

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934 for the fiscal quarter ended  
October 28, 1995.

FEDERATED DEPARTMENT STORES, INC.  
151 West 34th Street  
New York, New York 10001  
(212) 695-4400  
and  
7 West Seventh St.  
Cincinnati, Ohio 45202  
(513) 579-7000

Delaware                      1-13536                      13-3324058  
(State of Incorporation) (Commission File No.)      (I.R.S. Employer  
Identification Number)

The Registrant has filed all reports required to be filed by  
Section 12, 13 or 15 (d) of the Act during the preceding 12  
months and has been subject to such filing requirements for the  
past 90 days.

202,595,362 shares of the Registrant's Common Stock, \$.01 par  
value, were outstanding as of November 25, 1995.

<TABLE>

PART I -- FINANCIAL INFORMATION

FEDERATED DEPARTMENT STORES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

(THOUSANDS, EXCEPT PER SHARE FIGURES)

<CAPTION>

	13 Weeks Ended		39 Weeks Ended	
	October 28, 1995	October 29, 1994	October 28, 1995	October 29, 1994
<S>	<C>	<C>	<C>	<C>
Net Sales, including leased department sales	\$3,748,369	\$1,926,811	\$9,783,624	\$5,176,542
Cost of sales	2,328,577	1,185,926	6,015,413	3,169,401
Selling, general and				

administrative expenses	1,275,680	611,563	3,413,526	1,688,442
Business integration and consolidation expenses	39,134	-	211,479	27,005
Charitable contribution to Federated Department Stores Foundation	-	-	25,581	-
Operating Income	104,978	129,322	117,625	291,694
Interest expense	(142,217)	(61,897)	(365,775)	(177,578)
Interest income	11,928	10,911	34,718	32,555
Income (Loss) Before Income Taxes	(25,311)	78,336	(213,432)	146,671
Federal, state and local income tax benefit (expense)	(21,084)	(33,993)	43,112	(66,334)
Net Income (Loss)	\$ (46,395)	\$ 44,343	\$ (170,320)	\$ 80,337
Earnings (Loss) per Share	\$ (.24)	\$ .35	\$ (.91)	\$ .63
Average Number of Shares Outstanding	197,017	126,600	187,508	126,545

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

</TABLE>

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# FEDERATED DEPARTMENT STORES, INC.

## CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(THOUSANDS)

<CAPTION>

	October 28, 1995	January 28, 1995	October 29, 1994
<S>	<C>	<C>	<C>
<b>ASSETS:</b>			
Current Assets:			
Cash	\$ 158,027	\$ 206,490	\$ 125,924
Accounts receivable	2,780,861	2,265,651	1,986,023
Merchandise inventories	3,905,535	2,380,621	1,730,602
Supplies and prepaid expenses	120,191	99,559	52,121
Deferred income tax assets	177,596	135,405	83,182
Total Current Assets	7,142,210	5,087,726	3,977,852
Property and Equipment - net	6,220,895	5,349,912	2,663,954
Intangible Assets - net	1,160,661	1,006,547	323,648
Notes Receivable	407,209	408,134	408,141
Other Assets	423,227	424,671	795,710
Total Assets	\$15,354,202	\$12,276,990	\$8,169,305
<b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>			
Current Liabilities:			
Short-term debt	\$ 941,375	\$ 463,042	\$ 441,621
Accounts payable and accrued liabilities	2,909,517	2,183,711	1,512,227
Income taxes	31,449	65,319	95,968
Total Current Liabilities	3,882,341	2,712,072	2,049,816
Long-Term Debt	5,943,473	4,529,220	2,723,777
Deferred Income Taxes	911,525	890,729	802,346
Other Liabilities	593,023	505,359	228,845

Shareholders' Equity	4,023,840	3,639,610	2,364,521
Total Liabilities and Shareholders' Equity	\$15,354,202	\$12,276,990	\$8,169,305

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

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<TABLE>

FEDERATED DEPARTMENT STORES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

(THOUSANDS)

<CAPTION>

	39 Weeks Ended October 28, 1995	39 Weeks Ended October 29, 1994
<S>	<C>	<C>
Cash flows from operating activities:		
Net income (loss)	\$ (170,320)	\$ 80,337
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	326,341	169,701
Amortization of intangible assets	34,811	14,072
Amortization of financing costs	15,428	8,052
Amortization of original issue discount	1,090	13,352
Amortization of unearned restricted stock	3,726	1,554
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	44,729	(175,861)
Increase in merchandise inventories	(1,169,834)	(514,834)
Increase in supplies and prepaid expenses	(11,014)	(3,878)
Decrease in other assets not separately identified	24,125	12,556
Increase in accounts payable and accrued liabilities not separately identified	444,013	266,906
Decrease in current income taxes	(34,694)	(7,338)
Increase (decrease) in deferred income taxes	(50,352)	3,737
Increase in other liabilities not separately identified	21,381	4,856
Net cash used by operating activities	(520,570)	(126,788)
Cash flows from investing activities:		
Purchase of property and equipment	(356,816)	(202,683)
Disposition of property and equipment	23,842	1,748
Acquisition of company, net of cash acquired	15,901	(75,846)
Net cash used by investing activities	(317,073)	(276,781)
Cash flows from financing activities:		
Debt issued	1,347,106	331,007
Financing costs	(26,375)	(6,587)
Debt repaid	(546,675)	(22,450)
Decrease in outstanding checks	4,544	709
Acquisition of treasury stock	(388)	(334)
Issuance of common stock	10,968	4,720
Net cash provided by financing activities	789,180	307,065

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(Continued)

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FEDERATED DEPARTMENT STORES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

(THOUSANDS)

<CAPTION>

	39 Weeks Ended October 28, 1995	39 Weeks Ended October 29, 1994
<S>	<C>	<C>
Net decrease in cash	(48,463)	(96,504)
Cash at beginning of period	206,490	222,428
Cash at end of period	\$ 158,027	\$ 125,924
Supplemental cash flow information:		
Interest paid	\$ 291,928	\$ 144,081
Interest received	35,034	33,470
Income taxes paid (net of refunds received)	36,903	69,124
Schedule of noncash investing and financing activities:		
Capital lease obligations for new store fixtures	2,818	6,666
Debt assumed in acquisition.....	1,267,074	40,000
Equity issued in acquisition	352,902	-
Debt and equity issued for purchase of debt		429,665

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

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## FEDERATED DEPARTMENT STORES, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A description of the Company's significant accounting policies is included in the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 1995 (the "1994 10-K"). The accompanying Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto in the 1994 10-K.

Because of the seasonal nature of the general merchandising business, the results of operations for the 13 and 39 weeks ended October 28, 1995 and October 29, 1994 (which do not include the Christmas season) are not indicative of such results for the fiscal year.

The Consolidated Financial Statements for the 13 and 39 weeks ended October 28, 1995 and October 29, 1994, in the opinion of management, include all adjustments (consisting only of normal recurring adjustments) considered necessary to present fairly, in all material respects, the consolidated financial position and results of operations of the Company and its subsidiaries.

Certain reclassifications were made to prior years' amounts to conform with the classifications of such amounts for the current period.

#### 2. ACQUISITION OF COMPANIES

In the 13 weeks ended October 28, 1995, the Company completed its acquisition of Broadway Stores, Inc. ("Broadway") pursuant to an Agreement and Plan of Merger dated August 14, 1995. The total purchase price of the Broadway acquisition was approximately \$1,620.0 million, consisting of (i) 12.6 million shares of common stock and options to purchase an additional 1.5 million shares of common stock valued at \$352.9 million and (ii) \$1,267.1 million of Broadway debt. In addition, a wholly owned subsidiary of the Company purchased \$422.3

million of mortgage indebtedness of Broadway for 6.8 million shares of common stock of the Company and a \$242.3 million promissory note.

The Broadway acquisition was accounted for under the purchase method and, accordingly, the results of operations of Broadway have been included in the Company's results of operations since July 29, 1995 and the purchase price has been allocated to Broadway's assets and liabilities based on their estimated fair values as of that date. Based upon management's initial estimates, the excess of cost over net assets acquired is approximately \$186.2 million.

The Company is in the process of formulating and implementing a strategy to integrate Broadway's operations with the Company's other operations. Although a majority of Broadway's stores will be converted to other nameplates of the Company in fiscal 1996, it is also anticipated that certain Broadway stores will be disposed of during fiscal 1996 and beyond. (As of the date of this report, the Company had entered into a definitive agreement to sell nine stores, had identified 10 additional stores to be sold, and had yet to make a determination with respect to certain other stores.) Accordingly, the allocation of the purchase price to the property and equipment acquired has yet to

#### FEDERATED DEPARTMENT STORES, INC.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

be determined, and the Company is presently unable to determine the amount of one-time costs that will ultimately be incurred in connection with the Broadway acquisition. The Company has recorded an accrued severance liability in the amount of \$27.0 million as an adjustment to the purchase price allocation for the recognition of certain estimated involuntary termination benefits.

