stores, operated 20 stores in the Chicago and Detroit areas, and the Filene's Basement division, an off-price, specialty retailer, operated 22 stores in 7 eastern states. These 232 stores occupied in the aggregate 3,157,000 square feet of floor area.

Supermarkets

The Ralphs division operated 129 supermarkets at the Company's year end in southern California together with related food processing facilities. These stores occupied in the aggregate 5,366,000 square feet of floor area.

Segment Information

Information concerning the identifiable assets, capital expenditures, depreciation and amortization expense, inventories, operating profit and sales of the department stores, mass merchandising stores, other stores and supermarkets of the Company for each of the last three years is set forth under Note 14 to the consolidated financial statements on page F-18 of this report.

Central Office

The central office of the Company in Cincinnati makes available extensive advisory services to each of its divisions. These services include forecasts of economic conditions, policies with respect to store organization and executive personnel functions, financial and accounting policies and procedures, tax, legal and insurance assistance, real estate development, utilization of electronic systems, and special research studies such as those involving trends and new developments in consumer credit. Federated Merchandising Services in New York City provides buying services for the Company's divisions.

Item 2. Properties.

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

(square feet in thousands)	January 31, 1988	January 31, 1987	January 31, 1988	January 31, 1987
	Units	Gross Space	Units	Gross Space
Abraham and Straus	14	5,344	15	5,578
Bloomingdale's	16	4,285	16	4,269
Bullock's/Bullocks Wilshire	29*	5,011	28	4,805
Burdines	29	5,039	29	5,069
Filene's	18	2,278	16	2,117
Folcy's	38	8,202	37	8,003
Goldsmith's	6	1,338	6	1,338
Lazarus	43**	8,268	32	7,385
I. Magnin	25	1,797	26	1,828
Rich's	20	<u>4,878</u>	20	<u>4,878</u>
Total Department Stores	<u>238</u>	<u>46,440</u>	<u>225</u>	<u>45,270</u>
Mass Merchandising - Gold Circle	76	<u>8,239</u>	76	<u>8,239</u>
Supermarkets - Ralphs	129	<u>5,366</u>	127	<u>5,324</u>
The Children's Place	190	911	166	880
Filene's Basement	22	796	22	801
MainStreet	20	<u>1,450</u>	15	<u>1,088</u>
Total Other Stores	<u>232</u>	<u>3,157</u>	<u>203</u>	<u>2,769</u>
Total	<u>675</u>	<u>63,202</u>	<u>631</u>	<u>61,602</u>

* Excludes 3 small Bullock's Woman apparel specialty stores.

** Includes 9 stores obtained in the acquisition of Block's, Inc.

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

At January 30, 1988, of the 238 department stores, 144 are entirely or mostly owned, and 94 are entirely or mostly leased. Of the 76 mass merchandising stores, 45 are entirely or mostly owned and 31 are entirely or mostly leased. Of the Company's 232 other stores, 8 are entirely or mostly owned and 224 are entirely or mostly leased. Of the 129 supermarkets, 33 are entirely or mostly owned and 96 are entirely or mostly leased.

Item 3. Legal Proceedings.

The Company is the defendant in a number of legal proceedings involving claims for money damages arising in the ordinary course of business which are either covered by insurance or are within the Company's self-insurance program, and in a number of other proceedings otherwise not deemed material by counsel for the Company.

In addition, a number of lawsuits against or affecting the Company, have been filed in connection with the tender offer by CRTF, a wholly owned subsidiary of Campeau, commenced January 25, 1988, as amended

(the "Campeau Offer"), the tender offer of FDS commenced March 8, 1988, as amended (the "Macy Offer") and the agreement by the Company to enter into a merger with Macy (which agreement was later terminated). These include suits by CRTF challenging certain actions taken by the Company and challenging certain state takeover statutes. Pursuant to the Settlement Agreement and the Merger Agreement the Company and CRTF have agreed to dismiss with prejudice all litigation and claims currently pending between them and their affiliates.

Class and Derivative Actions

Since the commencement of the Campeau Offer, 17 purported class actions have been brought against the Company and its directors in the Delaware Court of Chancery in and for New Castle County (the "Delaware Court") by alleged stockholders of the Company.* On February 5, 1988, an alleged stockholder of the Company filed a purported derivative action in the Delaware Court against the Company and certain members of the Board of Directors entitled *Rodenburg v. Beers, et al.*, Civ. Action No. 9628 (Del. Ch.). An order has been entered consolidating the 17 class actions and the derivative action filed in the Delaware Court. A consolidated amended and supplemental class action complaint has been filed (the "Supplemental Complaint") and plaintiffs have moved to take expedited discovery. The Supplemental Complaint alleges that the Company and its directors breached their fiduciary duties (1) by entering into a merger agreement with Macy, (2) by agreeing to pay certain fees to Macy, (3) by failing to conduct a sufficient study of the value of the Macy proposal and (4) by failing to disclose material facts relating to the Macy transaction. The Supplemental Complaint seeks damages, an injunction against the Rights Agreement dated as of January 23, 1986, as amended, between the Company and Manufacturers Hanover Trust Company as Rights Agent (the "Rights Agreement"), and the then-proposed combination between the Company and Macy, and a declaration that the challenged fees are invalid. The Company and the individual defendants have answered the Supplemental Complaint by denying its material allegations and asserting various affirmative defenses.

On March 18, 1988, a purported class action entitled *Shirley Price, et al. v. R.H. Macy & Co., Inc., et al.*, Civ. Action No. 9724 (Del. Ch.), was filed in the Delaware Court. The complaint in that action (the "Price Complaint") purports to supplement the Supplemental Complaint. The Price Complaint alleges that the Company's Board of Directors breached its fiduciary duty to plaintiffs by depriving the Company's stockholders of the opportunity to maximize the value of their shares. Specifically, the Price Complaint seeks to enjoin the March 14, 1988 Asset Option Agreement between the Company and Macy, the Macy Offer and the then-proposed combination between the Company and Macy. The Price Complaint also requests that, if the Macy Offer has been consummated, that it and the Asset Option Agreement be rescinded.

On February 12, 1988, other alleged stockholders of the Company filed a purported derivative action in the United States District Court for the Southern District of Ohio against the Company and its Board of Directors, captioned *Rodney B. Shields, et al. v. Federated Department Stores, Inc., et al.*, Civ. Action No. C-1-88-0153. On March 22, 1988, plaintiffs filed an amended complaint alleging that the individual defendants breached their fiduciary duty to the Company through various actions associated with amending the Rights Agreement, in failing to negotiate meaningfully with Campeau, and in entering into a merger agreement with Macy and related transactions. Plaintiffs request compensatory and special damages in an amount of at least

* *Price v. Federated Department Stores, Inc., et al.*, Civ. Action No. 9590; *Kahn v. Federated Department Stores, Inc., et al.*, Civ. Action No. C-9591; *Solash, et al. v. Caldwell, et al.*, Civ. Action No. 9596; *Steiner v. Federated Department Stores, Inc., et al.*, Civ. Action No. 9597; *Greenfield v. Federated Department Stores, Inc., et al.*, Civ. Action No. 9598; *Kahn v. Federated Department Stores, Inc., et al.*, Civ. Action No. 9599; *Hager v. Caldwell, et al.*, Civ. Action No. 9600; *Reznicek v. Federated Department Stores, Inc., et al.*, Civ. Action No. 9601; *Robinson v. Caldwell, et al.*, Civ. Action No. 9604; *Ziemak v. Federated Department Stores, Inc., et al.*, Civ. Action No. 9607; *Diskin v. Federated Department Stores, Inc., et al.*, Civ. Action No. 9613; *Behrens v. Federated Department Stores, Inc., et al.*, Civ. Action No. 9614; *International Apparel Associates v. Federated Department Stores, Inc., et al.*, Civ. Action No. 9617; *Cottle v. Goldfeder, et al.*, Civ. Action No. 9623; *Harris v. Federated Department Stores, Inc., et al.*, Civ. Action No. 9624; *Zarkower, et al. v. Federated Department Stores, Inc., et al.*, Civ. Action No. 9683; and *Jackson v. Caldwell, et al.*, Civ. Action No. 9589.

\$3,097,500,000. On April 4, 1988, the Company and the individual defendants answered the amended complaint by denying material allegations and by asserting various affirmative defenses.

The legal proceedings in connection with the Campeau Offer and the Macy Offer, in the opinion of management of the Company, will not have a material impact on the Company's financial position.

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

There were no matters submitted to the shareholders of the Company for a vote during the fourth quarter of the fiscal year ended January 30, 1988.

PART II

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

(a) Market Information

The common stock of Federated Department Stores, Inc. (\$1.25 par value) is listed on the New York Stock Exchange (trading symbol FDS) which is also the principal market on which the shares are traded.

The quarterly price range of Federated stock and dividends per share are shown on the following schedule:

Quarter	1987			1986		
	Stock Prices High	Low	Dividend Per Share	Stock Prices High	Low	Dividend Per Share
First.....	\$52	\$41 $\frac{1}{4}$	\$.37	\$41 $\frac{1}{4}$	\$32 $\frac{1}{4}$	\$.335
Second	58 $\frac{1}{2}$	40 $\frac{1}{4}$.37	44 $\frac{1}{4}$	36 $\frac{1}{4}$.335
Third	58 $\frac{1}{4}$	29	.37	48 $\frac{1}{4}$	38 $\frac{1}{4}$.335
Fourth	53 $\frac{1}{4}$	28 $\frac{1}{4}$.37	50 $\frac{1}{4}$	41 $\frac{1}{4}$.335
Year	<u>\58\frac{1}{2}$</u>	<u>\28\frac{1}{4}$</u>	<u>\$1.48</u>	<u>\50\frac{1}{4}$</u>	<u>\32\frac{1}{4}$</u>	<u>\$1.34</u>

Each share of the Company's common stock is accompanied by one-half of a Right to purchase one one-hundredth ($\frac{1}{100}$) of a share of preferred stock designated as Series A Junior Participating Preferred Stock at an exercise price of \$250 upon the terms and subject to the conditions set forth in the Rights Agreement. One million shares of the Company's authorized but unissued preferred stock have been set aside for issuance upon exercise of the Rights. The Rights may be exercised upon the occurrence of certain events specified in the Rights Agreement, including, among others, after the close of business on the tenth business day (or such later date as the Board may determine) after the commencement of a tender or exchange offer if, upon consummation thereof, the person making such offer (other than the Company and certain of its affiliates) would be the Beneficial Owner (as defined in the Rights Agreement) of 30% or more of the shares of the Company's common stock. The Rights, which do not have voting rights, expire on February 5, 1996, and may be redeemed by the Company at a price of \$.05 per Right at any time prior to ten days (or such longer period as the Board of Directors of the Company may determine) after the first date of a public announcement that any person (excluding the Company and certain of its affiliates) is the Beneficial Owner (as defined in the Rights Agreement) of 20% or more of the Company's outstanding common stock. Pursuant to the Campeau Merger Agreement, the Company, before consummation of the Campeau Offer, will take all necessary action to render the Rights inapplicable to the Campeau Offer and the resulting merger. The Rights Agreement and a summary description thereof are filed with the Securities and Exchange Commission.

Under certain circumstances, including among others, in the event that the Company is acquired in a merger or other business combination transaction which does not satisfy certain exceptions in the Rights Agreement, or a party acquires more than 15% of the Company's common stock and the Board of Directors determines that such an acquisition is made by an Adverse Person (as defined in the Rights Agreement), each

holder of a Right (other than the acquiring party in a merger or other Adverse Person) shall have the right to receive, upon exercise thereof at the then current exercise price, that number of shares of common stock (or, in certain circumstances, cash, property or other securities) of the surviving company which at the time of such transaction would have a value of two times the exercise price of the Right.

Under the terms of the Rights Agreement, the Rights could have detached as early as February 8, 1988, as a result of the commencement of the CRTF tender offer. See Item 12(c) herein. That date has been deferred from time to time by the Board of Directors or a committee thereof in accordance with the terms of the Rights Agreement. The Board of Directors on March 30, 1988, determined, to defer the date on which the Rights are to separate until 11:59 p.m., April 13, 1988, (or such later date as may be determined by the Board).

(b) Holders.

The approximate number of holders of the Company's common stock is 19,200. This includes as one shareholder the Company's Retirement Income and Thrift Incentive Plan, which had approximately 50,000 participants with the Company's common stock allocated to their accounts as of January 1, 1988.

(c) Dividends.

Information on the dividends paid by the Company in the last two years can be found in Item 5(a) above. Pursuant to the Campeau Merger Agreement, the Company may not declare its usual quarterly dividend for the first quarter of 1988.

Item 6. Selected Financial Data.

(dollars in millions, except per share figures)	January 30, 1988 (52 weeks)	January 31, 1987 (52 weeks)	February 1, 1986 (52 weeks)	February 2, 1985 (53 weeks)	January 28, 1984 (52 weeks)
Income Statement Data:					
Net sales	\$11,117.8	\$10,512.4	\$ 9,978.0	\$ 9,672.3	\$ 8,689.6
Depreciation and amortization	280.7	255.6	230.6	221.1	206.2
Interest expense — net	104.6	79.8	86.4	110.3	100.3
Income before income taxes and extraordinary item	530.0	567.0	533.7	533.4	601.0
Income before extraordinary item	313.0	301.9	286.6	329.3	338.1
Net income	313.0	287.6	286.6	329.3	338.3
Earnings per Share of Common Stock:					
Income before extraordinary item	3.40	3.12	2.94	3.38	3.48
Net income	3.40	2.97	2.94	3.38	3.48
Fully Diluted Earnings per Share:					
Income before extraordinary item	3.32	3.05	2.87	3.30	3.39
Net income	3.32	2.91	2.87	3.30	3.39
Other Data:					
Sales percent increase	5.8%	5.4%	3.2%	11.3%	12.9%
Comparable stores sales percent increase	2.3%	2.4%	2.9%	7.9%	6.7%
Cash dividends per share of common stock	\$ 1.48	\$ 1.34	\$ 1.27	\$ 1.20	\$ 1.10
Balance Sheet Data at year end:					
Working capital	1,447.1	1,495.6	1,535.7	1,307.6	979.2
Total assets	6,008.7	5,687.7	5,355.6	5,271.4	4,901.3
Notes payable and long-term debt due within one year	399.6	240.1	42.8	315.4	322.5
Long-term debt	956.6	791.9	781.5	710.7	631.5
Shareholders' equity	1,629.1	2,662.6	2,707.3	2,544.1	2,333.4

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

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

Earnings for 1987 were \$313.0 million, or \$3.40 per share, compared to \$287.6 million, or \$2.97 per share, in 1986, including an extraordinary expense item. Net earnings for 1986 were \$301.9 million, or \$3.12 per share, excluding the extraordinary item. The extraordinary item is discussed further under Liquidity and Capital Resources.

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

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

Earnings for 1985 of \$286.6 million, or \$2.94 per share, reflected a gain of \$6.6 million, after income taxes, on the sale of the Boston Store division and an after-tax expense of \$23.9 million for the merger of two department store divisions, the merger of two mass merchandising divisions and the reorganization or regionalization of certain corporate office and divisional functions.

Sales for the 52 weeks ended January 30, 1988, increased 5.8%. Sales for the 52 weeks ended January 31, 1987, had increased 5.4% compared to the 52 weeks ended February 1, 1986. Consolidated 1985 sales include the Boston Store division's results until its sale in March 1985 and mass merchandising operations in Pennsylvania until closed in January 1986. If sales of the Boston Store division and mass merchandising operations in Pennsylvania were excluded from 1985, the year-to-year increase would have been 6.2% for 1986. Sales increases in the two most recent years reflect investment in new and expanded stores and the effects of inflation (which is estimated at 2.8% and 1.2%, respectively, for these two years).

Department Stores' sales increased 4.5% in 1987, compared to a 4.3% increase the year before. Excluding sales of the Boston Store division from 1985, the Department Stores' sales increase would have been 4.6% in 1986. Comparable stores sales increases were 2.5% in 1987 and 2.3% in 1986. Operating profit of the Department Stores segment was \$578.7 million in 1987, \$628.7 million in 1986 and \$621.9 million in 1985. In 1987, the Company added seven new department stores and closed three department stores. An additional 12 department stores were added in June 1987, as a result of the acquisition of Block's, Inc.; three of which were subsequently closed. In 1986, the Company added 10 new department stores and closed two department stores.

The Mass Merchandising Stores' sales increased .9% in 1987, compared to an 8.4% decrease in 1986. Excluding sales of mass merchandising operations in Pennsylvania from 1985, the Mass Merchandising Stores sales decrease would have been 2.9% in 1986. Comparable stores sales for the Mass Merchandising Stores increased .9% in 1987 and decreased 2.8% in 1986. Mass Merchandising Stores' operating profit was \$36.7 million in 1987, \$31.8 million in 1986 and \$39.6 million in 1985. In 1987 and 1986, there was no change in the number of mass merchandising stores.

Sales of Supermarkets increased 10.0% in 1987 and 12.8% in 1986. Comparable stores sales increases for Supermarkets were 2.0% in 1987 and 6.1% in 1986. Supermarkets' operating profit was \$111.7 million in 1987, \$59.2 million in 1986 and \$58.7 million in 1985. In 1987, four new supermarkets were opened and 2 were closed. In 1986, 13 new supermarkets were opened and 18 older and smaller supermarkets were closed.

Sales of Other Stores increased 14.3% in 1987 and 24.0% in 1986. Comparable stores sales increases for Other Stores were 3.1% in 1987 and 1.4% in 1986. The Other Stores segment reflected operating losses of \$19.7 million in 1987, \$6.9 million in 1986 and \$9.5 million in 1985. In 1987, 30 new Other Stores were opened and one was closed. In 1986, 22 new Other Stores were opened and three were closed.

Consolidated cost of sales, including occupancy and buying costs, as a percent of sales for 1987, 1986 and 1985, was 73.7%, 73.2% and 73.3%, respectively.

Selling, publicity, delivery and administrative expenses as a percent of sales were 20.3%, 20.0% and 19.7% for 1987, 1986 and 1985, respectively.

Depreciation and amortization expense was \$280.7 million in 1987, compared to \$255.6 million in 1986 and \$230.6 million in 1985. Advertising expense amounted to \$345.9 million in 1987, \$321.3 million in 1986 and \$303.3 million in 1985.

Provision for doubtful accounts was \$45.9 million in 1987, \$50.6 million in 1986 and \$45.6 million in 1985. Credit sales made through the division's credit plans increased .2% compared to a .8% increase in 1986.

Interest expense was \$104.6 million in 1987, compared to \$79.8 million in 1986 and \$80.4 million in 1985. The increase in interest expense from 1986 to 1987 is primarily due to higher levels of borrowing relating to the repurchase and retirement of 9.5 million shares of the Company's common stock.

Provision for income taxes was \$217.0 million in 1987, \$265.1 million, excluding an extraordinary expense item in 1983 and \$247.1 million in 1985. In addition to the previously mentioned reduction in the statutory federal income tax rate, see Note 9 on page F-10 for a discussion of effective tax rates.

Accounting for Income Taxes: Statement of Financial Accounting Standards ("SFAS") No. 96, Accounting for Income Taxes, issued in December 1987, contains significant changes to current accounting practice. Most significantly, this statement requires deferred income taxes to be determined based on the enacted income tax rates for the years in which these taxes will be payable or refundable. The Company plans to adopt this statement on a prospective basis for the fiscal year ended February 3, 1990, as required. While the impact of SFAS No. 96 will increase net income in the year of adoption, the amount cannot reasonably be estimated at this time.

Insurance: It has been the Company's policy to purchase insurance to protect the assets and shareholders' equity against unusual and catastrophic losses. Although some risks, such as war and terrorism, are not insurable, most other risks have been insured, consistent with exposure and costs.

Availability of certain lines of coverage is limited and costs have escalated significantly. In particular, the availability of earthquake coverage for California locations has been reduced sharply and the costs have become prohibitive. After an in-depth study, management has concluded that it is not in the shareholders' interest to purchase earthquake insurance for California locations at this time. The issue will continue to be reviewed on an ongoing basis.

Liquidity and Capital Resources

At year-end, notes payable and long-term debt due within one year were \$399.6 million. Total debt at year-end was \$1,356.2 million, compared to \$1,032.0 million at year-end 1986.

It is the Company's policy to finance fixed capital and base level working capital with long-term debt and to reserve short-term debt for seasonal working capital needs. During 1987, the Company issued \$200.0 million, 9 1/2% Notes due 1992, as part of a shelf registration statement filed on January 15, 1987, with the Securities and Exchange Commission for up to \$500.0 million of debt securities. At January 30, 1988, \$300.0 million of debt securities remain available for issuance under the 1987 shelf registration statement.

Bank short-term credit lines aggregating \$670.0 million were available at year end. On March 25, 1988, the Company entered into a \$1.2 billion credit facility with a group of banks led by Manufacturers Hanover Trust Company to replace its existing credit lines. The proceeds of the credit facility are to be used for general corporate purposes, including the refinancing of commercial paper and other short-term indebtedness and the payment of certain costs related to tender offers for the Company, including amounts which will become payable in connection with certain employee benefit plans. The credit facility is secured by certain retail accounts receivable and must be repaid on the earlier of March 22, 1989, or upon the consummation of a merger involving the Company.

During 1986, the Company issued \$100.0 million, 9 1/4% Sinking Fund Debentures due 2016 and \$200.0 million 7 1/4% Notes due 1996, as part of shelf registration statements filed with the Securities and Exchange Commission in 1982 and 1986, respectively.

In order to reduce future interest expense, in the third quarter of 1986, the Company took advantage of currently favorable interest rates by repurchasing \$160.3 million of 10 1/4% Sinking Fund Debentures due 2010, \$86.1 million of 10 1/4% Sinking Fund Debentures due 2013, \$28.0 million of 11% Euronotes due 1990 and \$22.6 million of 10 1/4% Euronotes due 1995. These repurchases resulted in an extraordinary loss of \$14.3 million, net of income tax benefit of \$14.5 million.

Item 8. Financial Statements and Supplementary Data.

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

<u>Index</u>	<u>Page Number</u>
Management's Report	F-1
Report of Independent Certified Public Accountants	F-2
Consolidated Statement of Income	F-3
Consolidated Balance Sheet	F-4
Consolidated Statement of Changes in Financial Position	F-5
Notes to Consolidated Financial Statements	F-6 to F-20

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

There have been no changes in or disagreements with the Company's accountants on accounting and financial disclosure.

PART III

Item 10. Directors and Executive Officers of the Registrant.

Directors of the Registrant(1)

CHARLOTTE BEERS, 52, Chairman and Chief Executive Officer, Tatham-Laird & Kudner.

Mrs. Beers joined Tatham-Laird & Kudner (advertising) in 1979, and was named Chief Operating Officer in 1980, Chief Executive Officer in 1982, and Chairman in 1986. Prior to that, she was with J. Walter Thompson where she began her career as an account representative in 1969. In 1970, she became a Vice President and in 1973, a Senior Vice President of J. Walter Thompson.

Member:

Nominating Committee

First became a director: 1980

Executives Deferred

Shares owned: 200

Compensation Plan and

Retirement Plans Committee

JOHN W. BURDEN III, 51, Vice Chairman of the Board of the Company

Mr. Burden joined the Company in 1971, as Division Merchandise Manager of the Burdines division. He became Vice President and General Merchandise Manager in 1973, Executive Vice President in 1976, and President in 1978. He became Chairman and Chief Executive Officer of the Abraham & Straus division in

1981(2). In 1985, he was elected a Vice Chairman and director of the Company. Prior to joining the Company, Mr. Burden spent twelve years at Bamberger's.

First became a director: 1985
Shares owned: 7,856

PHILIP CALDWELL, 68, Senior Managing Director of Shearson Lehman Hutton, Inc. and Former Chairman of the Board and Chief Executive Officer of Ford Motor Company.

Mr. Caldwell joined Shearson Lehman Brothers, Inc. (now Shearson Lehman Hutton, Inc.) (3) in 1985, shortly after his retirement following a 32 year career at Ford Motor Company. He served as Chief Executive Officer of Ford from 1979 to 1985. He is a director of Ford Motor Company, Digital Equipment Corporation, Kellogg Company and Shearson Lehman Hutton, Inc.

Member:

Audit Committee
Executive Deferred
Compensation Plan and
Retirement Plans Committee

First became a director: 1984
Shares owned: 400

ROBERT A. CHARPIE, 62, Chairman and a Director of Cabot Corporation.

Mr. Charpie was President of Cabot Corporation, a producer of chemicals, metals, oil and gas, from 1969 to 1986. In 1986, he was elected Chairman of the Corporation. He is a director of Champion International Corporation, Northwest Airlines, Inc. and Schlumberger Limited.

Member:

Audit Committee
Nominating Committee

First became a director: 1984
Shares owned: 2,000

JAMES L. FERGUSON, 62, Chairman of the Executive Committee of General Foods Corporation.

After joining General Foods in 1963, Mr. Ferguson held several marketing posts and was named General Manager of the Birds Eye division in 1967. He was elected a Vice President of General Foods in 1968; Group Vice President in 1970; and Executive Vice President in April 1972. He became President, Chief Operating Officer, and a director of General Foods in 1972; Chief Executive Officer in 1973; and Chairman in 1974. He became Vice Chairman and director of Philip Morris Companies Inc. in 1985. In 1987, he relinquished his position as Vice Chairman of Philip Morris Companies Inc. He is also a director of The Chase Manhattan Corporation, The Chase Manhattan Bank, N.A.(3) and Munsford Inc.

Member:

Audit Committee
Stock Option and Management
Compensation Review Committee

First became a director: 1979
Shares owned: 800

HOWARD GOLDFEDER, 61, Chairman of the Board and Chief Executive Officer of the Company.

Mr. Goldfeder first joined the Company at the Bloomingdale's division in 1947. From 1967 to 1971, he was with the May Department Stores Company. In 1971, he rejoined the Company as President of the Bullock's division and in 1973, he became its Chairman. He was elected a Vice President of the Company in 1976, Vice Chairman in 1977, and President in 1980. He became Chief Executive Officer of the Company in 1981, and was elected Chairman of the Board of the Company in 1982. He is a director of Connecticut Mutual Life Insurance Company, J.P. Morgan & Co. Incorporated and Morgan Guaranty Trust Company of New York(3).

Member: Executive Committee	First became a director: 1976 Shares owned: 11,301
HOWARD W. JOHNSON, 65, Honorary Chairman of The Corporation of the Massachusetts Institute of Technology.	
Mr. Johnson became President of M.I.T. in 1966, Chairman in 1971, and Honorary Chairman in 1983. He is a director of E.I. duPont de Nemours and Company, John Hancock Mutual Life Insurance Company, J.P. Morgan & Co. Incorporated, Morgan Guaranty Trust Company of New York(3) and Champion International Corporation.	
Member: Nominating Committee Stock Option and Management Compensation Review Committee	First became a director: 1966 Shares owned: 1,617
REGINALD H. JONES, 70, Retired Chairman of the Board, General Electric Company.	
Mr. Jones joined General Electric in 1939. He was elected a Vice President of the General Electric Company in 1961. In 1968, he was elected Vice President-Finance, in 1970, a Senior Vice President, and in 1972, he was successively elected Vice Chairman, President, and Chairman and Chief Executive Officer. He retired from General Electric in 1981. He is a director of ABA Ltd., General Re Corporation, General Signal Corporation, Bethlehem Steel Corporation and McGraw-Hill Inc.	
Member: Audit Committee Stock Option and Management Compensation Review Committee	First became a director: 1980 Shares owned: 400
DANIEL W. LeBLOND, 61, Chairman of the Board, LeBlond Makino Machine Tool Company.	
Mr. LeBlond became Chairman of the Board of Directors of the LeBlond Makino Machine Tool Company (manufacturer of machine tools and flexible manufacturing systems), formerly LeBlond Incorporated, in 1984. Mr. LeBlond began his career with LeBlond Incorporated in 1949, and was elected to its Board of Directors in 1956. He became Vice President and General Manager in 1962, and President in 1965. Mr. LeBlond is a director of Eagle-Picher Industries, Inc. and The Ohio National Life Insurance Company.	
Member: Executive Committee Audit Committee Executives Deferred Compensation Plan and Retirement Plans Committee	First became a director: 1975 Shares owned: 800
NORMAN S. MATTHEWS, 55, President and Chief Operating Officer of the Company.	
Mr. Matthews joined the Company in 1978, as President of Gold Circle. He became Chairman of Gold Circle in 1980, was elected an Executive Vice President of the Company in 1982, Vice Chairman of the Board in 1984, and President and Chief Operating Officer effective March 1987. Prior to joining the Company, Mr. Matthews was for five years a Senior Vice President and General Merchandise Manager of Korvettes Department Stores in New York. He is a director of Progressive Corporation.	
Member: Executive Committee	First became a director: 1984 Shares owned: 4,500

G. WILLIAM MILLER, 63, Chairman of the Board, G. William Miller & Co., Inc.

G. William Miller & Co., Inc. (merchant banking) was formed, and Mr. Miller became its Chairman in 1982. Mr. Miller was Secretary of the Treasury of the United States from August 1979, to January 1981, and Chairman of the Federal Reserve Board from March 1978, to August 1979. Prior to that he was Chairman of the Board of Textron Inc., a diversified manufacturing company. Mr. Miller was a director of the Company from December 1976, until March 1978, when he became Chairman of the Federal Reserve Board. He rejoined the Board in February 1981. He is also a director of Private Satellite Network, Inc., Repligen Corporation, Georgetown Industries, Inc., International Power Machines Corporation, Kleinwort Benson Australian Income Fund, Inc. and Harman International Industries, Incorporated.

Member:

Stock Option and Management
Compensation Review
Committee
Executive Deferred
Compensation Plan and
Retirement Plans Committee

First became a director: 1976; 1981
Shares owned: 1,000

PETER G. PETERSON, 61, Chairman, The Blackstone Group.

Mr. Peterson became the Chairman of The Blackstone Group, a private investment banking firm in 1985. Prior to that he had been Chairman of the Board of Lehman Brothers and its successor firm, Lehman Brothers Kuhn Loeb Incorporated, a position he held since 1973, after having served first on the White House staff as Assistant to the President for Economic Affairs and later as Secretary of Commerce. Prior to that he was Chairman and Chief Executive Officer of Bell & Howell Co. He is a director of Minnesota Mining & Manufacturing Company, Rockefeller Center Properties, Inc. and Le Peep Restaurants, Inc.

Member:

Stock Option and Management
Compensation Review
Committee
Nominating Committee

First became a director: 1973
Shares owned: 400

ALLEN I. QUESTROM, 48, Vice Chairman of the Board of the Company.

Mr. Questrom began his career with the Company in 1965, when he joined the Abraham and Straus division. In 1973, he moved to the Bullock's division as Vice President and was later promoted to Executive Vice President. He became President of the Rich's division in 1978, and its Chairman in 1980. Mr. Questrom became Chairman of the Bullock's division in 1984, and in March 1987, he also became Executive Vice President of the Company. On January 28, 1988, he was elected Vice Chairman of the Board of the Company.(2)

First became a director: January 28, 1988
Shares owned: 7,244

WILL M. STOREY, 56, Vice Chairman of the Board of the Company.

Mr. Storey joined the Company as a Vice Chairman and director in 1982. Prior to joining the Company, Mr. Storey was an Executive Vice President and Chief Financial Officer of Boise Cascade Corporation, a position he held since 1977. He joined Boise Cascade in 1963, and was named President of Boise Southern Company, a joint venture, in 1968. Three years later he became Director of Realty Financing for Boise Cascade Corporation and in 1972, a Vice President and its Controller, and in 1974, he was promoted to Senior Vice President and Chief Financial Officer.

Member: First became a director: 1982
Executive Committee Shares owned: 2,232

MARVIN S. TRAUB, 63, Chairman and Chief Executive Officer, Bloomingdale's division of the Company.

Mr. Traub began his career with the Company in 1950, when he joined the Bloomingdale's division. He became Executive Vice President of the Bloomingdale's division in 1962, President in 1969, and Chairman in 1978. He was elected a Vice President of the Company in 1978.

First became a director: 1979
Shares owned: 27,456

CLIFTON R. WHARTON, JR., 61, Chairman and Chief Executive Officer of Teachers Insurance and Annuity Association -- College Retirement Equities Fund.

Dr. Wharton became the Chancellor of the State University of New York System in 1978, after serving as the President of Michigan State University from 1970 through 1978. Dr. Wharton assumed his present position with Teachers Insurance and Annuity Association -- College Retirement Equities Fund in February 1987. He is a director of the Ford Motor Company, Time Incorporated and is the former Chairman of the Rockefeller Foundation.

Member: First became a director: 1985
Nominating Committee Shares owned: 400
Executives Deferred
Compensation Plan and
Retirement Plans Committee

KATHRYN D. WRISTON, 49, Director of various corporations.

Mrs. Wriston is a member of the Bar of the State of New York and practiced law with the New York firm of Shearman & Sterling from 1963 to 1968. She is a director of Santa Fe Southern Pacific Corporation and a trustee of Northwestern Mutual Life Insurance Company.

Member: First became a director: 1975
Executive Committee Shares owned: 1,000
Executives Deferred
Compensation Plan and
Retirement Plans Committee
Audit Committee

- (!) Included in some instances are shares held in the names of spouses or children sharing the same home as the director or shares held of record by the director as trustee of trusts for the benefit of children, as to which beneficial ownership is in each such case disclaimed by the director. Also included are the estimated number of shares in the following amounts credited to the accounts of officers and directors under the Company's Retirement Income and Thrift Incentive Plan which are deemed to be vested pursuant to that Plan as of December 31, 1987: Howard Goldfeder, 4,401; Norman S. Matthes, 3,2114; John W. Burden, 5,062; Allen I. Questrom, 2,614; Will M. Storey, 110; Marvin S. Traub, 20,970; and all officers and directors as a group (including the above persons), 45,681. Not included are shares which such persons have the right to acquire through the exercise of stock options granted by the Company. For further information concerning outstanding stock options see the table on page 21. In total, the above directors do not own beneficially more than .08% of the Company's outstanding common stock. Teachers Insurance and Annuity Association-College Retirement Equities Fund of which Dr. Wharton is the Chairman and Chief Executive Officer owned 1,278,400 shares of the Company's common stock as of February 3, 1988. Dr. Wharton disclaims beneficial ownership of these shares.

- (2) Mr. Burden remains indebted to the Company in the amount of \$382,500 for the proceeds of an unsecured loan in the amount of \$425,000 made to him by the Company in 1981, in connection with his relocation from Miami, Florida to New York. The note, originally interest-free, was amended in October 1987, to bear interest at the rate of 7 1/4% per annum. Under that note \$42,500 of principal is forgiven as of February 1 of each year commencing February 1, 1988, so long as he is an employee of the Company. The Company made loans in the amount of \$638,000 to Mr. Questrom in connection with his relocation from Atlanta, Georgia to California. A loan in the amount of \$600,000 bears interest at 6% per annum and requires a payment to the Company of 40% of the net appreciation value, if any, that Mr. Questrom will realize upon the sale of his California home. The loan was secured by an interest in his home.
- (3) The Company and certain subsidiaries in the ordinary course of business have banking transactions with The Chase Manhattan Bank, N.A., of which Mr. Ferguson is a director, and Morgan Guaranty Trust Company of New York, of which Mr. Goldseder and Mr. Johnson are directors. Shearson Lehman Hutton, Inc., of which Mr. Caldwell is Senior Managing Director, performs investment banking services for the Company on an ongoing basis in the ordinary course of business. Shearson Lehman Hutton, Inc. has acted as a financial advisor to the Company in connection with the proposed acquisition of the Company by Campeau, for which assistance Shearson Lehman Hutton, Inc. will be paid a transaction fee.

Executive Officers of the Registrant.

<u>Name</u>	<u>Title</u>	<u>Age</u>
Howard Goldseder	Chairman of the Board and Chief Executive Officer	61
Norman S. Matthews	President and Chief Operating Officer	55
John W. Burden III	Vice Chairman of the Board	51
Allen I. Questrom	Vice Chairman of the Board	43
Will M. Storey	Vice Chairman of the Board	56
Thomas G. Cody	Senior Vice President	46
Russell S. Davis	Senior Vice President	52
James M. Leahy	Senior Vice President and Treasurer	61
Daryl K. Mangan	Senior Vice President	44
Avner M. Porat	Senior Vice President	48
Phyllis S. Sewell	Senior Vice President	57
Boris Auerbach	Vice President and Secretary	56
Dennis J. Broderick	Vice President	39
Jack Brown	Vice President and Controller	48
Walter A. Couper	Vice President	53
Samuel E. Dyer	Vice President	62
H. Stewart Rose	Vice President	54
Paul P. Thiemann	Vice President	60
Marvin S. Traub	Vice President	63

The principal occupation and employment of the officers listed above has remained unchanged for the last five years except as set forth below.

Mr. Matthews was elected an Executive Vice President of the Company in 1982, a Vice Chairman of the Board of the Company in 1984, and President and Chief Operating Officer in 1987. Mr. Burden was promoted in 1985 from Chairman of the Abraham and Straus division to Vice Chairman of the Board of the Company. Mr. Questrom moved in 1984 from Chairman of the Rich's division to Chairman of the Bullock's/Bullocks Wilshire division. In 1987, he assumed the additional duties of Executive Vice President of the Company and

was elected a Vice Chairman of the Board effective January 28, 1988. Mr. Davis served as Vice President for Strategic Planning for Union Pacific Corporation from 1980, through 1984, when he joined the Company as Senior Vice President. Mr. Leahy was promoted from Vice President and Treasurer to Senior Vice President and Treasurer in 1986. In 1982, Mr. Mangan became Operating Vice President - Real Estate, in 1986, he was elected a Vice President, and effective August 1, 1987, he was elected a Senior Vice President. Mr. Porat joined the Company as Senior Vice President in 1985. He had been a General Partner of Hay Associates prior thereto. Mr. Broderick joined the Company in February 1987, as Vice President. From 1982, until he joined the Company, he was an attorney for Firestone Tire & Rubber Company where he rose to the level of Assistant General Counsel. Mr. Brown was elected Vice President and Controller in 1984. Prior to that he was Operating Vice President for Internal Audit.

Item 11. Executive Compensation

The following table sets forth the cash compensation for the fiscal year ended January 30, 1988, of the seven most highly compensated executive officers of the Company and of all executive officers as a group. Information is furnished only for those portions of the year during which such persons were executive officers.

<u>Name of Individual or Group</u>	<u>Capacities in which served during the period</u>	<u>Cash Compensation(1)</u>
Howard Goldfeder	Chairman of the Board of the Company	\$ 982,000
Norman S. Matthews	President and Chief Operating Officer of the Company	704,975
John W. Burden III	Vice Chairman of the Board of the Company	634,839
Donald J. Stone	Vice Chairman of the Board of the Company	674,500
Will M. Storey	Vice Chairman of the Board of the Company	622,400
Allen I. Questrom (2)	Executive Vice President and Chairman of Bullock's/Bullocks Wilshire	602,337
Marvin S. Traub	Vice President of the Company and Chairman of Bloomingdale's	596,627
Group (22)		\$7,798,669

(1) Includes amounts deferred during the fiscal year pursuant to the Company's Executives Deferred Compensation Plan, Officers Deferred Compensation Plan and under the Thrift Incentive portion of the Company's Retirement Income and Thrift Incentive program qualified under Section 401(k) of the Internal Revenue Code, installments paid during the year with respect to deferred cash awards previously made, and for certain officers certain amounts paid under the Company's moving and relocation policy.

(2) On January 28, 1988, Mr. Questrom was elected a Vice Chairman of the Board of the Company.

Employment Contracts and Arrangements. All of the executive officers of the Company named in the table hold employment contracts with the Company. The terms of all such contracts, unless renewed, end no later than April 30, 1991. Mr. Stone resigned as a Vice Chairman and Director of the Company effective January 28, 1988. An agreement with Mr. Stone provides that he will be a part-time employee rendering consulting services through July 31, 1989. Under employment contracts in effect on March 15, 1988, unless renewed, and assuming that all said contracts were in effect in the same year and for the entire year, the Company would make salary payments, including amounts deferred, to the executive officers named in the table as follows: Howard Goldfeder, \$850,000; Norman S. Matthews, \$625,000; John W. Burden III, \$525,000; Allen I. Questrom, \$515,000; Donald J. Stone, \$575,000; Will M. Storey, \$550,000; Marvin S. Traub, \$540,000 and to present executive officers, as a group, during their active employment of \$5,992,000 annually in the aggregate.

The employment contracts also provide for the payment of annual benefits upon retirement of the contract holders. In the case of Messrs. Howard Goldfeder, and Donald J. Stone, the annual retirement benefits are payable for life; in all other cases the allowance will be payable for a maximum of 10 years. The payment of retirement allowances is made upon termination of active employment or if the executive becomes incapacitated, subject to the terms and conditions set forth in the executive's contract. Each contract provides that in the event of the death of the executive while actively employed, or within a maximum period of 10 years after termination of active employment, the retirement allowance may continue to be paid to or for the benefit of his beneficiaries for a maximum period of 10 years in case of death during active employment and for the balance of a maximum period of 10 years after retirement in case of death after retirement subject to the terms and conditions set forth in the contract. The employment contracts of Mr. John W. Burden III and Mr. Will M. Storey provide that their retirement allowances would be paid in the actuarial equivalents of single lump sum payments that they would be entitled to under their severance agreements (which are described below) in accordance with the actuarial assumptions set forth in the Pension Plan (which is described on page 18) following a change in control of the Company if employment is terminated by the Company other than for "cause" or by the executive for "good reason", as such terms are defined in their severance agreements. The retirement allowances for the persons named in the table are as follows: Howard Goldfeder, \$100,000; Norman S. Matthews, \$50,000; John W. Burden III, \$65,000; Allen I. Questrom, \$35,000; Donald J. Stone, \$90,000; Will M. Storey, \$75,000; and Marvin S. Traub, \$65,000.

Under contracts in effect as of March 15, 1988, and assuming that all retirement payments thereunder were made at the same time, the Company will make payments to or for the benefit of present executive officers, as a group, of retirement allowances amounting to \$550,000 annually in the aggregate. Generally, the amounts of these retirement allowances are, however, subject to reduction based upon the amounts of retirement benefits the executive will receive pursuant to other Company retirement plans. In many cases dependent upon the executive's length of service, his retirement allowance will be completely eliminated. In the case of Mr. Storey he will receive as his retirement allowance under his employment contract an amount equal to the amount calculated under the Pension Plan and the Supplementary Executive Retirement Plan (which are described below) as if he had two years of credited service for each year of actual service minus the amounts he would have received under such Plans.

In 1985, the Company, with the authorization of the Board, entered into severance compensation agreements with Messrs. Goldfeder, Matthews, Stone, Storey and Burden. A similar agreement was entered into with Mr. Questrom in March, 1987. In addition severance agreements were entered into with two other executive officers. The severance agreements, which are designed to retain the services of such executives and to provide for continuity of management in the event of actual or threatened change in control of the Company (as defined in the severance agreements), provide that in the event of a change of control of the Company each such executive would have specific rights and receive certain benefits if after such change in control either the executive's employment were terminated by the Company without "cause" (defined in the agreement) or the executive were to terminate his employment for "good reason" as defined in the agreement. In such circumstances, the benefits would consist of a lump sum cash payment equal to the executive's (other than Mr. Stone's) then current salary (plus 2.0% to account for incentive compensation) for a period of three years less the period during which he remains employed after the change in control. The executive would not be entitled to receive payments under his employment agreement upon termination unless and to the extent that the period remaining under the employment agreement were greater than the period for which payments are being made under the severance agreement. In the case of Mr. Stone, his lump sum cash payment would be equal to his unpaid salary through July 31, 1989. Protection under insurance and welfare plans would continue for the period provided in the agreements and any executive then age 55 or more would have continued coverage under the Company's Senior Executive Medical Plan as if he had then retired. The Company would make an additional payment sufficient on an after-tax basis to satisfy any tax liability incurred by the executive under the "parachute" tax rules of the Internal Revenue Code. The Company has entered into Trust Agreements with The Central Trust Company as Trustee to fund the severance agreements. On February 3, 1988, the Trust Agreements were funded in an aggregate amount of \$28,351,131.

Deferred Cash Awards. The Stock Option and Management Compensation Review Committee of the Board of Directors from time to time makes awards of deferred cash bonuses to key executives. These awards

made before 1987 are generally payable in five equal installments beginning on the first or third anniversary of the date of grant of the award. Beginning in 1987 deferred cash awards are made payable three years from the award date and may increase or decrease substantially based upon a key executive's performance. In the event that an executive grantee voluntarily terminates employment with the Company (other than at normal retirement age), all installments of such award not yet due to be paid are forfeited. In the event of a change of control of the Company, all deferred cash awards will become immediately due and payable.

Deferred Compensation Arrangements. Pursuant to individual deferred compensation arrangements, the Company has agreed to defer payment of a portion of the compensation of three current and three retired employees, including Mr. John W. Burden III, who is entitled to receive a future payment totaling \$705,929. These arrangements provide for immediate payout upon a change in control of the Company.

Directors' Fees. Directors of the Company who are not also employees of the Company presently receive an annual directors' fee of \$20,000, \$500 for each meeting of the Board they attend, \$600 for each actual meeting of a committee of the Board and \$250 for each non-participatory committee meeting. Pursuant to their contracts with the Company, such directors may defer a portion or all of their fees under terms and conditions substantially similar to those of the Company's Executives Deferred Compensation Plan described below. Eight directors currently have such arrangements. In the event of a change in control of the Company, all amounts deferred under such arrangements become immediately payable.

Loans to Executives. The amount outstanding as of March 15, 1988, was \$982,500. For information on the loans to Mr. John Burden III, and Mr. Allen Questrom, see page 14.

Executives Deferred Compensation Plan. Through November 6, 1987, officers and directors who were employees of the Company could defer a portion of their annual compensation pursuant to the Company's Executives Deferred Compensation Plan. This plan, as revised and approved by the shareholders of the Company at their 1969 and 1975 annual meetings and as amended from time to time by the Board of Directors, still permits executives of divisions, subsidiaries and the central office of the Company who were not officers of the Company to elect, prior to the beginning of each calendar year, to defer a portion of their compensation instead of receiving it all currently in cash. The amount deferred may be as much as 35%, but always in multiples of 5% of their total compensation. The amounts so deferred are, at the executive's election, credited to him in stock credits or a combination of stock and cash credits. Distributions from the plan are made upon a participant's termination of service with the Company in a stated number of annual installments. In the event of a change of control of the Company, provisions have been made in the plan to provide for conversion of all stock credits into cash credits and to provide for immediate payment. The EDCP was also amended to provide for conversion of all stock credits into cash credits and to provide for immediate payment of amounts under the EDCP upon a designated change in circumstances, which shall be deemed to have occurred under the terms of the EDCP if Moody's Investors Services, Inc., or its successor, rates the Company's publicly held debt securities at less than investment grade. As of November 6, 1987, the officers of the Company were no longer allowed to participate in this Plan and all stock credits in their accounts were converted to cash credits based on the average price of the Company's stock computed on a daily basis on the ninety day calendar period immediately preceding November 6, 1987. The cash credits for the persons named in the table are as follows. Mr. Goldfeder, \$3,912,826; Mr. Matthews, \$592,631; Mr. Burden, \$422,329; Mr. Questrom, \$1,255,033; Mr. Storey, \$420,790; and Mr. Traub, \$2,483,997. The aggregate cash credits accumulated by officers and directors as a group from the inception of the plan through December 31, 1987, are \$15,281,730, and as to all employees \$149,592,751.

Officers Deferred Compensation Plan. Beginning January 1, 1988, officers of the Company may defer a portion of their annual compensation, including bonuses, pursuant to the Company's Officers Deferred Compensation Plan. The amount deferred may be as high as 17½% of the officer's total compensation or in lesser multiples of 5% of such compensation. If a participant voluntarily terminates his employment with the Company other than because of retirement, distribution of the cash credits in his account will be made in one installment. If his termination of employment is involuntary or is due to retirement, he will elect distribution of his cash credits in one, two, three, four or five approximately equal installments. In the event of a change of

control of the Company, or a designated change in circumstances provisions have been made in the plan to provide for immediate payment of all cash credits in the participants' accounts.

Senior Executive Medical Plan. The Company maintains a Senior Executive Medical Plan which provides for the reimbursement of substantially all of the medical expenses of eligible senior executives including the executive officers named in the table. During the fiscal year 75 senior executives participated in the plan and the cost of maintaining the plan per participant was \$12,696.

Executive Merchandise Purchase Discount Program. Many of the Company's divisions offer their employees a discount on the purchase of merchandise sold by the division. In addition, certain executives receive an additional discount based on total purchases made during the year. As a result of these discounts being considered imputed income under the Internal Revenue Code and the rules and regulations thereunder, the Company makes annual cash payments to eligible executives equaling all or a portion of the income tax liability arising as a result of the recognition of such imputed income. The total additional executive discounts and income tax liability payments made to executives with respect to the officers named in the table in 1987 were as follows: Howard Goldfeder, \$9,474; Norman S. Matthews, \$29,490; John W. Burden III, \$67,654; Allen I. Questrom, \$503; Donald J. Stone, \$4,333; Will M. Storey, \$14,978; and Marvin S. Traub, \$27,613; and with respect to officers and directors as a group were \$248,273.

Retirement Income and Thrift Incentive Program. The Company's Retirement Program is the Company's primary program for providing retirement benefits to employees. The principal components of this program include a defined benefit Pension Plan, a profit sharing savings plan and an employee stock ownership plan. These components are described below.

The Pension Plan (formerly called the Retirement Income Plan) is a defined benefit pension plan which was approved by the shareholders of the Company at their annual meeting on May 31, 1984, to be retroactively effective as of January 1, 1984.