On December 19, 1994, the Company acquired R. H. Macy & Co., Inc. ("Macy's") pursuant to a Plan of Reorganization (the "Macy's POR") of Macy's and substantially all of its subsidiaries (collectively, the "Macy's Debtors"). Pursuant to the Macy's POR, among other transactions, Macy's merged with the Company, which became responsible for making distributions of cash and debt and equity securities pursuant to the Macy's POR. The total purchase price of the Macy's acquisition was approximately \$3,815.9 million and consisted of the following:

(millions)

Cash payments and transaction costs	\$ 830.4
Assumption of merger-related liabilities	192.5
Issuance, reinstatement or assumption of debt	1,182.4
Issuance of 55.6 million shares of common stock	1,047.6
Issuance of warrants to purchase 18.0 million shares of common stock	118.4
Net cost of the initial investment	444.6
	\$3,815.9

The Macy's acquisition was accounted for under the purchase method and, accordingly, the results of operations of Macy's have been included in the Company's results of operations since the date of acquisition and the purchase price has been allocated to Macy's assets and liabilities based on their estimated fair values at the date of acquisition. Including certain adjustments recorded in the 39 weeks ended October 28, 1995 to the assets and liabilities acquired, the excess of cost over net assets acquired was approximately \$311.2 million.

The following unaudited pro forma condensed statements of operations give effect to the Broadway and Macy's acquisitions and related financing transactions as if such transactions had occurred at the beginning of each period presented.

<TABLE>

<CAPTION>

	39 Weeks Ended October 28, 1995	13 Weeks Ended October 29, 1994	39 Weeks Ended October 29, 1994
--	------------------------------------	------------------------------------	------------------------------------

(millions, except per share figures)

<S>	<C>	<C>	<C>
Net sales	\$ 10,668.2	\$ 3,873.7	\$ 10,746.7
Net loss	(220.4)	(57.2)	(99.0)
Loss per share	(1.09)	(.28)	(.49)

</TABLE>

## FEDERATED DEPARTMENT STORES, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

The foregoing unaudited pro forma condensed statements of operations give effect to, among other pro forma adjustments, the following:

- (i) Interest expense on debt incurred to finance the acquisitions, the reversal of certain of Macy's and Broadway's historical interest expenses and the reversal of the Company's historical interest expense on certain indebtedness redeemed in connection with the acquisitions;
- (ii) Amortization of deferred debt expense related to debt incurred to finance the acquisitions;
- (iii) Amortization, over 20 years, of the excess of cost over net assets acquired, and amortization, over 40 years, of tradenames acquired;
- (iv) Depreciation and amortization adjustments related to the fair market value of assets acquired;
- (v) Adjustments to income tax expense related to the above; and
- (vi) Adjustments for shares issued.

The foregoing unaudited pro forma information is provided for illustrative purposes only and does not purport to be indicative of results that actually would have been achieved had the acquisitions been consummated on the first day of the periods presented or of future results.

### 3. BUSINESS INTEGRATION AND CONSOLIDATION EXPENSES

During the 39 weeks ended October 28, 1995, the Company recorded \$211.5 million of business integration and consolidation expenses associated with the integration of Macy's and Broadway into the Company (\$171.4 million and \$7.3 million, respectively) and the consolidation of the Company's Rich's/Goldsmith's and Lazarus divisions (\$32.8 million). The primary components of the Macy's integration expenses were \$68.1 million of inventory valuation adjustments to merchandise in lines of business which the Company, subsequent to the acquisition, eliminated or replaced, \$25.4 million of costs to close and sell certain stores and to convert a number of stores to other nameplates, \$25.8 million of severance costs and \$52.1 million of other costs and expenses associated with integrating Macy's into the Company. Of the \$32.8 million of expenses associated with the divisional consolidation referred to above, \$22.5 million relates to inventory valuation adjustments to merchandise of the affected divisions in lines of business which were eliminated or replaced as a result of the consolidation.

During the 39 weeks ended October 29, 1994, the Company recorded \$27.0 million of business integration and consolidation expenses for the integration of the facilities, and the merchandising and operating functions, of ten department stores acquired in May 1994 into the Company's Lazarus division.

The Company's accrued severance liability related to business integration and consolidation expenses of \$26.1 million at January 28, 1995 was paid out during the 39 weeks ended October 28, 1995.

## FEDERATED DEPARTMENT STORES, INC.

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company acquired Macy's on December 19, 1994, and effected other acquisitions (and dispositions) during its 1994 fiscal year. Additionally, in the 13 weeks ended October 28, 1995, the Company acquired Broadway and recorded the acquisition as of July 29, 1995. Under the purchase method of accounting, the assets, liabilities and results of operations associated with such acquisitions have been included in the Company's financial position and results of operations since the respective dates of acquisition. Accordingly, the financial position and results of operations of the Company presented and discussed herein are generally not directly comparable between the periods presented.

#### RESULTS OF OPERATIONS

##### COMPARISON OF THE 13 WEEKS ENDED OCTOBER 28, 1995 AND OCTOBER 29, 1994

For purposes of the following discussion, all references to "third quarter of 1995" and "third quarter of 1994" are to the Company's 13-week fiscal periods ended October 28, 1995 and October 29, 1994, respectively.

Net sales for the third quarter of 1995 totaled \$3,748.4 million, compared to net sales of \$1,926.8 million for the third quarter of 1994, an increase of 94.5%. Since the end of the third quarter of 1994, the Company added 215 department stores (82 through the Broadway acquisition and 121 through the Macy's acquisition) and more than 150 specialty and clearance stores, and closed nine department stores. Comparable store sales for the third quarter of 1995 increased 1.5% over the third quarter of 1994, including sales of the Macy's stores that were open throughout both such quarters. Net sales for the third quarter of 1995 include \$414.8 million of Broadway sales.

Cost of sales was 62.1% as a percent of net sales for the third quarter of 1995 compared to 61.6% for the third quarter of 1994. Cost of sales was negatively impacted by greater markdowns at stores added through the Broadway acquisition. Excluding these stores, cost of sales would have been 61.2% as a percent net sales for the third quarter of 1995. Cost of sales includes no charge in the third quarter of 1995 compared to a charge of \$3.4 million in the third quarter of 1994 resulting from the valuation of merchandise inventory on the last-in, first-out basis.

Selling, general and administrative expenses were 34.0% as a percent of net sales for the third quarter of 1995 compared to 31.7% for the third quarter of 1994. Because the credit card programs relating to Macy's are owned by a third party, revenue from credit operations decreased as a percentage of sales. Because selling, general and administrative expenses are reported net of revenue from credit operations, such

decrease was the major factor contributing to the increase in the selling, general and administrative expense rate. The Broadway acquisition also negatively impacted selling general and administrative expenses. Excluding Broadway, selling, general and administrative expenses would have been 33.2% as a percent of net sales for the third quarter of 1995.

#### FEDERATED DEPARTMENT STORES, INC.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Business integration and consolidation expenses for the third quarter of 1995 consist of \$26.2 million associated with integration of Macy's into the Company, \$5.6 million related to the consolidation of the Company's Rich's/Goldsmith's and Lazarus divisions and \$7.3 million related to the integration of Broadway into the Company. During the remainder of fiscal 1995, the Company expects to incur approximately \$45.0 million of additional business integration and consolidation expenses as a result of the Macy's acquisition and the divisional consolidation referred to above. The Company also expects to incur a presently indeterminable amount of additional business integration and consolidation expenses in the remainder of fiscal 1995 and in fiscal 1996 as a result of the Broadway acquisition.

Net interest expense was \$130.3 million for the third quarter of 1995, compared to \$51.0 million for the third quarter of 1994. The higher interest expense for the third quarter of 1995 is principally due to the higher levels of borrowings resulting from the Macy's and Broadway acquisitions.

The Company's effective income tax rate for the third quarter of 1995 differs from the federal income tax statutory rate of 35% principally because of permanent differences arising from the non-deductibility of approximately \$65.0 million of pre-tax losses of Broadway and the amortization of intangible assets and the effect of state and local income taxes.

#### COMPARISON OF THE 39 WEEKS ENDED OCTOBER 28, 1995 AND OCTOBER 29, 1994

For purposes of the following discussion, all references to "1995" and "1994" are to the Company's 39 week fiscal periods ended October 28, 1995 and October 29, 1994, respectively.

Net sales for 1995 were \$9,783.6 million compared to \$5,176.5 million for 1994, an increase of 89.0%. On a comparable store basis, net sales increased 2.9%, including sales of the Macy's stores that were open throughout both periods. Net sales for 1995 include \$414.8 million of Broadway sales.

Cost of sales was 61.5% as a percent of net sales for 1995 compared to 61.3% for 1994. Cost of sales includes charges of \$1.8 million in 1995 compared to \$9.2 million in 1994 resulting from the valuation of merchandise inventory on the last-in, first-out basis. Excluding Broadway stores, cost of sales would have been 61.1% as a percent of net sales for 1995.

Selling, general and administrative expenses were 34.9% as a percent of net sales for 1995 compared to 32.6% for 1994. Because the credit card programs relating to the acquired Macy's divisions are owned by a third party, revenue from credit operations decreased as a percentage of sales. Because selling, general and administrative expenses are reported net of revenue from credit operations, such decrease was the major factor contributing to the increase in the selling, general and administrative expense rate. Excluding Broadway, selling, general and administrative expenses would have been 34.7% as a percent of net sales for 1995.



FEDERATED DEPARTMENT STORES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Business integration and consolidation expenses for 1995 consist of \$171.4 million associated with the integration of Macy's into the Company, \$32.8 million related to the consolidation of the Company's Rich's/Goldsmith's and Lazarus divisions and \$7.3 million related to the integration of Broadway into the Company. During the remainder of fiscal 1995, the Company expects to incur approximately \$45.0 million of additional business integration and consolidation expenses as a result of the Macy's acquisition and the divisional consolidation referred to above. The Company also expects to incur a presently indeterminable amount of additional business integration and consolidation expenses in the remainder of fiscal 1995 and in fiscal 1996 as a result of the Broadway acquisition.

Net interest expense was \$331.1 million for 1995 compared to \$145.0 million for 1994. The higher interest expense for 1995 is principally due to higher levels of borrowing resulting from the Macy's and Broadway acquisitions.

The Company's effective income tax rate of 20.2% for 1995 differs from the federal income tax statutory rate of 35.0% principally because of permanent differences arising from the non-deductibility of approximately \$65.0 million of pre-tax losses of Broadway and the amortization of intangible assets and the effect of state and local income taxes.

LIQUIDITY AND CAPITAL RESOURCES

For purposes of the following discussion, all references to "1995" and "1994" are to the Company's 39 week fiscal periods ended October 28, 1995 and October 29, 1994, respectively.

The Company's principal sources of liquidity are cash from operations, cash on hand and available credit facilities. The net decrease in cash in 1995 was \$48.5 million compared to a net decrease in 1994 of \$96.5 million.

Net cash used by operating activities in 1995 increased \$393.8 million compared to net cash used by operating activities in 1994. The most significant factors contributing to this increased use of cash were greater increases in merchandise inventories and lower net income in 1995, principally due to the Macy's acquisition, partially offset by a decrease in accounts receivable balances during 1995 (as compared to an increase in 1994).

Net cash used in investing activities was \$317.1 million in 1995. Capital expenditures for property and equipment were \$356.8 million. The Company opened nine department stores and closed five department stores in 1995. The Company added \$15.9 million in cash as a result of the acquisition of Broadway. The total purchase price for Broadway, consisting solely of non-cash items, was \$1,620.0 million.

FEDERATED DEPARTMENT STORES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Net cash provided by the Company for all financing activities was \$789.2 million for 1995. During 1995, the Company sold \$597.1 million of receivables backed certificates, \$400.0

million of 8-1/8% Senior Notes due 2002 and \$350.0 million of 5.0% Convertible Subordinated Notes due 2003. During 1995, the Company repaid all \$307.4 million of its Senior Convertible Discount Notes due 2004, \$126.0 million of short-term debt (\$76.1 million under Broadway's working capital and receivables financing facilities and \$49.9 million under the Company's bank credit facility and commercial paper program) and \$113.3 million of other debt, consisting primarily of the Company's subsidiary trade obligations. Additionally, on December 11, 1995, the Company repurchased for cash \$142.0 million of Broadway's 6-1/4% Convertible Senior Subordinated Notes Due 2000.

Management believes the department store industry will continue to consolidate. Accordingly, the Company intends from time to time to consider additional acquisitions of department store assets and companies.

Management of the Company believes that, with respect to its current operations, cash on hand and funds from operations, together with its credit facilities, will be sufficient to cover its reasonably foreseeable working capital, capital expenditure and debt service requirements. Acquisition transactions, if any, are expected to be financed through a combination of cash on hand and from operations and the possible issuance from time to time of long-term debt or other securities. Depending upon conditions in the capital markets and other factors, the Company will from time to time consider other possible capital markets transactions to reduce its cost of capital, including the refinancing of indebtedness.

## PART II - - OTHER INFORMATION

### FEDERATED DEPARTMENT STORES, INC.

#### ITEM 1. LEGAL PROCEEDINGS

The information regarding legal proceedings contained in the Company's Quarterly Report on Form 10-Q for the period ended July 29, 1995 covers events known to the Company and occurring prior to September 5, 1995. The following is a general description of certain developments in the legal proceedings known to the Company that arose subsequent to that date and prior to December 5, 1995.

CASH PAYMENT CLAIMS AGAINST MACY'S DEBTORS. As reported in the 1994 10-K, certain claims or portions thereof (collectively the "Cash Payment Claims") against the Macy's Debtors which, to the extent allowed by the United States Bankruptcy Court for the Southern District of New York, will be paid in cash pursuant to the Macy's POR, are currently disputed by the Company. As of December 5, 1995, the aggregate face amount of disputed Cash Payment Claims was approximately \$362.5 million, while the estimated allowed amount thereof was approximately \$242.5 million. Although there can be no assurance with respect thereto, the Company believes that the actual allowed amount of disputed Cash Payment Claims will not exceed the estimated allowed amount thereof.

#### ACQUISITION OF BROADWAY

The Office of the Attorney General of the State of California has advised the Company that it is reviewing the competitive effects of the Company's consummated acquisition of Broadway. The Company is cooperating with the Office of the Attorney General in the review. There can be no assurances as to the outcome of the review.

OTHER PROCEEDINGS. The Company and its subsidiaries are also involved in various legal proceedings incidental to

the normal course of their business. Management does not expect that any of such proceedings will have a material adverse effect on the Company's consolidated financial position or results of operations.

#### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

##### (a) Exhibits

4.1 Fourth Supplemental Indenture, dated as of September 27, 1995, between the Company and The First National Bank of Boston, as Trustee (incorporated by reference to Exhibit 4.2 of the Company's Registration Statement on Form 8-A dated November 29, 1995)

4.2 Form of 5% Note due 2003 (included in Exhibit 4.1 hereto)

4.3 Fifth Supplemental Indenture, dated as of October 6, 1995, between the Company and State Street Bank and Trust Company (successor to The First National Bank of Boston), as Trustee (incorporated by reference to Exhibit 2 of the Company's Registration Statement on Form 8-A dated October 4, 1995)

#### PART II - - OTHER INFORMATION

##### FEDERATED DEPARTMENT STORES, INC.

4.4 Form of 8.125% Senior Note due 2002 (included in Exhibit 4.3 hereto)

4.5 Warrant Agreement (incorporated by reference to Exhibit 4.1 of Broadway's Annual Report on Form 10-K (File No. 1-8765) for the fiscal year ended January 30, 1993 (the "Broadway 1992 10-K"))

4.5.1 Letter Agreement dated October 11, 1995, between Broadway and The Bank of New York.

10.1 Note Amendment Agreement among Prudential, FNC II and the Company, dated as of November 1, 1995

10.2 Amended and Restated Term Loan Agreement by and among the Banks party thereto, Bank of America National Trust and Savings Association as Agent for Banks and Carter Hawley Hale Stores, Inc., dated as of October 8, 1992 (incorporated by reference to Exhibit 4.23 to the Broadway 1992 10-K / Amendment No. 1)

10.2.1 Master Capitalized Interest Note in favor of Bank of America National Trust and Savings Association as Agent for certain banks in the amount of \$10,750,830.46 dated as of October 8, 1992 (incorporated by reference to Exhibit 4.24 to the Broadway 1992 10-K / Amendment No. 1)

10.2.2 Master Principal Note in favor of Bank of America National Trust and Savings Association as Agent for certain banks in the amount of \$89,662,700.00 dated as of October 8, 1992 (incorporated by reference to Exhibit 4.25 to the Broadway 1992 10-K / Amendment No. 1)

10.2.3 First Amendment to Amended and Restated Term Loan Agreement, dated as of October 11, 1995, by and among Broadway, the Banks party thereto and Bank of America National Trust and Savings Association, as Agent for Banks

10.3 Receivables-Backed Credit Agreement among CHH

Receivables, Inc., Blue Hawk Funding Corporation and General Electric Capital Corporation, as Agent (incorporated by reference to Exhibit 10.1 to the Broadway 1992 10-K)

10.3.1 Amendment No. 1 to Receivables-Backed Credit Agreement, dated as of September 28, 1993, among CHH Receivables, Inc., Blue Hawk Funding Corporation and General Electric Capital Corporation, as Agent (incorporated by reference to Exhibit 4.1 to Broadway's Current Report on Form 8-K filed September 13, 1994)

10.3.2 Amendment No. 2 to Receivables-Backed Credit Agreement, dated as of September 13, 1994, among Broadway Receivables, Inc., Blue Hawk Funding Corporation and General Electric Capital Corporation (incorporated by reference to Exhibit 4.2 to Broadway's Current Report on Form 8-K filed September 13, 1994)

## PART II - - OTHER INFORMATION

### FEDERATED DEPARTMENT STORES, INC.

10.3.3 Assignment and Security Agreement among CHH Receivables, Inc., Blue Hawk Funding Corporation, Cash Collateral Bank and General Electric Capital Corporation, as Agent, Letter of Credit Agent, Liquidity Agent and Collateral Agent (incorporated by reference to Exhibit 10.2 to the Broadway 1992 10-K)

10.3.4 Amended and Restated Assignment and Security Agreement dated as of September 13, 1994 among Broadway Receivables, Inc. and Blue Hawk Funding Corporation (incorporated by reference to Exhibit 4.3 to Broadway's Current Report on Form 8-K filed September 13, 1994)