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

Every employee of each of the Company's divisions (except Ralphs) who completes 1,000 hours of service during a twelve-month period may participate in the Pension Plan. As of January 1, 1988, approximately 70,000 employees participate in the Pension Plan.

Participants' interests in the Pension Plan are contingent and, effective April 1, 1988, vest upon completing five (5) years of service or age 65.

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

The Employee Retirement Income Security Act of 1974 ("ERISA") imposes certain maximums on the amount of retirement benefits that can be provided through a qualified plan such as the Pension Plan. In addition, under Internal Revenue Service requirements, compensation deferred pursuant to the Company's Executives Deferred Compensation Plan cannot be included in calculating a participant's benefits under the Pension Plan. To allow the Company's Retirement Program to provide benefits based on a participant's total compensation and total years of service, the Company adopted the Supplementary Executive Retirement Plan ("SERP") when it adopted the Pension Plan. This non-qualified unfunded plan which replaced the Company's prior Supplementary Retirement Plan, a similar plan which was in effect prior to adoption of the

Pension Plan, in part, provides to eligible executives, retirement plan benefits on compensation deferred under EDCP and benefits in excess of ERISA maximums, in each case based on the same formula contained in the Pension Plan. The SERP was amended, effective as of January 1, 1988, to provide that for one year following a change in control of the Company SERP participants whose employment is terminated for any reason other than by the Company for cause will not lose their benefits under the SERP should they make certain investments in, or render personal services to, a competitor of the Company. As of January 1, 1988, the approximate number of employees benefited under the terms of SERP is 1,200.

Assuming: (i) that a retiring participant elects a single life annuity distribution of his Retirement Profit Sharing Credits⁽¹⁾ and the annual payments under such distribution would not exceed the level set forth below and (ii) that the participant would not qualify to receive any additional benefits under the SRP transitional provisions⁽²⁾, then the following table shows the estimated annual benefits payable⁽³⁾ under the Pension Plan and SERP to persons retiring at their normal retirement age on January 1, 1988, in specified compensation and years of service classifications.

Final Average Annual Compensation for Highest 5 Consecutive of First 10 Years of Employment	Years of Credited Employment				
	10	15	20	25	30
\$ 25,000	\$ 2,222	\$ 3,333	\$ 4,445	\$ 5,556	\$ 6,667
50,000	5,972	8,958	11,945	14,911	17,917
100,000	13,472	20,208	26,945	33,681	40,417
200,000	28,472	42,708	56,945	71,181	85,417
300,000	43,472	65,208	86,945	108,681	130,417
400,000	58,472	87,708	116,945	146,181	175,417
500,000	73,472	110,208	146,945	183,681	220,417
600,000	88,472	132,708	176,945	221,181	265,417
700,000	103,472	155,208	206,945	258,681	310,417
800,000	118,472	177,708	236,945	296,181	355,417
900,000	133,472	200,208	266,945	333,681	400,417

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

Messrs. Goldfeder, Matthews, Burden, Questrom, Stone, Storey and Traub have completed 36, 9, 15, 22, 34, 5 and 36 years of credited service, respectively, and under the assumptions described above, their estimated annual retirement benefits at age 65 assuming their present salaries and the 1988 Social Security bendpoint remained unchanged would be \$370,102, \$114,832, \$223,359, \$226,561, \$253,561, \$113,078 and \$220,937, respectively.

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

All of the Company's employees who are eligible to participate in the Pension Plan, together with certain employees of the Ralphs division, may participate in the Thrift Incentive portion of RITI. As of January 1, 1988, approximately 70,000 employees were eligible to participate in the Thrift Incentive portion of RITI. As of this date, approximately 45,200 employees were contributing participants.

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

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

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

For 1987, it is estimated that there will be allocated by the Company to the Thrift Incentive accounts of executives named in the table the following amounts: Howard Goldseder, \$6,667; Norman S. Matthews, \$6,473; John W. Burden III, \$6,087; Allen I. Questrom, \$5,620; Donald J. Stone, \$6,380; Will M. Storey, \$6,469; and Marvin S. Traub, \$2,857; and to executive officers as a group, \$65,792, and to all participants, \$8,501,000.

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

The Employee Stock Ownership portion of RITI is an employee stock ownership plan under Section 409 of the Internal Revenue Code. All employees that participate in the Pension Plan participate. The Company's contribution to the plan is based on a percentage of the aggregate compensation of participants and is allocated equally among the participants. The tax credit available for contributions to the Employee Stock Ownership portion of RITI expired at the end of 1986, and the Company made no contributions thereto for 1987 and does not presently intend to make further contributions thereto.

Restricted Stock Grant Plan. This Plan, which is administered by the Stock Option and Management Compensation Review Committee of the Board, provides for the granting of restricted shares to key executive employees of the Company and its subsidiaries in order to provide them with a proprietary interest in the Company as incentive to promote the success of and to continue in the employ of the Company. Such shares are restricted in that for an initial period of one year, or such longer period as the Committee may designate, after the date of grant, the grantee is not permitted to pledge, encumber, sell or otherwise dispose of such shares, and they will be forfeited if the grantee terminates employment while the restrictions are in effect. Thereafter, generally the restrictions lapse as to 20% of the shares annually commencing with the first anniversary of the date of grant or such later anniversary date as designated by the Committee. In other circumstances the restrictions lapse 40% in three years and the remaining 60% in the following year. The restrictions also lapse upon death, permanent disability, retirement or upon a change in control of the Company. Subject to these restrictions, the grantee has all the rights of a shareholder including the right to receive dividends and to vote the shares. During the year ended January 30, 1988, no grants of shares were made to the individuals set forth in the table. During this period grants of 2,160 shares were made to executive officers as a group and grants of 54,654 shares were made to all employees, including officers. On March 30, 1988, the Board of Directors voted to vest all restricted shares in such employees.

Stock Options and Stock Appreciation Rights. Currently there are nonqualified stock options outstanding under stock option plans approved by the shareholders in 1975, 1976, 1980, and 1984. The Plans provide for such options to be granted at 100% of the fair market value of the Company's common stock (as defined in

the Plans) at date of grant and with an expiration no later than 10 years from the date of grant. Stock appreciation rights (SARs) may be granted only in connection with stock option rights, whether such stock option rights were previously granted or may be granted simultaneously with the grant of the SARs. SARs permit the optionee, in lieu of exercising the stock option, to receive the amount by which the fair market value of the stock subject to option exceeds the option exercise price on the date of exercise of the SARs. This amount may be paid in cash, the Company's common stock, or a combination of both, as the Committee of the Board administering the stock option plans determines. The Plans contain a provision whereby options outstanding for more than six months will become exercisable if one of the following events occurs: (i) a tender or exchange offer is made for the Company's common stock without the Board of Directors' authorization pursuant to which purchases are made; (ii) the stockholders of the Company approve a definitive agreement to merge or consolidate the Company with or into another corporation or to sell all or substantially all of the Company's assets or adopt a plan of liquidation; (iii) the Company becomes aware that any person or group within the meaning of Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934 has become the beneficial owner of more than 20% of the Company's outstanding stock; or (iv) individuals who were members of the Board of Directors cease to constitute at least a majority thereof as a result of a contested election.

The following table shows, as to certain executive officers of the Company and as to executive officers as a group for the period from February 1, 1987, to March 15, 1988, (excluding the period when not an officer), the following information with respect to stock options and SARs in tandem therewith (if any). (i) the title and aggregate amount of securities subject to options granted during the specified period, (ii) the average per share option exercise price thereof, (iii) the number of tandem rights granted during the specified period with respect to previously granted stock options, (iv) the net value of shares (market value less any exercise price) or cash realized during the specified period upon the exercise or realization of such options or rights granted during the specified period or prior thereof, and (v) the title and aggregate amount of securities subject to all such options or rights outstanding as of the end of the specified period. The title and aggregate amount of securities subject to tandem options granted during the specified period and outstanding at the end thereof are separately shown.

<u>Common Stock</u>	<u>Howard Goldfeder</u>	<u>Norman Matthews</u>	<u>John Burden III</u>	<u>Alles L. Questron</u>	<u>Donald Stone</u>	<u>Wilt M. Storey</u>	<u>Mervin Trush</u>	<u>All Executive Officers</u>
Granted 2/1/87 to 4/1/88:								
Number of options without tandem rights (SARs) . . .	0	0	0	0	0	0	0	0
Number of options with tandem rights (SARs) . . .	34,914	27,234	19,614	14,854	19,742	19,804	23,500	147,930
Average per share option price	\$ 48.172	\$ 48.194	\$ 48.128	\$ 48.170	\$ 48.123	\$ 48.120	\$ 47.313	\$ 47.940
Number of tandem rights (SARs) for prior options	0	0	0	20,750	0	0	0	20,750
Exercised 2/1/87 to 4/1/88:								
Net value realized in shares (market value less any exercise price) or cash . . .	\$1,015,398	\$436,071	\$342,283	\$ 0	\$435,808	\$ 69,375	\$211,430	\$4,256,502
Outstanding at 4/1/88:								
Number of options without tandem rights (SARs) . . .	0	0	0	0	0	0	0	0
Number of options with tandem rights (SARs) . . .	79,914	41,234	29,614	35,604	35,742	47,804	70,500	420,704

In addition, during the period employees (not including directors and officers) were granted options with respect to 640,184 shares at an average option price per share of \$46.921.

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

Employee Benefit Protection Program. The Company has adopted an Employee Benefit Protection Program which provides that in the event of an acquisition by any person of a 30 percent voting interest in the Company, all benefits provided to employees of the Company will be continued for three years at levels which are in the aggregate equivalent to those currently provided and that the Company will require any person entering into an agreement to acquire the Company to continue such benefits at such levels for such period.

For further amendments since the fiscal year ended January 30, 1988, to contracts, plans and arrangements maintained by the Company, and the treatment thereof pursuant to the Campau Merger Agreement see the response to Item 3 of the Company's Solicitation/Recommendation Statement on Schedule 14D-9 dated February 5, 1988, as amended through the date hereof, with respect to the Campau Offer as disclosed in a Tender Offer Statement on Schedule 14D-1 dated January 25, 1988, as amended through the date hereof.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

(a) Security ownership of certain beneficial owners.

<u>Title of Class</u>	<u>Name and Address</u>	<u>Number of Shares</u>	<u>Percent of Class</u>
Federated Department Stores, Inc. Common Stock, \$1.25 Par Value	Retirement Income and Thrift Incentive Plan of Federated Department Stores, Inc. 7 West Seventh Street Cincinnati, Ohio 45202	5,441,733 (*)	6.1%

(*) Held as of December 31, 1987, by the Boston Safe Deposit and Trust Company as Trustee of the Plan

(b) Security ownership of management.

The information called for by this item for the directors of the Company is set forth in Item 10 of this report and is incorporated herein by reference.

The officers and directors of the Company as a group (30 individuals) owned beneficially, as of March 15, 1988, 96,893 shares or approximately .1% of the Company's outstanding common stock. For further information concerning such ownership see Item 10 of this report which is incorporated herein by reference.

(c) Changes in control.

On January 25, 1988, CRTF commenced a tender offer to purchase all outstanding shares of the Company's common stock at a price of \$47 per share, net to the seller in cash. On April 1, 1988, the Board of Directors of the Company authorized the Company to enter into, and the Company subsequently did enter into, the Campau Merger Agreement, pursuant to which CRTF agreed to amend its cash offer price to \$73.50 per share. Any shares not tendered will be acquired by merger at the same \$73.50 per share. See Item 1 Business herein.

Item 13. Certain Relationships and Related Transactions.

(a) Transactions with management and others.

None.

(b) Certain business relationships.

The information called for by this item is set forth in footnote 3 to Item 10 of this report and is incorporated herein by reference.

(c) Indebtedness of management.

The information called for by this item is set forth in footnote 2 to Item 10 and "Loans to Executives" in Item 11 of this report and is incorporated herein by reference.

(d) **Transactions with promoters.**

None.

PART IV

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

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

(1) **Financial Statements.**

See Financial Statements Index on page 9 included in Item 8 of Part II of this Form 10-K, which is incorporated herein by reference.

(2) **Financial Statement Schedules**

	<u>Location in This Report</u>
Report of Independent Certified Public Accountants on Schedules	S-1
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 financial statements or the notes thereto.

(3) Exhibits

- 3.1 Restated Certificate of Incorporation as amended May 28, 1987 (Enclosed herewith)
- 3.2 By-laws as presently in effect (Enclosed herewith)
- 4.1 Rights Agreement between the Company and Manufacturers Hanover Trust Company, as Rights Agent, dated as of January 23, 1986 as amended (the "Rights Agreement") (Incorporated by reference to Exhibit I of the registrant's Form 8-K dated February 4, 1986, and to Exhibit 28 of the registrant's Form 8-K dated September 18, 1987, and to Exhibit 28 of the registrant's Form 8-K dated January 21, 1988)
- 10.1 1984 Stock Option Plan of the Company (Incorporated by reference to Exhibit C of the registrant's definitive proxy statement for its annual meeting held May 31, 1984, and Exhibit 10.1 of registrant's Form 10-K Annual Report for the year ended January 28, 1984)
- 10.2 1980 Stock Option Plan of the Company as amended (Incorporated by reference to Exhibit A of the registrant's definitive proxy statement for its annual meeting held May 29, 1980 and Exhibit 10.4 of registrant's Form 10-K Annual Report for the year ended January 30, 1982)
- 10.3 1976 Stock Option Plan of the Company (Incorporated by reference to Exhibit 3 of Registration Statement No. 2-58845)
- 10.4 Restricted Stock Grant Plan of the Company as amended (Incorporated by reference to Exhibit 1 of Registration Statement No. 2-68586 and Exhibit 10.4 of Registration Statement No. 2-12283)
- 10.5 Executives Deferred Compensation Plan of the Company as amended (Incorporated by reference to Exhibit 10.5 of the Company's Form 10-K Annual Report for the year ended February 1, 1986)
- 10.6 Form of deferred compensation agreement for directors who are not employees of the Company (Incorporated by reference to Exhibit 10.6 of the Company's Form 10-K Annual Report for the year ended January 31, 1981)
- 10.6a February 16, 1988, amendment to deferred compensation agreement for directors who are not employees of the Company (Incorporated by reference to Exhibit 8 of the registrant's Schedule 14D-9 dated March 11, 1988)
- 10.7 Senior Executives Medical Plan (Incorporated by reference to Exhibit 10.8 of the registrant's Form 10-K Annual Report for the year ended January 31, 1981)
- 10.8 Forms of employment agreement between the Company and directors who are employees and executive officers of the Company (Incorporated by reference to Exhibit 10.8 of the registrant's Form 10-K Annual Report for the year ended February 1, 1986)
- 10.9 Supplementary Executive Retirement Plan (Incorporated by reference to Exhibit 10.10 of the registrant's Form 10-K Annual Report for the year ended January 28, 1984)
- 10.9a Amendment dated February 16, 1988, to Supplementary Executive Retirement Plan (Incorporated by reference to Exhibit 4 of the registrant's Schedule 14D-9 dated March 11, 1988)
- 10.10 Retirement Income and Thrift Incentive Plan as amended through January 1, 1985 with 1986 amendments (Enclosed herewith)
- 10.11 Pension Plan as amended through January 1, 1985 with 1986 amendments (Enclosed herewith)
- 10.12 Officers Deferred Compensation Plan of the Company effective as of January 1, 1988 (Enclosed herewith)
- 10.13 Agreement dated November 1, 1981, between John W. Burden III and the registrant and February 16, 1988, amendment thereto (Incorporated by reference to Exhibits 5 and 6 of the registrant's Schedule 14D-9 dated March 11, 1988)
- 10.14 Employee Benefit Protection Program (Incorporated by reference to Exhibit 9 of the registrant's Schedule 14D-9 dated March 11, 1988)

- 10.15 Form of Amended Severance Agreement (Incorporated by reference to Exhibit 10 of the registrant's Schedule 14D-9 dated March 11, 1988)
- 10.16 Corporate Headquarters Severance Policy (Incorporated by reference to Exhibit 11 of the registrant's Schedule 14D-9 dated March 11, 1988)
- 10.17 Settlement Agreement among the Company, R.H. Macy & Co., Inc., FDS Acquisition Corporation, Campeau Corporation, Campeau Corporation (U.S.) Inc. and CRTF Corporation, dated April 1, 1988 (Incorporated by reference to Exhibit 114 of the registrant's Schedule 14D-9 Amendment No. 22 dated April 5, 1988)
- 10.18 Merger Agreement dated as of April 1, 1988, among the Company, Campeau Corporation, Campeau Corporation (U.S.) Inc., and CRTF Corporation (Incorporated by reference to Exhibit 113 of the registrant's Schedule 14D-9 Amendment No. 22 dated April 5, 1988)
- 10.19 Asset Purchase Agreement among the Company, R.H. Macy & Co., Inc., Campeau Corporation, Campeau Corporation (U.S.) Inc. and CRTF Corporation, dated April 1, 1988 (Incorporated by reference to Exhibit 115 of the registrant's Schedule 14D-9 Amendment No. 22 dated April 5, 1988)
- 11.1 Exhibit of Primary and Fully Diluted Earnings Per Share (Page E-1 herein)
- 24.1 Accountants' Consent (Page E-2 herein)
25. Powers of Attorney (Enclosed herewith)

(b) During the quarter ended January 31, 1988, the Company filed one Form 8-K dated January 21, 1988.

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

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

SIGNATURE.

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

FEDERATED DEPARTMENT STORES, INC.

Date: April 1, 1988

By Howard Goldfeder
Howard Goldfeder, Chairman
of the Board

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

Name	Title	Date
<u>Howard Goldfeder</u> Howard Goldfeder	Chairman of the Board and Director (Principal Executive Officer)	April 1, 1988
<u>Will M. Storey</u> Will M. Storey	Vice Chairman of the Board and Director (Principal Financial Officer)	April 1, 1988
<u>Jack Brown</u> Jack Brown	Vice President and Controller (Principal Accounting Officer)	April 1, 1988

Members of the Board of Directors:

John W. Burden III

Philip Caldwell

Robert A. Charpie

James L. Ferguson

Howard W. Johnson

Reginald H. Jones

Daniel W. LeBlond

Norman S. Matthews

G. William Miller

Peter G. Peterson

Allen I. Questrom

Marvin S. Traub

Clifton R. Wharton, Jr.

Kathryn D. Wriston

Directors

April 1, 1988

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

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

MANAGEMENT'S REPORT

To the Shareholders of
Federated Department Stores, Inc.

The financial statements of Federated Department Stores, Inc., were prepared in accordance with generally accepted accounting principles. The integrity and consistency of these financial statements and of other data presented in this report are the responsibility of management and properly include some amounts that are based upon estimates and judgments.

The Company maintains a system of internal accounting controls, which is supported by an extensive program of internal audits with appropriate management follow-up action to provide reasonable assurance, at appropriate cost, that the Company's assets are protected and transactions are properly recorded. Additionally, the integrity of the financial accounting system is based on careful selection and training of qualified personnel, organizational arrangements which provide for appropriate division of responsibilities and communication of established written policies and procedures.

The financial statements of the Company have been examined by Touche Ross & Co., independent certified public accountants. Their report expresses their opinion as to the fair presentation of the financial statement, and is based upon their independent examination conducted in accordance with generally accepted auditing standards.

The Audit Committee, composed solely of outside directors, meets periodically with the independent certified public accountants, the internal auditors and representatives of management to discuss auditing and financial reporting matters. In addition, the independent certified public accountants and the Company's internal auditors meet periodically with the Audit Committee without management representatives present and have free access to the Audit Committee at any time. The Audit Committee is responsible for recommending to the Board of Directors the engagement of the independent certified public accountants, which is subject to shareholder approval.

Howard Goldfeder
Chairman and Chief Executive Officer

Will M. Storey
Vice Chairman

Jack Brown
Vice President and Controller

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have examined the consolidated balance sheets of Federated Department Stores, Inc., and subsidiaries as of January 30, 1988, and January 31, 1987, and the related statements of income, shareholders' equity and changes in financial position for each of the three years in the period ended January 30, 1988. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

On April 1, 1988, Federated Department Stores, Inc. entered into a Merger Agreement with Campeau Corporation, Campeau Corporation (U.S.) Inc., and CRTF Corporation (a wholly owned subsidiary of Campeau Corporation). The accompanying financial statements do not reflect any adjustments or reclassifications which may be required, should the foregoing transaction be completed (See Note 17).

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Federated Department Stores, Inc., and subsidiaries at January 30, 1988, and January 31, 1987, and the results of their operations and the changes in their financial position for each of the three years in the period ended January 30, 1988, in conformity with generally accepted accounting principles applied on a consistent basis.

Frost, Non & Co

Certified Public Accountants

New York, New York
March 15, 1988
(March 25, 1988 as to Note 7 and
April 1, 1988 as to Note 17)

FEDERATED DEPARTMENT STORES, INC.
CONSOLIDATED STATEMENT OF INCOME

(in thousands, except per share data)	\$2 Weeks Ended January 30, 1968	\$2 Weeks Ended January 31, 1967	\$2 Weeks Ended February 1, 1966
Net Sales, including leased department sales of \$338,500, \$324,200 and \$294,300	<u>\$11,117,840</u>	<u>\$10,512,425</u>	<u>\$ 9,978,027</u>
Cost of sales, including occupancy and buying costs....	8,191,571	7,698,628	7,314,725
Selling, publicity, delivery and administrative expenses	2,252,902	2,103,315	1,962,537
Provision for doubtful accounts	45,900	50,558	45,599
Interest expense -- net	104,609	79,801	86,386
Unusual items -- net	(7,124)	13,082	35,054
Total costs and expenses.....	<u>10,587,858</u>	<u>9,945,384</u>	<u>9,444,301</u>
Income Before Income Taxes and Extraordinary Item ..	529,982	567,041	533,726
Federal, state and local income taxes	217,000	265,100	247,100
Income Before Extraordinary Item	312,982	301,941	286,626
Extraordinary item - loss on early extinguishment of debt, net of tax effect of \$14,527	--	(14,341)	--
Net income	<u>\$ 312,982</u>	<u>\$ 287,600</u>	<u>\$ 286,626</u>
Earnings Per Share of Common Stock:			
Income before extraordinary item	\$ 3.40	\$ 3.12	\$ 2.94
Extraordinary item.....	--	(.15)	--
Net Income	<u>\$ 3.40</u>	<u>\$ 2.97</u>	<u>\$ 2.94</u>
Fully Diluted Earnings Per Share:			
Income before extraordinary item	\$ 3.32	\$ 3.05	\$ 2.87
Extraordinary item.....	--	(.14)	--
Net Income	<u>\$ 3.32</u>	<u>\$ 2.91</u>	<u>\$ 2.87</u>

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

**FEDERATED DEPARTMENT STORES, INC.
CONSOLIDATED BALANCE SHEET**

(in thousands)	<u>January 30, 1968</u>	<u>January 31, 1967</u>
ASSETS		
Current Assets:		
Cash.....	\$ 93,217	\$ 101,097
Accounts receivable	1,547,843	1,554,402
Merchandise inventories	1,543,264	1,405,992
Supplies and prepaid expenses	<u>66,219</u>	<u>42,508</u>
Total Current Assets	3,250,543	3,103,999
Property and Equipment — net	2,648,746	2,451,629
Other Assets	<u>109,428</u>	<u>132,110</u>
Total Assets	\$6,008,717	\$5,687,738
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Notes payable and long-term debt due within one year	\$ 399,646	\$ 240,053
Accounts payable and accrued liabilities	1,297,061	1,249,149
Income taxes	<u>106,715</u>	<u>110,149</u>
Total Current Liabilities	1,803,422	1,608,351
Deferred Income Taxes	380,641	420,042
Deferred Compensation and Supplementary Retirement	238,968	204,890
Long-Term Debt	956,619	791,901
Shareholders' Equity:		
Preferred stock	—	—
Common stock	112,516	118,876
Capital in excess of par value of common stock	—	25,597
Retained earnings	2,525,876	2,538,612
Less treasury stock at cost	<u>9,325</u>	<u>20,531</u>
Total Shareholders' Equity	<u>2,629,067</u>	<u>2,662,554</u>
Total Liabilities and Shareholders' Equity	<u>\$6,008,717</u>	<u>\$5,687,738</u>

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

FEDERATED DEPARTMENT STORES, INC.
CONSOLIDATED STATEMENT OF
CHANGES IN FINANCIAL POSITION

(In thousands)	52 Weeks Ended January 30, 1988	52 Weeks Ended January 31, 1987	52 Weeks Ended February 1, 1986
CASH FROM OPERATIONS			
Income before extraordinary item	\$ 312,982	\$ 301,941	\$ 286,626
Items not requiring outlay of cash:			
Depreciation and amortization	280,716	255,577	230,585
Deferred compensation and deferred income taxes ..	71,225	68,242	58,383
Equity in income of unconsolidated subsidiary	(8,679)	(19,841)	(844)
Cash provided from operations before extraordinary item	656,244	605,919	574,750
Extraordinary items	—	(14,341)	—
Total	<u>656,244</u>	<u>591,578</u>	<u>574,750</u>
FINANCING			
Net additions (reductions) — notes payable and long-term debt due within one year	159,593	197,504	(272,679)
Additions to long-term debt	201,259	333,454	101,237
Reductions of long-term debt	(41,952)	(323,066)	(30,448)
Total	<u>318,900</u>	<u>207,692</u>	<u>(201,890)</u>
EQUITY TRANSACTIONS			
Dividends paid	136,542	129,541	123,916
Retirement of common stock	194,146	196,028	—
Other applications (sources)	15,781	6,745	(516)
Total	<u>346,469</u>	<u>332,314</u>	<u>123,400</u>
INVESTMENTS			
Capital investment:			
Purchase of property and equipment	486,631	514,834	364,191
Disposition of property and equipment	(28,327)	(57,230)	(62,379)
Acquisition of company	27,522	—	—
Decrease in investment in, and advances to, unconsolidated subsidiaries	(7,497)	(3,295)	(23,056)
Working capital used in operations:			
(Decrease) Increase in accounts receivable	(6,559)	(52,610)	61,258
Increase in merchandise inventories	137,272	85,895	5,646
Increase (Decrease) in supplies and prepaid expenses ..	23,711	(940)	(298)
Increase in accounts payable and accrued liabilities ..	(47,912)	(123,523)	(90,724)
Total	<u>584,781</u>	<u>363,131</u>	<u>254,638</u>
CURRENT INCOME TAX LIABILITY — decrease			
DEFERRED INCOME TAX LIABILITY — decrease (increase)	12,434	(101,599)	30,463
OTHER CASH (SOURCES) APPLICATIONS — NET	60,509	(197,690)	—
DECREASE (INCREASE) IN CASH	<u>\$ 7,880</u>	<u>\$ (46,877)</u>	<u>\$ 50,871</u>

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

FEDERATED DEPARTMENT STORES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

All subsidiaries are consolidated, except Federated Stores Realty, Inc., a wholly owned real estate subsidiary, which is accounted for by the equity method. Statement of Financial Accounting Standards No. 94, *Consolidation of All Majority-owned Subsidiaries*, issued in October 1987, eliminates the ability for a company to exclude from consolidation subsidiaries whose operations differ significantly from the parent. The Company plans to adopt this statement and restate financial statements of prior years in the fiscal year ended January 28, 1989, as required. Adoption of this statement is not expected to have a material impact on the financial statements.

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

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

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

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

Investment tax credits are accounted for under the flow through method. Deferred income taxes are provided on non-permanent differences between reported and taxable income, principally accelerated depreciation, deferred compensation and the deferment of gross margin on installment sales.

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

2. Unusual Items

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

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

Unusual items in 1985 represent the gain of \$13.1 million, before income taxes, on the sale of the Milwaukee-based Boston Store division and a provision for reorganization expense amounting to \$48.2 million, before income taxes. The reorganization includes the merger of two department store divisions, the merger of two mass merchandising divisions and the reorganization or regionalization of selected corporate office and divisional functions.

3. Extraordinary Item

In 1986, the Company took advantage of favorable interest rates by repurchasing \$160.3 million of 10 1/4% Sinking Fund Debentures due 2010, \$86.1 million of 10 1/4% Sinking Fund Debentures due 2013, \$28.0 million of 11% Euronotes due 1990 and \$22.6 million of 10 1/4% Euronotes due 1995. These repurchases resulted in an extraordinary loss of \$14.3 million, net of income tax benefit of \$14.5 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

4. Accounts Receivable

<u>(millions)</u>	<u>January 30, 1988</u>	<u>January 31, 1987</u>
Due from customers:		
30-day	\$ 42.9	\$ 62.8
Deferred payment	1,429.9	1,431.0
Other	109.7	95.5
Gross receivables	1,582.5	1,589.3
Less:		
Allowance for doubtful accounts	32.8	32.6
Deferred service charges	1.9	2.3
	<u>34.7</u>	<u>34.9</u>
Net receivables	\$1,547.8	\$1,554.4
Allowance for doubtful accounts as % of gross receivables	2.1%	2.1%

Sales through credit plans of Federated divisions in 1987 were \$3.9 billion, up .2% from 1986. The sales for 1986 had increased .8% from 1985 and sales for 1985 had increased .9% from 1984.

Finance charge revenues, which are included in net sales in the Consolidated Statement of Income, amounted to \$260.2 million in 1987, \$211.8 million in 1986 and \$212.9 million in 1985.

5. Inventories

Merchandise inventories at the 1987 year end were \$1,543.3 million, compared to \$1,404.0 million at the end of the preceding year. At year end 1987, 1986 and 1985, inventories were \$287.3 million, \$270.2 million and \$261.3 million, respectively, lower than they would have been had the retail method been used without the application of the LIFO basis. This application resulted in after-tax charges of \$14.2 million in 1987, \$4.4 million in 1986 and \$3.8 million in 1985. An after-tax credit of \$4.1 million was also recorded in 1987 as a result of an adjustment of prior years' LIFO inventory in connection with a settlement with the Internal Revenue Service. This adjustment reduced the 1987 after-tax LIFO charge to \$10.1 million. Management believes that the LIFO method, which charges the most recent merchandise costs to the results of current operations, provides a better matching of current costs with current revenues in the determination of net income.

6. Properties and Leases

<u>(millions)</u>	<u>January 30, 1988</u>	<u>January 31, 1987</u>
Land	\$ 143.8	\$ 135.1
Buildings or owned land	1,093.4	1,030.5
Buildings on leased land and leasehold improvements	727.4	642.4
Store fixtures and equipment	1,794.7	1,599.0
Property not used in operations	100.9	92.3
Leased properties under capitalized leases	194.4	210.1
	<u>4,054.6</u>	<u>3,739.4</u>
Less accumulated depreciation and amortization	1,405.9	1,287.8
	<u>\$2,648.7</u>	<u>\$2,451.6</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

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

Major commitments for the future purchase or construction of facilities at January 30, 1988, amounted to approximately \$153.8 million. Interest expense capitalized during construction amounted to \$3.9 million in 1987, \$6.4 million in 1986 and \$4.1 million in 1985.

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

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

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

Capitalized leases are included in the balance sheet as property and equipment while the related obligation is included at short-term (\$8.5 million) and long-term (\$112.3 million) debt. The charge to income for the amortization of capitalized leases in the amount of \$10.2 million, \$9.2 million and \$10.4 million for Fiscal 1987, 1986 and 1985, respectively, is included in depreciation and amortization expense. Total minimum lease payments shown above have not been reduced by minimum sublease rentals of approximately \$8.9 million on capital leases and \$20.7 million on operating leases.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

Rental expense consists of:

	<u>(millions)</u>	<u>1987</u>	<u>1986</u>	<u>1985</u>
Real estate (excluding executory costs)				
Capital leases —				
Contingent rentals	\$ 3.5	\$ 3.4	\$ 3.2	
Operating leases —				
Minimum rentals	79.1	64.1	46.4	
Contingent rentals	7.5	7.4	7.4	
Less income from subleases —				
Capital leases	2.8	3.0	2.6	
Operating leases	<u>10.6</u>	<u>9.7</u>	<u>8.8</u>	
	<u>\$76.7</u>	<u>\$62.2</u>	<u>\$45.6</u>	
Personal property —				
Operating leases	<u>\$20.6</u>	<u>\$24.0</u>	<u>\$26.4</u>	

7. Financing

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

Bank short-term credit lines aggregating \$670.0 million were available at year end. On March 25, 1988, the Company entered into a \$1.2 billion credit facility, secured by certain retail accounts receivable, with a group of banks led by Manufacturers Hanover Trust Company, to replace its existing credit lines and provide for future short-term funding needs. This credit facility is required to be repaid on the earlier of March 22, 1989, or upon the consummation of a merger involving the Company.

Long-term debt outstanding at year end includes:

	<u>(millions)</u>	<u>January 31, 1988</u>	<u>January 31, 1987</u>
Notes due 1992, 9 1/2%		\$200.0	\$ —
Notes due 1996, 7 1/2%		200.0	200.0
Sinking fund debentures due 2016, 9 1/2%		100.0	100.0
Euronotes due 1995, 10 1/2%		77.4	77.4
Notes due 2002, 7.95%		70.0	75.0
Euronotes due 1990, 11%		72.0	72.0
Sinking fund debentures due 2010, 10 1/2%		39.7	39.7
Sinking fund debentures due 2002, 7 1/2%		35.0	37.3
Sinking fund debentures due 1995, 8 1/2%		17.5	20.0
Sinking fund debentures due 2013, 10 1/2%		13.9	13.9
Sinking fund debentures due 1997, 7.35%		—	8.1
Notes due 1991, 10%		3.0	4.0
Other, average 7% and 9%		<u>15.8</u>	<u>22.1</u>
		<u>844.3</u>	<u>669.5</u>
Obligations under capitalized leases		<u>112.3</u>	<u>122.4</u>
		<u><u>\$956.6</u></u>	<u><u>\$791.9</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

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

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

8. Accounts Payable and Accrued Liabilities

(millions)	<u>January 30, 1988</u>	<u>January 31, 1987</u>
Merchandise and expense accounts payable	\$ 912.5	\$ 844.4
Accrued wages, vacations and sick leave	75.4	78.9
Taxes other than income taxes	54.8	52.9
Accrued reorganization expense	5.8	34.2
Other	<u>248.6</u>	<u>238.7</u>
	<u>\$1,297.1</u>	<u>\$1,249.1</u>

9. Taxes

Current liability for income taxes includes a deferred amount at year end of \$56.9 million in 1987 and \$37.8 million in 1986 from deferral of gross margin on installment sales. The Tax Reform Act of 1986 (the Act) eliminated the installment method of reporting with respect to revolving credit plans. At January 30, 1988, and January 31, 1987, the deferred income tax liability in connection with the deferral of such gross margin has been classified as current or noncurrent based upon the payment provisions promulgated under the Act which require payment over four years (beginning in Fiscal 1987).

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

Statement of Financial Accounting Standards ("SFAS") No. 96, Accounting for Income Taxes, issued in December 1987, contains significant changes to current accounting practice. Most significantly, this statement requires deferred income taxes to be determined based on the enacted income tax rates for the years in which these taxes will be payable or refundable. The Company plans to adopt this statement on a prospective basis for the fiscal year ended February 3, 1990, as required. While the impact of SFAS No. 96 will increase net income in the year of adoption, the amount cannot reasonably be estimated at this time.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

The income tax provision before the loss extraordinary item consists of:

(millions)	<u>1987</u>	<u>1986</u>	<u>1985</u>
Federal	\$173.3	\$220.5	\$203.7
State and local	<u>43.7</u>	<u>44.6</u>	<u>43.4</u>
	<u>\$217.0</u>	<u>\$265.1</u>	<u>\$247.1</u>
Effective income tax rate	40.9%	46.8%	46.3%

The effective income tax rate differs from the federal income tax statutory rate primarily because of state and local income taxes, investment tax credits, preferential tax treatment on capital gains, the reversal, in 1987, of certain deferred taxes previously recorded at a higher rate in conjunction with the deferral of gross margin on installment sales and, where applicable, the recording of the equity in the gain on the sale of shopping centers on an after-tax basis. The Act reduced the statutory federal income tax rate from 46% in 1986 and 1985 to a blended rate of approximately 39% in 1987. Investment tax credits, accounted for under the flow through method, totaled \$2.1 million, \$4.9 million and \$16.4 million for the three years shown above. The Act repealed, with certain exceptions, the investment tax credit for property placed in service after 1985.

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

(millions)	<u>1987</u>	<u>1986</u>	<u>1985</u>
Deferred charges (credits) arising from:			
Capitalized interest and taxes, expensed for tax purposes, and accelerated depreciation	\$ 23.1	\$ 38.3	\$ 31.5
Gross margin on deferred payment sales which are on the installment method for tax purposes	(41.4)	(12.6)	10.4
Capitalized inventory costs and reserve for doubtful accounts not currently deductible for tax purposes	(13.8)	—	—
Provision for reorganization expense	12.9	5.7	(23.1)
Provisions for deferred compensation and supplementary retirement, deductible for tax purposes only at the time of distribution	(3.5)	(7.1)	(7.7)
Other current and deferred items	<u>(1.3)</u>	<u>(9.7)</u>	<u>3.1</u>
	<u>\$ (24.0)</u>	<u>\$ 14.6</u>	<u>\$ 14.2</u>

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

10. Retirement Income and Deferred Compensation Plans

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

Total Retirement Expense

Retirement expense, consisting of pension and profit sharing expense, as well as contributions to multi-employer plans and provisions for supplementary retirement benefits totaled \$53.9 million for 1987, \$61.4 million for 1986 and \$61.5 million for 1985.

Pension Expense

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

Total expense related to the Pension Plans amounted to \$22.1 million in 1987, \$30.2 million in 1986, and \$34.9 million for 1985. Net pension expense for the Company's Pension Plans for 1987 and 1986 included the following actuarially determined components:

<u>(millions)</u>	<u>1987</u>	<u>1986</u>
Service cost	\$ 19.1	\$ 20.3
Interest cost on projected benefit obligations	14.9	15.1
Actual return on assets	\$ (1.7)	\$(25.5)
Unanticipated investment performance	<u>(13.7)</u>	<u>17.3</u>
	(15.4)	(8.2)
Amortization of unrecognized net obligation existing at adoption of SFAS No. 87 (amortized over 15 years)	<u>3.5</u>	<u>3.0</u>
	<u>\$ 22.1</u>	<u>\$ 30.2</u>

Service cost and interest cost for 1987 and 1986 were calculated using a discount rate of 8% and a rate of increase in future compensation levels of 6%. The long term rate of return on assets used for 1987, 1986 and 1985 was 8%.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

The following table sets forth the projected actuarial present value of benefit obligations and funded status at December 31, 1987 and December 31, 1986 for the Pension Plans:

(millions)	<u>December 31, 1987</u>	<u>December 31, 1986</u>
Accumulated benefit obligations	\$277.0	\$283.7
Less: Present value of net accumulated benefits available under the Profit Sharing Plan	<u>104.0</u>	<u>115.3</u>
Net accumulated benefit obligations, including vested benefits of \$93.7 million for 1987 and \$77.6 million for 1986	173.0	168.4
Plus: Projected benefit obligations in excess of accumulated benefit obligations (resulting from provisions for estimated future compensation levels)	<u>21.1</u>	<u>47.6</u>
Projected benefit obligations	194.1	216.0
Plan assets*	\$188.6	\$158.0
Unamortized net obligation at January 1, 1986	45.1	48.6
Unrecognized gain	<u>(45.6)</u>	<u>(14.6)</u>
	188.1	192.0
Accrued pension liability	<u>\$ 6.0</u>	<u>\$ 24.0</u>

*Primarily stocks, bonds, and government securities. Excludes receivable of \$32.3 million in 1987 and \$40.0 million in 1986 for the Company's annual contributions.

The discount rate and annual rate of increase in future compensation levels used in determining the actuarial present value of projected benefit obligations for 1987 were 8.5% and 6%, respectively.

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

Supplementary Retirement Expense

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

With the adoption of SFAS No. 87 in 1986, total supplementary retirement expense related to the plan amounted to \$2.3 million in 1987 and \$2.5 million in 1986. There was no expense for this plan in 1985, at which time the expense was calculated using the Entry Age Normal actuarial method compared to the current Unit Credit method required with the adoption of SFAS No. 87.

Net pension expense for the Company's supplementary retirement plan for 1987 and 1986 included the following actuarially determined components:

(millions)	<u>1987</u>	<u>1986</u>
Service cost	\$1.4	\$1.5
Interest cost on projected benefit obligations	1.6	1.6
Amortization of unrecognized net asset existing at adoption of SFAS No. 87 (amortized over 15 years)	<u>(.7)</u>	<u>(.6)</u>
	\$2.3	\$2.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

Service cost and interest cost for 1987 and 1986 were calculated using a discount rate of 8% 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, 1987 and December 31, 1986 for the supplementary retirement plan:

(millions)	December 31, 1987	December 31, 1986
Accumulated benefit obligations, including vested benefits of \$10.8 million for 1987 and \$9.5 million for 1986	<u>\$11.3</u>	<u>\$10.4</u>
Projected benefit obligations	21.4	22.9
Unamortized net asset at January 1, 1986	8.6	9.3
Unrecognized gain	3.5	—
Accrued pension liability	<u>\$33.5</u>	<u>\$32.2</u>

The discount rate and annual rate of increase in future compensation levels used in determining the actuarial present value of projected benefit obligations for 1987 were 8.5% and 6% respectively. The supplementary retirement plan is not funded.

Profit Sharing Expense

The Company's Profit Sharing Plan includes a voluntary savings feature for eligible employees and is designed to enhance existing retirement programs of eligible employees and to assist them in strengthening their financial security by providing an incentive to save and invest regularly. The Company's contribution for the savings feature is a percentage of the company's pre-tax earnings for the year and is held primarily in Company stock. The profit sharing expense amounted to \$8.3 million, \$8.6 million and \$9.3 million in 1987, 1986 and 1985, respectively. The Profit Sharing Plan had net assets at December 31, 1987, aggregating \$705.8 million held in an independent trust.

Multi-Employer Plans and Other Expense

The Company had pension expense of \$21.2 million, \$20.1 million and \$17.3 million in 1987, 1986 and 1985, respectively, primarily for contributions to multi-employer defined benefit plans as determined by various collective bargaining agreements. The relative position of the Company regarding the accumulated plan benefits and plan net assets of multi-employer plans is not determinable by the Company.

Deferred Compensation Plans

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

11. Post-retirement Health Care and Life Insurance Benefits

Certain retired employees are currently provided with specified health care and life insurance benefits. Eligibility requirements for such benefits vary by division, but generally state that benefits are available to employees who retire after a certain age with specified years of service. Such health care and life insurance benefits are provided to both retired and active employees through a medical benefit trust, a group life trust,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

and insurance companies with insurance premiums based on benefits paid. The cost of providing these benefits to 9,000 eligible retirees is not separable from the cost of providing benefits for the 78,000 participating active employees. The total cost of such benefits, after employee contributions, was \$67.6 million in 1987, \$55.9 million in 1986 and \$47.5 million in 1985.

12. Employee Stock Plans

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

(shares in thousands)	1987		1986	
	<u>Shares</u>	<u>Grant Price</u>	<u>Shares</u>	<u>Grant Price</u>
Outstanding, beginning of year	1,941.6	\$12-44	2,057.0	\$12-32
Granted at 100% of market	828.1	37-48	546.5	40-44
Expired or cancelled	(191.6)	12-47	(167.9)	12-40
Exercised	<u>(280.7)</u>	<u>12-40</u>	<u>(494.0)</u>	<u>12-32</u>
Outstanding, end of year	<u>2,297.4</u>	<u>\$12-48</u>	<u>1,941.6</u>	<u>\$12-44</u>
Exercisable, end of year	738.1	\$12-44	633.9	\$12-32
Available for additional grants	2,935.8			

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

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

The Company also has restricted stock purchase and restricted stock grant plans. As of January 30, 1988, 428,000 shares and 1,448,000 shares, respectively, were available for future grants under the plans. In connection with the Campeau Merger Agreement (see Note 17) the Company has agreed it will make no future grants under the plans.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

13. Shareholders' Equity

	(millions)	1987	1986	1985
Preferred stock.....	\$ —	\$ —	\$ —	\$ —
Common stock — par value:				
Balance, beginning of year	118.9	62.2	62.2	—
Retirements	(6.4)	(2.7)	—	—
2-for-1 stock split	—	59.4	—	—
Balance, end of year	<u>112.5</u>	<u>118.9</u>	<u>62.2</u>	<u>—</u>
Capital in excess of par value of common stock:				
Balance, beginning of year	25.6	98.5	102.4	—
Net charge from treasury stock	(24.3)	(9.1)	(3.9)	—
Retirement of common stock	(1.3)	(4.4)	—	—
2-for-1 stock split	—	(59.4)	—	—
Balance, end of year	<u>—</u>	<u>25.6</u>	<u>98.5</u>	<u>—</u>
Retained earnings:				
Balance, beginning of year	2,538.6	2,569.4	2,406.7	—
Net Income	313.0	287.6	286.6	—
Cash dividends	(136.5)	(129.5)	(123.9)	—
Net charge from treasury stock	(2.7)	—	—	—
Retirement of common stock	(186.5)	(188.9)	—	—
Balance, end of year	<u>2,525.9</u>	<u>2,538.6</u>	<u>2,569.4</u>	<u>—</u>
Less treasury stock:				
Balance, beginning of year	20.5	22.8	27.2	—
Additions	5.4	23.1	18.3	—
Deductions	(16.6)	(25.4)	(22.7)	—
Balance, end of year	<u>9.3</u>	<u>20.5</u>	<u>22.8</u>	<u>—</u>
Total shareholders' equity.....	<u>\$2,629.1</u>	<u>\$2,662.6</u>	<u>\$2,707.3</u>	<u>—</u>

The authorized shares of the Company consist of 5.0 million preferred shares, no par value with none issued and 400.0 million common shares, par value of \$1.25 per share with 90.0 million shares issued in 1987, 95.1 million shares issued in 1986 and 99.5 million shares issued in 1985. The Company increased the authorized shares of common stock from 200.0 million to 400.0 million on May 28, 1987. The Company had increased the authorized shares of common stock from 100.0 million to 200.0 million on May 29, 1986. Common shares outstanding at year end totaled 88.5 million in 1987, 93.3 million in 1986 and 97.6 million in 1985. On March 26, 1987, the Company Board of Directors declared a 2-for-1 split of its common stock effected in the form of a 100% stock dividend. The stock dividend was distributed on May 11, 1987, to shareholders of record on April 13, 1987. All common shares and per share amounts included in the financial statements have been restated to reflect the stock split.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

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

<u>(thousands)</u>	<u>1987</u>	<u>1986</u>	<u>1985</u>
Balance, beginning of year	1,819	1,952	2,230
Purchased	115	554	590
Deductions:			
Deferred compensation plan	(151)	(152)	(162)
Stock option plans	(281)	(494)	(624)
Restricted stock grant plans	(34)	(41)	(55)
Debentures converted to common stock	—	—	(27)
Balance, end of year	<u>1,468</u>	<u>1,819</u>	<u>1,952</u>

On January 23, 1986, the Company declared a dividend of one-half preferred stock purchase Right on each outstanding share of common stock. Under certain conditions, each full Right may be exercised to purchase one one-hundredth of a share of a new series of preferred stock at an exercise price of \$250 per one one-hundredth ($\frac{1}{100}$) of a share, subject to adjustment. The Rights may be exercised upon the occurrence of certain events specified in the Rights Agreement, including, among others, after the close of business on the tenth business day (or such later date as the Board may determine) after the commencement of a tender or exchange offer if, upon consummation thereof, the person making such offer (other than the Company and certain of its affiliates) would be the Beneficial Owner (as defined in the Rights Agreement) of 30% or more of the shares of the Company's common stock. The Rights, which do not have voting rights, expire on February 3, 1996, and may be redeemed by the Company at a price of \$0.05 per Right at any time prior to ten days (or such longer period as the Board of Directors of the Company may determine) after the first date of a public announcement that any person (excluding the Company and certain of its affiliates) is the Beneficial Owner (as defined in the Rights Agreement) of 20% or more of the Company's outstanding common stock.

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

“Pursuant to the Campeau Merger Agreement (see Note 17), the Company, before consummation of the Campeau Offer, has agreed to take all necessary action to render the Rights inapplicable to the Campeau Offer and the resulting merger.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

14. Business Segments

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

(millions)	<u>January 31, 1987</u>	<u>January 31, 1986</u>	<u>February 1, 1986</u>
Department stores	\$4,504.4	\$4,287.5	\$4,163.7
Mass merchandising	397.7	379.3	391.7
Supermarkets	556.5	548.0	378.5
Other	421.4	353.6	279.3
Central office	128.7	119.3	140.4
	<u>\$6,008.7</u>	<u>\$5,687.7</u>	<u>\$5,353.6</u>

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

Capital expenditures include:

(millions)	<u>1987</u>	<u>1986</u>
Land	\$ 6.9	\$ 7.4
Buildings, fixtures and equipment:		
Department stores	239.0	265.3
Mass merchandising	25.4	12.5
Supermarkets	36.4	158.6
Other	68.6	66.4
Central office	10.3	3.6
	<u>\$486.6</u>	<u>\$514.8</u>

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

(millions)	<u>1987</u>	<u>1986</u>	<u>1985</u>
Department stores	\$193.9	\$179.8	\$163.7
Mass merchandising	21.2	21.1	21.5
Supermarkets	40.7	34.7	29.9
Other	19.7	15.2	13.0
Central Office	5.2	4.6	4.9
	<u>\$280.7</u>	<u>\$255.6</u>	<u>\$230.6</u>

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

(millions) Fiscal Year	Department Stores		Mass Merchandising		Supermarkets		Other	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
1987	\$1,117.7	72.4%	\$193.5	12.5%	\$112.0	7.3%	\$120.1	7.8%
1986	1,033.9	73.5	165.5	11.8	102.4	7.3	104.2	7.4
1985	987.5	74.8	170.1	12.9	77.3	5.9	85.2	6.4
1984	1,004.3	76.4	167.4	12.7	55.6	5.0	77.2	5.9
1983	857.4	76.0	146.6	13.0	67.6	6.0	56.9	5.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

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

(millions) Fiscal Year	Department Stores		Mass Merchandising		Supermarkets		Other	
	Amount	% of Sales	Amount	% of Sales	Amount	% of Sales	Amount	% of Sales
1987	\$ 578.7	7.9%	\$36.7	3.7%	\$111.7	5.0%	\$ (19.7)	(3.3)%
1986	628.7	9.0	31.8	3.3	59.2	2.9	(6.9)	(1.3)
1985	621.9	9.3	39.0	3.7	58.7	3.2	(9.5)	(2.3)
1984	619.7	9.4	31.8	3.0	43.9	2.6	(2.7)	(.8)
1983	637.5	10.7	39.1	3.9	49.2	3.3	5.3	2.1

Operating profit represents the pre-tax profit from operations of the divisions. Unallocated central office costs, interest expense and other non-operating and unusual items aggregated \$177.4, \$145.8, \$176.4, \$119.3 and \$130.1 million for the years shown above.