10.3.5 Receivables Purchase Agreement among Carter Hawley Hale Stores, Inc. and CHH Receivables, Inc. (incorporated by reference to Exhibit 10.3 to the Broadway 1992 10-K)

10.3.6 Amendment No. 1 to Receivables Purchase Agreement, dated as of September 13, 1994 by and between Broadway Receivables, Inc. and Broadway Stores, Inc. (incorporated by reference to Exhibit 4.4 to Broadway's Form 8-K filed September 13, 1994)

10.3.7 Promissory Note made by CHH Receivables, Inc. in favor of Blue Hawk Funding Corporation (incorporated by reference to Exhibit 10.4 to the Broadway 1992 10-K)

10.3.8 Letter of Credit Reimbursement Agreement among CHH Receivables, Inc., Blue Hawk Funding Corporation, and General Electric Capital Corporation, as Letter of Credit Agent (incorporated by reference to Exhibit 10.5 to the Broadway 1992 10-K)

10.3.9 First Amendment, dated as of September 13, 1994, to the Letter of Credit Reimbursement Agreement, dated as of October 8, 1992 among Broadway Receivables, Inc., Blue Hawk Funding Corporation, the financial institutions party thereto and General Electric Capital Corporation (incorporated by reference to Exhibit 4.6 to Broadway's Current Report on Form 8-K filed

September 13, 1994)

- 10.3.10 Subordinated Retailer Security Agreement made by Carter Hawley Hale Stores, Inc. in favor of CHH Receivables, Inc. (incorporated by reference to Exhibit 10.6 to the Broadway 1992 10-K)
- 10.4 Credit Agreement, dated as of October 8, 1992, among Carter Hawley Hale Stores, Inc., Certain Commercial Lending Institutions, and General Electric Capital Corporation as the agent for lenders (incorporated by reference to Exhibit 10.9 to the Broadway 1992 10-K)
- 10.4.1 Form of Revolving Credit Note (incorporated by reference to Exhibit 10.10 to the Broadway 1992 10-K)

## PART II - - OTHER INFORMATION

### FEDERATED DEPARTMENT STORES, INC.

- 10.4.2 Pledge and Security Agreement made by Carter Hawley Hale Stores, Inc. in favor of General Electric Capital Corporation (incorporated by reference to Exhibit 10.11 to the Broadway 1992 10-K)
- 10.4.3 Trademark Security Agreement made by Carter Hawley Hale Stores, Inc. in favor of General Electric Capital Corporation (incorporated by reference to Exhibit 10.12 to the Broadway 1992 10-K)
- 10.4.4 Letter agreement dated as of April 29, 1993, by and between General Electric Capital Corporation, as agent and as a lender, and Carter Hawley Hale Stores, Inc. (incorporated by reference to Exhibit 4.1 to Broadway's Quarterly Report on Form 10-Q for the period ended May 1, 1993)
- 10.4.5 Second Amendment to Credit Agreement, dated as of May 14, 1993, among Carter Hawley Hale Stores, Inc., various financial institutions and General Electric Capital Corporation, as agent for the lenders (incorporated by reference to Exhibit 4.2 to Broadway's Quarterly Report on Form 10-Q for the period ended May 1, 1993)
- 10.4.6 Amended and Restated Second Amendment to Credit Agreement, dated as of August 20, 1993, among Carter Hawley Hale Stores, Inc., various financial institutions and General Electric Capital Corporation, as agent for the lenders (incorporated by reference to Exhibit 4.1 to Broadway's Quarterly Report on Form 10-Q for the period ended July 31, 1993)
- 10.4.7 Third Amendment to Credit Agreement, dated as of September 30, 1993, among Carter Hawley Hale Stores, Inc., various financial institutions and General Electric Capital Corporation, as agent for the lenders (incorporated by reference to Broadway's Current Report on Form 8-K dated October 25, 1993)
- 10.4.8 Fourth Amendment to Credit Agreement, dated as of October 31, 1993, among Carter Hawley Hale Stores, Inc., various financial institutions and General Electric Capital Corporation, as agent for the lenders (incorporated by reference to Broadway's Current Report on Form 8-K dated November 8, 1993)

10.4.9 Fifth Amendment to Credit Agreement, dated as of December 10, 1993, among Carter Hawley Hale Stores, Inc., various financial institutions and General Electric Capital Corporation, as agent for the lenders (incorporated by reference to Broadway's Current Report Form 8-K dated December 21, 1993)

10.4.10 Sixth Amendment to Credit Agreement, dated as of February 26, 1994, among Carter Hawley Hale Stores, Inc., various financial institutions and General Electric Capital Corporation, as agent for the lenders (incorporated by reference to Broadway's Current Report Form 8-K dated March 9, 1994)

## PART II - - OTHER INFORMATION

### FEDERATED DEPARTMENT STORES, INC.

10.4.11 Seventh Amendment to Credit Agreement, dated as of September 13, 1994 among Broadway Stores, Inc., a Delaware corporation previously known as Carter Hawley Hale Stores, Inc., the financial institutions parties thereto and General Electric Capital Corporation, a New York corporation, as agent for the lenders (incorporated by reference to Exhibit 4.11 to Broadway's Form 8-K filed September 13, 1994)

10.4.12 Eighth Amendment to Credit Agreement, dated as of March 3, 1995 among Broadway Stores, Inc., a Delaware corporation previously known as Carter Hawley Hale Stores, Inc., the financial institutions parties thereto and General Electric Capital Corporation, a New York corporation, as agent for the lender (incorporated by reference to Exhibit 4.1 of Broadway's Current Report on Form 8-K filed on March 6, 1995)

10.4.13 Ninth Amendment to Credit Agreement, dated as of June 28, 1995, among Broadway Stores, Inc., a Delaware corporation previously known as Carter Hawley Hale Stores, Inc., the financial institutions parties thereto and General Electric Capital Corporation, a New York corporation, as agent for the lenders (incorporated by reference to Broadway's Current Report on Form 8-K dated June 29, 1995)

10.4.14 Tenth Amendment to Credit Agreement, dated as of August 17, 1995, among Broadway Stores, Inc., a Delaware corporation previously known as Carter Hawley Hale Stores, Inc., the financial institutions parties thereto and General Electric Capital Corporation, a New York corporation, as agent for the lenders (incorporated by reference to Exhibit 4.1 to Broadway's Current Report on Form 8-K dated August 14, 1995, as amended on Form 8-K/A dated August 14, 1995)

10.5 Amendment #2 and Waiver, dated as of August 30, 1995, to the Credit Agreement dated December 19, 1994 among the Company, the Lenders party thereto and Citibank, N.A. as Administrative Agent and Chemical Bank as Agent.

10.6 First Amendment to Loan Agreement, dated as of December 6, 1995, among Lazarus PA, Inc., as successor to Joseph Horne Co., Inc. and PNC Bank, Ohio, National Association.

11 Statement re: computation of per share earnings

(b) Reports on Form 8-K

Current Report on Form 8-K, dated September 21, 1995  
reporting matters under Item 5 thereof

Current Report on Form 8-K, dated September 22, 1995  
reporting matters under Item 5 thereof

PART II - - OTHER INFORMATION

FEDERATED DEPARTMENT STORES, INC.

Current Report on Form 8-K, dated September 26, 1995  
reporting matters under Item 5 thereof

Current Report on Form 8-K, dated September 27, 1995  
reporting matters under Item 5 thereof

Current Report on Form 8-K, dated October 4, 1995  
reporting matters under Item 5 thereof

Current Report on Form 8-K, dated October 11, 1995  
reporting matters under Item 2 thereof.

FEDERATED DEPARTMENT STORES, INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunder duly authorized.

FEDERATED DEPARTMENT  
STORES, INC.

Date December 12, 1995                      /s/ Dennis J. Broderick  
Dennis J. Broderick  
Senior Vice President,  
General Counsel and Secretary

/s/ John E. Brown  
John E. Brown  
Senior Vice President  
and Controller  
(Principal Accounting Officer)

BROADWAY STORES, INC.  
3880 North Mission Road  
Los Angeles, CA 90031

October 11, 1995

The Bank of New York  
101 Barclay Street  
New York, New York 10286

Re: Warrant Agreement

Reference is made to the Warrant Agreement, dated as of October 1, 1992 (the "Warrant Agreement"), between Broadway Stores, Inc. (f/k/a Carter Hawley Hale Stores, Inc.) (the "Company") and The Bank of New York, as Warrant Agent (successor in such capacity to Chemical Bank). This Letter Agreement is being entered into pursuant to Section 9(b) of the Warrant Agreement in connection with the merger of a wholly owned subsidiary of Federated Department Stores, Inc. ("Federated") with and into the Company (the "Merger"). Unless otherwise defined herein, terms used herein with initial capital letters are so used with the respective meanings ascribed thereto in the Warrant Agreement.

From and after the effective time of the Merger (the "Effective Time") until 5:00 p.m., New York City time, on the Expiration Date, on the terms and subject to the conditions set forth in the Warrant Agreement, each Warrant will be exercisable to purchase at the Warrant Price (presently \$17.00) 0.27 shares of Common Stock, par value \$0.01 per share, of Federated, subject to adjustment following the Effective Time in a manner as nearly equivalent as may be practicable to the adjustments provided for in Section 9 of the Warrant Agreement.

Sincerely,  
BROADWAY STORES, INC.