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

(millions) Fiscal Year	Department Stores		Mass Merchandising		Supermarkets		Other	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
1987	\$7,290.8	65.6%	\$ 978.0	8.8%	\$2,251.2	20.2%	\$597.8	5.4%
1986	6,974.3	66.3	969.2	9.2	2,045.7	19.5	523.2	3.0
1985	6,684.7	67.0	1,057.9	10.6	1,813.6	18.2	421.8	4.2
1984	6,556.6	67.9	1,059.9	11.0	1,711.3	17.7	334.5	3.4
1983	5,970.3	68.7	991.1	11.4	1,473.7	17.0	254.5	2.9

Sales increases by business segment in 1987, 1986 and 1985 for all stores and for comparable stores follow. Sales for "all stores excluding closed operations" exclude sales of the Boston Store division which was sold on March 27, 1985, and mass merchandising operations in Pennsylvania which were closed on January 26, 1986. Comparable store sales include only stores open for the full fiscal years being compared.

% Increase from Prior Year	Department Stores	Mass Merchandising	Supermarkets	Other	Total
1987*					
All stores	4.5%	.9%	10.0%	14.3%	5.8%
Comparable stores	2.5	.9	2.0	3.1	2.3
1986**					
All stores	4.3	(8.4)	12.6	24.0	5.4
All stores excluding closed operations ..	4.6	(2.9)	12.8	24.0	6.2
Comparable stores	2.3	(2.8)	6.1	1.4	2.4
1985**					
All stores	1.8	(.2)	6.0	26.1	3.2
All stores excluding closed operations ..	1.9	(.5)	6.0	26.1	4.6
Comparable stores	2.4	.8	6.0	3.2	2.9

* Compares two 52-week years.

** Compares a 52-week year with a 53-week year.

15. Acquisition

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

16. Quarterly Results (unaudited)

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

(in millions, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
52 Weeks Ended January 30, 1988:				
Net sales	\$2,463.3	\$2,436.7	\$2,666.6	\$3,551.2
Cost of sales, including occupancy and buying costs.....	1,820.6	1,824.8	1,965.9	2,380.2
Income before income taxes	89.4	52.1	96.1	292.4
Federal, state and local income taxes	39.3	22.0	40.3	115.4
Net income	\$ 50.1	\$ 30.1	\$ 55.8	\$ 177.0
Earnings per share of common stock.....	\$.54	\$.32	\$.60	\$ 2.00
Average number of shares outstanding	93.4	93.5	93.1	88.5
52 Weeks Ended January 31, 1987:				
Net sales	\$2,278.4	\$2,279.9	\$2,514.1	\$3,440.0
Cost of sales, including occupancy and buying costs.....	1,669.3	1,704.0	1,845.3	2,480.0
Income before income taxes and extraordinary item	90.4	62.6	98.8	315.2
Federal, state and local income taxes	43.0	28.1	50.0	144.0
Income before extraordinary item	47.4	34.5	48.8	171.2
Extraordinary item — net of tax	—	—	(14.3)	—
Net income	\$ 47.4	\$ 34.5	\$ 34.5	\$ 171.2
Earnings per share of common stock:				
Income before extraordinary item	\$.48	\$.35	\$.50	\$ 1.82
Extraordinary item	—	—	(.15)	—
Net income	\$.48	\$.35	\$.35	\$ 1.82
Average number of shares outstanding	97.7	97.9	97.7	94.2

Earnings per share computed separately for each period.

17. Subsequent Event

On April 1, 1988, Campeau Corporation, Campeau Corporation (U.S.) Inc. and CRTF Corporation, (a wholly owned subsidiary of Campeau Corporation), entered into a Merger Agreement with the Company under which CRTF Corporation will offer to purchase all of the Company's common stock. The terms of the Merger Agreement and the Campeau Offer are described on page 1, Item 1, Business and on page 22, Item 12(c) Changes in Control. Certain legal proceedings have arisen as a result of the foregoing tender offer and the tender offer made by FDS Acquisition Corporation, a wholly owned subsidiary of R.H. Macy & Co., Inc. Such proceedings are described in detail on pages 3-5, Item 3, Legal Proceedings. Management believes the outcome of these legal proceedings will not have a material impact on the Company's financial position.

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

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON SCHEDULES

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

In connection with our examination of the consolidated financial statements of Federated Department Stores, Inc. and subsidiaries as of January 30, 1988, and January 31, 1987, and for each of the three years in the period ended January 30, 1988, which report is included in Item 8 of Part II of this Form 10-K, we also examined the supporting schedules listed in the Index at Item 14(a)(2). In our opinion, these schedules present fairly, when read in conjunction with the related consolidated financial statements, the financial data required to be set forth therein.

Tucker Rose & Co

Certified Public Accountants

New York, New York
March 15, 1988
(March 25, 1988 as to Note 7 and
April 1, 1988 as to Note 17)

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

Name of debtor	Column A Balance at beginning of period	Column B Additions	Column D Deductions		Column E Balance at end of period	
			(1) Amounts collected	(2) Amounts written off	(1) Current	(2) Net current
John W. Burden III	\$425,000	—	—	—	—	\$425,000
Allen Questrom	\$638,000	—	38,000	—	—	\$600,000

In October 1981, the Company made an unsecured loan in the amount of \$425,000 to Mr. John W. Burden III, Vice Chairman of the Board, in connection with his relocation from Miami, Florida to New York. The note, originally interest-free, was amended in October 1987, to bear interest at the rate of 7½% per annum. Under that note, \$42,500 of principal is forgiven as of February 1 of each year commencing February 1, 1988, as long as he is an employee of the Company.

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

SCHEDULE V

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

(thousands)	Column A Description	Column B Balance at beginning of period	Column C Additions at cost	Column D Retirements	Column E Other changes— debit and/or credit described	Column F Balances at close of period
52 Weeks Ended January 30, 1988:						
Land	\$ 135,147	\$ 1,514	\$ 1,496	\$ 8,681	\$ 143,846	
Buildings, substantially all on owned land	1,060,461	56,391	25,013	1,528	1,093,367	
Buildings on leased land, improvements to leased properties and leaseholds	642,426	101,119	11,822	4,276*	727,447	
Store fixtures and equipment ..	1,598,976	322,313	127,606	1,038	1,794,721	
Property not used in operations ..	92,309	21,284	5,733	6,971*	100,889	
Capitalized leases	210,124	3,136	18,883	—	194,377	
	\$3,739,443	\$ 505,757	\$ 190,553	\$ —	\$4,054,647	
52 Weeks Ended January 31, 1987:						
Land	\$ 140,076	\$ 1,256	\$ 3,868	\$ 2,317*	\$ 135,147	
Buildings, substantially all on owned land	1,039,637	69,717	43,350	5,543*	1,060,761	
Buildings on leased land, improvements to leased properties and leaseholds	552,141	110,730	13,296	7,149*	642,426	
Store fixtures and equipment ..	1,421,771	286,320	109,128	13	1,598,976	
Property not used in operations ..	84,452	14,274	21,413	14,996	92,309	
Capitalized leases	191,157	32,537	13,570	—	210,124	
	\$3,429,234	\$ 514,834	\$ 204,625	\$ —	\$3,739,443	
52 Weeks Ended February 1, 1986:						
Land	\$ 129,249	\$ 7,843	\$ 3,083	\$ 6,067	\$ 140,076	
Buildings, substantially all on owned land	988,838	86,144	40,072	4,727	1,039,637	
Buildings on leased land, improvements to leased properties and leaseholds	540,871	38,105	22,516	4,319*	552,141	
Store fixtures and equipment ..	1,293,253	230,270	101,101	651*	1,421,771	
Property not used in operations ..	100,276	1,141	11,141	5,824*	84,452	
Capitalized leases	205,010	688	14,541	—	191,157	
	\$3,257,497	\$ 364,191	\$ 192,454	\$ —	\$3,429,234	

* Deductions.

NOTES:

(A) Includes \$19,126,000 of fixed assets added as part of the acquisition of Block's, Inc. in the year ended January 30, 1988.

(B) Depreciation and amortization are provided primarily on a straight-line basis for book purposes over the shorter of estimated asset lives or lease terms. The more important rates are as follows:

Buildings and building equipment	2% to 5%
Leaseholds	Over term of lease
Store fixtures and equipment	6½% to 33½%

SCHEDULE VI

FEDERATED DEPARTMENT STORES, INC.

SCHEDULE VI—ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

(thousands)	Description	Balance at beginning of period	Column C		Column D		Column E Balance at close of period	
			Additions		Deductions from reserves			
			(1) Charged to profit and loss or income	(2) Charged to other accounts—describe	(1)	(2)		
			(Note A)	(Note B)		(Transfers)		
52 Weeks Ended January 30, 1988:								
Buildings, substantially all on owned land	345,725	\$ 43,002	\$ —	\$ 15,426	\$ 227	\$ 370,528		
Buildings on leased land, improvements to leased properties and leaseholds	196,059	36,386	—	11,394	351*	220,700		
Store fixtures and equipment ..	628,249	187,016	—	120,140	12	695,137		
Property not used in operations ..	9,091	3,678	—	1,589	112	11,292		
Capitalized leases	108,690	10,171	—	13,617	—	105,244		
	\$1,287,814	\$280,253	\$ —	\$162,166	\$ —	\$1,405,501		
52 Weeks Ended January 31, 1987:								
Buildings, substantially all on owned land	\$ 326,691	\$ 43,221	\$ 245	\$ 25,242	\$ 810	\$ 345,725		
Buildings on leased land, improvements to leased properties and leaseholds	174,914	32,769	—	9,163	2,461*	196,059		
Store fixtures and equipment ..	563,568	166,458	235	102,012	—	628,249		
Property not used in operations ..	4,238	3,418	6	222	1,651	9,091		
Capitalized leases	110,199	9,247	—	10,756	—	108,690		
	\$1,179,610	\$255,113	\$ 486	\$147,395	\$ —	\$1,287,814		
52 Weeks Ended February 1, 1986:								
Buildings, substantially all on owned land	\$ 303,426	\$ 40,625	\$ 370	\$ 19,376	\$ 1,646	\$ 326,691		
Buildings on leased land, improvements to leased properties and leaseholds	163,084	30,584	—	17,107	1,647*	174,914		
Store fixtures and equipment ..	501,644	145,401	398	83,876	1	563,568		
Property not used in operations ..	3,173	3,005	8	1,948	—	4,238		
Capitalized leases	107,615	10,352	—	7,768	—	110,199		
	\$1,078,942	\$229,967	\$ 776	\$130,075	\$ —	\$1,179,610		

* Deductions.

NOTES:

(A) Before addition of amortization of goodwill, miscellaneous deferred income and other items of \$463,000, \$464,000, \$618,000 included in depreciation and amortization expense in the years ended January 30, 1988, January 31, 1987, and February 1, 1986, respectively.

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

SCHEDULE VIII

FEDERATED DEPARTMENT STORES, INC.
SCHEDULE VIII—VALUATION AND QUALIFYING ACCOUNTS

(thousands)	Description	Column B	Column C	Column D	Column E	
		Balance at beginning of period	Additions (1) Charged to profit and loss or income	(2) Charged to other accounts divisible	Deductions from reserves—described	
Accounts receivable — allowance for doubtful accounts (applied as a reduction of assets):						
Years Ended:						
January 30, 1988	\$ 32,647	\$ 45,900	\$ 1,053	\$ 46,830	\$ 32,780	
January 31, 1987	\$ 33,144	\$ 50,558	\$.39	\$ 51,994	\$ 32,647	
February 1, 1986	\$ 32,341	\$ 45,599	\$.95	\$ 44,891	\$ 33,144	

NOTES:

- (A) For the year ended January 30, 1988, represents the allowance for doubtful accounts assumed in the acquisition of Block's, Inc. For the years ended January 31, 1987, and February 1, 1986, represents amounts charged to loss reserve for division in liquidation.
- (B) Excess of uncollectible balances written off over recoveries on accounts previously written off.

SCHEDULE IX

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

Column A <i>(thousand's, except interest rate data)</i>	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 out- standing during the period	Average amount out- standing during the period	Weighted average interest rate during the period
Year Ended January 30, 1988					
Commercial paper	\$363,950	6.76%	\$627,075	\$331,927	6.95%
Year Ended January 31, 1987					
Commercial paper	\$220,111	6.02%	\$589,245	\$160,151	6.10%
Master trust notes.....	\$ —	—%	\$ 25,000	\$ 10,233	7.11%
Bank loans.....	\$ —	—%	\$200,000	\$ 15,385	6.63%
Composite	\$ —	—%	\$768,376	\$185,769	6.20%
Year Ended February 1, 1986					
Commercial paper	\$ —	—%	\$257,735	\$142,260	8.06%
Master trust notes.....	\$ 25,000	7.74%	*\$25,000	\$ 77,335	7.94%
Composite	\$ —	—%	\$393,785	\$219,585	8.01%

NOTES:

- (A) Average amount outstanding during the period is computed by dividing the total of daily outstanding principal balances by 364 for the 52 week fiscal years.
- (B) Average interest rate for the year is computed by dividing the actual short-term interest expense by the average short-term debt outstanding.

SCHEDULE X

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

Column A (thousands)	Column B Charged to costs and expenses		
	52 Weeks Ended January 30, 1968	52 Weeks Ended January 31, 1967	52 Weeks Ended February 1, 1966
Item			
Advertising costs.....	\$ 345,870	\$ 321,268	\$ 303,281

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.

EXHIBIT 11.1

FEDERATED DEPARTMENT STORES, INC.

EXHIBIT OF PRIMARY AND FULLY DILUTED EARNINGS PER SHARE

	52 Weeks Ended January 30, 1988		52 Weeks Ended January 31, 1987		52 Weeks Ended February 1, 1986	
	Shares	Income	Shares	Income	Shares	Income
(thousands, except per share data)						
Net income and average number of shares outstanding.....	92,148	\$312,982	96,905	\$287,600	97,568	\$286,626
Earnings per share		\$3.40		\$2.97		\$2.94
Primary Computation						
Average number of common shares equivalents:						
Stock options	435		466		321	
Gross share obligation for deferred compensation plan ..	2,104		2,553		2,567	
Application of treasury stock method -- proceeds from tax savings due to market appreciation at average market price applied to purchase of treasury shares	(298)		(394)		(208)	
Adjustment of net income for dividend equivalents		1,743		1,711		1,630
Adjusted number of common and common equivalent shares outstanding and adjusted net income	94,389	\$314,725	99,530	\$289,311	100,248	\$288,256
Primary earnings per share ..		\$3.33		\$2.91		\$2.88
Fully Diluted Computation						
Additional adjustments to a fully diluted basis:						
Stock options	377		32		37	
Convertible debentures.....	—	—	—	—	8	—
Reduction in shares repurchased with tax savings ...	72	—	13	—	6	—
Adjusted number of shares outstanding and net income on a fully diluted basis	94,388	\$314,725	99,575	\$289,311	100,299	\$288,256
Fully diluted earnings per share		\$3.32		\$2.91		\$2.87

Note: All share and per share data reflect the 2-for-1 common stock split on April 13, 1987.

EXHIBIT 24.1

ACCOUNTANTS' CONSENT

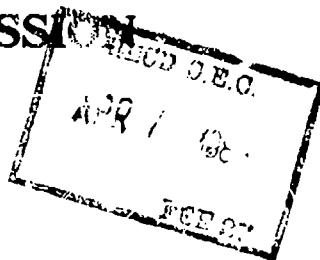
We consent to the incorporation by reference in the prospectus constituting part of the registration statement No. 33-11346 on Form S-3 of our reports dated March 15, 1988 (March 25, 1988 as to Note 7 and April 1, 1988 as to Note 17) on the examination of the consolidated financial statements and supporting schedules of Federated Department Stores, Inc. included in the Annual Report on Form 10-K for the fiscal year ended January 30, 1988.

Touche Ross & Co.

Certified Public Accountants

New York, New York
April 6, 1988

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549



FORM 10-K

**Annual Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934**

Federated Department Stores, Inc.

(Exact name of registrant as specified in its charter)

Exhibits

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Pagination by sequential numbering system</u>
3.1	Restated Certificate of Incorporation as amended May 28, 1987 (Enclosed herewith)	p. 60
3.2	By-laws as presently in effect (Enclosed herewith)	p. 72
4.1	Rights Agreement between the Company and Manufacturers Hanover Trust Company, as Rights Agent, dated as of January 23, 1986 as amended (the "Rights Agreement") (Incorporated by reference to Exhibit I of the registrant's Form 8-K dated February 24, 1986, and to Exhibit 28 of the registrant's Form 8-K dated September 18, 1987, and to Exhibit 28 of the registrant's Form 8-K dated January 21, 1988)	
10.1	1984 Stock Option Plan of the Company (Incorporated by reference to Exhibit C of the registrant's definitive proxy statement for its annual meeting held May 31, 1984, and Exhibit 10.1 of registrant's Form 10-K Annual Report for the year ended January 28, 1984)	
10.2	1980 Stock Option Plan of the Company as amended (Incorporated by reference to Exhibit A of the registrant's definitive proxy statement for its annual meeting held May 29, 1980, and Exhibit 10.4 of registrant's Form 10-K Annual Report for the year ended January 30, 1982)	
10.3	1976 Stock Option Plan of the Company (incorporated by reference to Exhibit 3 of Registration Statement No. 2-58845)	
10.4	Restricted Stock Grant Plan of the Company as amended (Incorporated by reference to Exhibit 1 of Registration Statement No. 2-58586 and Exhibit 10.4 of Registration Statement No. 2-72283)	
10.5	Executives Deferred Compensation Plan of the Company as amended (Incorporated by reference to Exhibit 10.5 of the Company's Form 10-K Annual Report for the year ended February 1, 1986)	
10.6	Form of deferred compensation agreement for directors who are not employees of the Company (Incorporated by reference to Exhibit 10.6 of the Company's Form 10-K Annual Report for the year ended January 31, 1981)	
10.6a	February 16, 1988, amendment to deferred compensation agreement for directors who are not employees of the Company (Incorporated by reference to Exhibit 8 of the registrant's Schedule 14D-9 dated March 11, 1988)	
10.7	Senior Executives Medical Plan (Incorporated by reference to Exhibit 10.8 of the registrant's Form 10-K Annual Report for the year ended January 31, 1981)	
10.8	Forms of employment agreement between the Company and directors who are employees and executive officers of the Company (Incorporated by reference to Exhibit 10.8 of the registrant's Form 10-K Annual Report for the year ended February 1, 1986)	
10.9	Supplementary Executive Retirement Plan (Incorporated by reference to Exhibit 10.10 of the registrant's Form 10-K Annual Report for the year ended January 28, 1984)	
10.9a	Amendment dated February 16, 1988, to Supplemental Executive Retirement Plan (Incorporated by reference to Exhibit 4 of the registrant's Schedule 14D-9 dated March 11, 1988)	
10.10	Retirement Income and Thrift Incentive Plan as amended through January 1, 1985 with 1986 amendments (Enclosed herewith)	
10.11	Pension Plan as amended through January 1, 1985 with 1986 amendments (Enclosed herewith)	
10.12	Officers' Deferred Compensation Plan of the Company effective as of January 1, 1988 (Enclosed herewith)	
10.13	Agreement dated November 1, 1981, between John W. Burden III and the registrant and February 16, 1988, amendment thereto (Incorporated by reference to Exhibits 5 and 6 of the registrant's Schedule 14D-9 dated March 11, 1988)	
10.14	Employee Benefit Protection Program (Incorporated by reference to Exhibit 9 of the registrant's Schedule 14D-9 dated March 1, 1988)	

EXHIBIT INDEX -- Continued

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Pagination by sequential numbering system</u>
10.15	Form of Amended Severance Agreement (Incorporated by reference to Exhibit 10 of the registrant's Schedule 14D-9 dated March 11, 1988)	
10.16	Corporate Headquarters Severance Policy (Incorporated by reference to Exhibit 11 of the registrant's Schedule 14D-9 dated March 11, 1988)	
10.17	Settlement Agreement among the Company, R.H. Macy & Co., Inc., FDS Acquisition Corporation, Campeau Corporation, Campco Corporation (U.S.) Inc. and CRTF Corporation, dated April 1, 1988 (Incorporated by reference to Exhibit 114 of the registrant's Schedule 14D-9 Amendment No. 22 dated April 5, 1988)	
10.18	Merger Agreement dated as of April 1, 1988, among the Company, Campeau Corporation, Campeau Corporation (U.S.) Inc., and CRTF Corporation (Incorporated by reference to Exhibit 113 of the registrant's Schedule 14D-9 Amendment No. 22 dated April 5, 1988)	
10.19	Asset Purchase Agreement among the Company, R.H. Macy & Co., Inc., Campeau Corporation, Campco Corporation (U.S.) Inc. and CRTF Corporation, dated April 1, 1988 (Incorporated by reference to Exhibit 115 of the registrant's Schedule 14D-9 Amendment No. 22 dated April 5, 1988)	
11.1	Exhibit of Primary and Fully Diluted Earnings Per Share (Page E-1 herein)	P. 1
24.1	Accountants' Consent (Page E-2 herein)	P. 2
25.	Powers of Attorney (Enclosed herewith)	P. 283
(b)	During the quarter ended January 31, 1988, the Company filed one Form 8-K dated January 21, 1988.	

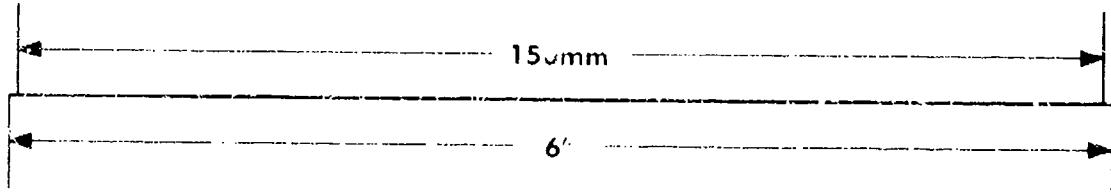
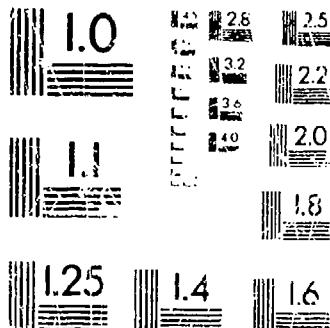
A copy of the exhibits listed herein can be obtained by writing:

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



IMAGE EVALUATION TEST TARGET (MT-3)

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EXHIBITS

FOLLOW

EXHIBIT 3.1

RESTATED CERTIFICATE OF INCORPORATION

of

FEDERATED DEPARTMENT STORES, INC.

Originally Filed with the Secretary of State of the

State of Delaware, July 8, 1968

and

Amended effective through

May 28, 1987

**RESTATE CERTIFICATE OF INCORPORATION
OF
FEDERATED DEPARTMENT STORES, INC.**

The original certificate of incorporation (Agreement of Consolidation of Federated Department Stores, Inc.) was filed with the Secretary of State of Delaware on November 25, 1929. This Restated Certificate of Incorporation was duly adopted by the shareholders of Federated Department Stores, Inc., on June 4, 1968, in accordance with the provisions of Section 245 of the Delaware General Corporation Law. This Restated Certificate of Incorporation restates and integrates the original certificate of incorporation as amended or supplemented by any instrument filed with the Secretary of State of Delaware prior to June 4, 1968, and further amends the certificate of incorporation as theretofore so amended or supplemented.

ARTICLE I

The name of the corporation is

FEDERATED DEPARTMENT STORES, INC.

ARTICLE II

The address of the registered office of the corporation in Delaware is No. 100 West 10th Street, in the City of Wilmington, County of New Castle, State of Delaware. The name of its resident agent at such address is The Corporation Trust Company.

ARTICLE III

The nature of the business and objects and purposes to be transacted, promoted or carried on by the corporation are as follows:

To engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

To purchase, hold, sell, assign, transfer, mortgage, pledge or otherwise dispose of, trade or deal in shares of the capital stock (including rights and/or warrants) of, or any bonds, securities or evidences of indebtedness created by, any other corporation or corporations organized under the laws of the State of Delaware or any other State, district, county, nation or government, and while the owner thereof, to exercise all the rights, powers and privileges of ownership.

To take, buy, purchase, exchange, hire, lease or otherwise acquire real estate and property, either improved or unimproved, and any interest or right therein, and to own, hold, control, maintain, manage, rent and develop the same in any State of the United States, or district, territory, possession, colony or commonwealth of the United States or affiliated therewith, or in any foreign country.

To erect, construct, maintain, improve, rebuild, enlarge, alter, manage and control, directly or otherwise, any and all kinds of buildings, apartments, tenements, houses, hotels, stores, offices, garages, shops, factories, machinery and plants and any and all structures and erections which may at any time be necessary, useful or advantageous for purposes of the corporation.

To sell, mortgage, exchange, improve, develop, assign, transfer, convey, partition, lease, sublease, pledge or otherwise alienate or dispose of, and to mortgage or otherwise encumber the lands, buildings, real property, chattels real and other property of the corporation, both real and personal and wheresoever situate, and any and all legal and equitable rights or interests therein.

To purchase, sell, manufacture and deal in building materials, goods, wares and merchandise, and to carry on any and all lawful trade for business incident to or proper or useful in connection with the purchase, sale, ownership, construction, maintenance and management of real property.

To borrow money, with or without giving security, and to issue bonds, debentures or obligations of the corporation from time to time, for any of the objects or purposes of the corporation, and to secure the same by mortgage, pledge, deed of trust on any or all of its real or personal property, or otherwise.

To buy, sell or otherwise deal in notes, open accounts and other similar evidences of debt, and to loan money and to take notes, open accounts and other similar evidences of debt as collateral security therefor, and to loan and advance money upon mortgages on real and personal property, or on either of them.

To buy, sell and deal in bonds and mortgages and other like securities and other kinds of property, whether real or personal, not prohibited or specially excepted by any law, and to do and prosecute any acts and things incident to or proper in connection with the carrying on of the business of the corporation.

To acquire, and pay for in cash, stock or bonds of the corporation, or otherwise, and to improve or develop, all or any part of the business, good will, rights, assets and property, and to undertake or assume the whole or any part of the obligations of such parties, of any person, firm, association or corporation.

To purchase, hold, sell and transfer the shares of its own capital stock; provided it shall not use its funds or property for the purchase of its own shares of capital stock when such use would cause any impairment of its capital; and provided further that shares of its own capital stock belonging to it shall not be voted directly or indirectly.

To have one or more offices, to carry on all or any of its operations and business and without restriction or limit as to amount, to purchase or otherwise acquire, hold, own, manage, mortgage, sell, convey, or otherwise dispose of real and personal property of every class and description, in any State of the United States, or territory, district, possession, colony or commonwealth of the United States or affiliated therewith and in any foreign country, subject to the laws of such state, district, territory, possession, colony, commonwealth or country.

Generally to purchase or otherwise acquire, dispose of and deal in real and personal property of any and all kinds that may be lawfully acquired and held by a business corporation, including copyrights, trademarks, trade names, bands, labels, patents, patent rights, licenses, grants and concessions, and to sell, assign, transfer or grant any interests therein.

To act as agent or representative of corporations, firms and individuals

To do any or all of the things herein set forth to the same extent as natural persons might or could do, and in any part of the world.

To do all and everything necessary or proper for the accomplishment of the objects herein enumerated, or necessary or incidental to the protection and benefit of the corporation, and generally to carry on any lawful business necessary or convenient to the attainment of the objects and purposes of the corporation, whether such business is similar in nature to the objects and purposes hereinabove set forth or otherwise; but nothing herein contained is to be construed as authorizing the corporation to issue bills, notes or other evidences of debt for circulation as money or to carry on the business of receiving deposits of money or the business of buying gold or silver bullion or foreign coins.

The foregoing clauses shall be construed as objects, purposes and powers, and all purposes and powers specified in each of the clauses of this Article III shall be regarded as independent purposes and powers, and the specification herein contained of the particular powers is not intended to be, and is not, in limitation but in furtherance of the power granted to corporations under the General Corporation Law of Delaware, which the corporation shall possess to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

ARTICLE IV

The corporation is to have perpetual existence.

ARTICLE V

The private property of the shareholders of the corporation shall not be subject to the payment of corporate debts to any extent whatever.

ARTICLE VI

The total number of shares of all classes of stock which the corporation shall have authority to issue is 405,000,000 shares, of which 5,000,000 shares shall be shares of Preferred Stock, without par value (hereinafter called "Preferred Stock"), and 400,000,000 shares shall be shares of Common Stock of the par value of One Dollar and Twenty-five Cents (\$1.25) per share (hereinafter called "Common Stock"). (Amended Effective May 28, 1987)

The designations and the powers, preferences and rights, and the qualifications, limitations or restrictions thereof, of each class of stock shall be governed by the following provisions:

1. The board of directors is expressly authorized at any time, and from time to time, to provide for the issuance of shares of Preferred Stock in one or more series, with such voting powers, full or limited, or without voting powers and with such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions providing for the issue thereof adopted by the board of directors, and as are not stated and expressed in the certificate of incorporation of the corporation, including (but not limiting the generality thereof) the following.

(a) The number of shares to constitute each such series, and the designation of each such series.

(b) The dividend rate of each such series, the conditions and dates upon which such dividends shall be payable, the relation which such dividends shall bear to the dividends payable on any other class or classes or on any other series of any class or classes of stock, and whether such dividends shall be cumulative or non-cumulative.

(c) Whether the shares of each such series shall be subject to redemption by the corporation and, if made subject to such redemption, the times, prices and other terms and conditions of such redemption.

(d) The terms and amount of any sinking fund provided for the purchase or redemption of the shares of each such series.

(e) Whether or not the shares of each such series shall be convertible into or exchangeable for shares of any other class or classes or of any other series of any class or classes of stock of the corporation, and, if provision be made for conversion or exchange, the times, prices, rates of exchange, adjustments, and other terms and conditions of such conversion or exchange.

(f) The extent, if any, to which the holders of the shares of each such series shall be entitled to vote with respect to the election of directors or otherwise.

(g) The restrictions, if any, on the issue or reissue of any additional Preferred Stock.

(h) The rights of the holders of the shares of each such series upon the dissolution of, or upon the distribution of assets of, the corporation.

2. Except as otherwise required by law and except for such voting powers with respect to the election of directors or other matters as may be stated in the resolutions of the board of directors creating any series of Preferred Stock, the holders of any such series shall have no voting power whatsoever. Any amendment to the certificate of incorporation of the corporation which shall increase or decrease the number of authorized shares of any class or classes of stock may be adopted by the affirmative vote of the holders of a majority of the stock of the corporation entitled to vote.

3. Subject to the powers, preferences, rights, qualifications, limitations and restrictions with respect to each class, including any series thereof, of stock of the corporation having any preference or priority over the Common Stock, the holders of the Common Stock shall have and possess all powers and rights pertaining to the stock of the corporation.

ARTICLE VII

No holder of stock of any class shall be entitled as of right to subscribe to any additional or increased stock of any class, whether now or hereafter authorized, or obligations convertible into any class or classes of stock or stock of any class convertible into stock of any other class or classes, and/or obligations, stock or other securities carrying warrants or rights to subscribe to the stock of the corporation, of any class or classes, and the board of directors may, without offering any such increased or additional stock or obligations or other securities to the holders of the stock of any class, sell or dispose of the same for any consideration, to such persons, firms or corporations as the board may from time to time in its absolute discretion determine.

The board of directors may set apart out of any of the funds of the corporation available for dividends a reserve or reserves for any proper purpose, or may abolish any such reserve in the manner in which it was created.

ARTICLE VIII

In furtherance and not in limitation of the powers conferred by law, the board of directors of the corporation is expressly authorized to make, alter, amend and repeal the by-laws of the corporation, provided that any such action by the board of directors in making, altering, amending or repealing the by-laws of the corporation shall require the votes of three-fourths ($\frac{3}{4}$) of the members thereof and provided further that any amendments made by the board of directors may be added to, rescinded or repealed by the shareholders at any general or special meeting, except as provided in the succeeding sentence. Except to the extent prohibited by law, the board of directors shall have the right (which, to the extent exercised, shall be exclusive) to establish the rights, powers, duties, rules and procedures that from time to time shall govern the board of directors and each of its members, including without limitation the vote required for any action

by the board of directors, and that from time to time shall affect the directors' power to manage the business and affairs of the corporation; and no by-law shall be adopted by shareholders which shall impair or impede the implementation of the foregoing.

ARTICLE IX

No contract or transaction between the corporation and one or more of its directors or officers, or between the corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the board of directors or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose, if:

- (a) the material facts as to his interest and as to the contract or transaction are disclosed or are known to the board of directors or the committee, and the board or committee in good faith authorizes the contract or transaction by a vote sufficient for such purpose without counting the vote of the interested director or directors; or
- (b) the material facts as to his interest and as to the contract or transaction are disclosed or are known to the shareholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the shareholders; or
- (c) the contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified by the board of directors, a committee thereof, or the shareholders.

Interested directors shall be counted in determining the presence of a quorum at a meeting of the board of directors or of a committee which authorizes such contract or transaction. No director or officer shall be liable to account to the corporation for any profit realized by him from or through such contract or transaction solely by reason of the fact that he or any other corporation, partnership, association, or other organization in which he is a director or officer, or has a financial interest, was interested in such contract or transaction.

ARTICLE X

The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding in accordance with the laws of the State of Delaware, and to the full extent permitted by said laws except as the by-laws of the corporation may otherwise provide. Such indemnification shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any by-law, agreement, vote of shareholders, disinterested directors or otherwise, including insurance purchased and maintained by the corporation, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

ARTICLE XI

The corporation reserves the right to amend, alter, change or repeal any provisions contained in its certificate of incorporation in the manner now or hereafter prescribed by the laws of the State of Delaware and all rights conferred upon the shareholders herein are granted subject to this reservation.

ARTICLE XII

Every law of the State of Delaware hereafter enacted whereby the rights, powers or privileges of shareholders of corporations organized under the General Corporation Law of said State are increased, diminished or in any way affected, and every law of the State of Delaware heretofore or hereafter enacted whereby effect is given to any action taken by any part less than all of the shareholders of any such corporation, shall apply to the corporation and shall be binding not only upon the corporation but upon every shareholder thereof.

ARTICLE XIII

The business and affairs of the corporation shall be managed by or under the direction of a board of directors consisting of not less than three nor more than twenty directors, the exact number of directors to be determined from time to time by resolution adopted by affirmative vote of a majority of the entire board of directors. The directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire board of directors. At the 1984 annual meeting of shareholders, Class I directors shall be elected for a one-year term, Class II directors for a two-year term and Class III directors for a three-year term. At each succeeding annual meeting of shareholders beginning in 1985, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increases or decreases shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the annual meeting for the year in which his term expires and until his successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office. Any vacancy on the board of directors that results from an increase in the number of directors may be filled by a majority of the board of directors then in office, and any other vacancy occurring in the board of directors may be filled by a majority of the board of directors then in office, although less than a quorum, or by a sole remaining director. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of his predecessor.

Notwithstanding the foregoing, whenever the holders of any one or more classes or series of preferred stock issued by the corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of shareholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of this Restated Certificate of Incorporation applicable thereto, and such directors so elected shall not be divided into classes pursuant to this Article XIII unless expressly provided by such term.

ARTICLE XIV

Any action required or permitted to be taken by the holders of the common stock of the corporation must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders.

ARTICLE XV

No director shall be personally liable to the corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the Delaware General Corporation Law or (iv) for any transaction from which the director derived an improper personal benefit. Any repeal or modification of this Article XV by the stockholders of the corporation shall not adversely affect any right or protection of a director of the corporation existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.

EXHIBIT 3.2

FEDERATED DEPARTMENT STORES, INC.

By-Laws

B. A. M.

Revisions thru May 28, 1987

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**BY-LAWS
OF
FEDERATED DEPARTMENT STORES, INC.**

Name

1. The name of this corporation is
FEDERATED DEPARTMENT STORES, INC.

Offices

2. The registered office of the corporation in the State of Delaware is located at No. 100 West 10th Street in the City of Wilmington, County of New Castle, and the name and address of its registered agent in the State of Delaware is The Corporation Trust Company, No. 100 West 10th Street, Wilmington, Delaware.

The Corporation may also have offices in the City of Cincinnati, State of Ohio, in the City of New York, State of New York, and in such other places as the board of directors may from time to time designate.

Corporate Seal

3. The corporate seal shall be circular in form and have inscribed thereon the name of the corporation, the year of its incorporation (1929) and the words "Incorporated Delaware."

Meetings of Stockholders

4. All Meetings of stockholders shall be held at such location in the said City of Wilmington, in the said City of Cincinnati, in the said City of New York, or in such other places as the board of directors may from time to time designate.

The annual meeting of stockholders shall be held on the last Thursday in May in each year (if that day falls on a legal holiday, then on the next day following that is not a legal holiday), at such time as the board of directors may designate, at which meeting they shall elect by written ballot, by

plurality vote, a board of directors. Any other proper business may be transacted at said annual meeting.

Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the corporation. Nominations of persons for election as directors of the corporation may be made at a meeting of stockholders only (i) by or at the direction of the board of directors, (ii) by any nominating committee or person appointed by the board or (iii) by any stockholder of the corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section 4. Such nomination, other than those made by or at the direction of the board or by any nominating committee or person appointed by the board, shall be made pursuant to timely notice in writing to the secretary of the corporation. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the corporation not less than fifty days nor more than seventy-five days prior to the meeting; provided, however, that in the event that less than sixty-five days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the fifteenth day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. Such stockholder's notice to the secretary shall set forth (a) as to each person whom the stockholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of capital stock of the corporation which are beneficially owned by the person and (iv) any other information relating to the person that is required by

be disclosed in solicitations for proxies for election of directors pursuant to Rule 14a under the Securities Exchange Act of 1934, as now or hereafter amended; and (b) as to the stockholder giving the notice (i) the name and record address of such stockholder and (ii) the class and number of shares of capital stock of the corporation which are beneficially owned by such stockholder. The corporation may require any proposed nominee to furnish such other information as may reasonably be required by the corporation to determine the eligibility of such proposed nominee to serve as director of the corporation. No person shall be eligible for election as a director of the corporation unless nominated in accordance with the procedures set forth herein.

The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

To be properly brought before the annual meeting of stockholders, other business must be either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board, (b) otherwise properly brought before the meeting by or at the discretion of the board, or (c) otherwise properly brought before the meeting by a stockholder. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the secretary of the corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the corporation, not less than fifty days nor more than seventy-five days prior to the meeting; provided, however, that in the event that less than sixty-five days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the fifteenth day on which such notice of the date of the annual meeting was mailed or such public disclosure was made, whichever first occurs. A stockholder's notice to the secretary shall set forth with respect to each matter the stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and

the reasons for conducting such business at the annual meeting, (ii) the name and record address of the stockholder proposing such business, (iii) the class and number of shares of the corporation which are beneficially owned by the stockholder, and (iv) any material interest of the stockholder in such business.

Notwithstanding anything in the by-laws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in this Section 4; provided, however, that nothing in this Section 4 shall be deemed to preclude discussion by any stockholder of any business properly brought before the annual meeting.

The chairman of an annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 4, and if he should so determine, he shall so declare to the meeting, and any such business not properly brought before the meeting shall not be transacted.

A complete list of stockholders entitled to vote at any meeting of the stockholders, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder, shall be prepared by the secretary and shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city, town or village where the meeting is to be held and which place shall be specified in the notice of the meeting, or if not so specified, at the place where said meeting is to be held, and the list shall be produced and kept at the time and place of the meeting during the whole time thereof and subject to the inspection of any stockholder who may be present.

Special meetings of the stockholders may be called by the chairman of the board of directors or the president of the corporation, and shall be called on request by a majority of the members of the board of directors.

A request for a special meeting shall state the purpose or purposes for which it is being called. The notice of a special meeting shall state this purpose or these purposes, which may be enlarged but not

diminished at the written request of an officer authorized to call a special meeting. Only matters stated in the notice or notices calling a special meeting shall be considered at such meeting.

Notice of the place, date and hour of each meeting at which the stockholders are required or permitted to take any action shall be given by the secretary or an assistant secretary to each stockholder of record entitled to vote at the meeting, not less than ten days nor more than fifty days prior thereto, unless otherwise provided in the General Corporation Law of the State of Delaware.

A stockholder may vote by proxy executed in writing by the stockholder.

The holders of shares of stock outstanding and entitled to exercise a majority of the voting power shall constitute a quorum for the transaction of business at any meeting, but a lesser number may adjourn from time to time.

Directors

5. The property and business of the corporation shall be managed and controlled by its board of directors, who shall be not less than three in number nor more than twenty.

The number of directors may, subject as aforesaid, from time to time be increased or decreased by vote of a majority of the directors then in office, although less than a quorum, provided that except as hereinafter provided, no action reducing the number of directors shall have the effect of removing any director from office.

Each director shall hold his office until his successor is elected and qualified or until his earlier resignation or removal. The directors shall be elected by the stockholders, except that if there be a vacancy in the board by reason of death, resignation, action of the board or of the stockholders, or otherwise, such vacancy shall be filled for the unexpired term by a majority of the directors then in office, although less than a quorum.

Powers of Directors

6. The board of directors shall have, in addition to such powers as are elsewhere in these by-laws expressly conferred on it, all such powers as may be exercised by the corporation, subject to the provisions

of the applicable law, the certificate of incorporation of this corporation and the by-laws of this corporation.

The board of directors shall, without restricting the preceding generality, have power to appoint and hire employees, agents, clerks, assistants, factors, servants and trustees, and to dismiss them at its discretion, to fix their duties and emoluments and to change them from time to time and to require any security as it may deem proper, and shall have power to create divisions and to prescribe by-laws for the operation of the business, affairs and property of the corporation by such divisions. In the event of any disagreement between the provisions of the by-laws of the corporation and the by-laws of a division, the by-laws of the corporation shall prevail.

Meetings of Directors

7. After each annual election of directors, the newly elected board of directors may meet for the purpose of organization, the election of officers, and the transaction of other business.

Regular meetings of the board of directors may be held without notice at such time and place either within or without the State of Delaware as shall from time to time be fixed by the board of directors.

Special meetings of the board of directors may be called by the chairman of the board of directors or by the president on three days' notice in writing or two days' notice by telegraph to each director and shall be called by the chairman of the board of directors or by the president in like manner on the written request of two directors.

Special meetings of the board of directors may be held in the States of Ohio, New York, Delaware or such other states as may be determined by a majority of the board of directors and at such place therein as is indicated in the notice or waiver of notice thereof.

Except as in these by-laws and/or the certificate of incorporation of this corporation otherwise provided, a majority of the total number of directors shall constitute a quorum for the transaction of business, but a smaller number may adjourn sine die and/or from time to time without further notice, until a quorum is secured; provided further that one-third of the total number of directors (but not less than three) shall be a sufficient quorum to consider any proposed resolution which shall have

received the previous written assent of not less than a majority of the total number of directors. Reference in the preceding sentence to "the total number of directors" means the number constituting the whole board of directors. All action of the board of directors shall require the affirmative vote and/or written assent as aforesaid of a majority of the total number of directors, except as in these by-laws and/or the certificate of incorporation of this corporation otherwise specifically provided. Any action required or permitted to be taken at any meeting of the board of directors may be taken without a meeting if all members of the board of directors consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the board of directors.

Members of the board of directors, or any committee designated by the board of directors, may participate in a meeting of the board of directors or of such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this paragraph shall constitute presence in person at such meeting.

Executive Committee

8. The board of directors by vote of a majority of the whole board of directors shall designate an executive committee of not less than seven members of the board of directors, one of whom shall be the chairman of the board of directors, and one of whom shall be the president; the executive committee shall have and may exercise the powers of the board of directors, except the power to declare dividends, to amend the by-laws, elect officers, or rescind or modify any prior action of the board of directors and except as otherwise provided by law. It shall also render such advisory services as may be requested by the chairman of the board of directors or the president. It shall keep minutes of action taken by it, copies of which shall be submitted to the members of the board of directors currently after the meetings of the executive committee. It shall meet upon call of the chairman of the executive committee, the chairman of the board of directors, the president or any two members of the committee on three days' notice in writing or on two days' notice by telephone or telegraph to each member of the committee.

The executive committee shall fix its own rules of procedure. A majority of the whole committee shall constitute a quorum. All action of the committee shall require the affirmative vote of a majority of the whole committee.

The board of directors may designate one or more directors as alternate members of the executive committee, who may replace any absent or disqualified member at any meeting of the committee. In lieu of such action by the board of directors, in the absence or disqualification of any member of the executive committee, the members thereof present at any such meeting of the executive committee and not disqualified from voting, whether or not they constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member.

Any action required or permitted to be taken at any meeting of the executive committee may be taken without a meeting if all members of the committee consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the committee. The certificate of the secretary or an assistant secretary that the action taken by the executive committee was so taken during an interval between meetings of the board of directors shall be conclusive evidence of the fact in favor of all persons relying thereon.

Other Committees

9. From time to time the board of directors may by vote of a majority of the whole board of directors designate any other committee or committees for any purpose, which shall have such powers as shall be specified in the resolution designating such committee or committees.

Compensation of Directors and Committee Members

10. Directors shall receive such compensation as members of the board of directors and/or for attendance at each meeting of the board of directors, and members of committees shall receive such compensation as members and/or for attendance at each meeting of a committee, as the board of directors shall from time to time prescribe. Any director may also serve the corporation in any other capacity and receive compensation therefor.

Officers of the Corporation

11. The officers of the corporation shall be a chairman of the board of directors, president, chairman of the executive committee, one or more vice chairmen of the board of directors, one or more assistants to the chairman of the board of directors, one or more group presidents, one or more executive vice presidents, one or more senior vice presidents, one or more vice presidents, a secretary, treasurer and controller, and such other officers, including one or more assistant secretaries, assistant treasurers and assistant controllers, as may from time to time be appointed by the board of directors. Any of the aforesaid offices may be left vacant from time to time as the board of directors may determine; provided that the applicable requirements of the General Corporate Law of the State of Delaware are met. During the periods of any such vacancy, the powers and duties of such office shall be delegated to such other officer or officers as the board of directors may determine.

Election of Officers

12. The board of directors shall elect from their own number a chairman of the board of directors, a president, and a chairman of the executive committee from among the members of the executive committee. The board of directors may elect from their own number an honorary chairman of the board of directors. The remaining officers shall be chosen by, but need not be chosen from among, the directors. Each officer shall hold his office until his successor is elected and qualified or until his earlier resignation or removal. Any vacancy occurring in any office by reason of death, resignation, removal or otherwise, shall be filled by the board of directors.

Honorary Chairman of the Board of Directors

13. The honorary chairman of the board of directors shall perform such duties as the board of directors shall from time to time prescribe and as shall be consistent with the dignity of his office.

Chairman of the Board of Directors

14. The chairman of the board of directors shall be the chief executive officer of the corporation and shall have general supervision of the corporation.

He and the president shall submit a report of the operations of the corporation for each fiscal year, approved by the board of directors, to the stockholders at their annual meeting.

He shall preside at meetings of the board of directors and of the stockholders. He shall be ex officio a member of the executive committee and shall preside at meetings thereof in the absence of the chairman of such committee.

He shall have power to appoint proxies to vote stock of other corporations owned by this corporation.

He shall perform such other duties consistent with the dignity of his office as the board of directors may from time to time determine.

President

15. The president shall be the chief operating officer of the corporation and shall, consistent with the authority of the chairman of the board of directors, have active management of the operations of the corporation.

He shall preside at meetings of the stockholders in the absence of the chairman of the board of directors.

He shall preside at meetings of the board of directors in the absence of the chairman of the board of directors.

He shall be ex officio a member of the executive committee and shall preside at meetings thereof in the absence of the chairman of such committee and of the chairman of the board of directors.

He shall have power to appoint proxies to vote stock of other corporations owned by this corporation.

He shall perform such other duties consistent with the dignity of his office as the board of directors may from time to time determine.

Chairman of the Executive Committee

16. The chairman of the executive committee shall preside at meetings of the executive committee. He shall also perform such other duties consistent with the dignity of his office as may from time to time be prescribed by the board of directors.

Vice Chairmen of the Board of Directors

17. The vice chairmen of the board of directors shall perform such duties consistent with the dignity of their office as may from time to time be prescribed by the board of directors, the chairman of the board

of directors, or the president. In the absence or disability of the chairman of the board of directors and the president, the vice chairman designated for that purpose by the chairman of the board of directors may perform the duties and exercise the powers of the chairman of the board of directors and the president to the extent specified by the chairman of the board of directors.

Assistants to Chairman of the Board of Directors

18. The assistants to the chairman of the board shall perform such duties consistent with the dignity of their office as may from time to time be prescribed by the board of directors, or the chairman of the board of directors.

Group Presidents

19. The group presidents shall perform such duties consistent with the dignity of their office as may from time to time be prescribed by the board of directors, the chairman of the board of directors or the president.

Executive Vice Presidents

20. The executive vice presidents shall perform such duties consistent with the dignity of their office as may from time to time be prescribed by the board of directors, the chairman of the board of directors or the president.

Senior Vice Presidents

21. The senior vice presidents shall perform such duties consistent with the dignity of their office as may from time to time be prescribed by the board of directors, the chairman of the board of directors or the president.

Vice Presidents

22. The vice presidents shall perform such duties consistent with the dignity of their office as may from time to time be prescribed by the board of directors, the chairman of the board of directors or the president.

Secretary

23. The secretary shall be secretary of and shall attend all meetings of the stockholders, the board of directors and the executive committee. He shall record all of the proceedings of such meetings in a book kept for that purpose. He shall cause to be given proper notice of meetings of stockholders, the board of directors, and the executive committee and shall perform such other duties as shall be assigned to him. He shall keep the seal of the corporation and shall have the power to affix it to any instrument requiring it and attest the same.

He shall perform other such duties as the board of directors, the chairman of the board of directors or the president may from time to time prescribe.

Treasurer

24. The treasurer shall have the management and custody of the funds and securities of the corporation and he or persons designated by him (or by others so authorized by the board of directors) shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositaries as may be designated by the board of directors or by persons authorized by the board of directors to make such designations.

He shall receive and disburse the funds of the corporation for corporate purposes, and shall render to the chairman of the board of directors, the president and the board of directors, whenever they may require it, an account of all his transactions as treasurer.

He shall cause to be kept an account of stock registered and transferred in such manner and subject to such regulations as the board of directors may prescribe.

He shall perform such other duties as the board of directors, the chairman of the board of directors or the president may from time to time prescribe.

Controller

25. The controller shall keep full and accurate accounts of all assets, liabilities, commitments, receipts, disbursements and other financial transactions of the corporation, including those of

divisions and subsidiaries of the corporation as kept by them, in books belonging to the corporation, and shall perform all other duties required of the accounting officer of the corporation, and shall render to the chairman of the board of directors, the president and the board of directors, whenever they may require it, an account of the financial condition of the corporation.

He shall perform such other duties as the board of directors, the chairman of the board of directors or the president may from time to time prescribe.

Assistant Secretaries

26. The board of directors may appoint one or more assistant secretaries to serve during the pleasure of the board of directors, who shall perform such of the duties of the secretary as the chairman of the board of directors, the president or the secretary may from time to time prescribe, and such other duties as the board of directors may from time to time prescribe.

Assistant Treasurers

27. The board of directors may appoint one or more assistant treasurers to serve during the pleasure of the board of directors, who shall perform such of the duties of the treasurer as the chairman of the board of directors, the president or the treasurer may from time to time prescribe, and such other duties as the board of directors may from time to time prescribe.

Assistant Controllers

28. The board of directors may appoint one or more assistant controllers to serve during the pleasure of the board of directors, who shall perform such duties of the controller as the chairman of the board of directors, the president or the controller may from time to time prescribe, and such other duties as the board of directors may from time to time prescribe.

Delegation of Officers' Duties

29. In the case of the absence or disability of any officer of the corporation or for any other reason deemed sufficient by a majority of the board of directors, the board of directors may delegate his powers or duties to any other officer or to any director for the time being.

Removal of Officers

30. Any officer may be removed by the board of directors whenever in its judgment the best interests of the corporation will be served by so doing.

Record Dates

31. The board of directors may fix in advance a date not exceeding sixty days nor less than ten days preceding the date of any meeting of stockholders, or the date for the payment of any dividend or other distribution, or the date for the allotment of rights, or the date when any change or conversion or exchange of stock shall go into effect, or for the purpose of any other lawful action, as a record date for the determination of the stockholders entitled to notice of or to vote at any such meeting and any adjournment thereof, or entitled to receive payment of any dividend or other distribution, or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or entitled to take or participate in any other lawful action, and in such case such stockholders and only such stockholders as shall be stockholders of record on the date so fixed, shall be entitled to such notice of or to vote at such meeting and any adjournment thereof, or to receive payment of such dividend or other distribution, or to receive such allotment of rights, or to exercise such rights, or to take or participate in any other lawful action, as the case may be, notwithstanding any transfer of any stock on the books of the corporation after any such record date fixed as aforesaid.

The corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and accordingly shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person, whether or not it shall have express or other notice thereof, save as expressly provided by the laws of Delaware.

Certificates of Stock

32. Certificates of stock shall be signed by the chairman or vice chairman of the board of directors, or the president or an executive vice president, and by the treasurer, or an assistant treasurer, or the

secretary or an assistant secretary; provided, however, that where such certificate is countersigned by a transfer agent other than the corporation or its employee, or by a registrar other than the corporation or its employee, any other signature on the certificate may be a facsimile. In case any officer or officers, transfer agent or registrar who shall have signed, or whose facsimile signature or signatures shall have been placed on, any such certificate or certificates shall cease to be such officer or officers of the corporation, transfer agent or registrar, whether because of death, resignation or otherwise, before such certificate or certificates shall have been issued by the corporation, such certificate or certificates may nevertheless be issued and delivered as though the person or persons who signed each certificate or certificates or whose facsimile signatures shall have been placed thereon were such officer or officers of the corporation, transfer agent or registrar at the date of issue.

If a certificate of stock be lost, stolen or destroyed, another may be issued in its stead upon satisfactory proof of such loss, theft or destruction and the giving to the corporation of a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

Fiscal Year

33. The fiscal year of the corporation shall be the period of twelve months ending on the Saturday nearest to January 31 (or January 31 if that be a Saturday) of each year.

Dividends

34. Dividends upon the capital stock may be declared by the board of directors at any regular or special meeting. Before paying any dividend or making any distribution of profits, there may be set aside out of the funds of the corporation available for dividends such sum or sums as the board of directors from time to time, in its absolute discretion, think proper as a reserve fund to meet contingencies or for equalizing dividends or for repairing or maintaining any property of the corporation or for such other proper purpose as the board of directors shall think

conducive to the best interests of the corporation. The board of directors may at any time abolish any such reserve.

Notices

35. Notice required to be given under the provisions of these by-laws to any stockholder, director or officer may be given in writing by depositing the same in the United States mail, postage prepaid, directed to such stockholder, director or officer at his or her address as it appears on the records of the corporation or, in the case of a director or officer, to his residence or usual place of business, and such notice shall be deemed to be given at the time when the same shall be thus mailed.

Waiver of Notice

36. Any stockholder, director or officer may waive, in writing, any notice required to be given under these by-laws, whether before or after the time stated therein.

Emergency By-Laws

37. During any emergency resulting from an attack on the United States or on a locality in which the corporation conducts its business, or customarily holds meetings of its board of directors or its stockholders, or during any nuclear or atomic disaster, or during the existence of any catastrophe, or other similar emergency condition, as a result of which a quorum of the board of directors of the corporation or of the executive committee of the corporation cannot readily be convened for action, a meeting of the board of directors or of said committee may be called by any officer or director. Such notice may be given only to such of the directors or members of the committee, as the case may be, as it may be feasible to reach at the time and by such means as may be feasible at the time, including publication or radio.

The director or directors in attendance at the meeting of the board of directors, and the member or members of the executive committee in attendance at the meeting of the committee, shall constitute a quorum. If none are in attendance at the meeting, the officers or other persons designated on a list approved

by the board of directors before the emergency, all in such order of priority and subject to such conditions and for such period of time (not longer than reasonably necessary after the termination of the emergency) as may be provided in the resolution approving the list, shall, to the extent required to provide a quorum at any meeting of the board of directors or of the executive committee, be deemed directors or members of the committee, as the case may be, for such meeting.

The board of directors, either before or during any such emergency, may provide, and from time to time modify, lines of succession in the event that during such emergency any or all officers or agents of the corporation shall for any reason be rendered incapable of discharging their duties. The board of directors, either before or during any such emergency,

may, effective in the emergency, change the head office or designate several alternative head offices or regional offices, or authorize the officers so to do.

Amendments of By-Laws

38. Subject to the provisions of the certificate of incorporation of this corporation, these by-laws may be amended, altered, repealed or added to at any regular meeting of the stockholders or at any special meeting of the stockholders called for that purpose, or at any meeting of the board of directors, by affirmative vote of the holders of shares of stock outstanding and entitled to exercise a majority of the voting power, or by three-fourths of the whole board of directors, as the case may be.

EXHIBIT 10.10

Conformed w/1986 Amendments
(8/12/87)

RETIREMENT INCOME
AND
THRIFT INCENTIVE PLAN

(As amended and restated through January 1, 1985)

FEDERATED DEPARTMENT STORES, INC. authorized the establishment and putting into operation as of January 25, 1953 the Retirement Income and Thrift Incentive Plan, in order to recognize the contribution of its employees to the growth and success of the Company's business by providing eligible employees with retirement, death and total disability benefits from the profits of the Company and from investment in its common stock, and by encouraging them to increase such benefits through individual savings.

The Plan was amended; and, effective as of January 1, 1976 the Company adopted an Amended and Restated Plan. The Plan was subsequently amended and effective January 1, 1984 the Company adopted a revised and restated Plan; provided that the provisions set forth in the second paragraph of Section 4.2 thereof became effective July 1, 1984.

The Plan was then further amended, and thereafter effective January 1, 1985 the Company adopted an Amended and Restated Plan as set forth therein.

The Plan and Trust are intended to meet the requirements of Section 401(a) and 501(a) of the Internal Revenue Code of 1954, as amended by the Employee Retirement Income Security Act of 1974.

The provisions of the Plan shall apply only to an employee who terminates employment on or after the Effective Date of this Amended and Restated Plan. The rights and benefits, if any, of a former employee shall be determined in accordance with the prior provisions of the Plan in effect on the date his employment terminated.

ARTICLE I
Definitions

The following terms have the meanings specified below unless the context otherwise requires:

1.1 "Plan" means the Retirement Income and Thrift Incentive Plan set forth herein and as the same may be amended from time to time.

1.2 "Retirement Income portion of the Plan" means that portion of the Plan in which all participants shall participate without requirement of any contributions to the Plan by the participants.

1.3 "Thrift Incentive portion of the Plan" means that part of the Plan in which participants shall participate on the basis of their voluntary contributions to the Plan pursuant to Section 4.2 hereof.

1.4 "Company" means Federated Department Stores, Inc., a Delaware corporation, including the present divisions thereof, and such additional division or divisions and such subsidiary or subsidiaries as the Board of Directors may from time to time determine.

Conformed w/1986 Amendments
(8/12/87)

1.5 "Division" means a constituent unit of Federated Department Stores, Inc. as determined from time to time by the Board of Directors, including its home office, and "subsidiary" means any corporation more than 50% of whose voting stock is, at the time the determination is made, owned directly or indirectly by Federated Department Stores, Inc.

1.6 "Employee" means each person who is employed by the Company as determined by the rules or practices of the division or subsidiary by which such person is employed, but does not include (i) a director of the Company who is not employed by the Company in any other capacity, (ii) any person whose compensation is paid by the Company for a lessee of a leased department of the Company, (iii) any person whose compensation consists of a retainer or a fee, or (iv) any employee of the Company's Ralphs Division who is not a participant or eligible for participation in the Ralphs Grocery Company Retirement Plan.

1.7 "Eligible employee" means each employee eligible to become a participant as provided in Article II hereof.

1.8 "Participant" means each eligible employee who has accepted the Plan in the manner provided in Section 3.1 hereof.

1.9 "Regular employment" means, commencing after December 31, 1975, employment for 1000 or more hours in any twelve month period, provided that

(a) regular employment by the corporation or other predecessor of any division, including any branch thereof, of the Company whose business was acquired by the Company on or prior to the Effective Date of the Plan shall be considered as such employment by the Company.

(b) regular employment by the corporation or other predecessor of any division, including any branch thereof, of the Company whose business was acquired by the Company after the Effective Date of the Plan to the extent that the division becomes part of the Company as provided in Section 1.4 hereof or an employee becomes an employee of a division included within such definition shall be considered as such employment by the Company;

(c) regular employment by a lessee of a leased department of the Company whose business is directly assumed by the Company or regular employment by any subsidiary of the Company, shall be considered as such employment by the Company to the extent that the Board of Directors may from time to time determine.

The period of each approved absence shall be included in the determination of regular employment. For all periods prior to January 1, 1976, "Regular employment" shall have the meaning set forth in this Plan, as in effect on December 31, 1975.

1.10 "Approved absence" means an absence, with or without compensation, approved by the Company with respect to any of its employees, or approved by the Committee, such as but not limited to absence for service in the armed forces or in governmental agencies, or for sickness or disability; provided that no absence for a period of more than 12 consecutive calendar months (except for service in the armed forces or in governmental agencies) shall be approved absence for the purposes of the Plan unless the Committee shall in its discretion so determine; provided further that any absence for which compensation is paid directly or

indirectly by the Company shall in any event constitute an approved absence.

1.11 "Committee" means the Administrative Committee appointed as provided in Article VII hereof and "Administrator" means the person designated for such purpose by the Committee.

1.12 "Board of Directors" means the Board of Directors of Federated Department Stores, Inc.

1.13 "Anniversary Date of the Plan" means the first day of the plan year as hereinafter defined.

1.14 "Fiscal year" means the annual accounting period of 52 or 53 weeks, as the case may be, ending approximately on the last day of a taxable year (or such other annual accounting period as may from time to time be established by the Board of Directors) upon the basis of which the accounting records of the Company are maintained.

1.15 "Compensation" of an employee for any year means the total compensation paid such employee for such year by such of the divisions and subsidiaries of the Company as shall have elected to participate in the Plan for services rendered as reported by the Company for federal income tax purposes determined in accordance with rules established by the Committee pursuant to Section 7.2 hereof. Compensation shall also include tips paid to such employee to the extent reported by the Company for federal income tax purposes, amounts as shall be contributed pursuant to employee's elections to the Thrift Incentive portion of the Plan pursuant to Section 401(k) of the Internal Revenue Code, and amounts treated as employer contributions pursuant to

employee's elections under Section 125 of the Internal Revenue Code.

1.16 "Participating compensation" of an employee means his compensation for such year as defined in Section 1.15 hereof; provided that for any year in which an employee becomes a participant, participating compensation shall include only the compensation paid for that portion of the year in which such employee is a participant.

1.17 "Contributions", or the "amount contributed", by a participant in any year means the amount contributed by him to the Plan during such year pursuant to Section 4.2 hereof and not withdrawn by him during such year.

1.18 "Trust Fund" means the corpus of the fund established under the trust agreement provided in Section 8.1 hereof, and all earnings, increments and additions thereon and thereto, and "Trustee" shall mean the trustee of said trust fund.

1.19 "Beneficial equivalent" means a benefit determined by the Committee to be of equal value to another benefit or to a dollar amount based upon, for determinations made from and after January 1, 1984, the annuity purchase rates used at the date of such determination for such purposes with respect to pension plans qualified under Section 401(a) of the Code by the Travelers Insurance Company.

1.20 "Normal retirement date" means the first day of the first month which coincides with or next follows the date a participant reaches (a) age 65 or (b) such later age as may be provided under the Federal Social Security Act for the payment of benefits on an unreduced basis.

Conformed w/198; Amendments
(8/12/87)

1.21 "Effective Date of the Plan" means January 25, 1953, "Effective Date of the Restated Plan" means January 1, 1976, "Effective Date of the Revised and Restated Plan" means January 1, 1984 and "Effective Date of the Amended and Restated Plan" means January 1, 1985.

1.22 The masculine pronoun includes the feminine pronoun wherever used.

1.23 "Plan year" means the calendar year beginning on January 1 of each year.

1.24 "Entry Date" means the first day of any calendar month until July 1, 1984 and thereafter means the first day of any calendar quarter.

1.25 A. "Magnin Plan" means the I. Magnin & Co. Profit Sharing Retirement Benefit Payments Plan prior to January 1, 1975, the date of the merger of said plan into this Plan.

B. "Bullock's Plan" means the Bullock's Profit Sharing Retirement Benefit Payments Plan prior to July 1, 1984, the date of merger of said plan into this Plan and Article XII hereof.

C. "Rike's Plan" means the Rike-Kumler Company Retirement Plan prior to July 1, 1984, the date of the merger of said plan into this Plan.

D. "Children's Place Plan" means The Children's Place Profit Sharing Savings Plan prior to July 1, 1984, the date of the merger of said plan into this Plan.

E. "Rich's Plan" means the Rich's Profit Sharing Savings Plan prior to January 1, 1985, the date of the merger of said plan into this Plan.

Conformed w/1986 Amendments
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1.26 "Divisional Credits" means all credits to the accounts of participants in the Magnin Plan, the Bullock's Plan (other than such credits of participants in Article XII hereof), the Rike's Plan and the Rich's Plan transferred to the Plan and the accretions thereon as hereinafter provided for.

1.27 "Hour" means, subject to Sections 2530.200b-2 and 2530.200b-3 of the Department of Labor regulations, (a) each hour for which an employee is paid or entitled to payment for the performance of duties for the Company, these hours to be credited to the employee for the computation period or periods in which the duties are performed, (b) each hour for which an employee is paid or entitled to payment by the Company on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty or leave of absence, these hours to be credited to the employee for the computation period or periods in which the period during which no duties are performed occurs, and (c) each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Company, these hours to be credited to the employee for the computation period or periods to which the award or agreement pertains rather than the computation period in which the award, agreement or payment was made.

1.28 "Joint and survivorship annuity" means an annuity for the life of the participant with a survivor annuity for the life of his spouse which is not less than one-half of, or greater than, the amount of the annuity payable during the joint lives of

the participant and his spouse and which is the actuarial equivalent of a single annuity for the life of the participant.

1.29 "Valuation Date" means, with respect to any plan year, the last day of each calendar month in such plan year, and any other date in such plan year as of which the Committee may decide the Trust Fund shall be valued.

1.30 "Valuation Period" means any period which begins on a day which immediately follows a Valuation Date and ends on the immediately following Valuation Date.

ARTICLE II Eligibility

2.1 Each employee on the Effective Date of the Amended and Restated Plan or on a subsequent Entry Date shall be an eligible employee as of such date, provided that on such date he:

(a) shall have completed at least one twelve month period of Regular employment either during the twelve month period commencing with the last date of his employment by the Company or in any calendar year following the last date of his employment with the Company, subject to the break in service provisions set forth in Section 6.8 hereof;

(b) shall not be a participant, be eligible for participation, or be in the process of qualification for participation (i) in any other plan providing retirement benefits qualified under Section 401(a) of the Internal Revenue Code or (ii) in any other plan providing retirement benefits adopted in the Company after January 25, 1953, the cost of which, in either case, is borne in whole or in part

by the Company; but an employee otherwise eligible to become a participant hereunder shall not be disqualified therefrom because of his participation in such other plan or plans if (x) such participation relates solely to employment which preceded the Entry Date on which he would otherwise become a participant hereunder, and (y) the retirement benefits under such other plan or plans, in the case of a pension plan relate solely to such past service, or in the case of a profit-sharing retirement plan are derived solely from contributions made with respect to such past service. The restrictions of this clause (b) shall not be applicable to (1) such plans which were in effect in a division or subsidiary at the time its business was acquired by the Company, provided the Income Before Federal Taxes on Income of any such division or subsidiary is excluded for the purpose of computing the Company's contribution to the Plan pursuant to Section 4.3 hereof, (2) the Company's Pension Plan, (3) the Company's Supplementary Executive Retirement Plan, and (4) the Ralphs Grocery Company Retirement Plan maintained by the Company's Ralphs Division.

ARTICLE III Participation

3.1 Each eligible employee as of the Entry Date shall become a participant in the Plan as of said date. Within 60 days after such Entry Date, or such further period as the Committee may grant, each eligible employee shall file with the Committee his written acceptance of participation in the Plan upon the

terms and conditions hereof upon such form as the Committee shall prescribe.

3.2 The participation of a participant in the Plan shall be terminated upon:

(a) the termination of his employment for any reason, provided that a one year break in service has occurred as provided in Section 6.8 hereof;

(b) his ceasing to comply with the conditions of eligibility contained in clause (b) of Section 2.1 hereof; or

(c) failure to obtain approval by the Committee of an absence for a period of more than 12 consecutive months (except for service in the armed forces or in governmental agencies) to the extent provided in Section 1.10 hereof.

If after termination of his employment a former participant or other employee is reemployed by the Company, he shall for all purposes of the Plan constitute a new employee as of the date of such reemployment subject to the provisions of Section 6.8 of the Plan. For the purpose of making allocations pursuant to Article V, no allocation shall be made if the employee is not a participant through the last day of such Plan year.

ARTICLE IV Contributions

4.1 No contribution shall be required of any participant as a condition of his participation in the Plan.

4.2 Each participant may, at his election, contribute to the Thrift Incentive portion of the Plan, an amount equal to a

percentage of his participating compensation for such year. The percentage of each participant's contribution shall be in a multiple of 1%, but shall not be less than 1%, nor more than 5%, of his participating compensation for the year in which such contribution shall be made (such contributions, together with any Qualified Deferred Earnings Contributions as defined in the next paragraph, and "Mandatory Contributions" made under either the Children's Place Plan or the Rich's Plan, are hereinafter collectively referred to as "basic contributions"). In addition, a participant may contribute in multiples of 1% but not more than 5% an additional percentage of his participating compensation for the year in which such contribution shall be made (such contributions, together with "Additional Contributions" made under the Children's Place Plan and "Voluntary Contributions" made under the Rich's Plan, are hereinafter referred to as "additional contributions").

Effective as of the first day of the plan year following the date upon which a participant completes three years of employment, that participant may elect under Section 401(k) of the Internal Revenue Code and the applicable Treasury Regulations thereunder, in writing on a form prescribed by the Committee, to defer receipt of up to 5% of his Participating compensation, or such lesser amount as established by rule of the Committee (which rule may be applied uniformly, or solely to those Participants who are "highly compensated" as defined in Section 401(k) of the Internal Revenue Code and the applicable Treasury Regulations thereunder) in whole or in part in place of the amounts contributed pursuant to the first sentence of the first paragraph of

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this Section (the amounts contributed under said sentence and deferred under this paragraph shall not exceed 5%, in the aggregate, of participating compensation) and to have such deferred earnings, hereinafter referred to as Qualified Deferred Earnings Contributions, contributed to the Plan by the Company on his behalf; provided, however, that the total contribution under this Section shall in no event exceed 10% of participating compensation; and provided, further, that Qualified Deferred Earnings Contributions and the appreciation thereon may not be withdrawn by or distributed to said Participant until the earliest of the Participant's retirement, death, disability, separation from service, hardship (hardship hereunder means necessary in light of immediate and heavy financial needs of the Participant, and distributions for reason of hardship will be limited to the amount required to meet an immediate financial need that is not reasonably available from other resources of the Participant, all as determined by the Committee in accordance with Section 401(k) of the Internal Revenue Code and the applicable Treasury Regulations thereunder) or attainment of age 59½. Any (or all) "highly compensated employees" as hereinafter defined may be required to revise his election to defer an amount of his Participating compensation, in conformity with a uniform rule of the Committee, if the Plan does not meet both of the following limits:

- (a) Those employees eligible to make Qualified Deferred Earnings Contributions hereunder shall satisfy the provisions of subparagraph (A) or (B) of Section 410(b)(1) of the Code; and

(b) The actual deferral percentage for highly compensated employees for such year shall bear a relationship to the actual deferred percentage for all other such eligible employees for such plan year which meet either of the following tests:

(i) The actual deferral percentage for the group of highly compensated employees is not more than the actual deferral percentage of all other eligible employees multiplied by 1.5.

(ii) The excess of the actual deferral percentage for the group of highly compensated employees over that of all other eligible employees is not more than 3 percentage points, and the actual deferral percentage for the group of highly compensated employees is not more than the actual deferral percentage of all other eligible employees multiplied by 2.5.

In the event that the limits described above are inadvertently exceeded, any excess Qualified Deferred Earnings Contributions shall be treated as contributions under the first sentence of the first paragraph hereof; provided that such recharacterization shall occur prior to the end of the plan year for which such excess occurs. For the purpose of this Section 4.2, the term "highly compensated employee" means any employee who is more highly compensated than two-thirds of all eligible employees.

All contributions shall be made by deductions authorized in writing by the participant, upon such form as the Committee shall prescribe, from each payment of compensation to the participant. As of the first day of each Plan year following the first year in which such contributions are made, the amount of such contributions shall be adjusted to take into account any change in election on the part of the participant. Such contributions shall be automatically suspended during any period of approved

absence of the participant without compensation. All such contributions shall be deposited by the Company with the Trustee, within thirty (30) days after the end of the calendar month in which the contributions are deducted, to be held by the Trustee in the Trust Fund for and on account of the Thrift Incentive portion of the Plan. A participant may at his election, discontinue his contributions at any time during the Plan year, but in such event he shall not again be eligible to contribute to the Thrift Incentive portion of the Plan until the Anniversary Date of the Plan next following the date of such discontinuance.

4.3 Subject to the provisions of Article VIII with regard to amendments and termination of the Plan and the liabilities of the Company under the Plan, for the Company's fiscal year beginning February 3, 1985 and ending on February 1, 1986, and for each calendar year beginning on or after January 5, 1986, the Company shall contribute to the Plan for each such year an amount equal to 2% of the Company's Income Before Federal Taxes on Income for each such year, before deduction of any amount in respect of said contribution by the Company to the Plan or such greater amount as the Board of Directors in its discretion may determine; provided that

(a) for the purpose of computing said contribution, there shall be excluded from the Company's Income Before Federal Taxes on Income for each such year, (i) the Income Before Federal Taxes on Income of the Ralphs Grocery Company division of this Company for each such year as determined in accordance with the standard accounting procedures of the Company by its chief accounting officer, except that for the

purpose of computing said contribution for calendar year 1986 and for each calendar year thereafter, there shall not be so excluded that portion thereof determined by multiplying such income by a fraction, the numerator of which is the dollar amount of the compensation of all Ralphs Division employees participating in this Plan and the denominator of which is the sum of such compensation plus the compensation of all other employees of the Ralphs Division participating in any other plan providing retirement benefits, the cost of which is borne in whole or in part by the Ralphs Division; and (ii) for each such year, the Income Before Federal Taxes on Income of the Bullock's Division of the Company as determined in accordance with the standard accounting procedures of the Company by its chief accounting officer arrived at by multiplying such income by a fraction, the numerator of which is the dollar amount of the compensation of all participants under the Bullock's Profit Sharing Retirement Benefit Payments Plan as incorporated into Article XII of this Plan and the denominator of which is the sum of such compensation plus the compensation of all participants of the Bullock's Division under this Plan.

(b) the amount of said contribution for any plan year shall not exceed the Maximum Allowable Contribution as defined in Section 4.5 hereof, and

(c) the amount of said contribution for any plan year shall be subject to reduction as provided in Section 4.6 hereof,

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but shall in any event be sufficient to provide the 20% provided for in Section 4.4 hereof. It is recognized that the portion of the Company's Income Before Federal Taxes on Income attributable to the period commencing on January 5, 1986 and ending on February 1, 1986, inclusive, shall be considered for the purposes of calculating the Company's contribution pursuant to this Section for both fiscal year 1985 and calendar year 1986.

In addition, the Board of Directors may for any plan year ending after January 1, 1984, from time to time make additional contributions to the Retirement Income portion of the Plan."

4.4 The contribution of the Company for each plan year pursuant to Section 4.3 hereof shall be allocated to, and be deposited by the Company with the Trustee to be held by the Trustee in the Trust Fund for and on account of, the Thrift Incentive portion of the Plan provided that the amount so allocated to the Thrift Incentive portion of the Plan shall not, when added to surrendered Thrift Incentive credits as described in Section 5.4(a), result in a total allocation for the plan year to said portion of the Plan in excess of an amount equal to the aggregate amount of participant's contributions made to said portion of the Plan during such year but shall not be less than 20% of such contributions. If said total allocation (exclusive of the part thereof representing allocations to make up prior years' deficiencies) would otherwise exceed said aggregate amount of participants' contributions, the amount of such excess shall be added to the amount otherwise required by this Section to be allocated to the Retirement Income portion of the Plan.

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For the purposes of this Section, contributions made by participants shall not include additional contributions but shall include Qualified Deferred Earnings Contributions as these terms are used in Section 4.2 hereof.

4.5 As used in this Article

(a) "Maximum Allowable Contribution" means the smaller of the following amounts:

(i) the maximum aggregate amount allocable to the Thrift Incentive portion of the Plan pursuant to Section 4.4 hereof; or

(ii) the maximum amount allowable as a deduction in respect of the fiscal year of the Company for a contribution to a profit sharing trust, in computing the income of the Company for said fiscal year for the purpose of federal taxes on income, as provided in the Internal Revenue Code, including the provisions thereof relating to the deductibility of contributions against amounts by which the deductible limit in a preceding year exceeded the contribution made in respect of such preceding year.

(b) "Income Before Federal Taxes on Income" for a fiscal or calendar year means the Company's Income Before Federal Taxes on Income as determined by the Chief Accounting Officer of the Company in accordance with the standard accounting procedures of the Company.

(c) Calendar year means the period of twelve fiscal months of the Company, commencing on the first day of its January fiscal month and ending with the last day of its December fiscal month.

4.6 The amount of the Company's contribution to the Plan for each plan year shall be paid to the Trustee, either in a single payment or in installments, not later than the last day of the period prescribed for the payment of a deductible

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contribution for such year by the relevant provisions of the Internal Revenue Code and other applicable law. Such contribution may be based upon Income Before Federal Taxes on Income estimated in accordance with established accounting principles consistently applied to data available at the time the estimate is made, and certified to by the chief accounting officer of the Company, and the contribution of the Company shall be made to the Trustee not later than the last day of the period prescribed for the payment of a deductible contribution for such year by the relevant provisions of the Internal Revenue Code and other applicable law on the basis of such estimate. In such event, after the examination by the chief accounting officer of the data necessary to the determination of the amount thereof for the relevant calendar year (or fiscal year as to the Company's fiscal year ending February 1, 1986), the Company shall determine the amount of its contribution on the basis of such data and as provided in this Article; and any amount by which the amount theretofore contributed by the Company in respect of such year shall be less than the amount of its contribution as so determined shall be contributed by the Company not later than the last day of the period prescribed by the relevant provisions of the Internal Revenue Code and other applicable law for the payment of a deductible contribution to the Plan for its next succeeding plan year, and any amount by which the amount theretofore contributed by the Company in respect to such year shall exceed the amount of its contribution as so determined shall be applied as promptly as possible as a reduction in the amount of the contributions which the Company may thereafter be required to

make pursuant to Section 4.3 hereof. If, after the Company has made a contribution for any such plan year, all or any part thereof shall be finally disallowed as a deduction under the Internal Revenue Code in computing the income of the Company for the fiscal year within which the relevant plan year ends for the purpose of federal taxes on income, then the amount of the contributions that the Company would otherwise thereafter be required to make pursuant to Section 4.3 hereof shall be reduced by an amount equal to the amount disallowed as such a deduction.

4.7 It is the basic policy and specific intention of the Company that the investment and reinvestment of the contributions to the Plan made by the participants and by the Company (including pursuant to Article XII hereof) shall be made as follows:

(a) The cash and investments, the earnings thereon, and the proceeds thereof attributable to the contributions to this Plan or a plan merged herein made by participants, shall be included in and invested and reinvested (except as hereinafter expressly provided) as provided in Fund A described below. Fund A shall also include funds representing the Company-contributed portion of participant's Thrift Incentive Credits transferred thereto pursuant to Section 5.6 hereof. The foregoing notwithstanding, the cash and investments thereon and the proceeds thereof, attributable to the contributions made by participants in the Rich's Plan which were invested on December 31, 1984 in Diversified Investments, as defined in the Rich's Plan, shall be included in and invested and reinvested pursuant to Fund B described below, and such cash and investments and the

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proceeds thereof so attributable which were invested on December 31, 1984 in common stock of Federated Department Stores, Inc. shall be included in and invested pursuant to Fund C described below. The Company may from time to time allow all participants who have such credits included in either or both of Fund B or C to transfer all or any portion of such credits to Fund A. The dollar value of said credits so transferred shall be determined by the Trustee as of the Valuation Date immediately following the date on which such transfer shall take place.

Fund A - all sums in this Fund shall be invested in a variety of short-term fixed income corporate and government bonds, investment contracts with selected insurance companies which provide for a stated investment return, and intermediate-term variable rate fixed-income securities as selected by the Investment Committee or by investment managers appointed thereunder.

Fund B - all sums in this Fund shall be invested in a variety of corporate and government fixed income securities and equity securities (but not securities of the Company), and cash equivalents as selected by the Investment Committee or by investment managers appointed thereunder.

Fund C - all sums in this Fund (consisting only of funds invested as of December 31, 1984 in common stock of Federated Department Stores, Inc. pursuant to the investment alternative described in Section 3.3(b)(1), (2) or (6) of the Rich's Plan and the earnings thereon) shall be invested and reinvested in the common stock of Federated Department

Stores, Inc. and cash equivalents; provided that no participant shall have the right to transfer sums into this Fund or to make any contributions thereto.

(b) The cash and investments, the earnings thereon and the proceeds thereof, attributable to the contributions made by the Company (including contributions to the Profit Sharing Account of Article XII participants), other than the portion thereof representing the value of a participant's Thrift Incentive Credits transferred to Fund A and Retirement Income Credits and Divisional Credits transferred to the Stability Income Fund, as hereinafter defined, pursuant to Section 5.6 hereof (and an Article XII participant's Profit Sharing Account transferred to the Special Account pursuant to Section 12.16 hereof), shall be invested and reinvested in common shares of Federated Department Stores, Inc. and in such other investments all as the Investment Committee created in accordance with Section 7.8 hereof may determine, it being understood that up to one hundred per cent (100%) of the amounts attributable to such contributions may be invested in such common shares. All funds representing the value of a participant's Retirement Income and Divisional Credits so transferred to the fund herein referred to as the "Stability Income Fund" (and an Article XII participant's Profit Sharing Account transferred to the Special Account pursuant to Section 12.16 hereof) shall be invested and reinvested in short-term fixed income corporate and government bonds, or in such other investments designed to safeguard the principal amount thereof as the

Investment Committee may determine. Credits of certain participants who retired prior to January 1, 1980 and elected to receive their distribution in the form of installment payments shall also be included in the Stability Income Fund.

ARTICLE V
Accounts and Allocations

5.1 The Committee shall cause the Trustee to maintain such accounts as may be necessary or desirable to effectuate the purposes of the Plan. Without limiting the generality of the foregoing, the Committee shall cause the Trustee to maintain:

(a) a "Thrift Incentive Account", representing that part of the Trust Fund attributable to the contributions made by participants, and the contributions made by the Company for and on account of both the Thrift Incentive portion of the Plan, The Children's Place Plan prior to July 1, 1984, and the Rich's Plan prior to January 1, 1985, and the earnings, increments and additions thereon and thereto, and

(b) a "Retirement Income Account", representing that part of the Trust Fund attributable to the contributions made by the Company for and on account of the Retirement Income portion of the Plan, and the earnings, increments and additions thereon and thereto, and

(c) a "Divisional Credit Account", representing that part of the Trust Fund attributable to the credits of participants in the Magnin Plan, the Bullock's Plan

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(excluding such credits of participants in Article XII hereof), and the Rike's Plan prior to the respective mergers thereof into this Plan, and the earnings, increments and additions thereon and thereto.

5.2 The Committee shall maintain or cause to be maintained a separate account for each participant, to which there shall be credited and shown separately:

(a) the participant's interest, hereinafter referred to as "Thrift Incentive Credits", in the Thrift Incentive Account, and

(b) the participant's interest, hereinafter referred to as "Retirement Income Credits", in the Retirement Income Account, and

(c) the participant's Divisional Credits, as defined in Section 1.26 hereof.

5.3. For the purpose of the equitable distribution of benefits accruing to the participants under this Plan, the value of the accounts of each participant herein shall be determined as of each Valuation Date.

Allocations to the accounts of participants shall be made as follows:

(a) As of each Valuation Date, there shall be allocated to the account of each participant who is such on that Date, the net earnings and capital gains and losses for the preceding Valuation Period, whether or not realized, of each investment fund described in Section 4.7 hereof in which such account is invested, excluding any such earnings or gains which are transferred to the separate accounts of

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reemployed participants as provided in Section 6.9 hereof (all such net earnings and capital gains and losses, excluding such earnings or gains so transferred, are hereafter collectively referred to as "accretions"), in the proportion that the amount of such account, to the extent invested in each such investment fund, as of the start of such Valuation Period, and not withdrawn during such Valuation Period, bears to the amount of all such accounts to the extent invested in each such fund at the beginning of such period, and not withdrawn during such Valuation Period. In making the aforesaid allocation, participant contributions made to the Thrift Incentive Account for any payroll period ending since the immediately preceding Valuation Date shall be disregarded. The foregoing notwithstanding, dividends on the number of common shares of Federated Department Stores, Inc. credited to the accounts of participants in the Thrift Incentive Account or Retirement Income Account who were such on the immediately preceding Valuation Date (such accretions, for the purposes of this clause, being the dividends on said number of shares) shall be allocated to each such participant's account in the proportion that the number of such shares credited to him in each of said Accounts on the immediately preceding Valuation Date bears to the total number of such shares credited on the immediately preceding Valuation Date to all such participants in each of said Accounts.

(b) The contribution of the Company for and on account of the Thrift Incentive portion of the Plan for each

plan year when made, shall be deemed to have been made as of the last day of each such plan year. Except as otherwise provided in Section 4.2 hereof, additional Thrift Incentive Credits equivalent to the amount of such contribution by the Company shall be credited as of said date to the account of each participant who remained such through the last day of said plan year and who did not withdraw basic contributions (as defined in Section 4.2 hereof) during said plan year, in the proportion that the amount of each such participant's basic contributions made in said year bears to the total amount of basic contributions made by all such participants in said year.

(c) Additional Retirement Income Credits, if any, equivalent in the aggregate to the amount of the Company's contribution for any plan year shall then be credited as of the close of such plan year to the account of each participant who remained such through the last day of such plan year, as the case may be, in the proportion that the participating compensation of such participant for the plan year bears to the total participating compensation of all such participants for said calendar year.

Any appraisal of the Trust Fund, or any portion thereof, by the Trustee shall give due regard to accrued expenses and other proper charges to said fund to the extent that these are not assumed by the Company pursuant to Section 7.5 hereof. The Trustee's determination of the market value of the investments of the Trust Fund, or any portion thereof, shall be final and conclusive for all purposes of the Plan.

In no event shall the annual addition to a participant's account under either this Section or Article X or Article XII hereof exceed the lesser of \$30,000 (or such amount as adjusted for increases in the cost of living under regulations prescribed by the Secretary of the Treasury or his delegate under Section 415(d) of the Internal Revenue Code) or 25% of the participant's compensation (which term as used in this paragraph and the next paragraph shall be as hereinafter defined in this Section 5.3). For this purpose annual addition shall include contributions by the Company, the lesser of one-half of the participant's contribution or all of the participant's contribution in excess of 6% of his compensation, and surrendered credits. Any amount which would have been contributed to the account of a participant but for the preceding sentence shall be allocated to the accounts of other participants, subject to the preceding sentence, in the same manner as surrendered credits for the purposes of Section 5.4 hereof (or as accretions for the purposes of Section 7 of Article XII hereof). If as a result of the allocation of surrendered credits, a reasonable error in estimating a participant's compensation, or under other facts and circumstances which the Commissioner of the Internal Revenue Service finds justify the application of the rules hereinafter set forth in this sentence, the annual addition to any participant's account would cause the maximum annual addition set forth above to be exceeded (the amount by which the maximum annual addition is so exceeded referred to in this Section 5.3 as the "excess amount"), the following adjustments shall be made so that such maximum is not exceeded:

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(1) Contributions to the Plan (other than Qualified Deferred Earnings Contributions) made by the participant for such year shall be returned to the participant to the extent that the return would reduce the excess amount in the participant's account. Any earnings made by the Trust attributable to such returned contribution will, unless also so returned, be considered as participant contributions for the year in question solely for the purpose of this paragraph.

(2) If an excess amount remains in the account of any participant following the return of participant contributions described above, the remainder of the excess amount shall be reallocated to the accounts of other participants in the same manner as surrendered credits (or as accretions for the purposes of Article XII hereof). However, if this reallocation of the remaining excess amount would cause the limitations set forth in this paragraph to be exceeded with respect to each participant for the relevant year, then that portion of the excess amount shall not be so reallocated but held in a suspense account in the Trust. In the plan year next following the year in which such excess amounts are placed into the suspense account, all amounts in said suspense account shall be allocated and reallocated to the accounts of participants in the manner provided in the preceding sentence before any Company contributions and participant contributions shall be made for such next following plan year.

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If a participant also participates in a defined benefit plan maintained by Federated, Section 415(e) of the Code provides that the sum of the defined benefit plan fraction and the defined contribution plan fraction shall not exceed 1.0. Federated intends that an adjustment, if any, in contributions or benefits which is necessary to satisfy such 1.0 limitation under Section 415(e) of the Code shall be made exclusively in the defined benefit plan so that no such adjustment need be made in this Plan. For purposes of this paragraph, the defined benefit plan fraction for any plan year is a fraction, the numerator of which is the projected annual benefit of the participant under the defined benefit plan as of the close of the plan year, and the denominator of which is the lesser of (i) the product of 1.2% multiplied by the dollar limitation in effect under Section 415(b)(1)(A) of the Code for such Plan year, or (ii) the product of 1.4 multiplied by one hundred percent (100%) of the participant's average compensation as an employee during the three (3) consecutive calendar years (or actual number of years if less than three) during which the participant actively participated in the defined benefit plan and had the greatest aggregate compensation as an employee. The defined contribution plan fraction for any plan year is a fraction, the numerator of which is the sum of the annual additions to the participant's account under this Plan from (i) employer contributions, (ii) forfeitures and (iii) employee contributions in excess of six percent (6%) of his compensation for such plan year or one-half ($\frac{1}{2}$) of his contributions, whichever is less, and the denominator of which is the sum

of the lesser of the following amounts determined for such year and for each prior year of service:

(a) the product of 1.25 multiplied by the dollar limitation in effect under Section 415(c)(1)(A) of the Code for such plan year (determined without regard to Section 415(c)(6) of the Code), or

(b) the product of 1.4 multiplied by twenty-five percent (25%) of the participant's compensation as an employee for such plan year.

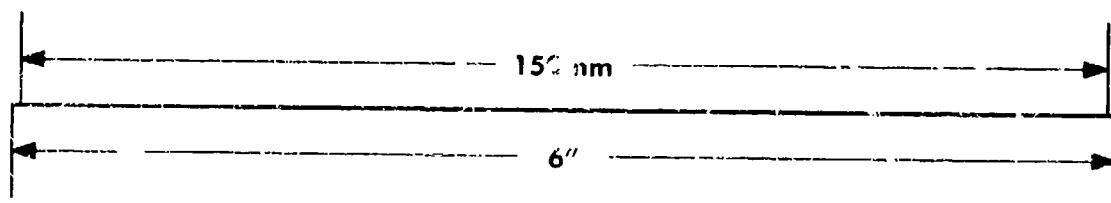
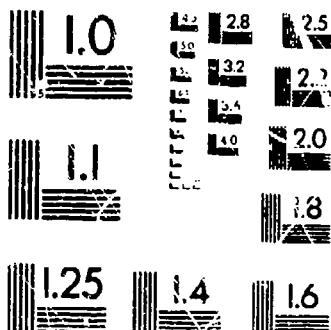
As used in this paragraph and the preceding paragraph, the term "compensation" shall mean all compensation of the participant from the Company for a relevant plan year.

5.4 Upon termination of a participant in the Plan in any plan year, the amount of the credits not then vested in him pursuant to the provisions of Article VI hereof shall be deemed to be outstanding until the close of such year as shall the credits of a participant terminating in such year pursuant to paragraph (a) of Section 6.7 hereof. All such credits, herein-after termed "surrendered credits", shall share proportionately in the accretions of the Trust Fund for such year with respect to said credits. The dollar value of such surrendered credits invested in common stock of Federated Department Stores, Inc. shall be determined as of the last day of such year based on the last closing price of such stock for such plan year. Such surrendered credits, after adding thereto or subtracting therefrom the net amount of adjustments, if any, made during such year to correct accounts of participants by reason of correction of errors and subtracting therefrom amounts transferred to the



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separate accounts of reemployed participants as provided in Section 6.9 hereof, shall then be applied at the close of such year as hereinafter described:

(a) The surrendered Thrift Incentive credits for said year shall be applied to the Thrift Incentive Account. The amount so applied shall be credited to the account of each participant who remained such through the last day of such taxable or plan year in the same manner as the contribution of the Company for such year for and on account of the Thrift Incentive portion of the Plan.

(b) The surrendered Retirement Income and Divisional credits for said year shall be aggregated and applied to the Retirement Income Account and Divisional Account. The amount so applied shall be credited to the account of each participant who remained such through the last day of such plan year in the proportion that the aggregate amount of the investments credited to his Retirement Income and Divisional Accounts at the beginning of said year (using for common stock of Federated Department Stores, Inc., the last closing market price of such stock for said year) multiplied by his length of service factor (as described in paragraph (c) hereof), bears to the total aggregate amount of the investment credits in the Retirement Income and Divisional Accounts of all such participants at the beginning of said year for said plan year multiplied by their appropriate length of service factors.

(c) For the purposes of this Section 5.4 the length of service factor of a participant who, at the time of

determination thereof, has completed more than 20 years of employment shall be one and one-half, and in the case of every other participant shall be one. The determination of a participant's period of employment for the purposes of this Article shall be made as of the last day of the plan year. For the purposes of this paragraph (c), "employment" shall be calculated in the same manner as set forth in Section 6.8 hereof.

5.5 When, pursuant to the terms of this Plan, distribution of a participant's Thrift Incentive Credits, Retirement Income Credits and Divisional Credits is to commence, the dollar value of said credits, other than credits invested pursuant to paragraph (b) of Section 4.7 in the common stock of Federated Department Stores, Inc., shall be appraised by the Trustee as of the latest Valuation Date prior to the commencement of such distribution for which a valuation shall have occurred and be available to the Plan Administrator (but in no event shall said Valuation Date be earlier than the Valuation Date immediately preceding the date of such participant's termination of participation in the Plan). The dollar value of such credits invested in common stock of Federated Department Stores, Inc. pursuant to paragraph (b) of Section 4.7 shall be determined by the Trustee based upon the average price of such stock computed on a daily basis for the ninety (90) day calendar period ending on the latest Valuation Date prior to the commencement of such distribution for which a valuation shall have occurred and be available to the Plan Administrator (but in no event shall such Valuation Date be earlier than the Valuation Date immediately

preceding the date of such participant's termination of participation in the Plan); provided that if the participant then elects to have all or part of the investments in such common stock distributed in kind, the whole shares of such investments shall be distributed as so elected, in lieu of the dollar value thereof.

5.6 At any time after attaining his 60th birthday, but prior to termination of his participation in the Plan, a participant shall have the option, which may not thereafter be rescinded, to require the transfer of (a) cash and investments equal in value to the Company-contributed portion of his Thrift Incentive Credits (including the accretions thereon) to Fund A as described in Section 4.7(a) hereof, and (b) cash and investments equal in value to his Retirement Income Credits and Divisional Credits to the Stability Income Fund as described in Section 4.7(b). Such transfer shall be made as of the first day of the month next succeeding the date that such participant's written election has been received by the Committee. The dollar value of said credits, other than credits invested pursuant to paragraph (b) of Section 4.7 in the common stock of Federated Department Stores, Inc. shall be determined by the Trustee as of the Valuation Date immediately preceding the date on which such transfer shall take place; and the dollar value of said credits invested in common stock of Federated Department Stores, Inc. pursuant to paragraph (b) of Section 4.7 shall be determined by the Trustee based on the average price of said stock computed on a daily basis for the ninety (90) day calendar period ending on the

Valuation Date immediately preceding the date on which such transfer shall take place.

5.7 As promptly as practicable after the close of each plan year, the Committee shall give notice to each participant of the credits to his account as of said date. The Committee may elect such methods of recording and reporting the accounts of participants, including the investments therein, as it may in its discretion deem appropriate.

ARTICLE VI Distribution

6.1 All credits of participants (other than the amount of each participant's contributions) shall be contingent, and the interest on the part of each participant therein shall be subject to termination except to the extent that such credits or part thereof shall become vested in him in accordance with the provisions of this Article. Each participant's contributions shall be nonforfeitable when made.

6.2 All contingent credits, as described in Section 6.1, credited to the account of a Participant shall become nonforfeitable

(a) on the date he attains his 55th birthday with respect to all credits, or

(b) after he has completed 10 years of employment in the case of his Retirement Income Credits and Divisional Credits and 3 years of employment in the case of his Thrift Incentive Credits.

6.3 If the participation of a participant in the Plan shall terminate by reason of (a) his death, or (b) termination of his employment and the Committee shall have determined that he is then totally and permanently disabled, all the credits theretofore credited to his account shall immediately become vested in him in full.