By: /s/ John C. Haeckel  
Name: John C. Haeckel Title:  
Executive Vice President

Accepted and Agreed to as of  
the Date First Above Written:

THE BANK OF NEW YORK

By: /s/ Patrick P. Falciglia  
Name: Patrick P. Falciglia  
Title: Vice President



## NOTE AMENDMENT AGREEMENT

NOTE AMENDMENT AGREEMENT, dated as of November 1, 1995 (this "Agreement"), among The Prudential Insurance Company of America, a New Jersey corporation ("Holder"), Federated Noteholding Corporation II, a Delaware corporation ("Maker"), and Federated Department Stores, Inc., a Delaware corporation ("Parent").

### RECITALS:

A. Holder is the payee of a Promissory Note of Maker, dated October 11, 1995, in the principal amount of \$222,322,613.20 (the "Existing Note").

B. In connection with the Purchase Agreement, dated as of August 14, 1995 (as such agreement may be amended, supplemented or otherwise modified from time to time, the "Purchase Agreement"), among Holder, Maker and Parent, Holder and Maker have agreed to amend and restate the Existing Note to increase the principal amount thereof to \$242,322,613.20.

NOW, THEREFORE, the parties hereto agree as follows:

1. Amendment of Note. On November 3, 1995, Maker shall amend and restate the Existing Note by executing and delivering to Holder an Amended and Restated Promissory Note in the form attached hereto as Exhibit A (the "Amended and Restated Note"). Contemporaneously with and in exchange for Maker's execution and delivery of the Amended and Restated Note, Holder agrees to deliver the Existing Note to Maker for cancellation.

2. Buyer's Note. From and after the execution and delivery of the Amended and Restated Note, the term "Buyer's Note" shall mean and refer to the Amended and Restated Note (as such note may be amended, supplemented or otherwise modified from time to time) for all purposes under the Transaction Documents (as defined in the Amended and Restated Note), including, without limitation, the definition of "Buyer's Note" in Section 1.2.2 of the Purchase Agreement.

3. Consent of Parent. Parent hereby consents to the execution and delivery by the Maker of the Amended and Restated Note in exchange for the Existing Note and confirms that the amendment and restatement of the Existing Note will not alter or impair the liability or obligations of the Parent, or the rights and security interests of Holder, under any Transaction Document, including, without limitation, the Guaranty (as defined in the Purchase Agreement) and the Parent Pledge Agreement (as defined in the Purchase Agreement), to which the Parent is a party.

4. Counterparts and Execution. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more such counterparts have been signed by each of the parties and delivered to the other parties.

5. Governing Law. This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York, without regard to the principles of conflict of laws thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first written above.

THE PRUDENTIAL INSURANCE COMPANY  
OF AMERICA

By: \s\ Ray Giordano

Name: Ray Giordano  
Title: Vice President

FEDERATED NOTEHOLDING  
CORPORATION II

By: \s\ Dennis J. Broderick  
Name: Vice President  
Title: Vice President

FEDERATED DEPARTMENT STORES, INC.

By: \s\ Dennis J. Broderick  
Name: Vice President  
Title: Vice President

Exhibit A

AMENDED AND RESTATED PROMISSORY NOTE

\$242,322,613.20

New York, N.Y.  
October 11, 1995

FOR VALUE RECEIVED, the undersigned, Federated Noteholding Corporation II, a Delaware corporation ("Maker"), promises to pay to the order of The Prudential Insurance Company of America, a New Jersey corporation (together with any subsequent holder of this Note, "Holder"), at its offices located at 751 Broad Street, Newark, New Jersey 07102, or at such other address as Holder may from time to time designate in writing, the principal sum of \$242,322,613.20, together with interest thereon from the date hereof on the unpaid principal balance at the rate and as herein provided. Unless otherwise specified by Holder in writing, all payments on this Note shall be made in lawful money of the United States of America and in immediately available funds, by a wire transfer of funds to The Prudential Insurance Company of America Mortgage Loan Service Account No. 050-54-493 at Morgan Guaranty Trust Company of New York, 23 Wall Street, New York, New York 10015, Reference Mortgage Loan No. 6 101 003.

The principal amount of this Note and all accrued and unpaid interest thereon shall become due and be paid at 12:00 noon, Eastern Time, on October 11, 2000 (the "Maturity Date") or any earlier date on which such principal and interest becomes due under the terms of this Note.

All capitalized terms used in this Note and not otherwise defined have the meanings given in the Purchase Agreement dated as of August 14, 1995 (the "Purchase Agreement") among Maker, Holder and Federated Department Stores, Inc., a Delaware corporation and the parent company of Maker ("Parent").

The principal amount from time to time outstanding hereunder shall bear interest at a rate per annum (the "Interest Rate") (i) from the date hereof through the Conversion Date (as hereafter defined), equal to the LIBOR Rate (as hereafter defined) plus one and one quarter percent (1.25%), provided that \$20,000,000 principal amount of this Note shall not begin to bear interest until October 26, 1995, but shall not otherwise be treated any differently than the remaining principal amount of this Note, and (ii) from the Conversion Date through the Maturity Date, equal to the Fixed Rate (as hereafter defined). Interest on the unpaid balance of the Note shall be computed on the actual

number of days elapsed, and a year of 360 days.

On the Conversion Date, Maker shall pay to Holder a fee equal to the product of (i) one half percent (0.5%) and (ii) an amount equal to the difference of Seventy Five Million Dollars (\$75,000,000) (or such lower amount, if any, that Maker may have elected on or prior to the Conversion Date for purposes of the third paragraph immediately succeeding this paragraph) minus the aggregate principal amount of Asset Sale Prepayments (as hereafter defined) made on this Note on or prior to such Conversion Date (such amount to be deemed to equal zero if such difference is a negative number).

For purposes of this Note, (i) "LIBOR Rate" means, with respect to any Interest Period (as hereafter defined), the rate for deposits in U.S. dollars for a period equal to such Interest Period (a) that appears in the Wall Street Journal as the London Interbank Offered Rate in effect for the day that is two business days (i.e., days on which banks are not required or authorized to close in New York City and, if the applicable business day applies to principal amounts bearing interest at the LIBOR Rate, days on which business in the London interbank market is conducted) before the first day of such Interest Period and, if such rate is not published in the Wall Street Journal, (b) that appears on the display designated as "Page 3750" on the Telerate Service (or such other page as may replace Page 3750 on that service for the purpose of displaying London interbank offered rates of major banks) at 11:00 a.m. (London time) two business days before the first day of such Interest Period; (ii) "Interest Period" means a period of one month, with the first such Interest Period commencing on the date of this Note and each succeeding Interest Period commencing on the last day of the preceding Interest Period, provided that, if the date of this Note shall be a date other than the first day of a month, the initial interest period shall begin on the date of this Note and end on the first business day of the second month immediately succeeding the date of this Note and the LIBOR Rate payable with respect to such initial Interest Period shall be determined as if such initial Interest Period was a period of one month; it being understood that whenever the last day of any Interest Period would otherwise occur on a day other than a business day, the last day of such Interest Period shall be extended to occur on the next succeeding business day, provided that if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding business day, and whenever the first day of any Interest Period occurs on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period, such Interest Period shall end on the last business day of such calendar month; (iii) "Conversion Date" means the earlier of (a) April 11, 1996 and (b) any date that the Maker shall specify, upon one business day's prior written notice to the Holder, as the Conversion Date; and (iv) "Fixed Rate" means a rate per annum, determined as of 1:00 p.m. (New York City time) on the second business day immediately preceding the Conversion Date, equal to (a) the annual yield of actively traded United States Treasury securities having an original maturity equal to the remaining life of this Note (determined based on the period extending from the Conversion Date through the Maturity Date) or, if no such securities shall exist, the average annual yield (based on a straight-line interpolation) of such securities having original maturities most closely approximating the remaining life of this Note, in each case, as such annual yield for such securities appears, at such time and on such business day, on the applicable display on the Telerate Service displaying the annual yields of United States Treasury securities, plus (b) one and three quarters percent (1.75%); and (v) "Cumulative Asset Sale Deficiency" means, on any date, the amount by which (a) the aggregate Stated Value (as hereafter defined) of all retail stores on or constituting Mortgaged Properties (as hereafter defined) sold in Assets Sales (as hereafter defined) on or prior to such date exceeds (b) the sum of (1) the aggregate Net Proceeds (as hereafter defined) of all retail stores on or

constituting Mortgaged Properties sold in Asset Sales on or prior to such date and (2) the aggregate amount paid pursuant to subclause (ii) of clause (b) of the fourth following paragraph on account of all Asset Sales on or prior to such date.

Interest on the outstanding principal amount of this Note shall be payable monthly in arrears on the last day of each Interest Period prior to the Conversion Date, monthly in arrears on the first business day of each month following the Conversion Date and on the Maturity Date.