If the participation of a participant in the Plan shall terminate after he has completed five or more years of employment other than as provided in Section 6.2 and in the first paragraph of this Section 6.3, there shall be paid to him in the manner provided in Section 6.5 hereof his nonforfeitable percentage of the remaining Retirement Income and Divisional credits theretofore credited to his account. All other interest, if any, on the part of the participant in the Plan shall terminate subject to the provisions of Sections 6.4, 6.8 and 6.9 hereof. The nonforfeitable percentage of a participant's interest in his Retirement Income and Divisional credits shall be determined on the basis of the following schedule:

<u>YEARS OF EMPLOYMENT</u>	<u>PERCENTAGE</u>
5 years but less than 6	25%
6 years but less than 7	40%
7 years but less than 8	55%
8 years but less than 9	70%
9 years but less than 10	85%

6.4 If the participation of a participant in the Plan shall terminate before he shall acquire a nonforfeitable interest in any portion of the contingent Thrift Incentive, Retirement Income or Divisional Credits credited to his account, there shall be paid to him his additional and basic contributions, if any, together with any accretions on the cash and investments

representing such contributions as of the latest Valuation Date prior to the commencement of such distribution for which a valuation shall have occurred and be available to the Plan Administrator (but in no event shall such Valuation Date be earlier than the Valuation Date immediately preceding the date of such participant's termination of participation in the Plan). All other interest on the part of the participant in the Plan shall terminate except as provided in Sections 6.8 and 6.9 hereof.

6.5 No cash or investments representing the credits vested in any participant shall be paid or distributed to him until after termination of such participant's employment. Following termination of his employment, the Committee shall direct the Trustee to cause to be paid or distributed to such participant or to the surviving spouse, if any, of such participant, or if there is no surviving spouse, or if the surviving spouse consents in the manner required under Section 6.6 hereof, to another beneficiary designated by him or if such participant's spouse does not survive him and if no other beneficiary has been so designated or if the designated beneficiary does not survive the participant, to his estate, subject to the provisions of Section 6.6 hereof, the cash and investment representing the credits vested in him. Such distribution shall be made in such one or more of the following methods as the participant may elect:

- (a) a joint and survivor annuity payable in monthly installments for the life of the participant and his spouse under which the amount of monthly survivor annuity

installments payable to the spouse for her lifetime shall equal 50% (or if the participant elects 100% or 66-2/3%) of the amount of the monthly installment payable to the participant during his lifetime and which is the actuarial equivalent of a single life annuity for the life of the participant;

(b) an annuity payable in monthly installments for the life of the participant;

(c) an annuity payable in monthly installments for the lifetime of the participant, but for not less than 120 monthly installments or the beneficial equivalent of the foregoing, or

(d) cash and/or kind in one lump sum distribution.

The foregoing notwithstanding, no distribution to any participant shall be made in a form described in subsection (b) or (c) above unless the spouse of such participant consents in writing to such distribution not more than ninety days prior to the commencement of such distribution. No distribution to any participant shall be made to any participant prior to his normal retirement date unless the participant consents or unless the amount to be distributed is not greater than \$3,500. Notwithstanding any other provision hereof, if the participation of a participant in this Plan shall terminate and the nonforfeitable portion of such participant's account is not greater than \$3,500, such portion shall be distributed in a lump sum cash payment as soon as administratively practicable after such termination.

Any reference in the preceding sentences to the investments representing a participant's credits shall mean either the

investments theretofore representing said credits or such other investments as the Trustee shall have substituted therefor in its administration of the Trust Fund. The distribution of a participant's interest pursuant to one or more of the foregoing methods shall be made on the first day of the calendar month following the date on which his employment is terminated or as soon as practicable thereafter, subject to the spousal consent requirements set forth in this Section.

Notwithstanding the foregoing unless the participant elects otherwise, any benefits under this Plan shall be paid in cash and kind in one lump sum distribution. If an annuity is selected, the form of the annuity in the case of a participant with a spouse on his Final Election Date, as defined below, shall be a joint and survivor annuity as described above, unless the participant otherwise elects and the said spouse consents as provided below. Any election of a form of benefit shall be made in writing to the Committee only during the ninety days preceding the first day of the first period for which an amount is received as an annuity (or in the form of a lump sum distribution) under this Plan by such participant, his spouse, or other beneficiary (said day being the "Final Election Date"), and shall, as to any participant having at least one hour of employment with the Company on or after August 23, 1984, having a spouse on the Final Election Date, and selecting a form of annuity other than a joint and survivor annuity, be valid only if the spouse consents in writing to such an election, which consent shall acknowledge the effect of such election and be witnessed by a plan representative or notary public. Any spousal consent required by this Section

6.5 shall be valid only with respect to the spouse so consenting; provided, however, said election as to any such participant not so consented to by the participant's spouse shall be valid if it is established to the satisfaction of a plan representative that the spouse's consent may not be obtained because there is no spouse, because the spouse cannot be located, or because of such other circumstances as the Secretary of the Treasury may by regulation prescribe. For the purposes of this Section 6.5 the identity of a participant's spouse shall be established as of the participant's Final Election Date and shall not be changed as a result of a separation, divorce, or a subsequent marriage of the participant or his spouse to another individual unless otherwise required by a qualified domestic relations order, as defined in Section 414(p) of the Internal Revenue Code.

Within a reasonable time prior to his annuity starting date, (and consistent with such regulations as the Secretary of the Treasury may prescribe) each participant shall be provided with a written explanation of (i) the terms and conditions of the joint and survivor annuity described above, (ii) the participant's right to make, and the effect of, an election to receive a form of benefit other than the joint and survivor annuity described above, (iii) the rights of the participant's spouse to approve or disapprove such an election, and (iv) the right to make and the effect of a revocation of an election to receive a form of benefit other than a joint and survivor annuity as described above. At any time and from time to time during the said election period, any such election may be revoked in writing to the Committee in the preceding sentence and another election may be

made by the participant (subject to the above spousal consent requirements if an annuity other than a joint and survivor annuity is selected).

The foregoing provisions of this Section 6.5 shall likewise be applicable to any individual who works at least one hour for the Company beginning on or after January 1, 1976 and who had at least 10 years of employment with the Company when he separated from service with the Company (provided distribution of such individual's interest hereunder has not commenced on or prior to August 23, 1984), if the individual elects for such provisions to so apply during the period commencing on August 23, 1984 and ending on the date the distribution of such individual's interest hereunder would otherwise commence to such individual.

The account balance of a 5-percent owner (as described in Section 416(i) of the Code determined with respect to the plan year ending in the calendar year in which such individual attains age 70-1/2) shall be distributed or commence to be distributed, no later than the first day of April following the calendar year in which such individual attains age 70-1/2.

6.6 The interest or any undistributed balance thereof of any participant, including his account under Article X (and Article XII) hereof, shall be paid in the event of the participant's death to his surviving spouse, if any, as beneficiary; provided, however, that each participant may designate, upon such form filed with the Committee as it shall prescribe, a beneficiary, other than the participant's spouse, to whom such payment shall be made if the participant's spouse, if any, consents in writing to such beneficiary designation, and the spouse's consent

acknowledges the effect of such designation and is witnessed by a plan representative or notary public. Any such consent shall be valid only with respect to the spouse so consenting. The foregoing notwithstanding such consent need not be obtained if it is established to the satisfaction of a plan representative that the spouse's consent may not be obtained because there is no spouse, because the spouse cannot be located, or because of such other circumstances as the Secretary of the Treasury may by regulation prescribe. Subject to the spouse's consent requirement set forth in the preceding sentence, the beneficiary so designated may be changed at any time and from time to time prior to completion of distribution of the participant's interest by his filing with the Committee, upon such form as it shall prescribe, a notification of change of beneficiary. If there is no surviving spouse and if no other person shall be so designated as the beneficiary or if the designated beneficiary shall not survive the participant, payment of his interest or any undistributed balance thereof shall be made to his estate. Payment to his surviving spouse or to such other beneficiary as may be designated as provided above or to the participant's estate shall be in such manner and upon such conditions as the Committee shall determine subject to the provisions of 6.5 hereof. Upon the death of a spouse, or such other beneficiary designated as provided above, who shall have survived the participant, any balance then unpaid shall be paid to the estate of the spouse (or such other beneficiary) in such manner and upon such conditions as the Committee shall determine. No payment as herein provided shall be made to the estate of a participant or to the estate of his spouse (or such other

beneficiary) if there are no known legatees, heirs or next-of-kin of the participant or his spouse, or such other beneficiary, as the case may be, except to the extent required to discharge liabilities of the participant, his spouse, or such other beneficiary; in the event that it appears within the year following the death of the participant or his beneficiary, as the case may be, that there are no legatees, heirs or next-of-kin of the participant, his spouse, or such other beneficiary, as the case may be, any undistributed balance may thereafter be paid to the Trustee to form part of the Trust Fund.

6.7 Notwithstanding any thing to the contrary contained in this Article,

(a) a participant may at any time request the return to him and shall receive in whole or in part the dollar amount of the basic or additional contributions (except for basic contributions constituting Qualified Deferred Earnings Contributions, which may be withdrawn only in the circumstances provided in Section 4.2 hereof) therefore made by him, and in such event the balance of his interest in the Thrift Incentive Account shall not terminate; provided that additional contributions shall be withdrawn before any other withdrawals are permitted under this Section.

(b) notwithstanding the provisions of clause (a) hereof, any withdrawal of a participant's basic or additional contributions which is not for the total amount of the participant's such contributions shall not be less than \$500 in either event.

6.8 As used in this Section and in Articles X and XII, the term "one year break in service" means the completion of a twelve (12) consecutive month period without reemployment commencing on the date of termination of employment and each twelve (12) month period thereafter in which such participant is not employed by the Company; provided, however, that in the case of an Employee whose employment terminates while the Employee is absent from work for maternity or paternity reasons, the twelve month period of absence beginning on the date of said termination shall not be considered a "one year break in service" if the employee timely furnishes the Committee with such information as may be reasonably necessary to establish (i) that the absence from work is for maternity or paternity reasons, and (ii) the number of days for which there was such an absence; and provided further that such Employee shall not receive credit for participation, vesting, or benefit accrual during said period of absence for maternity or paternity reasons. Absence from work for "maternity or paternity reasons" as described in the preceding sentences means an absence (1) by reason of pregnancy of the employee, (2) by reason of the birth of a child of the employee, (3) by reason of the placement of a child with the employee in connection with the adoption of such child by such employee, or (4) for purposes of caring for such a child for a period beginning immediately following such birth or placement. For the purposes of Article VI hereof, years of employment before any one year break in service shall not be taken into account until such former participant has completed a year of regular employment commencing with his date of reemployment. If such participant

had not completed three (3) years of employment or had not attained age 55 at the time of such termination, years of employment before any one year break in service shall not be taken into account if the number of consecutive one year breaks in service equals or exceeds the greater of five (5) or the aggregate number of years of employment prior to such break.

For the purposes of this Article, employment shall be measured from the date of the most recent commencement of employment to the date of termination of employment and subject to the breaks in service rules provided for in this Section 6.8, regardless of the date as to which participation commenced as provided in Article III hereof.

6.9 If distribution has been made to a participant a portion of whose interest in the Plan has terminated as provided in Section 6.3, the forfeitable portion of the account not so distributed shall be maintained in a separate account until the participant incurs five consecutive one-year breaks in service. If, following such termination, the participant shall incur five consecutive one-year breaks in service, the balance of said account shall be deemed to be a surrendered credit for the purposes hereof. If the participant is reemployed prior to incurring five consecutive one-year breaks in service, then such separate account shall be maintained until the participant's subsequent termination of employment. The vested portion of such separate account to be paid at the time of the subsequent termination of employment shall be determined in accordance with the following formula.

X = P [(AB+RxD)]-(RxD)

Where:

X = the amount of his vested interest in such separate account;

P = the percentage of his vested interest in his credits under the Plan as provided in Section 6.2 and 6.3 hereof (other than the dollar amount of his contributions, if any, made by him pursuant to Section 4.2 hereof, together with the accretions thereon as provided in this Article VI) as of the date of the subsequent termination of employment;

AB = the balance in his separate account as of the date of the subsequent termination of employment;

D = the amount of the original distribution; and

R = a fraction, the numerator of which equals "AB" and the denominator of which equals the amount of the interest originally terminated.

6.10 If the termination of participation of a participant in the Plan has occurred on or after the date the participant has attained his 55th birthday or has completed 25 years of employment or by reason of death or total and permanent disability as provided in the first paragraph of Section 6.3 hereof, such participant, or his beneficiary, shall receive a distribution as it relates to his Thrift Incentive credits (other than the cash and investments in his account attributable to his contributions, Qualified Deferred Earnings Contributions, and accretions thereon) equal in value to the greater of (a) the cash and investments representing such Thrift Incentive credits vested in him as otherwise provided in this Article VI as of December 31, 1983 together with the accretions thereon as of the last day of the calendar quarter immediately preceding the date of such termination, or (b) the total of (i) the dollar amount of the contributions of the Company and of surrendered credits allocated to the

Thrift Incentive portion of the participant's account on or before December 31, 1983, and (ii) the amount of accretions thereon (other than gains and losses, whether or not realized) allocated to the participant's account from time to time pursuant to Section 5.3(a)(iv) and (v).

The amount, if any, by which the total of the vested amounts provided for in clause (b) exceeds the amounts vested in such Participant as provided in clause (a) is hereinafter referred to as the "supplemental guarantee". The supplemental guarantee, if any, shall be paid by the Company, upon certification by the Administrative Committee, to the Participant's account to be distributed as provided in Sections 6.5 and 6.6 hereof, subject to the provisions of the next three sentences hereof. If the sum of the supplemental guarantees to be paid to all Participants when added to the amount of the Company's contribution to the Plan as provided in Article IV hereof for any fiscal year is in excess of the amounts deductible by the Company for federal income taxes for such year, then the total amount of such supplemental guarantees shall be reduced accordingly, and the amounts of any such reductions shall be paid directly to the Participants by the Company. If the amount of any supplemental guarantee to the Participant shall be in excess of the limitations set forth in the last paragraph of Section 5.3 for contributions to a Participant's account, the amount of the supplemental guarantee to be paid the Participant's account shall be reduced in order to meet such requirements and the amount of such reduction shall be paid directly to the Participant by the Company. The time and manner of any payments made directly to Participants as provided

in the three preceding sentences shall be determined at the discretion of the Committee.

ARTICLE VII
Administrative Committee

7.1 The Board of Directors shall appoint the Committee consisting of officers or other employees of the Company or any other individuals. The Committee shall be composed of not less than 3 nor more than 15 persons. The committeemen shall serve at the pleasure of the Board of Directors and vacancies in the Committee arising by reason of resignation, death, removal or otherwise shall be filled by the Board of Directors. Any committee man may resign of his own accord by delivering his written resignation to the Board of Directors. The Committee shall constitute the "named fiduciary" for the purposes of the Employee Retirement Income Security Act of 1974 (hereinafter referred to as "ERISA").

7.2 The Committee shall administer the Plan and is authorized to make such rules and regulations as it may deem necessary to carry out the provisions of the Plan. The Committee shall determine any question arising in the administration, interpretation and application of the Plan, which determination shall be binding and conclusive on all persons.

In the administration of the Plan, the Committee may:

- (a) employ agents to carry out nonfiduciary and fiduciary responsibilities (other than trustee responsibilities as defined in Section 405(c)(3) of ISA);

(b) provide for the allocation of fiduciary responsibilities (other than trustee responsibilities as defined in Section 405(c)(3) of ERISA) among its members. Actions dealing with fiduciary responsibilities shall be taken in writing and the performance of agents, counsel, and fiduciaries to whom fiduciary responsibilities have been delegated shall be reviewed periodically.

The Committee shall administer the Plan and adopt such rules and regulations as in the opinion of the Committee are necessary or advisable to implement and administer the Plan and to transact its business. In performing their duties, the members of the Committee shall act solely in the interest of the participants of the Plan and their beneficiaries and

(a) for the exclusive purpose of providing benefits to participants and their beneficiaries;

(b) with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; and

(c) in accordance with the documents and instrument governing the Plan insofar as such documents and instruments are consistent with the provisions of Title I of ERISA.

7.3 The Committee shall maintain or cause to be maintained accounts showing the fiscal transactions of the Plan, and shall keep or cause to be kept in convenient form such data as may be necessary for valuations of the assets and liabilities of the Plan. The Committee shall prepare annually a report showing

in reasonable detail the assets and liabilities of the Plan and giving a brief account of the operation of the Plan for the past year. In preparing this report the Committee may rely on advices received from the Trustee or other persons or firms selected by it or may adopt a report on such matters prepared by the Trustee. Such report shall be submitted to the Board of Directors and shall be filed in the office of the Secretary of the Committee.

7.4 The Committee shall appoint a Chairman and a Secretary and such other officers, who may be but need not be members of the Committee, as it shall deem advisable. The Committee shall act by a majority of the committeemen at the time in office and such action may be taken either by a vote at a meeting or in writing without a meeting. The Committee may by such majority action appoint subcommittees and may authorize any one or more of the committeemen or any agent to execute any document or documents or to take any other action, including the exercise of discretion, on behalf of the Committee. The Committee may provide for the allocation of responsibilities for the operation and maintenance of the Plan.

7.5 Unless otherwise determined by the Board of Directors, the committeemen shall serve without compensation for services as such. All expense of administration of the Plan, excluding salaries and other expenses of employees of the Company except to the extent permitted by ERISA, but including, without limiting the foregoing, (i) the fees and charges of the Trustee, and of any attorney, accountant, specialist or other person employed by the Trustee or the Company in the administration of the Plan, (ii) taxes, if any, on the assets held by the Trustee

or income therefrom, and (iii) brokerage commissions, transfer taxes and other expenses in connection with the purchase or sale of securities by the Trustee which fees, charges, taxes, commissions, transfer taxes and other expenses shall be paid out of the assets of the Trust Fund.

7.6 Neither the Company nor any committeeeman shall be liable for any loss or damage or depreciation which may result in connection with the execution of their duties or the exercise of their discretion or from any other act or omission hereunder, except when due to their own gross negligence or willful misconduct. The Company shall indemnify and hold harmless each member of the Committee from any and all claims, loss, damages, expense (including counsel fees approved by the Committee) and liability (including any amounts paid in settlement with the Committee's approval) arising from any act or omission of such member, except when the same is judicially determined to be due to the gross negligence or willful misconduct of such member.

7.7 Pursuant to procedures established by the Committee, adequate notice in writing shall be provided to any participant or beneficiary whose claim for benefits under the Plan has been denied. Such notice shall set forth the specific reason for such denial, written in a manner calculated to be understood by the claimant, and provided review is requested within sixty (60) days after receipt by the claimant of written notification of denial of his claim, shall afford a reasonable opportunity to any claimant whose claim for benefits has been denied to a full and fair review of the decision denying the claim.

7.8 In addition to the Administrative Committee provided for in Section 7.1 through 7.7 of the Plan, the Board of Directors shall appoint an Investment Committee (which may be the same as the Administrative Committee) to establish guidelines with regard to the investments provided for in Section 4.7 hereof and to make or direct all investments pursuant thereto. Such Committee shall consist of not less than three nor more than fifteen members and shall serve at the pleasure of the Board of Directors. For such purposes the Investment Committee may retain an investment manager or managers as defined in Section 3(39) of ERISA to manage (including the power to acquire and dispose of) all or any part of the assets of the Plan.

ARTICLE VIII
Qualification, Amendment and Termination

8.1 All assets of the Plan shall be held in a separate single trust which may consist of one or more funds, all of which together shall comprise the Trust Fund, for use in accordance with the provisions of the Plan in providing the benefits and paying the expenses thereof. The Trust Fund shall be held under an appropriate trust agreement by a Trustee or Trustees appointed from time to time by the Board of Directors, with such powers in the Trustee or Trustees, and the Committee, as to investment, reinvestment, control and disbursement of the funds, as shall be provided in such trust agreement which shall be approved by the Board of Directors.

8.2 The Plan and Trust shall, as a condition to their effectiveness, be qualified under Section 401 and 501 of the

Internal Revenue Code. The Board of Directors may authorize any modifications or amendments of the Plan or Trust, which may be retroactive, if necessary or appropriate in its opinion to qualify or maintain the Plan and Trust as a plan and trust meeting the requirements of Sections 401 and 501 of the Internal Revenue Code, as now in effect or hereafter amended, or any other applicable provisions of the Internal Revenue Code, as now in effect or hereafter amended or adopted, and the regulations issued thereunder.

8.3 The Company reserves the right at any time and from time to time to modify, suspend, amend or terminate the Plan or the Trust Agreement in whole or in part (including the provisions relating to contributions) by delivering to the Trustee and the Committee a copy of such modification, suspension, amendment or termination as approved by the Board of Directors; provided that the Company shall have no power to modify, suspend, amend or terminate the Plan or the Trust Agreement in such manner as will cause or permit any part of the Trust Fund to be used for or diverted to purposes other than for the exclusive benefit of participants or their beneficiaries or estates, or the payment of expenses, pursuant to the provisions of the Plan, or as will cause or permit any portion of the Trust Fund to revert to or become the property of the Company. No amendment to the Plan shall decrease a Participant's account balance as calculated immediately prior to such amendment or eliminate an optional form of distribution with respect to benefits accrued prior to such amendment. Notwithstanding anything herein contained, the Company, upon such termination of the Plan, shall have no

obligations or liability whatsoever to make any further payments (including all or any part of any contribution payable prior to the termination of the Plan) to the Trustee, and neither the Trustee, the Committee nor any participant, employee or other person shall have any right to compel the Company to make any payments after the termination of the Plan.

8.4 Upon termination of the Plan or upon complete discontinuance of contributions under the Plan, or if the Company merges or consolidates with any other entity, and the Company is not the surviving entity or if it sells its assets (except that the Plan may be continued by any entity succeeding to the business of the Company by whom some or all of the participants are employed, if such entity shall agree to assume the liabilities of the Plan as to them), the amounts credited to the accounts of all participants shall become nonforfeitable, notwithstanding the provisions of Article VI of the Plan. Upon partial termination of the Plan, the amounts credited to the accounts of all participants affected by such termination shall become nonforfeitable, notwithstanding the provisions of Article VI of the Plan. In the case of any merger or consolidation with, or transfer of assets or liabilities to, any other employee benefit plan, each person for whom an account is maintained shall be entitled to receive a benefit from the Plan, if it is then terminated, which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation or transfer, if the Plan had then been terminated. Upon termination of the Plan, the Committee shall direct the Trustee to distribute all assets remaining in the Trust Fund, to the participants, their

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beneficiaries or estates in accordance with the value of the accounts of such participants as of the date of such termination of the Plan, in cash or in kind or partly in cash and partly in kind, and in such manner as the Committee shall determine; and the Committee's determination shall be final and conclusive upon all persons; provided that no employer security allocated to a participant's account under Article X shall be so distributed before the end of the eighty-fourth month beginning after the month in which the security is allocated; and provided further that Qualified Deferred Earnings Contributions shall not be distributed prior to the earliest date for distribution thereof as set forth in the second paragraph of Section 4.2 hereof. In the event the Plan is terminated, the Committee in office at the time of such termination shall continue to act with its full powers hereunder until the completion of the distribution of such assets; and a majority of the committeemen then in office shall have the power to fill any vacancies occurring in the Committee after such termination by resignation, death or otherwise. In the event the Committee shall not within a reasonable time after such termination have given the Trustee the directions provided in this Section 8.4, the Company shall ipso facto succeed to all powers and duties of the Committee and shall direct the Trustee to distribute said Trust Fund to the participants, their beneficiaries or estates as in this Section 8.4 provided.

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ARTICLE IX
Miscellaneous

9.1 Neither the establishment of the trust created by the Trust Agreement, nor any modification thereof, nor the creation of any fund or account, nor the payment of any benefits, shall be construed as giving to any participant or other person any legal or equitable right against the Company, or any officer or employee thereof, or the Trustee, or the Committee, except as herein expressly provided. All contributions made by the Company to the Plan shall be voluntary, and the Company shall be under no legal liability to make any such contributions. Nothing herein contained shall entitle any person to any payment except out of the Trust Fund except as provided in Section 6.10 hereof.

9.2 Neither the establishment of the Plan, the granting of benefits nor any action of the Board of Directors, the Committee or any Trustee of the funds of the Plan, now or hereafter, shall be held or construed to confer upon any person any legal right to be continued as an employee, or to interfere with the right of the Company to discharge any employee whenever the interests of the Company in its sole discretion may so require without liability to the Company or the Committee or any Trustee of the funds of the Plan.

9.3 The right of any participant or beneficiary to any benefits or to any payment hereunder or to any separate account shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, seizure or escheat and if such participant or beneficiary shall attempt to assign, transfer or otherwise dispose of or encumber such

right, or should such right to be subjected to attachment, execution, garnishment, sequestration or escheat, or other legal, equitable or other process, it shall ipso facto pass to such one or more persons as may be selected by the Committee from among the beneficiaries, if any, theretofore designated by such participant or the spouse, blood relatives and adopted children of the participant, and if none, to the Trust Fund; provided, however, that the Committee in its sole discretion may reappoint the participant or beneficiary to receive any payment thereafter becoming due either in whole or in part. The first sentence of this Section 9.3 shall also apply to the creation, assignment or recognition of a benefit payable with respect to a participant or beneficiary pursuant to a domestic relations order unless such order is determined to be a qualified domestic relations order, as defined in Section 414(p) of the Internal Revenue Code. Any appointment made by the Committee hereunder may be revoked by the Committee at any time, and a further appointment made by it.

9.4 The facts as shown by the records of the Committee at the time of death of any person entitled to any benefits or to any payment hereunder shall be conclusive as to the identity of the proper payee and of the amounts properly payable, and payment made in accordance with such state of facts shall constitute a complete discharge of any and all obligations under Article VI hereof. In the event any amount shall become payable hereunder to any person or, upon his death, to his estate and, if after written notice from the Committee mailed to such person's last known address as shown in the Company's records, such person or his personal representative shall not have presented himself to

the Committee within one year after the mailing of such notice, then the Committee, in its sole discretion, may distribute such amount, including any amount thereafter becoming due to such person or his estate, among one or more of the spouse, blood relatives and adopted children of such person or may direct said amount to be paid to the Trustee to form a part of the Trust Fund provided that such one year requirement shall not be applicable if the amount payable hereunder is less than one hundred dollars. Any action of the Committee under Sections 9.3 and 9.4 hereof shall be final and conclusive upon all persons; and any person, including the Trust Fund, who receives any distribution under said sections shall be the absolute owner thereof, regardless of whether such person had been a participant hereunder or the designated beneficiary or the personal representative of any participant hereunder. In the event payment is made to the Trust Fund and the person entitled to payment thereafter presents himself to the Committee, then payment shall be made to such person. The amount of such payment shall be considered as a correction of an error for the purposes of the fourth sentence of Section 5.4 hereof. If the amount of surrendered credits under that section are insufficient to allow such an adjustment, then the amount of such payment shall be paid by the Company to the Trust as a special contribution.

If any benefits or payments hereunder become distributable to a minor or other person under a legal disability, then the Committee may, in its discretion, direct that such distribution shall be made either (a) directly to such person, (b) to a parent, spouse or other third person caring for and supporting

such minor person, or (c) to the duly appointed guardian, conservator or other legal representative of such person. If the Committee shall be in doubt as to the right of any beneficiary to receive any distribution under the Plan, the Committee may direct the same shall be delivered to the estate of the participant. Any distribution in accordance with the provisions of this paragraph shall be final and conclusive as to all persons and shall constitute a full and complete discharge of the Committee, the Company and the Trust Fund.

9.5 Any subsidiary, with the consent of the Board of Directors, may become a party to the Plan by taking appropriate corporation action to adopt the Plan for its employees, and by executing and delivering to the Company and to the Trustee counterparts of the Trust Agreement provided in Section 8.1 hereof. In such event the share of each such subsidiary in the total contribution by the Company for any taxable or plan year shall equal the total amount credited from said contribution to the accounts of all participants who are the employees of such subsidiary.

9.6 In the event that a subsidiary which is a party to the Plan, or a division of the Company the employees of which are participants in the Plan, ceases to be a subsidiary or a division, as the case may be, by reason of the sale of the stock of the subsidiary, or the sale of substantially all of the property or assets of the subsidiary or division, to a purchaser other than another subsidiary, the interests in the Plan of the participants employed by such subsidiary or division shall be determined as of the date of such sale in the same manner as in

the case of any other participant who terminates his employment on that date; provided, however, that the Board of Directors may determine the equitable part of the Trust Fund applicable to participants who shall continue to be employed by such purchaser and may direct the Trustee to apply such part thereof for their benefit by the payment thereof to the trustee of any retirement income, profit sharing or similar plan of such purchaser or otherwise, all as the Board of Directors may direct. In addition, the Committee may, upon the sale or other disposition of any division, subsidiary or operating unit of the Company, make nonforfeitable all or any part of contingent credits of participants employed by such division, subsidiary or operating unit, whether or not a partial termination of the Plan has occurred as a result of said sale or disposition.

9.7 Whenever the Company under the terms of this Plan is permitted or required to do or perform any act or matter or thing it shall be done and performed by any officer thereunto authorized by the Board of Directors.

9.8 All contributions to the Trust shall be deemed to take place in the State of Massachusetts.

9.9 Amendments of the Plan as adopted by the Board of Directors shall become effective on the Anniversary Date of the Plan next following the date on which they were so adopted, unless the provisions of such amendment or of the resolution of the Board of Directors adopting such amendment shall expressly provide otherwise. In every case the effectiveness of an amendment of the Plan shall be subject to receipt by the Company of a ruling by the Treasury Department that such amendment does not

affect the status of the Plan as a qualified plan under the applicable provisions of the Internal Revenue Code.

ARTICLE X
Employee Stock Ownership Plan

10.1 This Article is hereby established as a qualified stock ownership plan under Section 301 of the Tax Reduction Act of 1975 and Sections 401, 409A and 501 of the Internal Revenue Code, as amended, and is designed to provide for the investment of the Federated Department Stores, Inc. contribution pursuant to this Article primarily in the common stock of the Company.

10.2 The definitions set forth in Sections 1.1, 1.4, 1.5, 1.6, 1.10, 1.11, 1.12, 1.13, 1.14, 1.15, 1.18, 1.20, 1.22, 1.23, 1.24, 1.29 and 1.30 therefor of the Plan shall also apply to this Article. The provisions of Articles VII, VIII and IX shall also apply to this Article. Except as otherwise specifically provided, the provisions of Article II through VI shall not otherwise apply to this Article X or the credits created hereunder.

10.3 All credits under the Company's Employee Stock Ownership Plan adopted as of February 1, 1976 and not distributed prior to the effective date of the merger of that Plan into this Plan shall constitute credits under this Article.

10.4 The effective date of this Article is January 1, 1985.

10.5 An employee shall become a participant for the purposes of this Article on the later of the date that he becomes a participant under Articles I through IX of the Plan (pursuant

to Sections 2.1 and 3.1) or the first day after he has completed three years of employment.

For the purposes of this Section, employment shall be measured from the date of the most recent commencement of employment to the date of termination of employment and subject to the breaks in service rules provided for in the first two sentences of Section 6.8 of the Plan.

10.6 The participation of a participant under this Article shall terminate upon the termination of his employment for any reason provided that a one year break in service has occurred as provided in the first two sentences of Section 6.8 hereof. If after termination of his employment a former participant or other employee is reemployed by the Company, he shall for all purposes of this Article constitute a new employee as of the date of such reemployment unless at that time he again becomes a participant under Article I through IX of the Plan.

10.7 Subject to the provisions of Article VIII hereof with regard to amendments and termination of the Plan and the liabilities of the Company under the Plan, the Company shall contribute for each plan year

(a) an amount which does not exceed that portion of the investment tax credit claimed by the Company pursuant to Section 48(n)(1)(A) of the Internal Revenue Code as such section may be amended from time to time and

(b) an amount which does not exceed the tax credit claimed by the Company pursuant to Section 44G(c)(1)(B) of the Internal Revenue Code as such section may be amended from time to time.

10.8 The amount of the Company's contribution under this Article for each plan year shall be paid to the Trustee by means of a contribution of the common stock of Federated Department Stores, Inc. or by cash either in a single payment or installments, not later than the last day of the period prescribed for the payment of such amount of such year by the relevant provisions of the Internal Revenue Code and other applicable law, provided that such payment shall be made at least thirty days prior to the date that such stock is to be purchased by the Trustee (if such purchases are made by the Trustee). Such contribution may be estimated in accordance with established accounting principles consistently applied to data available at the time the estimate is made. In such event, after the examination of the statements necessary to the determination of the amount thereof as prepared for the tax return of the Company, the Company shall determine the amount of its contribution on the basis of such statements; and any amount by which the amount theretofore contributed by the Company in respect of such plan year shall be less than the amount of its contribution as so determined shall be contributed by the Company not later than the last day of the period prescribed by the relevant provisions of the Internal Revenue Code and other applicable law for the payment of a deductible contribution under this Article for its next succeeding plan year, and any amount by which the amount theretofore contributed by the Company in respect to such year shall exceed the amount of its contribution as so determined shall be applied as promptly as possible as a reduction in the amount of the contributions which the Company may thereafter be

required to make pursuant to this Article. If after the Company has made a contribution as provided for in clause (a) of Section 10.7 for any Plan year, all or any part thereof shall be finally disallowed as an investment tax credit under the Internal Revenue Code in computing the Federal income tax liability of the Company for said fiscal year, then the amount of the contributions that the Company would otherwise thereafter be required to make pursuant to clause (a) of Section 10.7 hereof shall be reduced by an amount equal to the amount disallowed as such a credit. If there are no such contributions under this Article for succeeding Plan year, if all such contributions have been made or if the offset to such contributions is not permitted by law, said amount equal to the amount disallowed shall be deemed to be a contribution under this Article for the Plan year in which it is paid. If after the Company has made a contribution as provided for in clause (b) of Section 10.7 for any Plan year, all or any part thereof shall be finally disallowed as a tax credit under the Internal Revenue Code in computing the Federal income tax liability of the Company for said fiscal year, then the amount of the contributions that the Company would otherwise thereafter be required to make pursuant to clause (b) of Section 10.7 hereof shall be reduced by an amount equal to the amount disallowed as such a credit. If there are no such contributions made under this Article for succeeding Plan years, if all such contributions have been made or if the offset to such contributions is not permitted by law, said amount equal to the amount disallowed shall be deemed to be a contribution under this Article for the Plan year in which it is paid. In no event shall there be any

return to the Company of a contribution in the event of recapture or redetermination of either the investment tax credit or tax credit claimed by the Company as provided in Section 10.7 hereof.

10.9 It is the basic policy and specific intention of the Company that the fund of cash and investments, the earnings thereon and the proceeds thereof, attributable to the contributions made by the Company pursuant to this Article shall be invested and reinvested in common shares of Federated Department Stores, Inc. Notwithstanding the foregoing, the Trustee is authorized to hold such reasonable cash balances as may be necessary to meet the operating requirements of this Article. Such balances may be invested in short term investments as may be prudent under all the facts and circumstances then prevailing, including without limitations, savings accounts, commingled short term investment funds, commercial paper and governmental securities.

10.10 The Committee shall cause the Trustee to maintain an "ESOP Account" representing that part of the Trust Fund attributable to the contributions made by the Company for and on account of this Article and the predecessor plan referred to in Section 10.3 hereof.

10.11 The Committee shall maintain, or cause to be maintained, a separate account for each participant to which there shall be credited and shown separately the participant's interest under this Article.

10.12 For the purpose of equitable allocation of the benefits accruing to the participants under this Article, the amount

of each such participant's interest therein shall be determined as follows:

The contribution of the Company for and on account of this Article for each Plan year, when made, shall be deemed to have been made as of the last day of such year. Credits equivalent in the aggregate to the amount of the Company's contribution for the current Plan year shall be credited in common shares of Federated Department Stores, Inc. acquired as a result of such contribution as of the close of said Plan year to the account of each participant who remains such through the last day of each such Plan year in the proportion that the participating compensation of such participant for the Plan year bears to the total participating compensation of all such participants for said Plan year. For this purpose, participating compensation shall include only the first dollar of compensation paid to any participant.

As of the close of each Valuation Date, there shall be allocated to the account of each participant under this Article the accretions (as defined in Section 5.3 hereof) for said year all as determined by the Trustee,

(i) on the number of common shares of Federated Department Stores, Inc. credited to the accounts of participants in the Plan who were such on the immediately preceding Valuation Date (such accretions, for the purposes of this clause, being the dividends on said number of shares), in the proportion that the number of

such shares credited to him on the immediately preceding Valuation Date bears to the total number of such shares credited on the immediately preceding Valuation Date to all such participants; and

(ii) on the balance of the cash and investments under this Article, in the proportion that the amount of such cash and investments credited to him on the immediately preceding Valuation Date bears to the total amount of such cash and investments credited on the immediately preceding Valuation Date to all such participants.

10.13 All credits under this Article become fully vested when credited to the participant's account.

10.14 No cash or investments representing the credits of any participant under this Article shall be paid or distributed to him until after termination of such participant's employment. Following termination of his employment, the Committee shall direct the Trustee to cause to be paid or distributed to such participant or to the surviving beneficiary designated by him or to his estate, subject to the provisions of Section 6.6 hereof, the cash and investments representing the credits credited to his account under this Article as of the date of such termination together with the accretions thereon as of the latest Valuation Date prior to the commencement of such distribution for which a valuation shall have occurred and be available to the Committee. Such distributions shall be made in kind in lump distributions in whole shares only unless the participant or his beneficiary shall have elected that such distribution be made in cash. In such event such whole shares and in any event, any fractional shares shall be distributed in cash and the value determined by the Trustee as of the date of termination (or as of the day preceding

the date of receipt by the Committee of the papers deemed necessary to direct distribution in the event that participation has terminated by reason of death) based on the average price of such stock computed on a daily basis for the ninety (90) day calendar period ending on the latest Valuation Date prior to the commencement of such distribution for which a valuation shall have occurred and be available to the Committee (but in no event shall such Valuation Date be earlier than the Valuation Date immediately preceding the date of such participant's termination of participation in this Plan).

ARTICLE XI
Top-Heavy Provisions

11.1 The following provisions shall become effective in any year after the 1983 plan year in which the Plan is determined to be a Top-Heavy Plan.

(a) Determination of Top-Heavy: The Plan will be considered a Top-Heavy Plan for the plan year if as of the last day of the preceding plan year, (1) the value of the sum of Thrift Incentive Accounts, Retirement Income Account, Divisional Credit Account and the accounts under Article XII hereof (collectively, the "Accounts") (but not including any allocations to be made as of such last day of the plan year except contributions actually made on or before that date and allocated pursuant to Section 5.3) of participants who are Key Employees (as defined in Section 416(i) of the Internal Revenue Code) exceeds 60% of the value of the sum of the Accounts (but not including any allocations to be

made as of such last day of the plan year except contributions actually made or or before that date and allocated pursuant to Section 5.3) of all participants (the "60% Test") or (2) the Plan is part of a required aggregation group (within the meaning of Section 416(g) of the Internal Revenue Code) and the required aggregation group is top-heavy. However, and notwithstanding the results of the 60% Test, the Plan shall not be considered a Top-Heavy Plan for any plan year in which the Plan is a part of a required or permissive aggregation group (within the meaning of Section 416(g) of the Internal Revenue Code) which is not top-heavy. For the purpose of determining whether or not the Plan is a Top Heavy Plan, the account balances and accrued benefits of any participant who has not received any compensation from the Company at any time during the five (5) year period ending on the last day of the preceding plan year shall be disregarded. As used in this Section 11.1, the term "required aggregation group" means (1) each qualified plan of the Company in which at least one Key Employee participates and (2) any other qualified plan of the Company which enables a plan described in (1) above to meet the requirements of Section 401(a)(4) or 410 of the Code; and "permissive aggregation group" means the required aggregation group of plans plus any other plan or plans of the Company which, when considered as a group with the required aggregation group, would continue to satisfy the requirements of Section 401(a)(4) and 410 of the Code.

(b) Minimum Allocations: Notwithstanding the provisions of Section 5.3, for any plan year after 1983 during which the Plan is deemed a Top-Heavy Plan a portion of the Company's contribution allocable to each Key Employee shall be subject to forfeiture and reallocation to the appropriate Accounts of non-Key Employees who are participants in this Plan, but not in the Company's defined benefit plan. Such forfeited and reallocated amount shall equal the amount, if any, which if so reallocated to the appropriate Accounts of such non-Key Employees, would result in the Company's contribution (including Qualified Deferred Earnings Contributions) to both Key Employees and such non Key Employees, when expressed as a percentage of each of their respective compensation (which term, as used in this Section (b), means all compensation of the participant from the Company) being equal. For any non-Key Employee who participates in the Plan and the Company's defined benefit plan, the top-heavy provisions of Article XIII of the Company's defined benefit plan shall apply to the payment of benefits for the year in which the Plan is determined to be top-heavy.

(c) Minimum Vesting: Notwithstanding the provisions of Section 6.4 or Article XII, for any plan year in which the Plan is a Top-Heavy Plan, the vested percentage of a participant in his Retirement Income Account, Divisional Credit Account and Article XII account shall be determined in accordance with the following table:

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<u>Years of Employment</u>	<u>Vested Percentage</u>	<u>Forfeited Percentage</u>
less than 2	0%	100%
2 but less than 3	20	80
3 but less than 4	40	60
4 but less than 5	60	40
5 but less than 6	80	20
6 or more	100	0

If the vesting schedule under the Plan shifts in or out of the above schedule for any plan year because of the Plan's top-heavy status, such shift is an amendment to the vesting schedule and the election in Section 411(a)(10) of the Code shall apply.

Except for benefits attributable to participant contributions, the above vesting schedule applies to all benefits within the meaning of Section 411(a)(7) of the Code, including benefits accrued before the effective date of Section 416 of the Code and benefits accrued before the Plan became top-heavy. Further, no reduction in vested benefits may occur in the event the Plan's status as top-heavy changes for any plan year. However, this paragraph (c) shall not apply to the account balances of any participant who does not have an Hour of Service after the Plan initially becomes top-heavy and such participant's account balance attributable to Company contributions and surrendered credits will be determined without regard to this paragraph (c).

(d) Compensation Limitation: For any year in which the Plan is a Top-Heavy Plan, only the first \$200,000 (or such larger amount as may be prescribed by the Secretary or his delegate) of a participant's annual compensation shall

be taken into account for purposes of determining Company contributions under the Plan.

(e) Impact on Maximum Benefits: For any year in which the Plan is a Top-Heavy Plan, the last paragraph of Section 5.3 shall be read by substituting the number "1.00" for the number "1.25" wherever it appears therein except such substitution shall not have the effect of reducing any benefit accrued under a defined benefit plan prior to the first day of the plan year in which this provision becomes applicable.

ARTICLE XII

Bullock's Profit Sharing Retirement Benefit Payments Plan

12.1 This Article is designed to allow employees of the Company's Bullock's Division (hereinafter referred to as "Bullock's") hired by Bullock's prior to August 29, 1964 and who, on the effective date of this Article are participating employees (such employees being hereinafter referred to as "Participating Employees") in the Bullock's Profit Sharing Retirement Benefit Payments Plan, established in 1943, and subsequently amended and restated as of February 1, 1976 (the "Bullock's Plan"), said Plan having been merged into this Article XII effective July 1, 1984, to elect to participate and receive benefits under the foregoing Articles I through XI, inclusive, or to elect to participate and receive benefits pursuant to this Article XII.

12.2 The effective date of this Article is July 1, 1984.

12.3 Each Participating Employee shall elect either to participate in the foregoing Articles I through XI, inclusive, or

to participate, effective as of July 1, 1984, in this Article XII by filing with the Committee no later than June 30, 1984, his written election upon such form(s) as the Committee shall prescribe. Any such election to participate in Articles I through XI, inclusive, shall be final and irrevocable, and said Participating Employee shall not be eligible to participate in this Article XII. If a Participating Employee fails to file his written election as provided in the first sentence of this Section 12.3, said Employee shall be deemed to have elected to participate in the foregoing Articles I through XI, inclusive, and shall as of the effective date hereof become a participant therein, said Participating Employee having no further right to become a participant in this Article XII.

12.4 If a Participating Employee elects pursuant to Section 12.3 hereof to participate in Articles I through XI hereof, inclusive, the amounts credited to his accounts and accretions thereon under the Bullock's Plan shall become Divisional Credits as defined in Section 1.26 of the foregoing Article I as of the later of January 1, 1984, or his Entry Date (as defined in Section 1.24 of the foregoing Article I) into said Article I through XI. If a Participating Employee elects to participate in this Article XII said accounts and the accretions thereon shall become accounts and accretions under this Article XII, and said Participating Employee shall be governed by the provisions incorporated into this Article XII as hereinafter set forth.

12.5 For the purposes of this Article XII only, the following terms have the meanings specified below unless the context otherwise requires:

(a) "Plan" means this Article XII and only those portions of the foregoing Articles I through XI inclusive which are expressly hereafter incorporated herein.

(b) "Trust" means the trust established under the trust agreement provided in Section 8.1 of the foregoing Article VIII.

12.6 The following provisions of the foregoing Articles I through XI are hereby incorporated into this Article XII (no other provisions of said Articles being applicable hereto): Sections 1.4; 1.5; 1.6; 1.11; 1.12; 1.15; 1.18; 1.22; 1.23; 1.28; 1.29; 1.30; 4.7; the last two paragraphs of Section 5.3; Sections 5.7; 6.5; 6.6; the first two sentences of Section 6.8; Article VII; Article VIII; Sections 9.1; 9.2; 9.3; 9.4; 9.6; 9.7; 9.8; 9.9; and Article XI. Certain provisions of the Bullock's Plan are hereby restated and are hereinafter set forth as Sections 12.7 through 12.19 hereof.

12.7 Termination of Participation

The participation of a participant in this Article XII shall terminate upon the termination of his employment for any reason. If after termination of his employment a former participant is reemployed by the Company, he shall for all purposes hereof constitute a new employee as of the date of such reemployment and shall no longer be eligible to participate in this Article XII but shall be eligible to participate in Articles I-XI hereof. For the purpose of making allocations pursuant to

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Section 12.12, no allocation shall be made if the employee is not a participant through the last day of such plan year except as otherwise provided in Sections 12.9 and 12.14 hereof.

12.8 Retirement Age

(a) Normal retirement date shall be the last day of the month in which the sixty-fifth (65) birthday of the participant occurs.

(b) Advance retirement date shall be the last day of any month after the sixtieth (60) birthday and prior to the sixty-fifth (65) birthday of the participant, subject to the following conditions: Advance retirement date shall apply to a participant who, after attaining the age of sixty (60) years, had advanced his normal retirement date upon written application to and approval by the Committee. In the event of such advanced retirement prior to normal retirement, contributions by the Company on behalf of such employee will then cease, and benefits shall be paid as provided in Section 6.5 hereof.

(c) A participant who is transferred from Bullock's to another division or subsidiary of the Company may with the consent of such other division or subsidiary apply for advance retirement in the manner provided and subject to the conditions set forth in paragraph (b) above.

12.9 Amount of Retirement Income, Forms and Provisions

The benefits which shall be provided for any retiring participant will be based upon the value of the participant's interest in the Trust as of his retirement date. Disbursements

under this Article XII shall be made in accordance with Section 6.5 hereof.

Any participant who has attained his normal retirement date and whose retirement date is other than on the first day of a plan year, shall be entitled to receive, in lieu of the benefits based upon the value of the participant's interest in the Trust as of his retirement date, the value of his interest increased by an allocation to such participant's account of that portion of the Company's contribution, if any, to the Plan for the then current plan year that the compensation earned by such participant for the fractional part of the calendar year to his retirement date bears to the total compensation paid to all employees participating in this Article XII for such calendar year. The additional benefits, so determined, need only be paid on or before the expiration of ninety (90) days after the first day of the next full plan year and only following such transfer will the participant be entitled to receive the additional benefits therefrom. The Committee is exclusively authorized and empowered to determine the manner in which the value of such additional benefits shall be effective. Such additional benefits shall be subject to all of the other provisions of this Article XII.

12.10 Company's Contributions

The Company will contribute to the Trust Fund within sixty (60) days after the close of its fiscal year beginning February 3, 1985 and ending on February 1, 1986 and after the close of each calendar year beginning on or after January 5, 1986 such amounts out of the earnings of Bullock's as provided in this Section. The funds paid to the Trustee shall be placed into the

Profit Sharing Account or Special Account (as hereinafter provided for) and shall be allocated by the Committee to the accounts of the various participants in this Article XII and shall be credited by the Committee to the then participating employees' accounts in accordance with such allocation, but subject to all of the provisions of this Article XII. Such allocation by the Committee shall be made in accordance with the following method: To the account of each participating employee that portion thereof that the total compensation paid to such employee bears to the total compensation paid to all employees participating in this Article XII.

For the purposes of this Section, total compensation for any participating employee shall be limited to \$90,000.

The maximum annual contribution by the Company shall not exceed fifteen per cent (15%) of the aggregate annual compensation paid or accrued to the participants in this Article XII; and, subject to the foregoing limitation, the annual contribution of the Company shall be a sum of money out of its earnings, the amount of which shall be determined annually through the use and application of the following formula:

Taking as a base the unaudited income before federal taxes on income of Bullock's for the 1985 fiscal year and each calendar year commencing on or after January 5, 1986 as determined in accordance with divisional accounting policies of the Company and as reflected on the books and in the financial statements of Bullock's, the following adjustments shall be made in the sequence indicated:

(a) Add back or subtract the net sum of audit adjustments known at the time of determining the contribution (which shall include the adjustment for the effect of the "LIFO" inventory method);

(b) Add back all intra-company charges (except as provided in (c) below) as reflected on the books of Bullock's, including any net intra-company rent, (but excluding rent paid to another division or a subsidiary of the Company), finance cost transfer net, home office charges or services, bank service charges and amortization of capitalized leases;

(c) Deduct all intra-company credits (including minimum rents capitalized) as reflected on the books of Bullock's and deduct Federated Department Stores, Inc. service fee (at .38% of divisional sales);

(d) Add back the California franchise tax expense as reflected on the books of Bullock's;

(e) Deduct a sum representing imputed California franchise tax calculated on the basis of the statutory rates in effect for such relevant year applied to said base as adjusted in accordance with clauses (a), (b), (c) and (d) above;

(f) Add back the estimated expense for contribution to this Article XII as shown by said financial statements; and

(g) Deduct an amount determined by multiplying the net worth (as net worth is hereinafter defined) by five percent (5%) and dividing the result thus obtained by the

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complement of the federal income tax statutory rate in effect for the relevant year; provided that if a federal excess profits tax is in effect during any part of said relevant year, the effective rate of provision for federal income taxes for the relevant year as shown in the year to date unaudited financial statement for the last fiscal month of said relevant year, based on the relationship of Bullock's provisions for federal income taxes, as determined in accordance with Company accounting policy, to Bullock's income before federal income taxes, shall be substituted for the federal income tax statutory rate in making such computation.

An aggregate sum shall then be computed by the application of the following schedule of percentages to the net sum derived from the adjustments described above:

25% of the first \$500,000 thereof;
20% of the second \$500,000 thereof;
15% of the third \$500,000 thereof;
10% of the excess of \$1,500,000 thereof.

The aggregate sum thus computed shall then be adjusted by excluding therefrom, a portion of such aggregate net sum arrived at by multiplying such sum by a fraction, the numerator of which is the dollar amount of the compensation of all Bullock's employees participating in the foregoing Articles I through XI and the denominator of which is the sum of such compensation plus the compensation of all participants under this Article XII, the adjusted net sum so calculated being the adjusted profits of Bullock's which shall be contributed hereto. The term "calendar year" as used in this Section 12.10 means the twelve fiscal

months of the Company commencing with the first day of its January fiscal month and ending with the last day of its December fiscal month.

The term "net worth" as hereinabove used is defined to be the capital investment of the Company in Bullock's as shown on the books of Bullock's as of the close of the Company's 1984 fiscal year for the purpose of determining the Company's contribution for the 1985 fiscal year, and as of the close of the preceding calendar year for the purpose of determining the Company's contribution for the 1986 calendar year and each calendar year thereafter, adjusted for the daily average effect (on the basis of a 364 or 371 day fiscal or calendar year, as the case may be) of changes therein during the fiscal or calendar year, as the case may be, computed as follows:

(a) Add cash transferred to Bullock's (from the date each transfer was effected);

(b) Add net profit earned since beginning of relevant year (from the beginning of the fiscal month following that in which said net profit was earned);

(c) Add amount of mortgage debt on real property purchased transferred from Bullock's (from the date the Company becomes obligated on such debt);

(d) Add non-cash transfers to or from Bullock's which increase the account designated on the books of account of Bullock's as "Divisional Net Assets" in accordance with divisional accounting practices of the Company (from the date each transfer was effected);

(e) Subtract cash transferred from Bullock's (from the date each transfer was effected);

(f) Subtract non-cash transfers to or from Bullock's which decrease the account designated on the books of account of Bullock's as "Divisional Net Assets" in accordance with divisional accounting practices of the Company (from the date each transfer was effected); and

(g) Subtract capitalized leases net of accumulated amortization (from the beginning of the fiscal month following that in which the charge was entered on the books of Bullock's).

When the final determination of the audited income before federal taxes on income of Bullock's becomes available, the contribution required thereby shall be calculated in the manner provided in this section, and any difference between the contribution as so determined and the amount which was actually contributed, as calculated pursuant to this section, shall be applied as promptly as possible to reduce or increase, as the case may be, the contribution for an ensuing calendar year. If, after the Company has made a contribution for any year, all or any part thereof shall be finally disallowed as a deduction under the Internal Revenue Code in computing the income of the Company for said year for the purpose of federal taxes on income, then the amount of the contributions that the Company would otherwise thereafter be required to make pursuant to this section shall be reduced by an amount equal to the amount disallowed as such a deduction.

12.11 Employee's Interest in Trust Fund

The interest of any participating employee in this Article XII, subject at all times to the termination of the Plan and the Trust, shall be on any valuation date that part of the value of Trust Fund as then reported by the Trustee represented by a fraction whose numerator is the total of said employee's account as maintained by the Committee and whose denominator is the sum of all such accounts of all the participating employees in this Article XII.

12.12 Accumulations

In the event that during any Valuation Period there shall have accumulated net earnings and capital gains and losses whether or not realized (hereinafter referred to as "accretions"), such accretions shall remain as a part of the Trust Fund and shall, as of the end of each Valuation Period, be credited by the Committee to the account of all participants as hereinafter provided. As of the close of each Valuation Period there shall be allocated to the Article XII account of each participant who remains such throughout the last day of said Valuation Period, the accretions in the proportion that the participant's Article XII account credited to him at the beginning of said Valuation Period bears to the total amount in the Article XII accounts of all participants at the beginning of said Valuation Period.

12.13 Termination of Employment

Upon termination of employment, each employee participating in this Article XII shall have a 100% vested interest in the

value of his account as of the last day of the month immediately preceding the date of such termination (unless such date was the last day of the month in which event said date shall be used).

12.14 Death of Participating Employee

Subject to the provisions of Section 6.6 of Article VI, the beneficiary or heirs at law of a participant in this Article XII whose date of death is other than on the first day of a plan year shall be entitled to receive, in lieu of the benefits based upon the value of the participant's interest in the Trust as of the date of death, the value of the participant's interest increased by an allocation to such participant's Article XII account of that portion of the Company's contribution, if any, to the plan pursuant to this Article XII for the then current plan year that the compensation earned by such participant for the fractional part of the calendar year to his date of death bears to the total compensation paid to all employees participating in this Article XII for such calendar year. The additional benefits, so determined, need only be paid on or before the expiration of ninety (90) days after the first day of the next full plan year and only following such transfer will the beneficiary or heirs at law be entitled to receive the additional benefits therefrom. The Committee is exclusively authorized and empowered to determine the manner in which the value of such additional benefits shall be distributable. Such additional benefits shall be subject to all of the other provisions of this Article XII.

12.15 Transfer to other Divisions

In the event a participant is transferred from the employ of Bullock's to the employ of another division or subsidiary of the

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Company he shall not be deemed to have been discharged nor to have terminated his employment for the purposes of this Article XII and so long as such participant shall continue without a one year break in service (as defined in Section 6.8 hereof) in such employment in the employ of one or more divisions or subsidiaries of the Company, he shall not be deemed to have terminated his employment with Bullock's until the date on which he ceased to be an employee of any such division or subsidiary, except that such participant shall not be entitled to share in any contribution of the Company to this Article XII, but the account of such participant shall continue to share in the accretions on the funds in the Profit Sharing Account and Special Account as provided in Section 12.12 hereof.

12.16 Transfer to Special Account

At any time after attaining his 60th birthday, but prior to termination of his employment, a participant shall have the election, which may not thereafter be rescinded, to require the transfer to the Special Account of an amount equal to his interest in the Profit Sharing Account. Such transfer shall be made as of the next Valuation Date following the date that such participant's written election has been received by the Committee in the case of amounts theretofore credited and as of the Valuation Date following their being credited in the case of allocations thereafter credited. The dollar amount of said credits shall be determined as of the Valuation Date immediately preceding the date on which such transfer shall take place. Upon such transfer said credits shall not thereafter be deemed to be outstanding but the participant's interest shall thereafter be

represented by his resulting credits in the Special Account. All amounts transferred to the Special Account pursuant to this Section shall be reinvested as provided in Section 4.7(b) hereof.

12.17 Accounts of Participating Employees

The Committee shall maintain a separate account for each employee participating in this Article XII and into such account there shall be credited the employee's participation as provided in this Article XII. On the first day of each plan year the separate accounts of the participating employees shall be credited with the proportionate share of contributions, and with the increase, if any, in accretions as provided herein, and shall be charged with the proportionate share of all expenses, if any, and with the decrease, if any, in accretions.

12.18 Investments

Trust funds shall be invested in the manner prescribed in Section 4.7(b) hereof.

12.19 Provisions for Accounts

The Committee shall cause the Trustee to maintain an account entitled "The Profit Sharing Account", or similar designation, wherein shall be maintained the funds and assets relating to this Article XII; shall cause the Trustee to maintain an account entitled "Special Account", or similar designation, wherein shall be maintained the funds and assets relating to the Special Account; and shall cause the Trustee to maintain an account entitled "Payment Account", or similar designation, wherein shall be kept and maintained the funds and assets which are transferred from the Profit Sharing Account and the Special Account when participants terminate employment and such transfers are

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necessary for payment of the retirement benefits, and such retirement benefits shall be paid from said Payment Account or otherwise, as may have been determined by the Committee under the authority granted the Committee hereunder with respect to terminated participants.

The Trustee and the Committee are hereby authorized and empowered to transfer into the Payment Account from either or both the Special Account and the Profit Sharing Account, such funds as may become available under the provisions hereof upon the termination of a participant's employment with the Company, either by retirement or otherwise, and until a determination has been made of the rights, privileges and benefits of such a participant, or where a dispute exists with a participant with respect to the rights, privileges and benefits of such participant, if any.

ARTICLE XIII

13.1 Retroactive Amendments to Rich's Plan. The purpose of this Section 13.1 is to make certain amendments to the Rich's Plan, as in effect on January 1, 1984, which amendments shall be effective for the period commencing on January 1, 1984 and ending on January 1, 1985, the date of the merger of the Rich's Plan into this Plan. The Rich's Plan, as in effect on January 1, 1984, is hereby amended as follows:

(a) Section 4.2(b) thereof is hereby deleted and Section 4.2(b) as set forth on Attachment "A" hereto is substituted therefore.

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(b) Article XV, as set forth on Attachment "A"
hereto is added as Article XV thereof.

ATTACHMENT "A"

Amendments to Rich's Plan Effective for 1984

4.8(b) In no event shall the annual addition to a participant's account under this Plan hereof exceed the lesser of \$30,000 (or such amount as adjusted for increases in the cost of living under regulations prescribed by the Secretary of the Treasury or his delegate under Section 415(d) of the Internal Revenue Code) or 25% of the participant's compensation (which term as used in this paragraph and the next paragraph shall be as defined in appropriate Internal Revenue Regulations). For this purpose annual addition shall include contributions by Federated, the lesser of one-half of the participant's contribution or all of the participant's contribution in excess of 6% of his compensation, and Forfeitures. The amount in excess of such maximum annual addition shall be treated as a Forfeiture.

If a participant also participates in a defined benefit plan maintained by Federated, Section 415(e) of the Code provides that the sum of the defined benefit plan fraction and the defined contribution plan fraction shall not exceed 1.0. Federated intends that an adjustment, if any, in contributions or benefits which is necessary to satisfy such 1.0 limitation under Section 415(e) of the Code shall be made exclusively in the defined benefit plan so that no such adjustment need be made in this Plan. For purposes of this paragraph, the defined benefit plan fraction for any plan year is a fraction, the numerator of which is the projected annual benefit of the participant under the defined benefit plan as of the close of the plan year, and the

denominator of which is the lesser of (i) the product of 1.25 multiplied by the dollar limitation in effect under Section 415(b)(1)(A) of the Code for such plan year, or (ii) the product of 1.4 multiplied by one hundred percent (100%) of the participant's average compensation as an employee during the three (3) consecutive calendar years (or actual number of years if less than three) during which the participant actively participated in the defined benefit plan and had the greatest aggregate compensation as an employee. The defined contribution plan fraction for any plan year is a fraction, the numerator of which is the sum of the annual additions to the participant's account under this Plan from (i) employer contributions, (ii) forfeitures and (iii) employee contributions in excess of six percent (6%) of his compensation for such plan year or one-half ($\frac{1}{2}$) of his contributions, whichever is less, and the denominator of which is the sum of the lesser of the following amounts determined for such year and for each prior year of service:

- (a) the product of 1.25 multiplied by the dollar limitation in effect under Section 415(c)(1)(A) of the Code for such plan year (determined without regard to Section 415(c)(6) of the Code), or
- (b) the product of 1.4 multiplied by twenty-five percent (25%) of the participant's compensation as an employee for such plan year.

ARTICLE XV

Top-Heavy Provisions

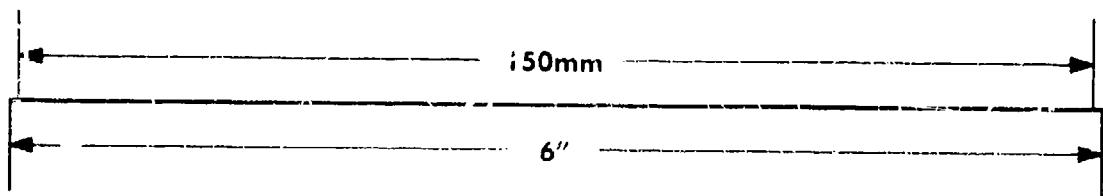
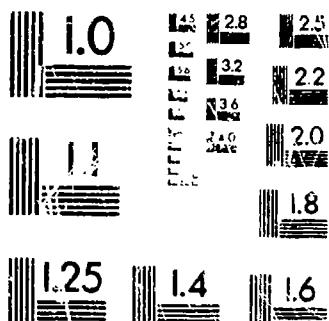
15.1 The following provisions shall become effective in any year after the 1983 plan year in which the Plan is determined to be a Top-Heavy Plan.

(a) Determination of Top-Heavy: The Plan will be considered a Top-Heavy Plan for the plan year if as of the last day of the preceding plan year, (1) the value of the sum of the Accounts (but not including any allocations to be made as of such last day of the plan year except contributions actually made on or before that date and allocated pursuant to the terms of this Plan) of Participants who are Key Employees (as defined in Section 416(i) of the Internal Revenue Code) exceeds 60% of the value of the sum of the Accounts (but not including any allocations to be made as of such last day of the plan year except contributions actually made on or before that date and allocated pursuant to the terms of this Plan) of all Participants (the "60% Test") or (2) the Plan is part of a required aggregation group (within the meaning of Section 416(g) of the Internal Revenue Code) and the required aggregation group is top-heavy. However, and notwithstanding the results of the 60% Test, the Plan shall not be considered a Top-Heavy Plan for any plan year in which the Plan is a part of a required or permissive aggregation group (within the meaning of Section 416(g) of the Internal Revenue Code) which is not top-heavy.



IMAGE EVALUATION TEST TARGET (MT-3)

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(b) Minimum Allocations: Notwithstanding any other provision of this Plan, for any plan year after 1983 during which the Plan is deemed a Top-Heavy Plan a portion of Federated's contribution allocable to each Key Employee shall be subject to forfeiture and reallocation to the appropriate Accounts of non-Key Employees who are participants in this Plan, but not in Federated's defined benefit plan. Such forfeited and reallocated amount shall equal the amount, if any, which if so reallocated to the appropriate Accounts of such non-Key Employees, would result in Federated's contribution to both Key Employees and such non-Key Employees, when expressed as a percentage of each of their respective compensation (which term as used in this Section shall be as defined in appropriate Internal Revenue regulations and subject to the limitations of Section 416(d) of the Internal Revenue Code) being equal. For any non-Key Employee who participates in the Plan and Federated's defined benefit plan, the top-heavy provisions of Article XIII of Federated's defined benefit plan shall apply to the payment of benefits for the year in which the Plan is determined to be top-heavy.

(c) Minimum Vesting: Notwithstanding any other provision of this Plan, if a participant's termination of employment occurs while the Plan is a Top-Heavy Plan, such participant's vested percentage in his Account shall not be less than the percentage determined in accordance with the following table:

<u>Years of Employment</u>	<u>Vested Percentage</u>	<u>Forfeited Percentage</u>
less than 2	0%	100%
2 but less than 3	20	80
3 but less than 4	40	60
4 but less than 5	60	40
5 but less than 6	80	20
6 or more	100	0

(d) Compensation Limitation: For any year in which the Plan is a Top-Heavy Plan, the compensation limitation described in Section 416(d) of the Internal Revenue Code shall apply.

(e) Change in Top-Heavy Status: If the Plan becomes a Top-Heavy Plan and subsequently ceases to be such, the vesting schedule in subsection (c) of this Section shall continue to apply in determining the vested percentage of any participant in his Account and who had at least five years of employment as of December 31 in the last plan year of top-heaviness. For other participants, said schedule shall apply only to their Account balance as of such December 31.

(f) Impact on Maximum Benefits: For any year in which the Plan is a Top-Heavy Plan, the last paragraph of Section 4.8(b) shall be read by substituting the number "1.00" for the number "1.25" wherever it appears therein except such substitution shall not have the effect of reducing any benefit accrued under a defined benefit plan prior to the first day of the plan year in which this provision becomes applicable.

Second Amendment to
RETIREMENT INCOME AND THRIFT INCENTIVE PL.

This Second Amendment to the Retirement Income and Thrift Incentive Plan (said Plan having been previously amended as of January 1, 1986) is effective as of January 1, 1987.

1. The second grammatical paragraph of Section 4.2 of the Plan is hereby amended to read as follows:

"Each participant may elect under Section 401(k) of the Internal Revenue Code and the applicable Treasury Regulations thereunder, in writing on a form prescribed by the Committee, to defer receipt of up to 10% of his Participating compensation, or such lesser amount as established by rule of the Committee (which rule may be applied uniformly, or solely to those Participants who are "highly compensated" as defined in Section 401(k) of the Internal Revenue Code and the applicable Treasury Regulations thereunder) in whole or in part in place of the amounts contributed pursuant to the first paragraph of this Section and to have such deferred earnings, hereinafter referred to as Qualified Deferred Earnings Contributions, contributed to the Plan by the Company on his behalf; provided, however, that (1) the amount of a participant's Qualified Deferred Earnings Contributions made in any calendar year shall not exceed Seven Thousand Dollars (\$7,000) as said sum may be adjusted in regulations promulgated by the Secretary of the Treasury (except that this limitation shall not apply to such Contributions attributable to service performed in 1986 and described in Section 1105(c)(5) of the Tax Reform Act of 1986; (2) the total contribution under this Section shall in no event exceed 10% of participating compensation; and (3) Qualified Deferred Earnings Contributions and the accretions (as defined in Section 5.3 hereof) thereon may not be withdrawn by or distributed to said Participant until the earliest of the Participant's retirement, death, disability, separation from service, or as to Qualified Deferred Earnings Contributions only, hardship (hardship hereunder means necessary in light of immediate and heavy financial needs of the Participant, and distributions for reason of hardship will be limited to the amount required to meet an immediate financial need that is not reasonably available from other resources of the Participant, all as determined by the Committee in accordance with Section 401(k) of the Internal Revenue Code and the applicable Treasury Regulations thereunder) or attainment of age 59½. Any (or all) "highly compensated employees" as hereinafter defined may be required to revise his election to defer an amount of his Participating compensation, in conformity with a uniform rule of the Committee, if the Plan does not meet both of the following limits:"

Second Amendment to
Retirement Income and Thrift Incentive Plan
Page 2

2. Section 4.7(a) of the Plan is amended to read as follows:

(a) Unless otherwise elected by participants as herein provided, the cash and investments, the earnings thereon, and the proceeds thereof attributable to the contributions to this Plan or a plan merged herein made by participants, shall be included in and invested and reinvested (except as hereinafter expressly provided) as provided in Fund A described below. Fund A shall also include funds representing the Company-contributed portion of participant's Thrift Incentive Credits transferred thereto pursuant to Section 5.6 hereof. The foregoing notwithstanding and unless otherwise elected by participants, the cash and investments thereon and the proceeds thereof, attributable to the contributions made by participants in the Rich's Plan which were invested on December 31, 1984, in Diversified Investments, as defined in the Rich's Plan, shall be included in and invested and reinvested pursuant to Fund B described below, and such cash and investments and the proceeds thereof so attributable which were invested on December 31, 1984, in common stock of Federated Department Stores, Inc., shall be included in and invested pursuant to Fund D described below. Effective as of July 1, 1987, and thereafter as of each subsequent July 1, or such other date as the Committee may decide, each participant shall have the opportunity to elect to have all or a portion of the credits attributable to his contributions, or the earnings thereon, in Funds A, B, C or D, described below, reinvested as hereinafter provided in Fund A, B and C, or any of them. The foregoing notwithstanding, an eligible employee shall have the opportunity to make such an election as of his or her Entry Date occurring after July 1, 1987. Such reinvestment shall be made in increments of twenty-five percent (25%) of the participant contributed portion (and the accretions thereon) of his account, based upon the dollar value of such contributions and accretions determined as of the Valuation Date immediately preceding the date as of which such reinvestment shall be effective. Employee contributions to the Plan and the accretions thereon made subsequent to such an election shall be invested in the same increments and in the Funds last elected by the participant.

Fund A - all sums in this Fund shall be invested and reinvested in a variety of short-term fixed income corporate and government bonds, investment contracts with selected insurance companies which provide for a stated investment return, and intermediate-term variable rate fixed-income

(5)

Second Amendment to
Retirement Income and Thrift Incentive Plan
Page 3

securities as selected by the Investment Committee or by investment managers appointed hereunder.

Fund B - all sums in this Fund shall be invested and reinvested in a variety of corporate and government fixed income securities, equity securities, and cash equivalents as selected by the Investment Committee or by investment managers appointed thereunder.

Fund C - all sums in this Fund shall be invested and reinvested in an equity index fund consisting of Standard & Poor's 500 stock investments.

Fund D - all sums in this Fund (consisting only of funds invested as of December 31, 1984, in common stock of Federated Department Stores, Inc., pursuant to the investment alternative described in Section 3.3(b)(1), (2) or (6) of the Rich's Plan and the earnings thereon) shall be invested and reinvested in the common stock of Federated Department Stores, Inc., and cash equivalents; provided that no participant shall have the right to transfer sums into this Fund or to make any contributions thereto.

3. Sections 5.2(a) and (b) are hereby amended to delete the word "hereinafter" and to substitute therefor the word "herein".
4. The first sentence of subparagraph (a) of Section 5.3 of the Plan is hereby amended to read as follows:

"(a) As of each Valuation Date, there shall be allocated to the account of each participant the net earnings and capital gains and losses for the preceding Valuation Period, whether or not realized, of each investment fund described in Section 4.7 hereof in which such account is invested (all such net earnings and capital gains and losses are hereafter collectively referred to as "accretions"), in the proportion that the amount of such account, to the extent invested in each such investment fund, as of the start of such Valuation Period, and not withdrawn during such Valuation Period, bears to the amount of all such accounts to the extent invested in each such fund at the beginning of such period, and not withdrawn during such Valuation Period."

5. Section 5.6 of the Plan is hereby amended to read as follows:

"5.6 A participant who (1) shall have attained his 60th birthday while an employee of the Company on or before December 31, 1986, or (2) shall have attained his 55th birthday and completed ten or more Years of Vesting Service, shall have the election, which may not thereafter

Second Amendment to
Retirement Income and Thrift Incentive Plan
Page 4

be rescinded, to require, prior to termination of his participation in the Plan, the transfer of all or part of (a) cash and investments equal in value to the Company-contributed portion of his Thrift Incentive Credits (including the accretions thereon) to Fund A as described in Section 4.7(a) hereof, and (b) cash and investments equal in value to his Retirement Income Credits and Divisional Credits to the Stability Income Fund as described in Section 4.7(b). All such transfers shall be made as of the first day of the month next succeeding the date that such participant's written election has been received by the Committee. Any such transfer shall be equal to 25%, 50%, 75% or 100% of the value of such Credits as of the day such transfer is made. Any subsequent Company contributions to such participant's Thrift Incentive Credits, Retirement Income Credits or Divisional Credits made subsequent to such an election shall be invested in the same increments last elected by the participant. The dollar value of said credits, other than credits invested pursuant to paragraph (b) of Section 4.7 in the common stock of Federated Department Stores, Inc., shall be determined by the Trustee as of the Valuation Date immediately preceding the date on which such transfer shall take place; and the dollar value of said credits invested in common stock of Federated Department Stores, Inc., pursuant to paragraph (b) of Section 4.7 shall be determined by the Trustee based on the average price of said stock computed on a daily basis for the ninety (90) day calendar period ending on the Valuation Date immediately preceding the date on which such transfer shall take place."

5. Section 6.1 of the Plan is hereby amended to read as follows:

"6.1 All credits of participants (other than Thrift Incentive Credits) shall be contingent, and the interest on the part of each participant therein shall be subject to termination except to the extent that such credits or part thereof shall become vested in him in accordance with the provisions of this Article. All Thrift Incentive Credits, including but not limited to each participant's contributions, shall be nonforfeitable when made."

7. Section 6.2(b) of the Plan is hereby amended by deleting the words "and 3 years of employment in the case of his Thrift Incentive Credits".

8. Section 6.5 of the Plan is hereby amended by adding the following as the last sentence of the first grammatical paragraph thereof:

"In addition to the foregoing, the right of the participant to commence distribution of his nonforfeitable portion of his account, subject to the rules herein contained, shall accrue no later than the date of his early or normal retirement under the Company's Pension

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Retirement Income and Thrift Incentive Plan
Page 5

Plan, adopted as of January 1, 1984, as the same has been
and may be from time to time amended."

9. Section 6.7(a) of the Plan is hereby amended to add the following as the second sentence thereof:

"The foregoing notwithstanding, no portion of a participant's basic or additional contributions made in 1987 may be withdrawn in that year, other than such contributions or portions thereof constituting Qualified Deferred Earnings Contributions (which may be withdrawn subject to all other requirements of this Plan)."

10. Part of the first sentence of Section 9.3 of the Plan is hereby amended by deleting the words "right to be subjected" and substituting the words "right be subjected" therefor.

FEDERATED DEPARTMENT STORES, INC.

RETIREMENT INCOME AND THRIFT INCENTIVE PLAN

(As amended and restated January 1, 1985)

1. Section 6.1 of the Plan is hereby amended and restated to read as follows:

"6.1 Effective January 1, 1988, all credits of Participants shall be nonforfeitable."

2. Sections 6.2, 6.3 and 6.4 are hereby deleted from the Plan and Sections 6.5, 6.6, 6.7, 6.8, 6.9, and 6.10 are renumbered accordingly. All references in the Plan to the deleted Sections are hereby deleted and references to the renumbered Sections are hereby renumbered accordingly.

EXHIBIT 10.11

Conformed w/1986 Amendments
(8/12/87)

FEDERATED DEPARTMENT STORES, INC. PENSION PLAN
(As Amended through January 1, 1985)

Federated Department Stores, Inc., a Delaware corporation with its principal office in Cincinnati, Ohio, adopted, effective as of January 1, 1984, the Retirement Income Plan. The said Plan was subsequently amended and effective as of January 1, 1985 (except as otherwise expressly provided herein), Federated Department Stores, Inc., adopted the revised and restated Plan, as set forth herein. The provisions of this revised and restated Plan shall, except as otherwise herein expressly provided, apply only to employees whose service terminates on or after the effective date of this revised and restated Plan. The rights and benefits, if any, of a former employee shall, except as otherwise required by law, be determined in accordance with the prior provisions of this Plan in effect on the date his employment terminated.

SECTION 1

DEFINITIONS

As used herein, the following terms shall have the meanings indicated unless it is clear from the context that another meaning is intended.

1.1 Federated - means Federated Department Stores, Inc., a Delaware corporation with its principal office in Cincinnati, Ohio, and each division and subsidiary thereof as provided in Appendix A attached hereto.

Conformed w/1986 Amendments
(8/12/87)

1.2 Plan - means the Federated Department Stores, Inc. Pension Plan as contained in this document and all amendments to this document hereinafter adopted. Prior to January 1, 1986, this Plan was called the "Retirement Income Plan of Federated Department Stores, Inc." and the reference thereto in any instrument shall continue to refer to this Plan.

1.3 Employee - means any individual who is compensated by Federated for services actually rendered to Federated as an employee.

1.4 Employment Date - means the first date on which an Employee performs an Hour of Service in his period of most recent employment.

1.5 Hour of Service - means each hour for which an Employee (1) is paid, or entitled to payment, for the performance of duties as an Employee, (2) is directly or indirectly paid, or entitled to payment, for a period of time (without regard to whether the employment relationship is terminated) when he performs no duties as an Employee due to vacations, holidays, illness, incapacity (including disability), layoff, jury duty, military duty or leave of absence and (3) is paid for any reason an amount as "back pay", irrespective of mitigation of damages; provided, an Hour of Service shall not be credited to an Employee on account of a payment which solely reimburses such Employee for medical or medically related, expenses incurred by or on behalf of the Employee, and Hour of Service credit, if any, for periods when no duties are performed as an Employee shall be calculated in accordance with subsections (b) and (c) of Section 2530.200b-2 of the Department of Labor Hour of Service Regulations.

1.6 Participant - means for any Plan Year an individual who has satisfied the age and service requirements specified in Section 2.

1.7 Terminated Participant - means for any Plan Year a Participant who has incurred a Break-in-Service as a result of a termination of employment which is not attributable to death, disability or retirement under this Plan and who remains eligible for the payment of a benefit under this Plan.

1.8 Retired Participant - means a Participant who has retired under Section 4 of this Plan and who remains eligible for the payment of a benefit under this Plan.

1.9 Break-in-Service means the completion of a twelve (12) consecutive month period without reemployment commencing on the date of termination of employment and within twelve (12) month period thereafter in which such Employee is not employed by Federated. The foregoing notwithstanding, in the case of an Employee whose employment terminates while the Employee is absent from work for maternity or paternity reasons, the twelve (12) month period of absence beginning on the said date of termination shall not constitute a Break in Service; provided the Employee timely furnishes the Committee with such information as may be reasonably necessary to establish (i) that the absence from work was for maternity or paternity reasons, and (ii) the number of days for which there was such an absence; and provided further that such Employee shall not receive credit for participation, vesting, or benefit accrual purposes during said period. For the purposes hereof an absence for "maternity or paternity reasons" means an absence (i) by reason of the pregnancy of the Employee,

(ii) by reason of the birth of a child of the Employee, (iii) by reason of the placement of a child with the Employee in connection with the adoption of such child by the Employee, or (iv) for purposes of caring for such child for a period immediately following such birth or placement. For the purposes of this Plan, an Employee's "date of termination of employment" shall be the date the Employee quits, retires, is discharged, or dies.

1.10 Leave of Absence - means a leave of absence granted in accordance with the uniform and nondiscriminatory personnel policy of the unit, division or subsidiary by which the Employee is employed, as appropriate.

1.11 Plan Year - means the calendar year.

1.12 Anniversary Date - means the first day in each Plan Year.

1.13 Normal Retirement Date - means the first day of the first month which coincides with or next follows the date a Participant reaches (a) age 65 or (b) such later age as may be provided for under the Federal Social Security Act for the payment of benefits on an unreduced basis.

1.14 Trust Fund - means the Trust Fund established in accordance with the Trust Agreement with the Trustee which is attached as Appendix B and which is a part of the Plan, including the contributions made from time to time to the Trustee by Federation, the assets resulting from the investment and reinvestment thereon, and the earnings from or appreciation on such assets and any losses from or depreciation on such assets, less any distributions or payments made therefrom.

1.15 Trustee - means the person or persons acting from time to time as the Trustee under the Trust Agreement which is attached as Appendix B.

1.16 Administrative Committee (or Committee) - means the Administrative Committee as described in Section 9.1 hereof.

1.17 Investment Committee - means the Investment Committee as described in Section 9.9 hereof.

1.18 Other Plan - means the Retirement Income and Thrift Incentive Plan adopted by Federated as of January 25, 1953, as Restated as of January 1, 1976 and as of January 1, 1984, and as further Restated as of January 1, 1985, and as to periods of time prior to January 1, 1985 also means non-contributory plans merged into the said Retirement Income and Thrift Incentive Plan.

1.19 Other Plan Accounts - means the nonforfeitable amount as of the date of termination of employment of a Participant standing to the credit of the retirement income account and divisional credit account of a participant under the Other Plan.

1.20 Spouse - means the Employee's husband or wife who is recognized as such under the laws of the State in which the Employee at the relevant time performs services for Federated.

1.21 Actuarial Equivalent - means a benefit having in the aggregate an equal value to the aggregate amounts expected to be received under a different form of benefit payment, based upon (except as expressly otherwise provided herein) the UP-1984 Mortality Table, with interest at 8% per annum (except in the case of lump sum payments, for which the rates employed, as of January 1 of the year in which benefits commence, by the Pension Benefit Guaranty Corporation in valuing annuities on plan

terminations shall be used). Application of such assumptions to the computation of benefits payable under this Plan shall be made uniformly and consistently with respect to all Participants in similar circumstances. If the Plan is amended to change any of the actuarial assumptions used to determine actuarial equivalence (or such change occurs as a result of merger of any plan into this Plan), then at the subsequent retirement of any Participant who is a Participant on the effective date of the amendment (or any participant in such other plan who becomes a Participant in this Plan as a result of such merger), the actuarial assumptions effective prior to such amendment (or merger) will be used to determine actuarial equivalence if the use of such assumptions would increase the value of this benefit.

1.22 Actuary - means an independent actuary, selected by Federated (a) who is a Fellow of the Society of Actuaries and an enrolled actuary under ERISA or (b) which is a firm of independent actuaries at least one of whose members is an individual described in (a) above.

1.23 Compensation - means the amount paid by Federated to an Employee which is reported as wages, tips and other compensation to the Internal Revenue Service determined in accordance with rules established by the Administrative Committee and shall also include amounts as shall be contributed pursuant to Employee's elections to the Thrift Incentive portion of the Other Plan pursuant to Section 401(k) of the Internal Revenue Code and amounts treated as employer contributions pursuant to Employee's elections under Section 125 of the Internal Revenue Code.

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1.24 Beneficiary - means the person or persons so designated in accordance with Section 5 by a Participant or by operation of the Plan to receive any Plan benefit on account of the death of such Participant.

1.25 Plan Administrator - means Federated.

1.26 Code - means the Internal Revenue Code of 1954, as amended, and any successor statute.

1.27 ERISA - means Public Law No. 93-406, the Employee Retirement Income Security Act of 1974, as amended from time to time.

1.28 Effective Date - means the effective date of this amended and restated Plan which is January 1, 1985.

1.29 Accrued Benefit - means the amount that could be payable at Normal Retirement Date determined as provided in accordance with Section 3.1(a)(i) or 3.1(a)(ii) (whichever is the greater) considering the Participant's Final Average Monthly Compensation at the date of determination and the Participant's total Years of Credited Service at such date (to a maximum of 30); provided, however, (a) the amount so calculated pursuant to Section 3.1(a)(i)(B) shall be determined considering the Participant's total Years of Credited Service commencing on or after January 1, 1984 (to a maximum of 30) he could have if employment continued until his Normal Retirement Date multiplied by a fraction (which shall be no greater than 1), the numerator of which is the Participant's Years of Credited Service commencing on or after January 1, 1984 (with no maximum as to the number of years) at the date of determination and the denominator of which is the total Years of Credited Service commencing on or after

January 1, 1984 (with no maximum as to the number of Years) he could have if employment continued until his Normal Retirement Date; and (b) the amount so calculated pursuant to Section 3.1(a)(ii)(B) shall be determined considering the Participant's total Years of Credited Service (to a maximum of 30) he could have if employment continued until his Normal Retirement Date multiplied by a fraction (which shall be no greater than 1), the numerator of which is the Participant's Years of Credited Service (with no maximum as to the number of Years) at the date of determination and the denominator of which is the total Years of Credited Service (with no maximum as to the number of Years) he could have if employment continued until his Normal Retirement Date.

SECTION 2

PARTICIPATION

2.1 General Rule. Any Employee of Federated hired on or after January 1, 1984 whose Employment Date is more than five years before his Normal Retirement Date shall become a Participant in this Plan on the Entry Date (as defined in Section 2.4) nearest to the date which is the last day of his first Eligibility Computation Period (as defined in Section 2.4) in which he completes 1,000 or more Hours of Service, provided he is employed by Federated on such Entry Date. No employee whose first Employment Date is five or less years before his Normal Retirement Date shall be eligible to become a Participant in this Plan.

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2.2 Special Rules

(a) An Employee of Federated on January 1, 1984 who was eligible to participate in the Other Plan on December 31, 1983 (or, although not an Employee on such date, subsequently resumed participation in the Other Plan under the break-in-service rules of the Other Plan in effect on December 31, 1983), became eligible to participate in this Plan and has an Entry Date which is the earlier of (i) the date upon which he entered the Other Plan or (ii) the Entry Date nearest the date which is the later of the date he reached age 25, or the first day of the first month following the twelve-month period which commenced on the Employee's Employment Date and ended on the date immediately preceding the first anniversary of such Employment Date.

(b) An Employee of Federated who was hired before January 1, 1984 and was not eligible to participate in the Other Plan as of December 31, 1983 shall be eligible to become a Participant in this Plan on the Entry Date nearest to the date which is the last day of his first Eligibility Computation Period in which he completes 1,000 or more Hours of Service, provided he is employed by Federated on such Entry Date and provided further that the earliest Entry Date for any such Employee who shall not have attained age 25 on or before December 31, 1984 shall be January 1, 1985. The foregoing notwithstanding, an Employee of Federated's The Children's Place division or subsidiary who was hired by such division or subsidiary or by the predecessor of said division or subsidiary before January 1, 1984 and who completed 1,000 or more Hours of Service in 1983, became eligible to participate in this Plan and has an Entry Date nearest the

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date which is the later of (x) the date he reached age 25, or (y) the first day of the first month following the twelve month period which commenced on the Employee's Employment Date with Federated or with the predecessor of said division or subsidiary, and ended on the date immediately preceding the first anniversary of said Employment Date, provided he was employed by Federated or the predecessor of said division or subsidiary on such Entry Date, and did not incur a Break-in-Service since completing 1000 or more hours of Service in 1983.

(c) Notwithstanding any other provision of this Section 2, no Employee of Federated shall be eligible to become a Participant in this Plan if such Employee is on his Entry Date a participant, eligible for participation or in the process of qualification for participation (i) in any other plan providing retirement benefits qualified under Section 401(a) of the Internal Revenue Code or (ii) in any other plan providing retirement benefits adopted by Federated after January 1, 1984, the cost of which, in either case, is borne in whole or in part by Federated; but an Employee otherwise eligible to become a participant hereunder shall not be disqualified therefrom because of his participation in such other plan or plans if (x) such participation relates solely to employment which preceded the Entry Date on which he would otherwise become a Participant hereunder, and (y) the retirement benefits under such other plan or plans, in the case of a pension plan relate only to such past service, or in the case of a profit-sharing retirement plan are derived solely from contributions made with respect to past service. The restrictions of this clause (c) shall not be applicable to (1) the Other Plan and

(2) Federated's Supplementary Executive Retirement Plan; provided, however, that no Employee shall be eligible to become a participant hereunder so long as said Employee remains a participant in Article XII of the Other Plan.

(d) A Participant who is rehired by Federated following a Break in Service shall have the same Entry Date as prior to such Break in Service provided such Participant completes at least 1000 Hours of Service in an Eligibility Computation Period after his most recent Break-in-Service.

2.3 Notification. Federated shall notify in writing each Employee who is eligible to become a Participant in this Plan as soon as practicable on or after his Entry Date. This notice shall include a copy of the Summary Plan Description for the Plan. An Employee shall become a Participant in the Plan as of his Entry Date.

2.4 Definitions. (a) Entry Date - means the first day of a Plan Year except as otherwise provided in Section 2.2(a)(i) hereof.

(b) Eligibility Computation Period - means (i) for employees covered under Section 2.1 or 2.2(d) hereof, or hired during the calendar year 1983, the 12-month period which commences on an Employee's Employment Date and ends on the date immediately preceding the first anniversary of such Employment Date; provided, if an Employee fails to complete 1,000 Hours of Service within such period, the term "Eligibility Computation Period" thereafter shall mean each Plan Year which follows his Employment Date and (ii) for employees covered under Section 2.2(b) hereof who were hired prior to January 1, 1983, calendar

year 1983 or the rolling 12-month period beginning in 1983 and which ends during 1984 in which the employee completes 1,000 Hours of Service; provided that if the employee fails to complete 1,000 Hours of Service by December 31, 1984, the term "Eligibility Computation Period" shall mean each Plan Year which follows 1984.

SECTION 3

RETIREMENT BENEFITS

3.1 General Rule. (a) A Participant's Normal Retirement Benefit shall be paid commencing on his Normal Retirement Date and paid monthly during his lifetime, determined as if it were payable in the form described in Section 4.6(b), and shall be the greater of (i) an amount which is equal to the sum of (A) and (B) where

(A) equals .75% of Final Average Monthly Compensation multiplied by each Year of Credited Service commencing on or after January 1, 1984, and

(B) equals .75% of Final Average Monthly Compensation in excess of the Social Security Bendpoint as herein-after defined multiplied by each Year of Credited Service commencing on or after January 1, 1984,

or (ii) an amount equal to the sum of (A) and (B) less (C) where

(A) equals .75% of Final Average Monthly Compensation multiplied by each Year of Credited Service,

(B) equals .75% of Final Average Monthly Compensation in excess of the Social Security Bendpoint as

hereinafter defined multiplied by each Year of Credited Service, and

(C) equals the amount of a monthly annuity that would be produced by the Participant's Other Plan Accounts (x) as of the second monthly Valuation Date (as defined in the Other Plan) preceding the date of the Participant's most recent termination, if a valuation of the Participant's Other Plan Account shall have occurred on such Valuation Date, or if not, as of the most recent day prior to the date of such termination upon which such a valuation shall have occurred and (y) as of the date of each prior termination, utilizing for all such purposes the rates employed as of January 1 of the year in which the Valuation Date described in (x) above occurs, by the Pension Benefit Guaranty Corporation in valuing annuities on plan terminations;

provided, however, for the purposes of the above calculations, Years of Credited Service shall not exceed 30.

(b) Final Average Monthly Compensation - means the highest monthly average of a Participant's Compensation for five (5) of his consecutive paid calendar years of employment (disregarding any calendar year in which the Participant has not earned a Year of Credited Service) with Federated out of the ten (10) full calendar years which immediately precede the date of his most recent termination of employment, whether voluntary or involuntary, or on account of his death, disability or retirement; provided that for the purposes of this calculation, if (i)

the Participant was not employed by Federated for ten (10) calendar years, then his actual years shall be used, and (ii) the Participant has less than five (5) paid calendar years of employment within the said ten (10) calendar years, then his actual number of consecutive paid years of employment within said period shall be used.

(c) Social Security Bendpoint - means the average of the dollar amounts used by the Social Security Administration in calculating primary Social Security benefits over which the lowest percentage of monthly benefits is calculated (for example for 1984, benefits are calculated on the basis of 90% under \$267, 32% from \$267 to \$1,612 and 15% over \$1,612, then \$1,612 would be the bendpoint) for the same five years used in calculating Final Average Monthly Compensation. In the case of Disability Retirement, the bendpoints used for years in which a Participant accrues, pursuant to Section 4.4 hereof, Years of Credited Service due to a disability shall be deemed to be the same as the bendpoint for the last full calendar year immediately preceding the participant's disability.

(d) Years of Credited Service - means (1) with reference to calendar years before January 1, 1984, Years of Service and (2) with reference to calendar years after December 31, 1983, Years of Credited Employment. Years of Credited Service shall not include the following:

(1) For a Participant who had a non-forfeitable interest in any benefit under this Plan at any time prior to such Break-in-Service, any Years of Service and Years of Credited Employment which ended before the Participant's most recent Break-in-Service, unless in a Plan Year following such

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Break-in-Service (or in the twelve month period following the date of reemployment) the Participant completes 1,000 or more Hours of Service as an Employee;

(2) For a Participant who did not have a nonforfeitable interest in any benefit under this Plan at any time prior to such Break-in-Service, all Years of Service and Years of Credited Employment which precede a Break-in-Service, provided the number of consecutive years in which a Break-in-Service occurs equals or exceeds the greater of (i) five (5) or (ii) the total number of all prior Years of Service and Years of Credited Employment.

(e) Years of Service - means the years of employment from and after the Participant's Plan Entry Date to January 1, 1984 as provided for in Section 2.2 hereof. For the purposes of this definition, any partial year of employment occurring during the period described in the preceding sentence shall constitute a complete year of employment.

(f) Years of Credited Employment - means each Plan Year commencing January 1, 1984 and thereafter in which a Participant completes 1,000 or more Hours of Service with Federated as an Employee up to his Normal Retirement Date or the date he retires, if later.

SECTION 4

RETIREMENT

4.1 Normal Retirement. A Participant's Normal Retirement Benefit shall equal his Accrued Benefit determined as of his Normal Retirement Date and shall become nonforfeitable not later than the date he reaches age 65. Such benefit shall be payable as of his Normal Retirement Date. Distribution of such benefit shall commence as soon as administratively practicable after the

Participant's Normal Retirement Date, but in no event later than 60 days following the end of the Plan Year which includes the later of the date he reaches age 65 or his date of termination of employment with Federated. If a Participant remains as an Employee after his Normal Retirement Date, then his Accrued Benefit shall be paid to him in accordance with Section 4.2.

4.2 Deferred Retirement. If an Employee continues to work as an Employee after his Normal Retirement Date in accordance with the employment policy as then in effect, then his Accrued Benefit shall become payable as of the first day of the first month which coincides with or next follows the date he actually retires, and payment shall commence as soon as reasonably practicable thereafter. In no event shall such payment commence later than 60 days following the end of the Plan Year which includes such retirement date, except that as to a 5-percent owner (as described in Section 416(i) of the Internal Revenue Code, determined with respect to the Plan Year ending in the calendar year in which such individual attains age 70½) such payment shall commence no later than the first day of April following the calendar year in which the individual attains age 70½. The Accrued Benefit of such an Employee so determined shall not be less than his Accrued Benefit determined as if he had retired on his Normal Retirement Date.

4.3 Early Retirement. A Participant who is within the 10 year period immediately preceding his Normal Retirement Date and has completed 10 or more Years of Vesting Service (as defined in Section 6.1) shall be eligible for and may request that Federated terminate his employment for purposes of Early Retirement on the

first day of the month immediately following the date he satisfies the conditions described above or on the first day of any subsequent month, and such date shall be his Early Retirement Date. Such an individual's Accrued Benefit shall become non-forfeitable not later than his Early Retirement Date and his Accrued Benefit determined as of such date shall be his Early Retirement Benefit which shall be payable in an amount determined in accordance with Section 4.5.

4.4 Disability Retirement. A Participant who becomes mentally or physically disabled shall be eligible for and may request Disability Retirement, provided that at such time as he requests Disability Retirement he is within the 10 year period immediately preceding his Normal Retirement Date and has completed 10 or more Years of Vesting Service (as defined in Section 6.1). The term "mental or physical disability" for this purpose shall mean an individual's permanent and continuous inability by reason of bodily injury or disease or premature superannuation to meet the requirements of his duties and responsibilities as an Employee.

A Participant will be deemed to be disabled for purposes of this Plan only when both of the following two requirements are met. Firstly, a Participant will be deemed to be disabled if in the written opinion of a licensed physician or psychiatrist he is disabled as that term is described above. Secondly, a Participant shall be eligible for and receive total disability benefits under Section 223 of the Social Security Act, as amended, or any similar or subsequent section or act of like intent or purpose. In the event that, prior to the date his Disability Retirement

Benefit payments are scheduled to commence under the terms of this Plan, such a Participant's Social Security disability benefits are terminated because he is no longer deemed to be totally disabled, then such Participant, if he does not return to employment with Federated, shall cease to accrue Years of Vesting Service and Years of Credited Service under the Plan.

A Participant who is determined to be disabled for the purposes of this Plan shall be credited with a Year of Credited Service for each calendar year of disability prior to the date his Disability Retirement Benefit payments are scheduled, under the terms of the Plan, to commence, and the Participant's compensation for each such Year of Credited Service shall be deemed to have been the same as the Participant's compensation for the last full calendar year preceding such disability. Such Participant shall likewise continue to accrue Years of Vesting Service (as defined in Section 6.1) during the period of his disability prior to the date his Disability Retirement Benefits are so scheduled to commence. The Accrued Benefit for a qualified Participant who elects Disability Retirement shall be payable in an amount determined as of the earlier of his Normal Retirement Date or the date he elects for such benefits to commence pursuant to Section 4.5, and shall be his Disability Retirement Benefit.

4.5 Premature Benefit Payments. A Participant who qualifies for Early Retirement or Disability Retirement may elect prior to his Normal Retirement Date to commence the payment of his benefits as of the first day of any month (following receipt of such election by the Committee) within the 10-year period immediately preceding his Normal Retirement Date; provided that,

if such distribution is to be made in a form other than as described in Section 4.6(a), the Spouse, if any, of such Participant consents in writing to such election not more than 90 days prior to the commencement of distribution of benefits. Subject to the proviso set forth in the first sentence of this Section, payment shall commence as soon as reasonably practicable after said day. If the payment of a Early Retirement Benefit or Disability Retirement Benefit commences before a Participant's Normal Retirement Date, the amount of such benefit shall be the Early Retirement Benefit or Disability Retirement Benefit he would have received at his Normal Retirement Date, reduced by 4.8% for each full year (and .4% for each additional full calendar month) between his Normal Retirement Date and the date as of which payment commences.

4.6 Form of Retirement Benefit. Each Participant shall have the right from time to time at any time before his Final Election Date (as defined below) to elect on a form provided for this purpose and filed with the Administrative Committee one of the below-listed forms for the payment of the Actuarial Equivalent of his Accrued Benefit. A Participant who intends to make an election under this Section 4.6 may request in writing that Federated describe the amount of benefits payable under each of such benefit payment forms. If a Participant has a Spouse on his Final Election Date and does not otherwise elect by making a Qualified Election to receive a form of benefit other than that described in subparagraph (a) below, within the ninety day period ending on his Final Election Date, or does not make an election, his benefit shall be paid in the form described in subparagraph

(a). If he does not make an election and does not have a Spouse on such date, his benefit shall be paid in the form described in subparagraph (b).

(a) A joint and survivor annuity payable in monthly installments for the life of the Participant and his Spouse under which the amount of monthly survivor annuity installments payable to the Spouse for her lifetime shall equal 50% (or if the Participant elects 100% or 66-2/3%) of the amount of the monthly installment payable to the Participant during his lifetime and which is the Actuarial Equivalent of a single life annuity for the life of the Participant. The identity of a Participant's Spouse shall be established as of his Final Election Date and shall not be changed as a result of a separation, divorce, or a subsequent marriage of the Participant or his Spouse to another individual unless otherwise required by a qualified domestic relations order, as defined in Section 414(p) of the Internal Revenue Code.