At any time and from time to time (i) from the date of this Note through (but excluding) the Conversion Date, Maker may prepay this Note, in whole or in part, without penalty or premium, and (ii) from and including the Conversion Date through and including the day occurring 18 months after the Conversion Date (such 18-month period being the "Prepayment Period"), Maker may prepay this Note, without penalty or premium, in an aggregate principal amount up to an amount (the "Yield-Free Prepayment Amount") equal to the difference of (a) Seventy Five Million Dollars (\$75,000,000) (or such lower amount as Maker may have elected by notice to the Holder on or prior to the Conversion Date) minus (b) the aggregate principal amount of Asset Sale Prepayments (as hereafter defined) made during the period covered by clause (i) above (such amount to be deemed to equal zero if such difference is a negative number), together, in each case above, with accrued and unpaid interest on the principal amount prepaid, and, in any such case, Maker shall give Holder at least five business days' prior notice of the intended prepayment.

The Maker shall, on any day on which the outstanding principal balance of this Note shall be less than \$100,000,000, prepay the outstanding principal balance of this Note in whole, together with accrued and unpaid interest on the principal amount so prepaid.

Upon any sale (an "Asset Sale") by any person, including Parent or any subsidiary of Parent, of any mortgaged property included within the Collateral and listed on Schedule 1 hereto (each such property, a "Mortgaged Property") other than a Mortgaged Property in respect of which a prepayment has theretofore been made pursuant to the next following paragraph, Maker shall prepay the outstanding principal balance of this Note (each such prepayment, an "Asset Sale Prepayment") in an amount equal to the sum of (i) the lesser of, or, if after giving effect to such Asset Sale, more than ten (10) retail stores (exclusive of any warehouse or storage facilities) on or constituting Mortgaged Properties shall have been sold by any Asset Seller (as hereafter defined), the greater of, (a) the net proceeds (net of reasonable and customary selling costs and expenses, including, without limitation, fees and expenses with respect to legal and brokerage fees, commissions and disbursements, incurred in connection with such sale and of all taxes and other governmental costs and expenses, other than income taxes, actually paid or estimated, in good faith, to be payable by the seller in connection with such sale) of such Asset Sale (the "Net Proceeds") actually received by the seller of the Mortgaged Property (the "Asset Seller") and (b) the stated value of such Mortgaged Property set forth on Schedule 1 hereto (the "Stated Value") and (ii) such additional amount, if any, as may be required to result in the Cumulative Asset Sale Deficiency, after giving effect to such Asset Sale and all amounts prepaid in respect thereof pursuant to this paragraph, being no greater than \$10,000,000. For purposes of the foregoing, if the Asset Seller shall receive noncash proceeds as all or part of the consideration for an Asset Sale, the Asset Seller shall be deemed to have actually received gross proceeds in an amount equal to the principal amount of any debt instruments, and the fair value (as determined in good faith by the Asset Seller) of any other noncash proceeds, included in such consideration and Maker shall make a prepayment under this Note as required above as if the Asset Seller actually received Net Proceeds in an amount determined based upon such Asset Seller's deemed receipt of gross

proceeds.

Each Asset Sale Prepayment shall be due and payable on the date on which the Asset Seller receives (or, in the case of noncash proceeds, is deemed to have received) the Net Proceeds of the Asset Sale relating thereto.

In addition to the foregoing, if, on the last day of the Prepayment Period, one or more stores on the Mortgaged Properties are then Closed for Business (as hereafter defined), Maker shall, on such last day, prepay the outstanding principal balance of this Note in an amount equal to the aggregate of the Stated Values of all such Mortgaged Properties, if any. Following the Prepayment Period, whenever a store on a Mortgaged Property is Closed for Business, (a) Maker shall, on or before the fifth business day after such store is Closed for Business, prepay the outstanding principal balance of this Note in an amount equal to the Stated Value of such Mortgaged Property and (b) such store shall be deemed to have been sold by an Asset Seller for purposes of clause (i) of the second preceding paragraph. A store shall be considered "Closed for Business," if such store has been permanently closed for business or if more than fifty percent (50%) of the selling area of such store has been closed to the public for more than thirty (30) consecutive days other than for repair or remodeling.

With respect to any prepayments (whether voluntary or mandatory or upon an Asset Sale or pursuant to the immediately preceding paragraph or upon acceleration following the occurrence and during the continuance of a Default) of principal on this Note (i) made during the Prepayment Period in an aggregate principal amount in excess of the Yield-Free Prepayment Amount or (ii) made after the expiration of the Prepayment Period, the Maker shall pay, in addition to accrued and unpaid interest on the principal amount prepaid, the Yield Maintenance Premium set forth in Schedule 2 hereto.

The principal amount evidenced by this Note, together with accrued and unpaid interest, may be declared to be, or may automatically become, immediately due and payable upon the occurrence and during the continuance of any of the following events (each a "Default"):

(1) Maker fails to make any payment of principal (including without limitation mandatory prepayments of principal) or interest or other amounts due hereunder or under any other Transaction Document (as hereafter defined) when the same becomes due and payable; or

(2) A default occurs under any contract, agreement, lease, document, or other obligation to which the Maker or Parent or any subsidiary of Parent is a party or by which any of their respective properties are bound (other than a Transaction Document), and such default (i) arises from the failure of any such entity to make, at the final maturity thereof, after giving effect to any applicable grace period, any payment in respect of indebtedness of any such entity in excess of \$25,000,000 aggregate principal amount or (ii) causes indebtedness of any such entity in excess of \$25,000,000 aggregate principal amount to become due prior to its stated maturity or prior to its regularly scheduled dates of payment; or

(3) (i) Maker or Parent or any subsidiary of Parent shall (a) generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or (b) make a general assignment for the benefit of creditors, (ii) any proceeding shall be instituted by or against any such entity seeking to adjudicate it as bankrupt or

insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency, or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian, or other similar official for it or for any substantial part of its property and, in the case of any such proceedings instituted against any such entity (but not instituted by it), either such proceedings shall remain undismissed or unstayed for a period of 45 calendar days or any of the actions sought in such proceedings shall occur, or (iii) any such entity shall take any corporate action to authorize any of the actions set forth above in this paragraph (3); or

(4) Either of Maker or Parent is dissolved;  
or

(5) Any representation or warranty made or deemed made by Maker or Parent in this Note, the Purchase Agreement, the Pledge and Security Agreement dated the date hereof between Maker and Holder, the Guarantee Agreement dated the date hereof between Parent and Holder, the Pledge Agreement dated the date hereof between Parent and Holder or any note, agreement or other document delivered in connection with any thereof or pursuant to any thereof (the foregoing instruments collectively, whether now existing or hereafter delivered, the "Transaction Documents") is false in any material respect when made or deemed made;  
or

(6) Maker or Parent defaults in any material respect in the full and timely performance of any of its obligations under any of the Transaction Documents, provided that Holder has given Maker and Parent at least 15 calendar days' written notice of the occurrence or existence of such default and, unless such obligation is under the Guarantee, such obligation is not immaterial or insignificant in nature; or

(7) A judgment or judgments in an aggregate amount in excess of \$10,000,000, to the extent not covered by insurance, shall be rendered against Maker or Parent or any subsidiary of Parent and within 60 days after entry thereof such judgment is not discharged or execution thereof stayed pending appeal, or within 60 days after the expiration of any such stay, such judgment is not discharged; or

(8) Maker or Parent challenges in writing the legality, validity, enforceability or binding effect of any of the Transaction Documents, or consents to or acquiesces in such challenge by any other person or entity, or any court of competent jurisdiction determines that any of the Transaction Documents is illegal, invalid, unenforceable or not binding; or

(9) After such time as Parent shall have, directly or indirectly, acquired all of the Common Stock pursuant to the Merger Agreement, Parent shall cease to own, directly or indirectly, capital stock of the Company representing a majority of the voting power of shares entitled to vote generally in the election of directors of the Company;

then, and in every such event, (i) if such Default is not a Default specified in subclause (ii) or (iii) of clause (3) above, Holder may, by notice in writing to Maker, immediately declare this Note to be, and it shall thereupon become, due and immediately payable without presentment, demand, protest, or other notice of any kind, all of which are hereby expressly

waived, and if such Default is a Default specified in subclause (ii) or (iii) of clause (3) above, this Note shall automatically become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived and (ii) Holder shall have such other rights to enforce all or any of the obligations of the Maker or Parent under this Note and the other Transaction Documents as are given hereunder or thereunder or by law.

All payments and prepayments of amounts due hereunder shall be applied as follows:

- (1) First, to payment or reimbursement of all costs and expenses of Holder to be paid or reimbursed by Maker and not theretofore paid or reimbursed;
- (2) Second, to the payment of all interest theretofore accrued and unpaid hereunder;
- (3) Third, to the payment in full of the entire principal amount outstanding hereunder; and
- (4) Fourth, to the payment of all other amounts due to Holder under any Transaction Document.

If Maker fails to make any payment of principal, accrued and unpaid interest or any other amount due hereunder or under any Transaction Document on any due date therefor, whether at stated maturity, by required prepayment, by acceleration, or otherwise, the unpaid amount (including, to the extent enforceable at law, any unpaid amount of interest) shall bear interest at the Default Rate until paid. For purposes of this Note, the "Default Rate" shall be a rate per annum equal to the sum of the LIBOR Rate in effect from time to time plus 3.25% or the Fixed Rate plus 2%, as applicable. Maker shall also pay to Holder, in addition to the amount due, all reasonable costs and expenses incurred by Holder in collecting or enforcing, or attempting to collect or enforce this Note, including without limitation court costs and reasonable attorneys' fees and expenses (including reasonable attorneys' fees and expenses on any appeal by either Maker or Holder and in any bankruptcy proceeding).