(b) A single life annuity payable in monthly installments for the lifetime of the Participant;

(c) An annuity payable in monthly installments for the lifetime of the Participant, but for not less than 120 monthly installments, or

(d) In the case of a retirement (or a termination as provided in Section 6.1 hereof) before January 1, 1989, a lump sum payable at that time.

For purposes of this Plan, a Participant's "Final Election Date" shall mean the first day of the first period for which an

amount is received as an annuity (or in the form of a lump sum distribution), whether by reason of retirement or disability. A Participant may make, change or revoke any benefit payment election under this Plan only within the ninety day period ending on his Final Election Date. For the purposes of this Plan, a "Qualified Election" means a written election, consented to by the Participant's Spouse (subject to Section 12.12 hereof), to receive a form of benefit other than the joint and survivor annuity described above. The Spouse's consent to such an election must be in writing, acknowledge the effect of such election, and be witnessed by a plan representative or notary public. Any such consent shall be valid only with respect to the Spouse so consenting. The requirements herein contained regarding Qualified Elections shall only apply in the case of Participants having at least one Hour of Service on or after August 23, 1984.

Within a reasonable time prior to his Final Election Date, (and consistent with such regulations as the Secretary of the Treasury may prescribe) each Participant shall be provided with a written explanation of (i) the terms and conditions of the joint and survivor annuity described above, (ii) the Participant's right to make, and the effect of, an election to receive a form of benefit other than the joint and survivor annuity described above, (iii) the rights of the Participant's Spouse to approve or disapprove such an election, and (iv) the right to make and the effect of a revocation of an election to receive a form of benefit other than a joint and survivor annuity as described above.

Notwithstanding any other Plan provision, if the present value of the Accrued Benefit of any Participant under this Plan (or the present value of the qualified preretirement survivor annuity, as described in Section 4.8 hereof, payable to the Spouse of any Participant) does not exceed \$3,500, such benefit shall be paid in a lump sum which is the Actuarial Equivalent of such benefit; and shall be payable as of the first day of the first month which coincides with or next follows the date he retires under Section 4 hereof, and payment shall be made as soon as reasonably practicable thereafter.

4.7 Reemployment. If an individual whose employment has terminated and who became entitled to the distribution of a retirement benefit hereunder, or under a plan merged into this Plan, is reemployed as an Employee, distribution of such benefit shall not be suspended unless the individual requests otherwise. If such a Participant earns any additional Years of Credited Service after such reemployment, no adjustment shall be made in the amount of his retirement benefit payment until his subsequent retirement. The Accrued Benefit payable upon a Participant's subsequent retirement shall be reduced by the Actuarial Equivalent of any Plan benefit payments (or benefit payments from any plan merged herein) he received prior to such retirement.

Subject to the reduction, if any, provided for above in this Section, the Accrued Benefit payable to any Participant who had a nonforfeitable interest in any benefit under this Plan at the time of a Break-in-Service and who is reemployed by Federated, shall not be less than the Accrued Benefit, if any,

that would have been payable under this Plan at the time of the Participant's Break-in-Service.

4.8 Qualified Pre-retirement Survivor Annuity

(a) A qualified preretirement survivor annuity shall be paid to the surviving Spouse (if any) of a Participant who (i) completes at least one Hour of Service after August 23, 1984, (ii) has a nonforfeitable right to any portion of his Accrued Benefit, and (iii) who dies prior to his Final Election Date (as defined in Section 4.6 hereof).

(b) As used herein the term "qualified preretirement survivor annuity" shall mean a survivor annuity benefit for the life of the Spouse which shall equal:

(1) in the case of such a Participant who dies on or after the earliest date upon which the Participant could elect to receive a benefit pursuant to Section 4.3 or Section 15.6 hereof (said date being referred to in this Section as the "Earliest Retirement Date"), the benefit that would be payable to the Spouse had the Participant retired with a joint and 50% survivor annuity on the day before the Participant's date of death, and

(2) in the case of such a Participant who dies prior to said Earliest Retirement Date, the benefit that would be payable to the Spouse had the Participant separated from service on the date of death, survived to the Earliest Retirement Date, retired with an immediate joint and 50% survivor annuity on the Earliest Retirement Date, and died on the day after the Earliest Retirement Date. The qualified preretirement survivor annuity payable to a Spouse hereunder shall not be less than the Actuarial Equivalent of the death benefit which would have been payable to the Participant's Beneficiary under Section 5 or Section 15.10 hereof had the qualified preretirement survivor annuity not been payable.

(c) Payments to a Spouse entitled to a qualified pre-retirement survivor annuity shall commence on the Participant's

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Normal Retirement Date (or with respect to any such Participant who dies after his Normal Retirement Date, the first day of the month next following the month in which the Participant dies). The foregoing notwithstanding, if such a Spouse so requests in writing to the Committee, the benefits payable pursuant to this Section 4.8 may commence to be paid as of the first day of a month prior to the Participant's Normal Retirement Date, but not before the first day of the month next following the month in which the Spouse makes such request (or, if later and the Participant dies before reaching his Earliest Retirement Date, the Participant's Earliest Retirement Date).

(d) A Spouse who is entitled to receive a benefit under this Section 4.8 may elect to receive such benefit, in lieu of the form of benefit otherwise payable under this Section as described above, in the form of a lump sum which shall be the Actuarial Equivalent of the annuity form of payment described above, and which shall be payable as soon as administratively practicable after the Participant's death. Such an election to receive a lump sum form of payment must be made in writing and received by the Committee within thirty (30) days after the Participant's death or such longer period agreed to by the Committee (and in any event within the 90 day period ending on the date of distribution of the benefit).

(e) The qualified preretirement survivor annuity provisions of Section 4.8(a), (b), (c), and (d) shall apply to any participant in this Plan (or in the Rich's Plan, as defined in Section 15.1 hereof) (1) who has at least one Hour of Service in the first plan year of such Plan beginning on or after January 1,

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1976, (2) whose Final Election Date did not occur on or prior to August 23, 1984, and (3) to whom the provisions of this Section 4.8 are not otherwise applicable; provided that on the date such participant separated from service with Federated (or Federated's Rich's or Richway divisions), the participant had at least 10 Years of Vesting Service under this Plan (or at least 10 Years of Employment under the Rich's Plan) and a nonforfeitable right to all or any portion of such participant's Accrued Benefit hereunder (or his Accrued Retirement Benefit under the Rich's Plan) as then in effect. The Plan Administrator shall give notice of the provisions of this paragraph at such time or times and in such manner or manners as the Secretary of the Treasury may prescribe.

(f) In the event that a qualified preretirement survivor annuity is payable upon the death of an individual, no other death benefit shall be payable under this Plan in regard to such individual, the provisions of Section 5 and Section 15.10 hereof notwithstanding.

SECTION 5

DEATH BENEFIT

5.1 General. Federated shall notify the Administrative Committee in the event of the death of a Participant, a Terminated Participant or a Retired Participant and the Administrative Committee shall direct the payment on his behalf of the death benefit, if any, described below. The provisions of this Section 5 are subject to the provisions of Section 4.8(f) hereof.

5.2 Participant. The Beneficiary of a Participant who has completed ten or more Years of Vesting Service (as defined in Section 6.1(b)(2) and who dies before his retirement but while an Employee of Federated shall be paid a death benefit equal to the greater of \$5,000 (reduced by the Actuarial Equivalent of any Plan benefit payments he received prior to his death) or the lump sum present value (based on the life expectancy for persons having the same age as the Participant at the time of his death as shown on the table adopted by the Administrative Committee) of the benefit that would have been payable to such Participant if the date of his death had been his termination date and calculated as provided in Section 3.1 (reduced as provided in Section 4.7, if applicable) hereof, excluding for such purpose clause (B) under both parts (i) and (ii) of Section 3.1(a), that is the amount calculated on Final Average Monthly Compensation in excess of the Social Security Bendpoint.

5.3 Terminated Participant or Retired Participant.

General Rule. (a) The Beneficiary of a deceased Terminated Participant or Retired Participant whose benefits had been scheduled to commence on or before his date of death shall not be eligible for the payment of a death benefit unless such decedent had elected a form of benefit payment under this Plan which provides for a survivorship benefit, in which the death benefit shall be paid in accordance with the terms of such survivorship benefit.

(b) The Beneficiary of a deceased Retired Participant who has completed at least 10 or more Years of Vesting Service (as defined in Section 6.1(b)(2) and whose benefits had not been

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scheduled to commence on or before his date of death shall be paid a death benefit equal to the greater of \$5,000 (reduced by the Actuarial Equivalent of any Plan benefit payments he received prior to his death) or the lump sum present value (based on the life expectancy for persons having the same age as the Participant at the time of his death as shown on tables adopted by the Administrative Committee) of the benefit that would have been payable to such Retired Participant if the date of his death had been his termination date and calculated as provided in Section 3.1 (reduced as provided in Section 4.7, if applicable) hereof, excluding for such purpose clause (B) under both parts (i) and (ii) of Section 3.1(a), that is the amount calculated on Final Average Monthly Compensation in excess of the Social Security Bendpoint. The Beneficiary of a Terminated Participant whose benefits were not scheduled to commence on or before his date of death shall not be entitled to a death benefit.

5.4 Beneficiary. The term Beneficiary as used in this Plan means a person or persons which a Participant, Terminated Participant, or Retired Participant elects to designate as such in writing on a form provided for this purpose by Federated or, in the event no such designation is made, or no person so designated survives the Participant, Terminated Participant, or Retired Participant, or if the whereabouts of the person so designated are unknown and no death benefit claim is submitted to the Committee by such person within one year after the date of death, the personal representative of such Participant, Terminated Participant or Retired Participant, if any has qualified within 15 months from the date of his death or, if no personal

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representative has so qualified, any heirs at law of the Participant, Terminated Participant, or Retired Participant whose whereabouts are known by the Committee. Notwithstanding the foregoing, in the event a Participant, Terminated Participant or Retired Participant dies prior to January 1, 1986 having made no such designation of Beneficiary but having designated a beneficiary under the Other Plan, said beneficiary shall be the Beneficiary hereunder. If no Beneficiary is identified and located by the end of the two-year period which began on the date of death of a Participant, Terminated Participant or Retired Participant, such decedent's death benefit shall be cancelled.

5.5 Form of Death Benefit. The normal form of the death benefit payable under this Section 5 shall be a lump sum.

SECTION 6

TERMINATED PARTICIPANT

6.1 (a) General Rule. A Participant who becomes a Terminated Participant and who, as of the date of the termination of his employment which gives rise to his status as a Terminated Participant, is not eligible for the payment of any other benefit under this Plan shall be eligible for the payment of his non-forfeitable interest (determined in accordance with subparagraph (b)) of his Accrued Benefit commencing as of his Normal Retirement Date, if he then is living, in a form specified and subject to the rules (including but not limited to the spousal consent requirements) set forth in Section 4.6. However, the payment of the above-described benefit in the case of a Terminated Participant who meets the service requirement for Early Retirement

described in Section 4.3 as of the date his employment terminated and who so elects on the form provided for this purpose and delivered to the Committee on or before the date his employment terminates or the date which is ten (10) years prior to his Normal Retirement Date, whichever occurs last, shall commence (provided that, if distribution is to be made in a form other than as described in Section 4.6(a), the Spouse, if any, of such Terminated Participant consents in writing to such election not more than 90 days prior to the commencement of distribution of benefits) on the first day of a month as soon as administratively practicable after the date specified in such election (which shall not be prior to the later of the date his employment terminates or his Earliest Retirement Date), if he then is living, but the amount of such benefit shall be reduced as provided in Section 4.5 as a result of payment before his Normal Retirement Date.

(b)(1) Vesting. The entire interest of a Terminated Participant in his Accrued Benefit shall be nonforfeitable on the completion of ten Years of Vesting Service completed by the date he becomes a Terminated Participant. If such termination occurs before such date, the entire interest of such Participant shall be forfeited.

(2) Year of Vesting Service. The term "Year of Vesting Service" means each twelve-month period completed since the date of hire excluding:

(a) Any years of employment prior to January 1, 1985 which would have been disregarded as service

for vesting purposes under the terms of this Plan as in effect on December 31, 1984;

(b) Any years of employment which ended before the Participant's most recent Break-in-Service, unless in a year of employment following such Break-in-Service the Participant completed 1,000 or more Hours of Service as an Employee; and

(c) All years of employment which precede a Break-in-Service if the number of consecutive years of employment in which a Break-in-Service occurs equal or exceed the greater of (i) five (5) or (ii) the number of all such prior years of employment, provided the Participant did not have a nonforfeitable interest in his Accrued Benefit at any time during such prior years of employment.

For the purposes of this Section 6.1(b)(2) years during which a Participant was employed by the corporation or other predecessor of any division, including any branch thereof, of Federated whose business was acquired by Federated after the effective date of the Plan shall be considered Years of Vesting Service, subject, however, to the exclusions set forth in Section 6.1(b)(2)(a), (b) and (c) hereof. In addition, to the extent that Federated's Board of Directors may from time to time determine, years of a Participant's employment with a lessee of a leased department of Federated whose business is directly assumed by Federated or with any subsidiary of Federated shall, subject to the exclusions set forth in Section 6.1(b)(2)(a), (b) and (c), be considered Years of Vesting Service.

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SECTION 7

TRUST FUND

7.1 Contributions. Federated shall pay all costs of the Plan to the Trustee in such amounts and at such times as may be recommended by the Administrative Committee upon advice of the Actuary in order for the Plan to meet the minimum funding requirements of Section 412 of the Code and the regulations thereunder. Such costs shall be determined on the basis of actuarial computations made from time to time by the Actuary. Forfeitures which occur as a result of death, termination of employment or for any other reason shall be applied to reduce the cost of the Plan and shall not operate to increase the benefits otherwise payable under the Plan.

7.2 Prohibition Against Reversion. Notwithstanding any provision to the contrary, Federated shall not have any present or prospective right, claim, or interest in the Trust Fund or in any contribution made to the Trustee prior to the satisfaction of all liabilities with respect to Participants and their Spouses and Beneficiaries. This Section 7.2 shall not be amended or revoked in any manner whatsoever to the end that any part of the corpus or income of the Trust Fund may be used for or converted to purposes other than for the exclusive benefit of such persons prior to the satisfaction of all liabilities with respect to them; provided, however, Federated under this section shall have the right to direct the Trustee (1) to return any portion of a contribution which was made under mistake of fact as described in ERISA Section 403(c)(2)(A), provided the return is made within one year after the contribution is made and (2) to return any

portion of a contribution for which a deduction is denied under Section 404 of the Code, provided the contribution was made on the condition that it was deductible in full and the return is made within one year after the disallowance of the deduction as described in ERISA Section 403(c)(2)(C).

7.3 Investment of Trust Fund. The Trustee shall hold and, except to the extent that the Investment Committee appoints one or more investment manager, shall invest, reinvest, manage and administer Federated's contributions and the assets of the Plan and the increment, increase, earnings and income thereof as the Trust Fund for the exclusive benefit of Participants and their Beneficiaries. The Investment Committee shall establish a funding policy to insure adequate liquidity for the payment of benefits under the Plan.

SECTION 8

NAMED FIDUCIARIES

The following fiduciaries (such fiduciaries being herein-after referred to individually as a "Named Fiduciary" and collectively as "Named Fiduciaries") shall be responsible for the control, management and administration of the Plan and for the control, management and disposition of the assets of the Trust Fund:

- (1) Federated,
- (2) the Administrative Committee,
- (3) the Investment Committee, and
- (4) the Trustee.

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Each Named Fiduciary shall have only such powers and responsibilities as are expressed in the Plan or the Trust Agreement, and any power or responsibility for the control, management or administration of the Plan or Trust Fund which is not expressly allocated to any Named Fiduciary, or with respect to which an allocation is in doubt, shall be deemed allocated to Federated. Each Named Fiduciary shall have no responsibility to inquire into the acts or omissions of any other Named Fiduciary in the exercise of powers or the discharge of responsibilities assigned to such other Named Fiduciary under the Plan.

Any Named Fiduciaries may, by agreement among themselves, allocate any responsibility or duty, other than the responsibility of the Trustee for the management and control of the Trust Fund within the meaning of Section 405(c) of ERISA, assigned to a Named Fiduciary hereunder to one or more other Named Fiduciaries, provided, however, that any agreement respecting such allocation shall be in writing and shall be filed by the Administrative Committee with the records of the Plan. No such agreement shall be effective as to any Named Fiduciary which is not a party thereto until such Named Fiduciary has received written notice of such agreement from the Named Fiduciaries involved. Any Named Fiduciary may, by written instrument filed by the Administrative Committee with the records of the Plan, designate a person who is not a Named Fiduciary to carry out any of its responsibilities under the Plan, other than the responsibility of the Trustee for the management and control of the Trust Fund within the meaning of Section 405(c) of ERISA, provided, however, that no such designation shall be effective as to any other Named Fiduciary

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until such other Named Fiduciary has received written notice thereof.

Any Named Fiduciary, or a person designated by a Named Fiduciary to perform any responsibility of a Named Fiduciary pursuant to the procedure described in the preceding paragraph, may employ one or more persons to render advice with respect to any responsibility such Named Fiduciary has under the Plan or such person has by reason of such designation. A person may serve the Plan in more than one fiduciary capacity and may be a Participant.

SECTION 9

ADMINISTRATIVE COMMITTEE

9.1 The Board of Directors of Federated (the "Board") shall appoint the Administrative Committee consisting of officers or other employees of Federated or of any other persons. The Administrative Committee shall be composed of not less than 3 nor more than 15 members, each of whom shall serve at the pleasure of the Board and vacancies in the Administrative Committee arising by reason of resignation, death, removal or otherwise shall be filled by the Board. A member may resign of his own accord by delivering his written resignation to the Board.

9.2 The Administrative Committee shall administer the Plan and is authorized to make such rules and regulations as it may deem necessary to carry out the provisions of the Plan. The Administrative Committee shall determine any question arising in the administration, interpretation and application of the Plan.

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which determination shall be binding and conclusive on all persons.

In the administration of the Plan, the Administrative Committee may:

(a) employ agents to carry out nonfiduciary and fiduciary responsibilities (other than trustee responsibilities as defined in Section 405(c)(3) of ERISA), and

(b) provide for the allocation of fiduciary responsibilities (other than trustee responsibilities as defined in Section 405(c)(3) of ERISA) among its members. Actions dealing with fiduciary responsibilities shall be taken in writing and the performance of agents, counsel, and fiduciaries to whom fiduciary responsibilities have been delegated shall be reviewed periodically. Effective as of January 1, 1984, the Administrative Committee may, upon the sale or other disposition of any division, subsidiary or operating unit of Federated make nonforfeitable all or any part of the Accrued Benefits of participants employed by such division, subsidiary or operating unit, whether or not a partial termination of the Plan has occurred as a result of said sale or disposition.

The Administrative Committee shall administer the Plan and adopt such rules and regulations as in the opinion of the Administrative Committee are necessary or advisable to implement and administer the Plan and to transact its business. In performing their duties, the members of the Administrative Committee shall act solely in the interest of the Participants of the Plan and their Beneficiaries and

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(a) for the exclusive purpose of providing benefits to Participants and their Beneficiaries;

(b) with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; and

(c) in accordance with the documents and instruments governing the Plan insofar as such documents and instruments are consistent with the provisions of Title I of ERISA.

9.3 The Administrative Committee shall maintain or cause to be maintained accounts showing the fiscal transactions of the Plan, and shall keep or cause to be kept in convenient form such data as may be necessary for valuations of assets and liabilities of the Plan. The Administrative Committee shall prepare annually a report showing in reasonable detail the assets and liabilities of the Plan and giving a brief account of the operation of the Plan for the past Plan Year. In preparing this report the Administrative Committee may rely on advice received from the Trustee or other persons or firms selected by it or may adopt a report on such matters prepared by the Trustee. Such report shall be submitted to the Board and shall be filed in the office of the Secretary of the Administrative Committee.

9.4 The Administrative Committee and the Investment Committee shall each appoint a Chairman and a Secretary and such other officer, who may be, but need not be, members of the respective Committee, as it shall deem advisable. Such Committees shall act by a majority of the members at the time in office

and such action may be taken either by a vote at a meeting or in writing without a meeting. Each Committee may by such majority action appoint subcommittees and may authorize any one or more of the members or any agent to execute any document or documents or to take any other action, including the exercise of discretion, on behalf of the Committee. The Administrative Committee may provide for the allocation of responsibilities for the operation and maintenance of the Plan.

9.5 Unless otherwise determined by the Board, the members of the Administrative Committee and the Investment Committee shall serve without compensation for services as such. All expenses of administration of the Plan, excluding brokerage fees and expenses related to securities transaction, but including, without limiting the foregoing, the fees and charges of the Trustee and any investment manager, and of any attorney, accountant, specialist or other person employed by either Committee or Federated in the administration of the Plan, shall be paid by Federated.

9.6 Neither Federated nor any member of either the Administrative or the Investment Committee shall be liable for any loss or damage or depreciation which may result in connection with the execution of their duties, or the exercise of their discretion or from any other act or omission hereunder, except when due to their own gross negligence or willful misconduct. Federated shall indemnify and hold harmless each member of such Committees from any and all claims, loss, damages, expense (including counsel fees approved by such Committee) and liability (including any amounts paid in settlement with such Committee's

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approval) arising from any act or omission of such member, except when the same is judicially determined to be due to the gross negligence or willful misconduct of such member.

9.7 Pursuant to procedures established by the Administrative Committee, adequate notice in writing shall be provided to any Participant or Beneficiary whose claim for benefits under the Plan has been denied. Such notice shall set forth the specific reason for such denial, written in a manner calculated to be understood by the claimant, and, provided review is requested within sixty (60) days after receipt by the claimant of written notification of denial of his claim, shall afford a reasonable opportunity to any claimant whose claim for benefits has been denied to a full and fair review of the decision denying the claim.

9.8 The Administrative Committee shall have no duty to independently verify any information supplied by Federated and shall have no duty or responsibility to collect from Federated all or any portion of any Federated contribution. The Administrative Committee also shall have no duty or responsibility to verify the status of any Employee or former Employee under this Plan or to determine the identity or address of any person who is or may become entitled to the payment of any benefit from this Plan, and the Administrative Committee shall be entitled to delaying taking any action respecting the payment of any benefit until the identity of the person entitled to such benefit and his address have been certified to them by Federated.

9.9 In addition to the Administrative Committee provided for in Section 9.1 hereof, the Board shall appoint an Investment

Committee (which may also be the Administrative Committee) to establish guidelines with respect to the investment of all funds held by the Trustee under the Plan and to make or direct all investments pursuant thereto. Such Committee shall consist of not less than 3 nor more than 15 members (any or all of whom may be members of the Administrative Committee) and shall serve at the pleasure of the Board of Directors.

9.10 Investment Manager. The Investment Committee, as a Named Fiduciary, may appoint in writing a person, or more than one person, who (i) is registered as an investment adviser under the Investment Advisers Act of 1940 (the "Act") or (ii) is a Bank, as defined in the Act, or (iii) is an insurance company which is qualified within the meaning of Section 3(38) of ERISA, to manage, acquire and dispose of the assets of an employee benefit plan, as an investment manager for all or a specified portion of the assets of the Trust Fund. A person who is appointed as an investment manager shall have the sole power, without prior consultation with the Trustee, to manage and direct the acquisition and disposition of the assets of the Trust Fund which specifically are allocated by the Investment Committee to that person's management account (his "Management Account"). The Investment Committee at its discretion may terminate the appointment of any person as an investment manager and may cause assets to be added or deleted from any such person's Management Account.

The effective date of the appointment of a person as an investment manager shall be the date such person delivers to the Investment Committee and to the Trustee a written statement which

in the Investment Committee's judgment adequately covers items (1) through (4) below:

(1) An acknowledgment (a) that such person is a Plan fiduciary within the meaning of Section 3(21)(A) of ERISA and (b) that such person has assumed sole responsibility for the management, and the direction of the acquisition and disposition of the Trust Fund assets in his Management Account;

(2) A representation that such person is registered as an investment adviser under the Act or is a Bank as defined in the Act, as appropriate, or that such person as an insurance company has the power within the meaning of Section (3)(38)(A) of ERISA to manage, acquire and dispose of the assets of an employee benefit plan;

(3) The names and signatures of individuals who are authorized to act on behalf of such person in connection with the management of his Management Account (the "List"), which List may be amended from time to time by delivering written notice thereof to the Investment Committee and to the Trustee and which List may be relied upon by them; and

(4) If appropriate and negotiable, an agreement that such person will immediately notify the Investment Committee of the commencement of any Securities and Exchange Commission investigation of any of his investment activities which may result either in a censure under the Act or in the suspension or revocation of his registration as an investment adviser under the Act.

The Investment Committee may enter into a contract with an investment manager in connection with his appointment as such, which agreement may be subject to such terms and conditions as

the Investment Committee deems appropriate under the circumstances, including the following:

- (1) The appointment as investment manager may be terminated on the delivery of thirty (30) days' written notice;
- (2) If appropriate, the appointment shall be automatically terminated in the event the investment manager's registration as an investment adviser under the Act is suspended or revoked, such automatic termination to be effective coincident with such suspension or revocation;
- (3) The investment manager shall make reports to the Investment Committee describing all transactions with respect to his Management Account for each agreed upon reporting period; and
- (4) All fees or other agreed upon compensation for services rendered to the Plan by an investment manager shall be paid by Federated.

An investment manager may exercise his power through written directions or, at his option, may communicate such directions orally and as soon as practicable thereafter confirm them in writing, provided all directions, written or oral, shall be communicated by or, as applicable, signed by one of the individuals whose name and signature appear on the List, or the investment manager may communicate and confirm such instructions in any manner agreed upon between the investment manager and the Trustee. The Trustee shall follow all such directions from an investment manager, and shall not be liable in any respect to any person for acting in accordance with such directions or for failing to act in the absence of such directions. Pending receipt of directions from the investment manager, any cash

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received by the Trustee from time to time for his Management Account may be retained by it in short term investments as may be prudent under all of the facts and circumstances then prevailing, including without limitation, savings accounts, commingled short term investment funds, commercial paper and governmental securities.

The Investment Committee shall establish an investment policy for each investment manager and such policy shall preclude investments in Employer Securities and Employer Real Property within the meaning of Section 407 of ERISA except to the extent that such investments are allowable under ERISA. The Investment Committee in addition shall implement an investment manager performance review procedure and pursuant thereto shall regularly review the performance of the investment manager to determine whether his appointment as such should be continued. The period between such reviews shall be determined by considering all the relevant facts and circumstances, including the volume of Trust fund transactions.

SECTION 10

RESTRICTIONS ON CERTAIN BENEFITS

10.1 Limitations on Annual Benefits. (a) Basic Limitation. Notwithstanding any provision of the Plan to the contrary, the annual benefit paid to or on behalf of a Participant shall not exceed the lesser of \$90,000 (which amount, as adjusted for inflation in accordance with Section 415(d) of the Code by the Commissioner of the Internal Revenue Service from time to time, is herein referred to as the "Maximum Permissible Dollar Amount")

or one hundred percent (100%) of the Participant's average compensation (which term as used in this Section 10 shall mean all compensation of the Participant from Federated for a relevant Plan Year) as an Employee during the three (3) consecutive calendar years (or actual number of years if less than three) during which the Participant actively participated in the Plan and had the greatest aggregate compensation as an Employee; provided, said one hundred percent (100%) limitation shall not apply in a Plan Year in the case of an annual Plan benefit paid to or on behalf of a Participant which does not exceed Ten Thousand Dollars (\$10,000) when (1) for that Plan Year such annual Plan benefit and the annual benefit payable under all other defined benefit plans maintained by Federated do not exceed Ten Thousand Dollars (\$10,000) for that Participant and such benefits did not exceed that amount for any prior Plan Year and (2) such Participant never was a participant in a defined contribution plan maintained by Federated.

(b) Adjustments to Basic Limitation. If the benefit payable to or on behalf of a Participant is payable in any form other than in the form of an annuity only for the life of the recipient or a joint and survivor annuity for the lives of the Participant and his Spouse, the Maximum Permissible Dollar Amount shall be adjusted in accordance with regulations prescribed by the Secretary of the Treasury so that it is equivalent to the Maximum Permissible Dollar Amount. If payment of a benefit commences before the recipient attains age sixty-two (62), the determination as to whether the Maximum Permissible Dollar Amount has been satisfied shall be made by reducing said Maximum

Permissible Dollar Amount so that it is equivalent to an annual benefit which is equal to the Maximum Permissible Dollar Amount (without such reduction) commencing as of the first day of the month next following the month in which the Participant attains age sixty-two (62); provided, however, the adjustment set forth in this sentence shall not require the annual benefit so adjusted to be reduced below the lesser of (a) \$75,000 if the benefit begins at or after age fifty-five (55), or (b) the amount which is the equivalent of the \$75,000 limitation for age fifty-five (55). For the purpose of adjusting any benefit pursuant to the preceding sentence, an interest rate of 8% per annum shall be assumed. If payment of a benefit commences after the recipient attains age sixty-five (65), the Maximum Permissible Dollar Amount shall likewise be adjusted so that it is equivalent to an annual benefit which is equal to the Maximum Permissible Dollar Amount (without such adjustment) commencing as of the first day of the month next following the date the Participant attains age sixty-five (65). For the purpose of adjusting any benefit pursuant to the preceding sentence, an interest rate of 5% per annum shall be assumed. If the benefit is payable to or on behalf of a Participant who has less than ten (10) Years of Credited Service, the Maximum Permissible Dollar Amount shall be adjusted by multiplying it by a fraction, the numerator of which is the Participant's number of Years of Credited Service (including fractional Years of Credited Service) and the denominator of which is ten (10).

(c) Aggregation of Plans. If a Participant also participates in a defined contribution plan maintained by Federated,

Section 415(e) of the Code provides that the sum of the defined benefit plan fraction under the Plan and the defined contribution plan fraction under such defined contribution plan shall not exceed 1.0. Federated intends that an adjustment, if any, in contributions or benefits which is necessary to satisfy such 1.0 limitation under Section 415(e) of the Code shall be made exclusively in this Plan. Accordingly, in order to protect the qualified status of the Plan under Section 401 and Section 501 of the Code, a Participant's benefits under the Plan may be reduced in the amount which is necessary to cause the sum of his defined benefit plan fraction under this Plan and the defined contribution plan fraction under other plans not to exceed 1.0. For purposes of this paragraph, the defined benefit plan fraction for any Plan Year is a fraction, the numerator of which is the projected annual benefit of the Participant under the Plan as of the close of the Plan Year, and the denominator of which is the lesser of (i) the product of 1.25 multiplied by the dollar limitation in effect under Section 415(b)(1)(A) of the Code for such Plan Year, or (ii) the product of 1.4 multiplied by one hundred percent (100%) of the Participant's average compensation as an Employee during the three (3) consecutive calendar years (or actual number of years if less than three) during which the Participant actively participated in the Plan and had the greatest aggregate compensation as an Employee. The defined contribution plan fraction for any Plan Year is a fraction, the numerator of which is the sum of the annual additions to the Participant's account under the defined contribution plan from (i) employer contributions, (ii) forfeitures and (iii) employee contributions

in excess of six percent (6%) of his compensation for such Plan Year or one-half ($\frac{1}{2}$) of his contributions, whichever is less, and the denominator of which is the sum of the lesser of the following amounts determined for such year and for each prior year of service:

- (a) the product of 1.25 multiplied by the dollar limitation in effect under Section 415(c)(1)(A) of the Code for such Plan Year (determined without regard to Section 415(c)(6) of the Code), or
- (b) the product of 1.4 multiplied by twenty-five percent (25%) of the Participant's compensation as an Employee for such Plan Year.

SECTION 11

TERMINATION OR AMENDMENT

11.1 Right to Terminate. Federated expects this Plan to be continued indefinitely but, of necessity, it reserves the right to terminate or to partially terminate the Plan or to discontinue contributions at any time by action of its Board.

11.2 Full Vesting Upon Termination. Should this Plan be terminated or partially terminated under this Section 11, or should Federated declare a discontinuance of contributions to the Plan, then the accrued benefits, to the extent then funded, of each affected Participant who then is an Employee shall immediately become fully vested and nonforfeitable as a result of such termination or discontinuance.

11.3 Allocation of Assets. (a) Unless otherwise directed by the Pension Benefit Guarantee Corporation, upon the termination or discontinuance, the Committee shall direct the allocation of the net assets of the Trust Fund among the Participants, their Spouses and Beneficiaries in the following steps:

(1) Step One:

(A) in the case of any annuity benefit which had commenced as of the beginning of the three-year period ending on the date of termination or discontinuance, to each such benefit, based on the provisions of the Plan (as in effect during the five-year period ending on such date, or actual number of years, if less than five) under which such benefit would be the least, and

(B) in the case of any annuity benefit which would have commenced as of the beginning of such three-year period if the Participant had retired prior to the beginning of that period and if his benefit had commenced in the basic form of annuity provided under the Plan as of the beginning of such period, to each such benefit based on the provisions of the Plan (as in effect during the five-year period ending on such date, or actual number of years, if less than five) under which such benefit would be the least.

For purposes of subparagraph (A) above, the lowest benefit payable during a three-year period shall be considered to be the benefit payable for the entire such period.

(c) Step Two:

(A) to all other benefits (if any) under the Plan which are guaranteed under Title IV of ERISA, determined without regard to Section 4022(B)(5) of ERISA, and

(B) to the additional benefits (if any) which would be determined under subparagraph (A) above if Section 4022(b)(6) does not apply.

For purposes of this Step Two, Section 4021 of ERISA shall be applied without regard to subsection (c) thereof.

(3) Step Three:

to all other nonforfeitable benefits under the Plan, and

(4) Step Four:

to all other benefits under the Plan.

(b) For purposes of taking the steps described in Section 11.3(a) above,

(1) the amount allocated under any step in Section 11.3(a) with respect to any benefit shall be properly adjusted for any allocation of assets with respect to that benefit under a prior step in that subsection.

(2) If the assets available for allocation under any step (other than Steps Three and Four) are insufficient to satisfy in full the benefits of all individuals which are described in that step, the assets shall be allocated pro rata among such individuals on the basis of the present value (as of the termination or discontinuance date) of their respective benefits described in that paragraph.

(3) If the assets available for allocation under Step Three are not sufficient to satisfy in full the benefits of individuals described in that paragraph, then

(A) Except as provided in subparagraph (B) below, the assets shall be allocated to the benefits of individuals described in Step Three on the basis of the benefits of those individuals which would have been described in such Step Three under the Plan as in effect at the beginning of the five-year period ending on the date of Plan termination.

(B) If the assets available for allocation under subparagraph (A) above are sufficient to satisfy in full the benefits described in such subparagraph (without regard to this subparagraph), then for purposes of subparagraph (A) the benefits of individuals described in such subparagraph shall be determined on the basis of the Plan as amended by the most recent Plan amendment effective during such five-year period under which the assets available for allocation are sufficient to satisfy in full the benefits of individuals described in subparagraph (A) and any assets remaining to be allocated under such subparagraph shall be allocated under subparagraph (A) on the basis of the Plan as amended by the next succeeding Plan amendment effective during such period.

(4) If the Secretary of the Treasury determines that the allocation made pursuant to this Section 11.3 (without regard to

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this paragraph) results in discrimination prohibited by Section 401(a)(4) of the Code then, if required to prevent the disqualification of the Plan (or any Trust established under the Plan) under Section 401(a) of such Code, the assets allocated under Step Two (B) and Step Three and Step Four shall be reallocated to the extent necessary to avoid such discrimination.

(c) Any residual assets which remain after all liabilities under the Plan to Participants, their Spouses and Beneficiaries have been satisfied shall be distributed to Federated, so long as such reversion does not violate applicable law.

11.4 Amendment. Subject to the provisions of Section 411(d)(6) of the Internal Revenue Code and regulations from time to time issued in regard thereto, Federated may amend this Plan at any time and from time to time in any respect, provided that no such amendment shall divert any part of the income or corpus of the Trust Fund to any purpose other than for the exclusive benefit of Participants and their Spouses and Beneficiaries.

SFCTION 12

MISCELLANEOUS

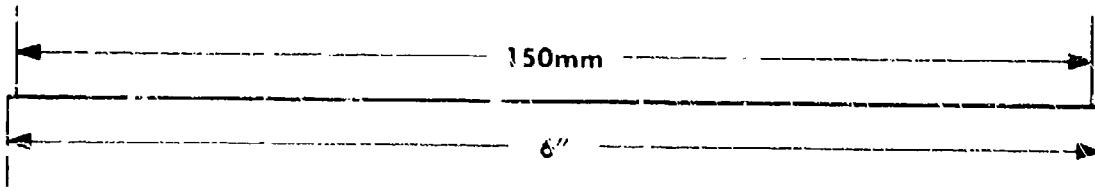
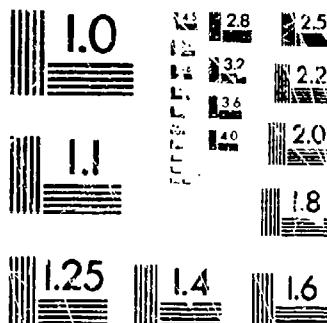
12.1 Headings. The headings and subheadings in this Plan have been inserted for convenience of reference only and are to be ignored in construction of the provisions hereof.

12.2 Construction. In the construction of this Plan, the masculine shall include the feminine and the singular the plural in all cases where such meanings would be appropriate. This Plan shall be construed in accordance with the laws of the State of



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Ohio to the extent that such laws are not preempted by Federal law.

12.3 Spendthrift Clause. To the extent permitted by law, no benefit, payment or distribution under this Plan shall be subject to the claim of any creditor of a Participant, Spouse or Beneficiary, or to any legal process by any creditor of such person, and no Participant, Spouse or Beneficiary shall have any right to alienate, commute, anticipate, or assign either at law or equity all or any portion of any benefit, payment or distribution under this Plan. The preceding sentence shall also apply to the creation, assignment or recognition of a benefit payable with respect to any person pursuant to a domestic relations order, unless such order is determined to be a qualified domestic relations order, as defined in Section 414(p) of the Internal Revenue Code.

12.4 Legally Incompetent. The Committee in its discretion may direct or make payment directly to an incompetent or disabled person, whether because of minority or mental or physical disability, or to the guardian of such person, or to the person having custody of such person, without further liability either on the part of the Administrative Committee, Federated or the Trustee for the amount of such payment to the person on whose account such payment is made.

12.5 Benefits Supported Only by Trust Fund. Any person having any claim for any benefit under the Plan shall look solely to the assets of the Trust Fund for satisfaction. In no event will Federated or any of their officers or agents, or members of the Board, the Administrative Committee, the Investment Committee

or the Trustee be liable in their individual capacities to any person whomsoever for the payment of benefits under the provisions of the Plan.

12.6 Discrimination. Federated shall administer the Plan in a uniform and consistent manner with respect to all Participants, their Spouses and Beneficiaries and shall not permit discrimination in favor of its officers, Federated stockholders or highly compensated Employees.

12.7 Claims. Any payment to any person made in accordance with the provisions of this Plan shall to the extent thereof be in full satisfaction of all claims hereunder against the Administrative Committee, the Trustee and Federated, any of whom may require such person, as a condition precedent to such payment, to execute a receipt and release therefor in such form as shall be determined by the Administrative Committee, the Trustee or Federated, as the case may be.

12.8 Nonreversion. Except as provided in Section 7.2 and Section 11, no part of the Trust Fund shall ever be used for or be diverted to purposes other than for the exclusive benefit of Participant's, their Spouses and Beneficiaries.

12.9 Merger or Consolidation. If the Plan should merge or consolidate with, or if any assets of the Trust Fund or liabilities of the Plan should be transferred to, any other plan or trust forming a part thereof, each Participant must, if the Plan then terminated, receive a benefit immediately after the merger, consolidation or transfer which is equal to or greater than the benefit he would have been entitled to receive

immediately before the merger, consolidation, or transfer (if the Plan had then terminated).

12.10 Agent for Service of Process. The agent for service of process for the Plan shall be the person currently listed in the records of the Secretary of State of Ohio as the agent for service of process for Federated.

12.11 Reporting and Disclosure. Federated shall act as the Plan Administrator for purposes of satisfying any requirement now or hereinafter imposed through Federal or State legislation to report and disclose to any Federal or State Department or Agency, or to any Participant, Terminated Participant, Retired Participant or other person, any information respecting the establishment or maintenance of the Plan or the Trust Fund. Any cost or expense incurred in satisfying any and all such reporting and disclosure requirements shall be deemed to be a reasonable expense of administering the Plan and at the discretion of the Committee may be paid from the Trust Fund or by Federated.

12.12 Spousal Consent. Notwithstanding the requirements of any provision of this Plan which requires the consent of a Participant's Spouse to an election made by a Participant, such consent need not be obtained if it is established to the satisfaction of a plan representative that the Spouse's consent may not be obtained because there is no Spouse, because the Spouse cannot be located or because of such other circumstances as the Secretary of the Treasury may by regulation prescribe.

12.13 Transferred Employees. Notwithstanding any other provision of the Plan to the contrary:

(a) Any period of employment of a person with Federated during which the person is not considered an Employee of Federated, and any period of employment with an Affiliated Employer will, in either case, regardless of whether occurring prior to or after employment as an Employee of Federated, be considered in the same manner as employment as an Employee of Federated for purposes of the service provisions of Section 2, relating to participation, and Sections 6 and 15.11, relating to vesting.

(b) Further, a transfer of status from that of being an Employee to other employment with Federated, or a transfer of employment from Federated to an Affiliated Employer, will in either case not be considered a termination of employment or retirement from Federated for purposes of determining when benefits of this Plan due a Participant, if any, are to be or begin to be distributed; rather, such termination of employment or retirement will be deemed to occur only upon the Participant's later termination of employment or retirement from the group composed of Federated and all Affiliated Employers.

(c) However, any period of employment of a person by Federated during which the person is not considered an Employee, and any period of employment of such person with an Affiliated Employer, will in either case not be considered as employment as an Employee of Federated for purposes of crediting Years of Credited Service or used in any manner in calculating the amount of any benefit to which the Participant is entitled under this Plan. Similarly, any compensation received from Federated for a period of employment as other than an Employee, or any

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compensation received from any Affiliated Employer, will in either case not be treated as part of the Participant's Final Average Monthly Compensation or used in any manner in calculating the amount of any benefit to which the person may be entitled under this Plan.

(d) As used in this Section 12.13, the term "Affiliated Employer" shall mean each corporation which is a member of a controlled group of corporations, within the meaning of Section 414(b) of the Code, of which Federated is a member and each trade or business which are under common control, within the meaning of Section 414(c) of the Code, of which Federated is a member.

12.14 Payments to an Alternate Payee. The benefits payable to any Participant under this Plan shall be reduced by the amount of any payments made hereunder to the "alternate payee" (as that term is defined in Section 414(p)(8) of the Internal Revenue Code) of such Participant. Likewise, any portions of a Participant's Other Plan Accounts (or any other benefits accruing to such a Participant under any other retirement plan to which this Company makes contributions) which shall have been paid or allocated to an alternate payee of such Participant shall be deemed to have been paid or allocated to the Participant for the purpose of calculating the Participant's benefits under this Plan.

SECTION 13

TOP-HEAVY PROVISIONS

The following provisions shall become effective in any Plan Year in which the Plan is determined to be a Top-Heavy Plan.

13.1 Determination of Top-Heavy. The Plan will be considered a Top-Heavy Plan for the Plan Year beginning after December 31, 1983 if, in regard to the first Plan Year, as of the last day of the first Plan Year, or, in regard to all other Plan Years, as of the last day of the preceding Plan Year (said day being the "determination date"), any of the following conditions exist:

- (a) If the top-heavy ratio for this Plan exceeds 60 percent and this Plan is not part of any required aggregation group or permissive aggregation group of plans.
- (b) If this Plan is a part of a required aggregation group of plans (but which is not part of a permissive aggregation group) and the top-heavy ratio for the group of plans exceeds 60 percent, or
- (c) If this Plan is a part of a required aggregation group of plans and part of a permissive aggregation group and the top-heavy ratio for the permissive aggregation group exceeds 60 percent.

As used herein, the term "permissive aggregation group" means the required aggregation group of plans plus any other plan or plans of Federated which, when considered as a group with the required aggregation group, would continue to satisfy the requirements of Sections 401(a)(4) and 410 of the Code, and "required aggregation group" means (1) each qualified plan of Federated in which at least one Key Employee (as defined in Section 416(i)(1) of the Code and the regulations thereunder) participates, and (2) any other qualified plan of Federated which enables a plan described

in (1) to meet the requirements of Sections 401(a)(4) or 410 of the Code.

For the purposes of making the "60% Test" for any Plan Year, Accrued Benefits shall be those amounts calculated as of the last day of the preceding Plan Year. The present value of amounts for the purposes of this Article shall be based on the actuarial assumptions used by the Actuary in the actuarial valuation made as of the last day of such preceding Plan Year.

The top-heavy ratio for any required or permissive aggregation group, as appropriate, is a fraction, the numerator of which is the sum of the present value of accrued benefits under the aggregate defined benefit plan or plans for all Key Employees, determined as of the determination date (including any part of an accrued benefit distributed in the five-year period ending on the determination date), and the sum of account balances under the aggregated defined contribution plan or plans for all Key Employees as of the determination date, and the denominator of which is the sum of the present values of accrued benefits (including any part of any accrued benefit distributed in the five-year period ending on the determination date) under the aggregated defined benefit plan or plans for all participants and the sum of the account balances under the aggregated defined contribution plan or plans for all participants as of the determination date, all determined in accordance with Section 416 of the Code and the regulations thereunder. The account balances under a defined contribution plan in both the numerator and denominator of the top-heavy ratio are adjusted for any distribution of an account balance made in the five-year period

ending on the determination date. The account balances and accrued benefits of a Participant (1) who is not a Key Employee but who was a Key Employee in a prior year, or (2) who has not received any compensation from Federated at any time during the five-year period ending on the determination date will be disregarded. The calculation of the top-heavy ratio, and the extent to which distributions, rollovers, and transfers are taken into account will be made in accordance with Section 416 of the Code and the regulations thereunder. Deductible participant contributions will not be taken into account for purposes of computing the top-heavy ratio. When aggregating plans, the value of account balances and accrued benefits will be calculated with reference to the determination dates that fall within the same calendar year.

13.2 Minimum Benefits or Contributions for Non-Key Employee Participants. For each Plan Year for which this Plan is top-heavy, each non-Key Employee Participant who is credited with at least 1,000 Hours of Service in the Plan Year shall accrue a benefit (to be provided solely by Federated contributions and expressed as a life annuity commencing at the Participant's Normal Retirement Date) of not less than 2 percent of such Participant's highest average compensation for the five consecutive years during which such compensation was the highest. Notwithstanding the foregoing, no further minimum benefit accruals shall be provided pursuant to this paragraph once the Participant's Accrued Benefit attributable to Federated contributions, expressed as a life annuity commencing at the Participant's Normal Retirement Date, equals or exceeds 20

percent of the Participant's highest average compensation for the five consecutive years during which such compensation was the highest. Although accruals of Federated derived benefits, whether or not attributable to years for which the Plan is top-heavy, may be used to satisfy this defined benefit plan minimum, all Accrued Benefits attributable to Employee contributions and, for Plan Years beginning before January 1, 1985, any Employer contributions attributable to a salary reduction or similar arrangement made pursuant to Code Section 401(k), shall be ignored. For purposes of the foregoing rules, compensation in years before January 1, 1984 and in years after the close of the last Plan Year in which the Plan is top-heavy shall be disregarded. Also for purposes of these rules, a Participant's benefit accruals under any other defined benefit plan of Federated, in which any Key Employee participates or which enables another defined benefit plan to meet the requirements of Code Section 401(a)(4) or Code Section 410, shall be considered benefit accruals under this Plan. The minimum benefit described above (to the extent required to be nonforfeitable under Section 416(b) of the Code) may not be suspended or forfeited under Sections 411(a)(3)(B) or 411(a)(3)(D) of the Code. If the form of benefit is other than a single life annuity, the Participant shall receive an amount that is the Actuarial Equivalent of the minimum single life annuity benefit. If the benefit commences at a date other than at Normal Retirement Date, the Participant shall receive at least an amount that is the Actuarial Equivalent of the minimum single life annuity benefit commencing at his Normal Retirement Date.

13.3 Minimum Vesting. For any Plan Year in which this Plan is top-heavy, the minimum vesting schedules set forth below will automatically apply to the Plan. This minimum vesting schedule applies to all benefits within the meaning of Section 411(a)(7) of the Code, including benefits accrued before the effective date of Section 416 of the Code and benefits accrued before the Plan became top-heavy. Further, no reduction in vested benefits may occur in the event the Plan's status as top-heavy changes for any Plan Year. However, this Section shall not apply to the Accrued Benefits of any Participant who does not have an Hour of Service after the Plan has initially become top-heavy and such Employee's accrued benefits attributable to Federated contributions will be determined without regard to this Section. The nonforfeitable interest of each Participant in his or her Federated-derived Accrued Benefits shall be determined on the basis of the following:

<u>Years of Vesting Service</u>	<u>Vested Percentage</u>
2 but less than 3	20%
3 but less than 4	40%
4 but less than 5	60%
5 but less than 6	80%
6 or more	100%

If the vesting schedule under the Plan shifts in or out of the above schedule for any Plan Year because of the Plan's top-heavy status, such shift is an amendment to the vesting schedule and the election in Section 411(a)(10) of the Code shall apply.

A Participant who had at least 6 Years of Vesting Service at the date of his termination of employment, may request the Committee to authorize commencement of his Early Retirement

Benefit as of the beginning of any calendar month within the 10-year period preceding his Normal Retirement Date; and in such case his benefit payment shall commence (if allowed by applicable law) as of the date requested, but the amount thereof shall be reduced as provided in the last sentence of Section 4.5.