With respect to the amounts due pursuant to this Note, Maker waives the following:

- (1) All rights of exemption of property from levy or sale under execution or other process for the collection of debts under the Constitution or laws of the United States or any State thereof;
- (2) Demand, presentment, protest, notice of dishonor, notice of nonpayment, suit against any party, diligence in collection of this Note, and all other requirements necessary to enforce this Note; and
- (3) Any further receipt by or acknowledgment of any collateral now or hereafter deposited as security for the indebtedness evidenced by this Note.

In no event shall any amount deemed to constitute interest due or payable hereunder (including interest calculated at the Default Rate) exceed the maximum rate of interest permitted by applicable law (the "Maximum Amount"), and in the event such payment is inadvertently paid by Maker or inadvertently received by Holder, then such sum shall be credited as a payment of principal or other amounts (other than interest) outstanding hereunder, and if in excess of the outstanding amount of principal or other amounts outstanding hereunder, shall be immediately returned to Maker upon such determination. It is the express intent hereof that Maker not pay and Holder not receive,

directly or indirectly, interest in excess of the Maximum Amount.

Holder shall not by any act, delay, omission, or otherwise be deemed to have modified, amended, waived, extended, discharged, or terminated any of its rights or remedies, and no modification, amendment, waiver, extension, discharge, or termination of any kind shall be valid unless in writing and signed by Holder. All rights and remedies of Holder under the terms of this Note and applicable statutes or rules of law shall be cumulative, and may be exercised successively or concurrently. Maker agrees that there are no defenses, equities, or setoffs with respect to the obligations set forth herein, and to the extent any such defenses, equities, or setoffs may exist, the same are hereby expressly released, forgiven, waived, and forever discharged. The obligations of Maker hereunder shall be binding upon and enforceable against Maker and its successors and assigns.

Wherever possible, each provision of this Note shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Note is prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Note.

Holder may, at its option, release to Maker any collateral given to secure the indebtedness evidenced hereby, and no such release shall impair the obligations of Maker to Holder.

This Note was negotiated in New York, and made by Holder and accepted by Maker in the State of New York, which State the parties agree has a substantial relationship to the parties and to the underlying transaction embodied hereby, and in all respects, including without limitation matters of construction, validity, and performance, this Note and the obligations arising hereunder shall be governed by, and construed in accordance with, the internal laws of the State of New York and any applicable law of the United States of America. To the fullest extent permitted by law, Maker hereby unconditionally and irrevocably waives any claim to assert that the laws of any other jurisdiction governs this Note, and this Note shall be governed by and construed in accordance with the laws of the State of New York pursuant to 5-1401 of the New York General Obligations Law.

Any legal suit, action, or proceeding against Holder or Maker arising out of or relating to this Note shall be instituted in any federal or state court in New York, New York, pursuant to 5-1402 of the New York General Obligations Law, and Maker waives any objection which it may now or hereafter have to the laying of venue of any such suit, action, or proceeding, and Maker hereby irrevocably submits to the jurisdiction of any such court in any such suit, action or proceeding. Maker does hereby designate and appoint Jones, Day, Reavis & Pogue, 599 Lexington Avenue, New York, New York 10022, Attention: Robert A. Profusek, Esq., as its authorized agent to accept and acknowledge on its behalf service of any and all process which may be served in any such suit, action or proceeding in any federal or state court in New York, New York, and agrees that service of process upon said agent at said address (or at such other office in New York, New York as may be designated by such agent in accordance with the terms hereof), with a copy to Maker at the following address: 7 West Seventh Street, Cincinnati, OH 45202, Attention: Mr. Ronald W. Tysoe, shall be deemed in every respect effective service of process upon Maker in any such suit, action, or proceeding in the State of New York. Maker (i) shall give prompt notice to Holder of any changed address of its authorized agent hereunder, (ii) may at any time and from time to time designate a substitute authorized agent with an office in New York, New York (which office shall be designated as the address for service of process), and (iii) shall promptly designate such a substitute if its authorized agent ceases to have an office in New York, New



York or is dissolved without leaving a successor.

MAKER, TO THE FULLEST EXTENT THAT IT MAY LAWFULLY DO SO, WAIVES TRIAL BY JURY IN ANY ACTION OR PROCEEDING, INCLUDING WITHOUT LIMITATION ANY TORT ACTION, BROUGHT WITH RESPECT TO THIS NOTE. HOLDER MAY FILE A COPY OF THIS WAIVER WITH ANY COURT AS WRITTEN EVIDENCE OF MAKER'S KNOWING, VOLUNTARY, AND BARGAINED-FOR AGREEMENT IRREVOCABLY TO WAIVE ITS RIGHTS TO TRIAL BY JURY, AND THAT, TO THE FULLEST EXTENT THAT IT MAY LAWFULLY DO SO, ANY DISPUTE OR CONTROVERSY WHATSOEVER BETWEEN MAKER AND HOLDER SHALL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.

Maker may not assign or delegate this Note or any of its rights or obligations hereunder without the prior consent of Holder (which consent may be given or withheld in the sole discretion of Holder). Holder may assign or delegate this Note or any of its rights or obligations hereunder without prior consent of or notice to Maker or Parent.

This Note is secured by, and entitled to the benefits of, a Pledge and Security Agreement between Maker and Holder dated concurrently herewith. Parent has guaranteed all of the obligations of Maker under this Note and the other Transaction Documents under a Guarantee Agreement between Parent and Holder dated concurrently herewith. The obligations of Parent under such Guarantee Agreement are secured by a pledge of the stock of Maker and certain other collateral related thereto under a Pledge Agreement between Parent and Holder dated concurrently herewith.

IN WITNESS WHEREOF, Maker has caused this Note to be duly executed on its behalf as of the day and year first above written.

FEDERATED NOTEHOLDING CORPORATION II

By:  
Name:  
Title:

#### SCHEDULE 1

#### STATED VALUES OF MORTGAGED PROPERTIES

Store	Stated Value1
San Francisco	\$15,500
Stonestown	11,800
Glendale	17,200
Del Amo	15,500
Stevens Crk/Valley Fair	13,000
Oakland	6,200
Montclair	7,500
Stanford	5,300
Chula Vista	8,000
Sherman Oaks (1993 Sales)	9,700
Arden Fair	6,400
Vallco	4,400
Newpark	4,000
Newport Beach	5,300
Paradise Valley	4,800
Thousand Oaks	6,000
Fairfield/Solano	4,000
El Cerrito	5,000
Escondido	6,300

La Jolla	5,900
Huntington Beach	7,500
West Covina	6,000
Country Club	4,400
Santa Barbara	4,300
Panorama City	5,100
Biltmore	5,600
Fresno	4,200
Tuscon Mall	3,500
Long Beach	5,100
Crenshaw/Baldwin H.	3,000
Ventura	5,500
Service Center	5,000

\$221,000

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1 In thousands.

## SCHEDULE 2

### YIELD MAINTENANCE PREMIUM

If the Note is prepaid for any reason, whether voluntarily or involuntarily, or after acceleration by Holder upon an Event of Default, at a time when the Note requires the payment of the Yield Maintenance Premium in respect of such prepayment, Maker shall pay a prepayment premium (the "Yield Maintenance Premium") equal to an amount equal to the Present Value of the Loan (as hereinafter defined) less the amount of principal being prepaid, including accrued interest, if any, calculated as of the Prepayment Date.

The foregoing notwithstanding, if the Note is prepaid during the ninety (90) day period immediately prior to the Maturity Date, there shall be no Yield Maintenance Premium payable on account of such prepayment.

Holder shall notify Maker of the approximate amount (the exact amount to be determined on the Prepayment Date) and basis of determination of the Yield Maintenance Premium. Holder shall not be obligated to accept any prepayment of the principal balance of the Note in respect of which the Yield Maintenance Premium is payable unless such prepayment is accompanied by the Yield Maintenance Premium and all accrued interest and other sums then due under the Note.

For the purposes of determining the Yield Maintenance Premium, the following terms shall have the following meanings:

The "Treasury Rate" is the semi-annual yield on the Treasury Constant Maturity Series with maturity equal to the remaining life of the Note, for the week prior to the Prepayment Date, as reported in Federal Reserve Statistical Release H.15 \_ Selected Interest Rates, conclusively determined by the Holder on the Prepayment Date, absent manifest error. The rate will be determined by linear interpolation between the yields reported in Release H.15, if necessary. (In the event Release H.15 is no longer published, Holder shall select a comparable publication to determine the Treasury Rate.)

The "Discount Rate" is the rate which, when compounded monthly, is equivalent to the Treasury Rate, when compounded semi-annually.

The "Present Value of the Loan" shall be determined by discounting all scheduled payments of principal and interest remaining to maturity of the Note, attributed to the amount being prepaid, at the Discount Rate. If prepayment occurs on a date other than a scheduled monthly payment date, the actual number of days remaining from the Prepayment Date to the next scheduled

monthly payment date will be used to discount within this period.

Maker agrees that Holder shall not be obligated to actually reinvest the amount prepaid in any Treasury obligations as a condition precedent to receiving the Yield Maintenance Premium.