13.4 Compensation Limitation. For any Plan Year in which the Plan is a Top-Heavy Plan, only the first \$200,000 (or such larger amount as may be prescribed by the Secretary or his delegate) of a Participant's annual compensation shall be taken into account for purposes of determining Federated contributions under the Plan.

13.5 Impact on Maximum Benefits. For any Plan Year in which the Plan is a Top-Heavy Plan, Section 10.1(c) shall be read by substituting the number "1.00" for the number "1.25" wherever it appears therein.

SECTION 14

14.1 Restrictions on Benefits Payable to Highly Compensated Participants. This Section sets forth limitations required by the Internal Revenue Service on the benefits payable to certain participants. It shall apply to a Participant only if his anticipated annual benefit exceeds \$1,500 and the Participant was among the 25 highest-paid employees of Federated on the original effective date of this Plan, or on the date of the most recent amendment which substantially increases benefits hereunder (a "Substantive Amendment Date"). The limitations set forth in this Section shall become applicable if:

(a) the Plan is terminated within 10 years after the original effective date of this Plan (or a Substantive Amendment Date, if applicable), or

(b) the benefits of a Participant become payable within such 10-year period.

If subparagraph (b) above is applicable, the restrictions shall remain in effect until the expiration of the 10-year period.

If a Participant is subject to the provisions of this Section, the benefits payable to him under this Plan shall not exceed the benefits which can be provided for the greatest of the following:

(a) Federated's contributions (or funds attributable thereto) which would have been applied to provide benefits for the Participant if the Plan had not been amended on the Substantive Amendment Date and had continued without change;

(b) \$20,000;

(c) The sum of (1) Federated's contributions (or funds attributable thereto) which would have been applied to provide benefits for the Participant if the Plan had been terminated on the date before the Substantive Amendment Date (if applicable) and (2) an amount computed by multiplying the number of years after the original effective date of this Plan (or the Substantive Amendment Date, if applicable) by 20% of the first \$50,000 of the Participant's average annual compensation during his last 5 years of employment;

(d) For a Participant who is a substantial owner of Federated (as defined in §4022(b)(5) of ERISA, which in general

terms defines such a person as one who directly or indirectly owns more than 10% of either the voting stock or all of the outstanding stock of Federated), the present value of the benefit guaranteed for such Participant under §4022 of ERISA (determined in accordance with regulations of the Pension Benefit Guaranty Corporation (the "PBGC"); and

(e) For a Participant who is not a substantial owner of Federated (as defined in §4022(b)(5) of ERISA), the present value of the maximum benefit described in §4022(b)(3)(B) of ERISA (determined on the date the Plan terminates and in accordance with regulations of the PBGC), without regard to any other limitations in §4022 of ERISA.

The limitations described above may be exceeded for the purpose of making current benefit payments to retired Participants who would otherwise be subject to such restrictions, provided that (a) the contributions which may be used for any such retired Participant in accordance with the restrictions heretofore indicated are applied to provide either a level amount of annuity in the basic form of benefit provided for under the Plan for such Participant at retirement, or a level amount of benefit annuity in an optional form of benefit provided under this Plan not greater in amount than the level amount of annuity under the basic form of benefit provided under the Plan, and (b) the annuity thus provided is supplemented by monthly payments to the extent necessary to provide the full annuity in the basic form called for by the Plan, and (c) such supplemental payments are made if the full current costs of the Plan have been met or if the aggregate of such supplemental payments for all such

retired Participants does not exceed the aggregate contributions already made by Federated under the Plan in the year then current.

The limitations in this Section shall automatically become inoperative and of no effect upon a ruling by the Internal Revenue Service that they are not required.

SECTION 15

RICH'S RETIREMENT PLAN PARTICIPANTS

15.1 Purpose of Section. The purpose of this Section 15 is to incorporate into this Plan certain provisions contained in the Rich's Retirement Plan, last amended and restated effective January 1, 1979 and merged into this Plan effective January 1, 1985, (the "Rich's Plan") for the benefit of employees of Federated's Rich's and Richway divisions on January 1, 1985 having an Accrued Retirement Benefit as of December 31, 1984 under the Rich's Plan.

15.2 The provisions of Section 1.29 of this Plan notwithstanding, as to any Participant in this Plan who had an Accrued Retirement Benefit under the Rich's Plan as of December 31, 1984, the term "Accrued Benefit" as used in this Plan shall mean the amount that could be payable to such a Participant at Normal Retirement determined in accordance with Section 15.4(i) or 15.4(ii) hereof (whichever is the greater) considering, for the purposes of the calculations described in Section 15.4(i)(A) and (B) and 15.4 (ii)(A) and (B), such Participant's Final Average Monthly Compensation at the date of determination and such Participant's total Years of Credited Service at such date (to a

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maximum of 30); provided, however, (a) the amount so calculated pursuant to Section 15.4(i)(B) shall be determined considering the Participant's total Years of Credited Service commencing on or after January 1, 1985 (to a maximum of 30) he could have if employment continued until his Normal Retirement Date multiplied by a fraction (which shall be no greater than 1), the numerator of which is the Participant's Years of Credited Service commencing on or after January 1, 1985 (with no maximum as to the number of Years) at the date of determination and the denominator of which is the total Years of Credited Service commencing on or after January 1, 1985 (with no maximum as to the number of Years) he could have if employment continued until his Normal Retirement Date; and (b) the amount so calculated pursuant to Section 15.4(ii)(B) shall be determined considering the Participant's total Years of Credited Service (to a maximum of 30) he could have if employment continued until his Normal Retirement Date multiplied by a fraction (which shall be no greater than 1), the numerator of which is the Participant's Years of Credited Service (with no maximum as to the number of years) at the date of determination and the denominator of which is the total Years of Credited Service (with no maximum as to the number of years) he could have if employment continued until his Normal Retirement Date.

15.3 Special Rich's Participation Rules.

- (a) Each Employee of Federated's Rich's or Richway division on January 1, 1985 who was a participant in the Rich's Plan on December 31, 1984 (or although not an Employee on such date, is subsequently rehired and would have been thereupon

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restored to the status of a Participant in the Rich's Plan under the break in service provisions of Section 2.2(c) thereof, had the same remained in effect) shall be a Participant in this Plan and shall have an Entry Date which is the earlier of (i) the January 1 nearest the date the participant began to accrue Years of Employment under Section 3 of the Rich's Plan, or (ii) the Entry Date nearest the date which is the later of the date he reached age 25, or the first day of the first month following the twelve-month period which commenced on the Employee's Employment Date and ends on the date immediately preceding the first anniversary of such Employment Date. (If the rules set forth in Section 2.2(a) would also be applicable to any Employee described in the preceding sentence, the Entry Date of such Participant shall be determined by application of the Section which results in said Employee having the earliest Entry Date.)

(b) Except as otherwise set forth in the preceding paragraph (a), the rules set forth in Section 2.1(a) of this Plan shall be applicable to all Employees of Federated's Rich's and Richway divisions, and the rules set forth in Section 2.2(b) hereof shall not be applicable to such Employees.

15.4 Special Rule for Retirement Benefits. The provisions of Section 3.1(a) shall not apply to a Participant who had an Accrued Retirement Benefit under the Rich's Plan as of December 31, 1984. The Normal Retirement Benefit of a Participant in this Plan who had an Accrued Retirement Benefit as of December 31, 1984 under the Rich's Plan shall be paid commencing on his Normal Retirement Date and paid monthly during his lifetime, determined as if it were payable in the form described in

Section 4.6(b), and shall be the greater of (i) an amount equal to the sum of (A) and (B) and (C) where

(A) equals .75% of Final Average Monthly Compensation multiplied by each Year of Credited Service commencing on or after January 1, 1985, and

(B) equals .75% of Final Average Monthly Compensation in excess of the Social Security Bendpoint multiplied by each Year of Credited Service commencing on or after January 1, 1985, and

(C) equals the Actuarial Equivalent of the participant's Accrued Retirement Benefit calculated as of December 31, 1984 under the Rich's Plan.

or (ii) an amount equal to the sum of (A) and (B) less (C) where

(A) equals .75% of Final Average Monthly Compensation multiplied by each Year of Credited Service, and

(B) equals .75% of Final Average Monthly Compensation in excess of the Social Security Bendpoint as herein-after defined multiplied by each Year of Credited Service, and

(C) equals the amount of a monthly annuity that would be produced by the Participant's Other Plan Accounts (x) as of the second monthly Valuation Date (as defined in the Other Plan) preceding the date of the Participant's most recent termination, if a valuation of the Participant's Other Plan Account shall have occurred on such Valuation Date, or if not, as of the most recent day prior to the date of such termination upon which such a valuation shall have occurred and

(y) as of the date of each prior termination, utilizing for all such purposes the rates employed as of January 1 of the year in which the Valuation Date described in (x) above occurs, by the Pension Benefit Guaranty Corporation in valuing annuities on plan terminations;

provided, however, for the purposes of the above calculations [other than those described in clause (i)(C)] Years of Credited Service shall not exceed thirty (30).

15.5 Deferred Retirement of Rich's Participant. The provisions of the second paragraph of Section 4.2 of the Rich's Plan shall be taken into account in calculating the Accrued Benefit hereunder of any Participant who had an Accrued Retirement Benefit as of December 31, 1984 under the Rich's Plan, and who retires after his Normal Retirement Date pursuant to the provisions of Section 4.2 of this Plan.

15.6 Early Retirement of Rich's Participants

(a) In addition to the provisions of Section 4.3 hereof, a Participant in this Plan who had an Accrued Retirement Benefit as of December 31, 1984 under the Rich's Plan, and who completes thirty (30) or more Years of Employment (as defined in Section 3.1(d) of the Rich's Plan) shall be eligible for and may request on the form provided for this purpose, that Federated terminate his employment for purposes of Early Retirement on the first day of the month immediately following the date he completes thirty (30) Years of Employment or on the first day of any subsequent month and such date shall be his Alternate Early Retirement Date. That portion of such an individual's Accrued Benefit which is

equal to the individual's Accrued Retirement Benefit under the Rich's Plan as of December 31, 1984 (said portion being referred to as "Rich's Early Retirement Benefit") shall become nonforfeitable as of his Alternate Early Retirement Date. Notwithstanding the provisions of Section 4.5 hereof, an individual who meets the conditions for Early Retirement described above but who has not satisfied the conditions for Early Retirement set forth in Section 4.3 of this Plan may elect (subject to the spousal consent requirements of Section 15.3 hereof) for payments of Rich's Early Retirement Benefits to commence as of his Alternate Early Retirement Date, but, if the payment commences before the Participant's Normal Retirement Date, the amount of such benefit shall be reduced as provided by Section 15.8 hereof. However, except in the case of a lump sum distribution for a Participant with a Prior Plan Account (as defined in the Rich's Plan) no payment under this Section shall commence before the later of the first day of the first month which next follows the date such a Participant reaches age 50 or his Alternate Early Retirement Date. If a Participant who is receiving payments of his Alternate Early Retirement Benefit under this Section 15.6 subsequently becomes eligible and elects to receive payments of his Early Retirement Benefit pursuant to Section 4.3 and 4.5 of this Plan, the amount of such individual Early Retirement Benefit shall be reduced by the Actuarial Equivalent of his Alternate Early Retirement Benefit. The foregoing notwithstanding, the provisions of Section 4.3 (subject to the provisions of Section 15.6(b) hereof) and 4.5 of this Plan shall apply to any Participant who elects Early Retirement after having satisfied the

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conditions of said Section 4.3, and the provision of this Section 15.6(b) and Section 15.8 shall not be applicable to such a Participant.

(b) The Early Retirement Benefit payments made pursuant to Section 4.3 and 4.5 hereof to Participants who (i) qualify for Early Retirement pursuant to Section 4.3 hereof, (ii) had an Accrued Retirement Benefit under the Rich's Plan as of December 31, 1984 and (iii) do not elect to receive an Alternate Early Retirement Benefit pursuant to this Section 15.6, shall not be less than the Alternate Early Retirement Benefit payments which would have been payable to such Participant pursuant to Section 15.6(a) and 15.8 had the Participant elected to receive the same.

15.7 Rich's Alternate Disability Retirement.

(a) Notwithstanding the provisions of Section 4.4 hereof, a Participant who had an Accrued Retirement Benefit under the Rich's Plan as of December 31, 1984, who is in Disability Retirement status as provided in Section 4.4 hereof, and who has completed at least five (5) Years of Service (as defined in Section 6.1(b) of the Rich's Plan) on the date he is determined to be disabled, may request (subject to the spousal consent requirements of Section 15.8 hereof) that Alternate Disability Retirement Benefit payments commence as of the date he is determined to be disabled; provided, however, that (except in the case of a lump sum distribution for a Participant with a Prior Plan Account, as defined in the Rich's Plan) no payment shall commence under this Section 15.7 before the later of the date the Participant is so determined to be disabled or the first day of the first month which coincides with or next follows the date the

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Participant reaches age 50. As used in this Section 15.7, an individual's Alternate Disability Retirement Benefit shall be that portion of his Accrued Benefit as shall be equal to the Participant's Accrued Retirement Benefit as of December 31, 1984 under the Rich's Plan. If the payments of a Participant's Alternate Disability Retirement Benefit commence before the Participant's Normal Retirement Date and before the Participant would be entitled to receive payments of his Disability Retirement Benefit pursuant to Section 4.4 and 4.5 of this Plan, the amount of such benefit shall be reduced as provided in Section 15.8 hereof. If a Participant who is receiving payments of his Alternate Disability Retirement Benefit under this Section 15.7 subsequently becomes eligible and elects to receive payments of his Disability Retirement Benefit pursuant to Section 4.4 and 4.5 of this Plan, the amount of such individual's Disability Retirement Benefit shall be reduced by the Actuarial Equivalent of his Alternate Disability Retirement Benefit. The foregoing notwithstanding, the provisions of Section 4.4 (subject to the provisions of Section 15.7(b) hereof) and 4.5 of this Plan shall apply to any Participant who is eligible to receive Disability Retirement Benefit payments pursuant to said Sections at the time his benefit payments initially commence after Disability Retirement and the provisions of this Section 15.7(b) and Section 15.8 shall not be applicable to such a Participant.

(b) The Disability Retirement Benefit payments made pursuant to Section 4.4 and 4.5 hereof to any Participant who qualifies for Disability Retirement pursuant to Section 4.4 of this Plan, who had an Accrued Retirement Benefit under the Rich's

Plan as of December 31, 1984, and who does not elect to receive an Alternate Disability Retirement Benefit pursuant to this Section 15.7, shall not be less than the Alternate Disability Retirement Benefit payments which would have been payable to such Participant pursuant to Section 15.7(a) and 15.8 had the Participant elected to receive the same.

15.8 Premature Payments of Benefits. If the payment of an Alternate Early Retirement Benefit or Alternate Disability Retirement Benefit, respectively, commences before a Participant's Normal Retirement Date, the amount of such benefit shall be equal to the greater of (a) the Alternate Early Retirement Benefit or Alternate Disability Retirement Benefit, respectively, he would have received as of his Normal Retirement Date reduced by 6 2/3% for each full year (and .55% of each additional full calendar month) between his Normal Retirement Date and the date as of which payment commences, but not reduced below the Actuarial Equivalent of such benefit or (b) his Prior Plan Account (as defined in the Rich's Plan). For the purpose of this Section, the amounts described in clauses (a) and (b) above shall be determined on an actuarially consistent basis.

If such distribution is to be made in a form other than as described in Section 4.6(a), the election of any Participant to commence payment of benefits pursuant to this Article XV prior to his Normal Retirement Date shall be subject to the written consent of his Spouse (which consent shall be given not more than 90 days prior to the commencement of distribution of benefits).

15.9 Form of Benefit for Rich's Participant.

(a) A Participant who had an Accrued Retirement Benefit as of December 31, 1984 under the Rich's Plan but who has no Other Plan Account (as defined in Section 1.19 hereof) shall not be entitled to receive a lump sum form of payment as provided in Section 4.6(d) hereof, however, a Participant who retires and has a Prior Plan Account under the Rich's Plan shall be entitled to elect a lump sum form of payment, calculated based upon the actuarial tables in effect for the Rich's Plan on December 31, 1984.

(b) A Participant in the Rich's Plan (1) who would not otherwise be eligible to elect to receive a joint and survivor form of benefit payment pursuant to the provisions of the Rich's Plan in effect at the time his employment terminated, (2) who had at least one Hour of Service (as defined in the Rich's Plan) on or after September 2, 1974, (3) whose annuity starting date (as defined in Section 4.8(a) of this Plan) has not occurred on or prior to August 23, 1984, and (4) who has a spouse on his annuity starting date, may elect to have his benefits paid in the form of a joint and survivor annuity as described in Section 4.6 (a) of this Plan. As to any such Participant, such election may be made at any time during the period commencing on August 23, 1984 and ending on his annuity starting date.

15.10 Rich's Death Benefit.

(a) Notwithstanding the provisions of Section 5.2 hereof the death benefit payable under this Plan to the Beneficiary of a Participant (or of either a Retired Participant or a Terminated Participant who is eligible to receive an Alternate Early

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Retirement Benefit or an Alternate Disability Retirement Benefit under Section 15.6 or 15.7, respectively, hereof, and, in either case, dies prior to the date his benefits are scheduled to commence) who had an Accrued Retirement Benefit as of December 31, 1984 under the Rich's Plan shall be the greater of (i) the benefit payable to such Beneficiary pursuant to Section 5.2 hereof or (ii) the Actuarial Equivalent of the death benefit which would have been payable to such Beneficiary under Section 5.2 of the Rich's Plan had the said Participant or Retired Participant died on December 31, 1984.

(b) The Beneficiary of a Terminated Participant or Retired Participant who had an Accrued Retirement Benefit as of December 31, 1984 under the Rich's Plan, who was covered under the "1951 Plan" as defined in the Rich's Plan, and who would not be entitled to a death benefit pursuant to Section 15.10(a) of this Plan shall be eligible to receive the Actuarial Equivalent of a death benefit, if any, payable to such Beneficiary pursuant to Section 5.3(b) of the Rich's Plan had the Terminated Participant or Retired Participant died on December 31, 1984, provided that for the purposes hereof, sum "(B)" as incorporated into the calculation of a death benefit in said Section 5.3(b) of the Rich's Plan shall equal the aggregate amount of benefits paid under this Plan or the Rich's Plan to the Terminated Participant or Retired Participant prior to the date the payment of any death benefit under this Section 15.10(b) commences.

(c) Any death benefit payable pursuant to this Section 15.10 shall be paid in the form provided in Section 5.5 hereof, and to a Beneficiary as provided in Section 5.4 hereof; provided,

however, that notwithstanding the second sentence of Section 5.4 in the event that such a Participant, Terminated Participant, or Retired Participant dies prior to January 1, 1986 having made no designation of Beneficiary as provided in Section 5.4 hereof, but having designated a beneficiary under the Rich's Plan, said beneficiary shall be the Beneficiary hereunder.

(d) The provisions of this Section 15.10 are subject to the provisions of Section 4.8(f).

15.11 Vesting of Rich's Participants. The provisions of Section 6.1(b) of the Plan notwithstanding, as to any Participant who had an Accrued Retirement Benefit as of December 31, 1984 under the Rich's Plan, the nonforfeitable interest of such a Participant in his Accrued Benefit shall be based on the following schedule:

<u>Completed Years of Vesting Service</u>	<u>Nonforfeitable Interest</u>
Less than 5 years	0
5	25%
6	30%
7	35%
8	40%
9	45%
10	100%

Notwithstanding the foregoing, a Participant's nonforfeitable interest in his Accrued Benefit on January 1, 1985 shall not be less than his nonforfeitable interest in his Accrued Retirement Benefit, if any, under the Rich's Plan determined as of December 31, 1984, under this Plan as in effect on December 31, 1984.

SECTION 16

AMENDMENTS TO RICH'S PLAN

16.1 Amendment of Rich's Plan. The purpose of this Section 16.1 is to make certain amendments to the Rich's Plan which shall be effective for the period commencing on January 1, 1984 and ending on the effective date of the merger of the Rich's Plan into this Plan. The Rich's Plan is hereby amended as follows:

(1) Section 1.21 thereof is deleted and the following inserted therefor:

"1.21 Actuarial Equivalent - means a benefit having in the aggregate an equal value to the aggregate amounts expected to be received under a different form of benefit payment, based upon the UP-1984 Mortality Table, with interest at 7½% per annum "

(2) Section 10 thereof is deleted and Section 10 hereof substituted therefor as if set forth therein.

(3) Section 13 hereof is added to the Rich's Plan as Section 13 thereof, as if set forth therein.

(4) Section 14 hereof is added to the Rich's Plan as Section 14 thereof, as if set forth therein.

APPENDIX A

All divisions and subsidiaries except Ralphs, with such other additions and deletions as may be approved by the Board of Directors from time to time.

FEDERATED DEPARTMENT STORES INC.

FEDERATED DEPARTMENT STORES, INC. PENSION PLAN

1. Effective as of April 1, 1988, Section 6.1(b)(1) of the Plan is hereby amended and restated to read as follows:

"(b)(1) Vesting. The entire interest of a Terminated Participant in his Accrued Benefit shall be nonforfeitable on the completion of five Years of Vesting Service completed by the date he becomes a Terminated Participant. If such termination occurs before such date, the entire interest of such Participant shall be forfeited."

2. Effective as of April 1, 1988, Section 15.11 of the Plan is hereby amended and restated to read as follows:

"15.11 Vesting of Rich's Participants
The provisions of Section 6.1(b) shall also apply to Terminated Participants who had an Accrued Retirement Benefit as of December 31, 1984, under the Rich's Plan; provided, however, a Participants' nonforfeitable interest in his Accrued Retirement Benefit on January 1, 1985, shall not be less than his nonforfeitable interest in his Accrued Retirement Benefit, if any, under the Rich's Plan determined as of December 31, 1984, under this Plan as in effect on December 31, 1984.

EXHIBIT 10.12

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OFFICERS DEFERRED COMPENSATION PLAN
OF
FEDERATED DEPARTMENT STORES, INC.
(effective as of January 1, 1988)

ARTICLE I

1.1 "Plan" means the Officers Deferred Compensation Plan of Federated Department Stores, Inc., as described in this instrument.

1.2 "Company" means Federated Department Stores, Inc. or any successor thereafter.

1.3 "Committee" means the Committee appointed to administer the Plan as and to the extent provided in Article VII.

1.4 "Officer" means an employee of the Company who is or was subject to the requirements of Section 16 of the Securities and Exchange Act of 1934 at any time as a result of his employment with the Company.

1.5 "Fiscal Year" means the fiscal year of the Company as established from time to time.

1.6 "Participant" means an officer a portion of whose compensation for any plan year has been deferred pursuant to the Plan and whose cash credits have not been wholly distributed.

1.7 "Deferred Compensation" means the portion of a participant's compensation for any plan year, or part thereof, that has been deferred pursuant to the Plan.

1.8 "Cash Credits" of a participant at any time mean the sum of all amounts, including interest equivalents, theretofore credited to him pursuant to Section 3.1.

1.9 "Termination of Service" or similar expression means the termination of the participant's employment as a regular employee of the Company and any Division, subsidiary or affiliate thereof, and shall include retirement. Disability, whether temporary or permanent, shall not be considered termination of service, as long as the participant is receiving at least one half the salary paid prior to disability. A participant who is merely rendering advisory service at a substantially reduced salary will be considered to have terminated his service. A participant who is on temporary leave of absence, whether with or without pay, shall not be deemed to have terminated his service.

1.10 "Retirement" means termination of employment on or after the Early Retirement Date as defined in the Company's Pension Plan.

1.11 "Plan Year" means the calendar year.

ARTICLE II

2.1 Each participant may elect to have a percentage of his total compensation, including bonuses, if any, to be received by him during each plan year, deferred in accordance with the terms and conditions of the Plan. The percentage of such total compensation that may be so deferred for any plan year shall not exceed 17-1/2 percent. Each such percentage other than 17-1/2 percent shall be in each case a multiple of 5 percent.

2.2 The amount of a participant's deferred compensation shall be credited to him as a cash credit as provided in Article III, pursuant to the participant's election for any plan year.

2.3 A participant's cash credits shall be distributable in the manner and subject to the conditions set forth in Article V and Article VI.

ARTICLE III

3.1 (a) The participant shall be credited, as of the end of the plan year for which the election was made, with the dollar amount of the deferred compensation.

(b) The cash credits of each participant shall be credited, as of the end of each plan year, with an interest equivalent, which shall be an amount determined by applying to 100 percent of such participant's cash credits at the end of the preceding plan year and to 50 percent of the cash credit elected by such participant for such plan year less the amounts distributable pursuant to Article V during such plan year, or withdrawn pursuant to Section 6.4, an interest rate equal to the bond yield (percent per annum) on United States (long term) Government bonds (hereinafter referred to as the "bond rate") for the month of December occurring during the preceding plan year as published in the Federal Reserve Bulletin, but in no case less than the maximum permitted rate on savings deposits in banks as of the end of said month of December as published in the Federal Reserve Bulletin.

ARTICLE IV

4.1 If the Company shall be adjudicated or determined to be insolvent by a court of competent jurisdiction, either in bankruptcy or otherwise, all credits of all participants shall constitute debts of the Company in any such proceeding.

ARTICLE V

5.1 (a) The following rules shall apply for the distribution of credits:

(i) If the participant's termination of service is voluntary on the part of the participant and is not a retirement, then the distribution of his credits shall be made in one installment.

(ii) If the participant's termination of service is involuntary on the part of the participant or if the participant's termination is due to retirement, then the distribution of his credits shall be made in one, two, three, four or five approximately equal annual installments at the election of the participant.

Any elections made under subsection (a) of this Section 5.1 shall be made by the participant in writing to the Committee at any time prior to the termination of his service. Such election by a participant may be exercised only once and shall be irrevocable.

(b) Distribution of the cash credits pursuant to subsection (a) of this Section 5.1 credited to the end of the plan year next preceding the plan year in which his termination occurred shall be made as soon as practicable following the end of the fiscal year in which such termination of service occurred. The entire amount of a participant's

deferred compensation for the plan year in which his termination of service occurred shall be distributed to him in cash at the time of his termination of service. Notwithstanding anything to the contrary herein contained, if the participant's credits are to be paid in one installment, then at the election of the participant made in writing to the Committee at any time prior to the termination of his service such distribution shall be made as soon as practicable after such termination of service.

(c) At the election of a participant made in writing to the Committee prior to the termination of his service, distribution of his credits, in the event that his service shall terminate by reason of his death, shall be made to the person or persons designated as provided in Section 5.2 or to his estate, as the case may be, and shall be made in one, two, three, four or five installments. Such election by a participant may be made and may be revoked by him at any time and from time to time prior to the termination of his service. If the participant has not made any election, the beneficiary (if other than an estate) may make such an election at any time within six months of the death of the participant. Notwithstanding the foregoing, distributions to an estate shall be made in a single installment.

(d) Interest equivalents credited in the plan year in which termination of service occurs and in any subsequent plan year shall be distributed in cash on the first Tuesday of the fiscal year following the plan year in which credited or as soon thereafter as practicable except as provided in the next following paragraph hereof.

(i) At the election of a participant made in writing to the Committee at any time prior to the termination of service, the "approximately equal" requirement set forth in subsection (a)(ii) of this Section 5.1 shall be modified as provided in either subsections (ii) or (iii) hereof.

(ii) The amount of each installment, subject to adjustment of the last installment as hereinafter provided, shall be determined by using the interest rate equal to the bond yield on United States Government bonds determined as provided in Section 3.1(b) hereof utilizing, however, the month of November of the fiscal year in which termination of service occurs and calculating the amount of the annual periodic payment of an annuity certain for the number of years equal to the number of annual installments to be made that could be provided by the amount of the cash credits of such participant as of the end of the fiscal year in which such termination of service occurs. Such periodic payment shall be continued until the earlier of (i) the exhaustion of the participant's account balance, or (ii) the payment of the number of installments to be made in accordance with subsection (a)(ii) of this Section 5.1. The actual interest equivalents to be credited to the account of the participant during the period of distribution shall be determined as provided in Section 3.1 and shall be added to the participant's account balance and the last installment to be paid to such participant shall be increased or decreased, the case may be, to exhaust the participant's account balance.

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(iii) The amount of each installment shall be determined by multiplying for each year in which a distribution is to be made, the amount of cash credits of such participant at the end of the fiscal year immediately preceding the date of distribution of such installment, after crediting to such participant's account interest equivalents as provided in Section 3.1 hereof, by a fraction the numerator of which is one and the denominator of which is the number of installments elected less the number of installments theretofore made (that is if five installments were elected, the fraction for the first year would be 1/5, for the second year 1/4 with the final installment 1/1 or for the entire amount).

(e) Notwithstanding the foregoing provisions of this section, in the event of a "designated change of control" or "designated change of circumstances" (as defined herein) of the Company, distribution of the credits (including all interest equivalents credited in the plan year in which such "designated change of control" or "designated change of circumstances" occurs) of a participant (of the person or persons designated as provided in Section 5.2) shall be made to such person in a single payment as soon as practicable following such "designated change of control" or "designated change of circumstances", but not sooner than 30 days after such "designated change of control" or "designated change of circumstances" occurs. For purposes of this paragraph, a "designated change of control" of the Company shall be deemed to have occurred if any of the following transactions shall have transpired: (i) any person or group (within the meaning of Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Act"), other than an employee benefit plan sponsored by the Company) makes a tender

2.3

or exchange offer for shares of common stock of the Company (other than pursuant to a merger or consolidation agreement) pursuant to which purchases are made which result (together with any other holdings) in such person or group becoming the beneficial owner within the meaning of Rule 13d-3 under the Act of more than 20% of the Company's then outstanding common stock; (ii) the Company becomes aware that any person or group (as defined above) has become the beneficial owner (as defined above) of more than 20% of the Company's then outstanding common stock and such information has been presented to and considered by the Board of Directors; (iii) the stockholders of the Company approve a definitive agreement to merge or consolidate the Company with or into another corporation or to sell or otherwise dispose of all or substantially all its assets, or adopt a plan of dissolution or liquidation; or (iv) individuals who were members of the Board of Directors cease to constitute at least a majority thereof as a result of a contested election. For purposes of this paragraph, a "designated change of circumstances" shall be deemed to have occurred if Moody's Investor Services, Inc. or its successor shall have publicly announced that the Company's publicly held debt securities are now of less than investment grade quality. Such rating shall be defined as to indicate that the securities so rated have predominantly speculative elements. Presently such rating for Moody's Investor Services, Inc. is Ba1 or lower. In the event that Moody's Investor Services, Inc. is no longer in existence, the Company shall promptly select another service which is widely recognized among investors within the United States for the rating of debt securities.

5.2 Any credits or remaining undistributed installments thereof, which become distributable after the death of a participant, shall be distributed in installments, as provided in this Article V to such person or persons, or the survivors thereof, including corporations, unincorporated associations or trusts as the participant may designate. The participant may also designate to his widow the absolute power to appoint by will one or more persons including her estate, to receive payments distributable to her if she should die before all distributions have been received. All such designations shall be made in writing delivered to the Committee. The participant may from time to time revoke or change any such designation by writing delivered to the Committee. If there is no unrevoked designation on file with the Committee at the time of the participant's death, or if the person or persons designated therein shall have all predeceased the participant or otherwise ceased to exist, such distributions shall be made to the participant's estate. If the person or persons designated therein shall survive the participant but shall die before receiving all of such distributions, the balance thereof payable to such deceased distributee shall, unless the participant's designation provides otherwise, be distributed to such deceased distributee's estate.

5.3 The distribution of the cash credits of a participant whose service is terminated by reason of his death shall be made as provided in Section 5.1. If the death of the participant occurs after the termination of his service, the number of installments remaining to be paid shall be the number which otherwise would be distributable to the participant, provided that the beneficiary may elect within six months of the death of the participant a shorter number of installments as to all installments which have not yet become payable, and provided further that if the beneficiary is an estate, payments shall be made in one installment.

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5.4 The Company shall deduct from the amount of all distributions under the Plan any taxes required to be withheld by the federal or any state or local government.

ARTICLE VI

6.1 No participant or any other person shall have any interest in any fund or in any specific asset or assets of the Company by reason of any credits or interest equivalent credited to him hereunder.

6.2 Neither the adoption nor the amendment of the Plan, nor any action of the Board of Directors of the Company or the Committee, nor any election to defer compensation hereunder, shall be held or construed to confer on any person any legal right to continue as an employee of the Company or any division, subsidiary or affiliate of the Company.

6.3 No participant shall have the right to assign, pledge or otherwise dispose of (except (i) by the exercise of a power of appointment designed as in Article V provided or (ii) as provided in Article V) any credits nor shall the participant's interest therein be subject to garnishment, attachment, transfer by operations of law, or any legal process; nor shall any person entitled to receive cash credits or remaining undistributed installments thereof, which become distributable after the death of a participant in accordance with Article V, have the right to assign or pledge any such credits or remaining undistributed installments except to the extent that a participant or the executor or administrator of a participant's estate may exercise such right as hereinafter in this Section 6.3 provided. If and to the extent that (a) in the case of a participant whose legal residence is in a so-called "community property" state and whose wife predeceases him, the assets of her estate are not sufficient or available for the purpose of paying estate and other death taxes or other obligations of her

estate, the participant may assign or pledge, to the extent required to secure borrowings made to pay such taxes or obligations, that portion of his cash credits, or of the remaining undistributed installments thereof, including the interest equivalents thereon (all of which together are hereinafter in this sentence referred to as "installments"), which may become distributable to the participant to which his wife would be entitled by virtue of the "community property" laws of the state. (b) other assets of a participant's estate are not sufficient or available for the purpose of paying estate and other death taxes or other obligations of his estate, the executor or administrator thereof may, if so authorized by the terms of the participant's will or by a court having jurisdiction of his estate or otherwise by operation of law, assign or pledge, to the extent required to secure borrowings made to pay such taxes or obligations, the credits or the remaining undistributed installments thereof, including the interest equivalents thereon (all of which together are hereinafter in this sentence referred to as "installments"), which become distributable after the participant's death to his estate, provided in either of the cases above described that the instalments so assigned or pledged shall be those that first become payable. Any such assignment or pledge, and the exercise of the election provided in the preceding sentence, may be made, if at all, only within two (2)-year period beginning with the date of the participant's wife's death or the participant's death, as the case may be.

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6.4 Notwithstanding any other provision of the Plan, a participant or a beneficiary of a participant may withdraw all or a portion of his account in the event of hardship. For this purpose, hardship means that funds are necessary in light of the immediate and heavy financial needs of the participant or beneficiary. Any such distribution shall be limited to the amount required to meet any immediate financial need that is not reasonably available from other sources, all as determined by the Committee. In making such determinations, the Committee may consider Treasury regulations issued pursuant to Section 401(k) of the Internal Revenue Code.

6.5 Notwithstanding any other provision of this Plan, each participant (or the person or persons designated or provided in Section 5.2) shall be accorded an opportunity to make an irrevocable election to receive a cash lump sum distribution of an amount equal to the aggregate cash credits that are credited to him pursuant to Article III, provided (i) that any person who shall make such an irrevocable election shall have the aggregate credits credited to him reduced by 10% or such lesser percentage as the Committee on the advice of counsel shall agree shall apply to all such withdrawals under this Section. The making of such irrevocable election to receive a lump sum shall be effective upon receipt by the Committee of a written notice of election from the person entitled thereto. Such payment, however, shall not be made until as soon as practicable following the first day of the second fiscal year following such election. Upon making the irrevocable election described in this Section, the active participation in the Plan of the person making such election shall immediately terminate. An executive of the Company who has made such irrevocable election may again participate by making further deferrals hereunder effective on the first day of the second plan year following such election.

ARTICLE VII

7.1 The administration of the Plan by the Company shall be monitored by a Committee of not less than three nor more than nine Directors of the Company appointed from time to time by the Board of Directors of the Company to serve at the pleasure of the Board of Directors. The Committee shall be deemed to have and to be exercising all of the powers of the Board of Directors of the Company in the performance of any of the powers and duties delegated to it under the Plan. No member of the Committee may exercise the election provided in Section 2.1 while a member of the Committee.

7.2 Three members of the Committee shall constitute a quorum for the transaction of business. All action taken by the Committee at a meeting shall be by the vote of a majority of those present at such meeting, but any action may be taken by the Committee without a meeting upon written consent signed by all of the members of the Committee.

7.3 The Committee shall from time to time establish rules for the administration of the Plan that are not inconsistent with the provisions of the Plan.

7.4 All determinations of the Committee including but without limitation the determination of the Committee as to any disputed question arising under the Plan, including all questions of construction and interpretation, shall be final, binding and conclusive upon all persons. Without limiting the generality of the foregoing, the determination of the Committee as to whether a participant has terminated his service and the date thereof shall be final, binding and conclusive upon all persons.

7.5 The acknowledgement by the Company or the Committee of an assignment or pledge made in accordance with provisions of Section 6.3 and any distribution by the Company to the assignee or pledgee shall be final, binding and conclusive upon all persons and shall relieve the Company and Committee of any liability or obligation to any other person or persons with respect to such distribution. As a condition to such acknowledgement or distribution the Company or the Committee may require the submission of such statements, opinions, orders, certificates, resolutions, or other instruments, or documents, consents or evidence, as the case may be, and may impose such requirements or conditions, as either of them, in its sole discretion, shall determine to be necessary or appropriate. Such acknowledgement or distribution shall in no event constitute an amendment, modification or waiver of any of the provisions of the Plan, or impose any obligation on the Company or Committee except as expressly provided by the Plan.

7.6 The Company or the Committee may consult with legal counsel, who may be counsel for the Company or other counsel, with respect to its obligation or duties hereunder, or with respect to any action or proceeding or any question of law, and shall not be liable with respect to any action taken or omitted by it in good faith pursuant to the advice of such counsel.

7.7 Wherever the context so requires, words in the masculine include the feminine and in the feminine include the masculine.

ARTICLE VIII

8.1 The Board of Directors of the Company may, in its absolute discretion, without notice, any time and from time to time, modify or amend, in whole or in part, any or all of the provisions of the Plan, or suspend or terminate it entirely; provided that no such modification, amendment, suspension or termination may, without his consent, apply to or affect the payment or distribution to any participant of any credits, credited to him for any plan year ended prior to the effective date of such modification, amendment, suspension or termination.

02-12-88

EXHIBIT 25

POWERS OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned directors of FEDERATED DEPARTMENT STORES, INC. (the "Company"), a Delaware corporation, does hereby constitute and appoint BORIS AUERBACH and BARBARA ULLMAN GERLA, or either of them, their true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which said attorneys and agents, or either of them, may deem necessary or advisable or which may be required to enable said Company to comply with the Securities Exchange Act of 1934, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing with the Securities Exchange Commission and the New York Stock Exchange of the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 1986, including specifically, but without limiting the generality of the foregoing, the power and authority to sign in the names and on behalf of the undersigned directors of said Company in their capacities as directors, the said Annual Report on Form 10-K and any and all amendments and supplements and any other instruments or documents filed as a part of or in connection with said Annual Report on Form 10-K, amendments or supplements; and each of the undersigned does hereby ratify and confirm all that said attorneys and agents or either of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has subscribed these presents this 15th day of March, 1988.

CHARLOTTE BEERS

J. W. Burden III
JOHN W. BURDEN III

PHILIP CALDWELL

ROBERT A. CHARPIE

JAMES L. FERGUSON

HOWARD GOLDFEDER

HOWARD W. JOHNSON

REGINALD H. JONES

DANIEL W. LeBLOND

NORMAN S. MATTHEWS

G. WILLIAM MILLER

PETER G. PETEPSON

ALLEN I. QUESTROM

WILL M. STOREY

MARVIN S. TRAUB

CLIFTON R. WEARTON JR.

KATHRYN D. WRISTON

POWERS OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned directors of FEDERATED DEPARTMENT STORES, INC. (the "Company"), a Delaware corporation, does hereby constitute and appoint BORIS AUERBACH and BARBARA ULLMAN GERLA, or either of them, their true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which said attorneys and agents, or either of them, may deem necessary or advisable or which may be required to enable said Company to comply with the Securities Exchange Act of 1934, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing with the Securities Exchange Commission and the New York Stock Exchange of the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 1988, including specifically, but without limiting the generality of the foregoing, the power and authority to sign in the names and on behalf of the undersigned directors of said Company in their capacities as directors, the said Annual Report on Form 10-K and any and all amendments and supplements and any other instruments or documents filed as a part of or in connection with said Annual Report on Form 10-K, amendments or supplements; and each of the undersigned does hereby ratify and confirm all that said attorneys and agents or either of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has subscribed these presents this 21st day of March, 1988.

CHARLOTTE BEERS

JOHN W. BURDEN III

Philip Caldwell
PHILIP CALDWELL

ROBERT A. CHARPIE

JAMES L. FERGUSON

HOWARD GOLDFEDER

HOWARD W. JOHNSON

REGINALD H. JONES

DANIEL W. LeBLOND

NORMAN S. MATTHEWS

G. WILLIAM MILLER

PETER G. PETERSON

ALLEN I. QUESTROM

WILL M. STOREY

MARVIN S. TRAUB

CLIFTON R. WHARTON JR.

KATHRYN D. WRISTON

POWERS OF ATTORNEY

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IN WITNESS WHEREOF, each of the undersigned has subscribed these presents this 17th day of March, 1988.

CHARLOTTE BEERS

NORMAN S. MATTHEWS

JOHN W. BURDEN III

G. WILLIAM MILLER

PHILIP CALDWELL

PETER G. PETERSON

Robert A. Charpie
ROBERT A. CHARPIE

ALLEN I. QUESTROM

JAMES L. FERGUSON

WILL M. STOREY

HOWARD GOLDFEDER

MARVIN S. TRAUB

HOWARD W. JOHNSON

CLIFTON R. WHARTON JR.

REGINALD H. JONES

KATHRYN D. WRISTON

DANIEL W. LeBLOND

POWERS OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned directors of FEDERATED DEPARTMENT STORES, INC. (the "Company"), a Delaware corporation, does hereby constitute and appoint BORIS AUERBACH and BARBARA ULLMAN GERLA, or either of them, their true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments whch said attorneys and agents, or either of them, may deem necessary or advisable or which may be required to enable said Company to comply with the Securities Exchange Act of 1934, as amended, and any rule, regulations or requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing with the Securities Exchange Commission and the New York Stock Exchange of the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 1988, including specifically, but without limiting the generality of the foregoing, the power and authority to sign in the names and on behalf of the undersigned directors of said Company in their capacities as directors, the said Annual Report on Form 10-K and any and all amendments and supplements and any other instruments or documents filed as a part of or in connection with said Annual Report on Form 10-K, amendments or supplements; and each of the undersigned does hereby ratify and confirm all that said attorneys and agents or either of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has subscribed these presents this 21st day of March, 1988.

CHARLOTTE BEERS

NORMAN S. MATTHEWS

JOHN W. BURDEN III

G. WILLIAM MILLER

PHILIP CALDWELL

PETER G. PETERSON

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ALLEN I. QUESTROM

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DANIEL W. LeBLOND

POWERS OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned directors of FEDERATED DEPARTMENT STORES, INC. (the "Company"), a Delaware corporation, does hereby constitute and appoint BORIS AUERBACH and BARBARA ULLMAN GERLA, or either of them, their true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which said attorneys and agents, or either of them, may deem necessary or advisable or which may be required to enable said Company to comply with the Securities Exchange Act of 1934, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing with the Securities Exchange Commission and the New York Stock Exchange of the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 1988, including specifically, but without limiting the generality of the foregoing, the power and authority to sign in the names and on behalf of the undersigned directors of said Company in their capacities as directors, the said Annual Report on Form 10-K and any and all amendments and supplements and any other instruments or documents filed as a part of or in connection with said Annual Report on Form 10-K, amendments or supplements; and each of the undersigned does hereby ratify and confirm all that said attorneys and agents or either of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has subscribed these presents this 15th day of March, 1988.

CHARLOTTE BEERS

NORMAN S. MATTHEWS

JOHN W. BURDEN III

G. WILLIAM MILLER

PHILIP CALDWELL

PETER G. PETERSON

ROBERT A. CHARPIE

ALLEN I. QUESTROM

JAMES L. FERGUSON

WILL M. STOREY

HOWARD GOLDFEDER

MARVIN S. TRAUB

HOWARD W. JOHNSON

CLIFFTON R. WHARTON JR.

REGINALD H. JONES

KATHRYN D. WRISTON

DANIEL W. LeBLOND

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IN WITNESS WHEREOF, each of the undersigned has subscribed these presents this 14th day of March, 1988.

CHARLOTTE BEERS

NORMAN S. MATTHEWS

JOHN W. BURDEN III

G. WILLIAM MILLER

PHILIP CALDWELL

PETER G. PETERSON

ROBERT A. CHARPIE

ALLEN I. QUESTROM

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IN WITNESS WHEREOF, each of the undersigned has subscribed these presents this 17th day of March, 1988.

CHARLOTTE BEERS

NORMAN S. MATTHEWS

JOHN W. BURDEN III

C. WILLIAM MILLER

PHILIP CALDWELL

PETER G. PETERSON

ROBERT A. CHARPIE

ALLEN I. QUESTROM

JAMES L. FERGUSON

WILL M. STOREY

HOWARD GOLDFEDER

MARVIN S. TRAUB

HOWARD W. JOHNSON

CLIFFTON R. WHARTON JR.

REGINALD H. JONES

KATHRYN D. WRISTON

DANIEL W. LeBLOND

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IN WITNESS WHEREOF, each of the undersigned has subscribed these presents this 22nd day of March, 1988.

CHARLOTTE BEERS

NORMAN S. MATTHEWS

JOHN W. BURDEN III

G. WILLIAM MILLER

PHILIP CALDWELL

PETER G. PETERSON

ROBERT A. CHARPIE

ALLEN I. QUESTROM

JAMES L. FERGUSON

WILL M. STOREY

HOWARD GOLDFEDER

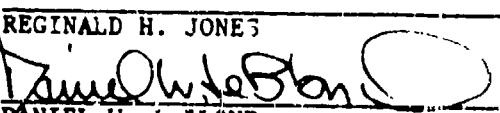
MARVIN S. TRAUB

HOWARD W. JOHNSON

CLIFTON R. WHARTON JR.

REGINALD H. JONES

KATHRYN D. WRISTON


DANIEL W. LeBLOND

POWERS OF ATTORNEY

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IN WITNESS WHEREOF, each of the undersigned has subscribed these presents this 14th day of March, 1988.

CHARLOTTE BEERS

NORMAN S. MATTHEWS

JOHN W. BURDEN III

C. WILLIAM MILLER

PHILIP CALEWELL

PETER G. PETERSON

ROBERT A. CHARPIE

ALLEN I. QUESTROM

JAMES L. FERGUSON

WILL M. STOREY

HOWARD GOLDFEDER

MARVIN S. TRAUZ

HOWARD W. JOHNSON

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IN WITNESS WHEREOF, each of the undersigned has subscribed these presents this 16th day of March, 1988.

CHARLOTTE BEERS

JOHN W. BURDEN III

PHILIP CALDWELL

ROBERT A. CHARPIE

JAMES L. FERGUSON

HOWARD GOLDFEDER

HOWARD W. JOHNSON

REGINALD H. JONES

DANIEL W. LABLOND

NORMAN S. MATTHEWS

G. WILLIAM MILLER

PETER C. PETERSON

ALLEN I. QUESTROM

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MARVIN S. TRAUB

CLIFTON R. WHARTON JR.

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CHARLOTTE BEERS

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JAMES L. FERGUSON

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HOWARD W. JOHNSON

REGINALD H. RONES

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G. WILLIAM MILLER

Peter J. Reem
PETER G. PETERSON

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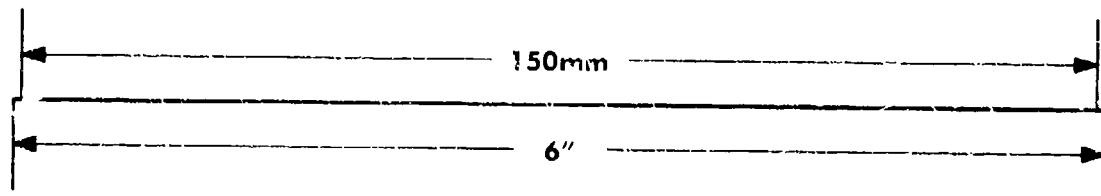
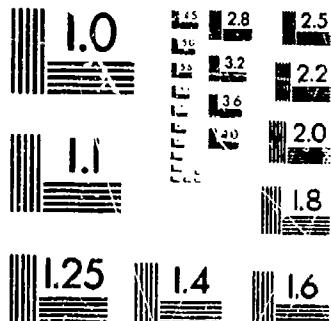
CLIFTON R. WHARTON JR.

KATHRYN D. WRISTON



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Information Services

15740 Shady Grove Road
Gaithersburg, Maryland 20877-1454

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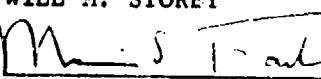
ROBERT A. CHARPIE

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HOWARD W. JOHNSON


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KATHRYN D. WRISTON

DANIEL W. LeBLOND

298

POWERS OF ATTORNEY

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CHARLOTTE BEERS

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JOHN W. BURDEN III

G. WILLIAM MILLER

PHILIP CALDWELL

PETTER G. PETERSON

RC A. CHARPIE

ALLEN J. QUESTROM

JAMES L. FERGUSON

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HOWARD GOLDFEDER

MARVIN S. TRAUB

HOWARD W. JOHNSON

CLIFTON R. WHARTON JR.

REGINALD H. JONES

KATHRYN D. WRISTON

DANIEL W. LeBLOND



END

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APRIL 1988

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