FIRST AMENDMENT TO AMENDED AND RESTATED  
TERM LOAN AGREEMENT AND OTHER  
RESTRUCTURED LOAN DOCUMENTS

This First Amendment to Amended and Restated Term Loan Agreement and other Restructured Loan Documents ("First Amendment") is made and dated as of October 11, 1995, by and among BROADWAY STORES, INC., formerly known as CARTER HAWLEY HALE STORES, INC., a Delaware corporation (the "Company" or "CHH"), BARCLAYS BANK PLC, a bank organized under the laws of the United Kingdom, THE TOKAI BANK LIMITED, a bank organized under the laws of Japan, acting through its Los Angeles Agency, BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, a national banking association (collectively, "Banks," and individually, a "Bank"), and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, a national banking association, as agent for Banks (in such capacity, "Agent").

RECITALS

Company, Banks and Agent are parties to that certain Amended and Restated Term Loan Agreement, dated as of October 8, 1992 (the "Amended and Restated Term Loan Agreement"). Capitalized terms used here without definition have the meanings given to them in the Amended and Restated Term Loan Agreement.

Pursuant to an Agreement and Plan of Merger dated as of August 14, 1995 (the "Merger Agreement") among the Company, Federated Department Stores, Inc. ("Federated") and Nomo Company, Inc., a wholly owned subsidiary of Federated ("Merger Sub"), Merger Sub intends to merge with and into the Company, with the Company being the surviving corporation of such merger (such transaction hereinafter called the "Merger"), with the common and preferred stockholders of the Company receiving shares of the common stock of Federated in exchange for their shares of the Company's common stock. In addition, pursuant to a Stock Agreement dated as of August 14, 1995 between Federated and Zell/Chilmark Fund, L.P. ("Z/C"), Federated has acquired an option (the "Option") to purchase all of the outstanding common stock of the Company held by Z/C for the same Federated common stock consideration that would otherwise be provided to the holders of the common stock of the Company in connection with the Merger. The foregoing transactions, together with each and every transaction, agreement and other arrangement relating thereto, are collectively referred to herein as the "Merger Transactions."

Subject to the terms and conditions contained in that certain letter, dated August 13, 1995, delivered to the Company and Federated by the Agent, on behalf of itself and the Majority Banks (the "Merger Consent Letter") the Agent, on behalf of itself and the Majority Banks consented to the change of ownership of the stock of the Company resulting from the Company, Merger Sub and Federated entering into and consummating each of the Merger Transactions, and permanently and irrevocably waived any Default or Event of Default under the Amended and Restated Term Loan Agreement or any other of the Restructured Loan Documents that could arise solely as a result of a violation of Section 8.03 of the Amended and Restated Term Loan Agreement and analogous provisions of the other Restructured Loan Documents as a result of the Company, Merger Sub and Federated entering into and consummating each of the Merger Transactions.

The Company, Agent and Banks desire to enter into this First Amendment in order to implement certain terms and conditions of the Merger Consent Letter.

NOW THEREFORE, in consideration of the foregoing recitals and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree as follows:

ARTICLE I  
Conditions to Effectiveness

1.1 Conditions Precedent. The following shall constitute the conditions precedent to the effectiveness of the modifications of the Amended and Restated Term Loan Agreement and the other Restructured Loan Documents provided for herein:

(a) Company shall have executed and delivered to Agent this First Amendment, together with a certificate in the form attached hereto as Exhibit A (the "Modification Certificate").

(b) All representations and warranties of Company set forth herein shall be true and correct on and as of the date hereof and on and as of the Effective Date (as defined below).

(c) No Default or Event of Default shall have occurred and be continuing on and as of the date hereof or, after giving effect to the Merger Transactions (assuming the effectiveness of the amendments to the Amended and Restated Term Loan Agreement set forth herein), on and as of the Effective Date.

(d) Agent shall have received true and correct copies of all modifications of the Organizational Documents of the Company entered into in connection with the Merger Transactions.

(e) Agent shall have received evidence of the consummation of the Merger Transactions and shall have received true and correct copies of all instruments, contracts, agreements and documents entered into by the Company, Federated or any Affiliate of the Company or Federated with Prudential or GE Capital in connection with the Merger Transactions, which instruments, contracts, agreements and documents shall be consistent in all material respects with the instruments, contracts, agreements and documents entered into by the Company, Federated or any Affiliate of the Company or Federated with Prudential or GE Capital in connection with the Merger Transactions and disclosed in writing to the Agent prior to the date hereof.

(f) Agent shall have received such endorsements to the Mortgagee's Title Policies as Agent may require insuring that the priority of liens of the Mortgages has not been affected as a result of the delivery of this First Amendment and showing no exceptions other than Permitted Exceptions.

(g) Agent shall have received such amendments to and supplements of the Restructured Loan Documents, reflecting the terms hereof, as Agent or Majority Banks may require.

(h) Federated or its Affiliates and the Company shall have delivered to the Agent the Federated License Agreement (as defined below).

(i) If any portion of the \$200,000,000 payable to Prudential under Section 1.2.1 of the Prudential Purchase Agreement (as defined below) shall be paid to Prudential in cash (the cash portion of such payment being referred to herein as the "Prudential cash payment"), the Company shall have prepaid the Amended and Restated Term Loan in an amount which bears the same ratio to the outstanding principal balance due under the Amended and Restated Term Loan as the amount of the Prudential cash payment bears to the outstanding principal balance under the Prudential Loan Documents; to the extent such prepayment relates to any Offshore Rate Portion, it shall be accompanied by the amounts necessary to reimburse each Bank for any loss resulting from the payment of such Portion on a date other than the last day of the relevant Offshore Rate Period, including, without limitation, the amount of any loss incurred in liquidating

deposits from third parties and loss of profit for the remainder of such Offshore Rate Period.

(j) The Company shall have paid to Agent (for the benefit of the appropriate parties) (i) all unreimbursed fees and expenses (including, without limitation, attorneys' fees and expenses) previously incurred by Agent and/or any Bank and invoiced to the Company and (ii) all fees, costs and other expenses incurred by Agent and/or any Bank (including, but not limited to, all reasonable attorneys' fees and expenses and title insurance premiums) in connection with the Merger Transactions, the Merger Consent Letter, this First Amendment and the consummation of transactions hereunder, to the extent invoiced prior to the Effective Date, and without limiting the obligations of the Company under Section 5.4 below .

(k) The Company shall have delivered to Agent a release in a form satisfactory to Agent and Banks, which shall release Agent and Banks from all potential claims arising under the Amended and Restated Term Loan Agreement prior to the Effective Date.

(l) The Company shall have cured all existing Defaults and Events of Defaults under the Restructured Loan Documents.

(m) Agent shall have received opinions of counsel to Company, as to the matters identified on Exhibit B attached hereto, in form and substance satisfactory to Agent.

1.2 Effective Date. As used herein, the term "Effective Date" shall mean the date all conditions set forth in Section 1.1 above have been satisfied. This First Amendment shall be null and void and of no further force or effect if the Effective Date shall not have occurred on or prior to February 29, 1996.

## ARTICLE II

### Amendments to Amended and Restated Term Loan Agreement

Upon the Effective Date, Company, Agent and Banks hereby amend the Amended and Restated Term Loan Agreement as follows:

#### 2.1 Definitions.

(a) All references in the Amended and Restated Term Loan Agreement and in the Restructured Loan Documents to the Amended and Restated Term Loan Agreement or to any Restructured Loan Documents shall mean the Amended and Restated Term Loan Agreement and such Restructured Loan Documents, in each case as modified pursuant to this First Amendment.

(b) To the extent that any Restructured Loan Document utilizes any term which is defined by reference to the definition of that term which appears in the Amended and Restated Term Loan Agreement, and that term in the Amended and Restated Term Loan Agreement is modified by this First Amendment, then the definition of that term in all other Restructured Loan Documents is likewise hereby so amended.

(c) The terms "Federated," "Merger," "Merger Consent Letter," "Merger Sub," "Merger Transactions," "Option" and "Z/C," each as hereinabove defined, are each hereby added as defined terms in the Amended and Restated Term Loan Agreement.

(d) The following new defined terms are hereby added to the defined terms in Schedule 4 of the Amended and Restated Term Loan Agreement:

(i) "Federated License Agreement" shall mean that certain License Agreement by and among Federated

(and/or its Affiliates Bullock's, Inc. or Macy's West, Inc.), the Company, Agent and Banks, as it may be amended, supplemented, restated, extended or otherwise modified from time to time, in the form of Exhibit C attached hereto.

(ii) "Federated License Date" shall mean the earlier of (a) sixty (60) days after the effective date under the First Amendment to this Amended and Restated Term Loan Agreement or (b) the date on which Federated or its Affiliates Bullock's, Inc. or Macy's West, Inc. grants to Prudential a license to use the "Bullock's" or "Macy's" name.

(iii) "Prudential Purchase Agreement" means that certain Purchase Agreement, dated as of August 14, 1995, among Prudential, Federated and Federated Noteholding Corporation II

(iv) "Prudential Stock Repurchase" shall mean any redemption, purchase, repurchase or other acquisition for value (whether in cash, property or otherwise) by Federated or any of its Affiliates of any of the common stock of Federated acquired by Prudential pursuant to Section 1.2 of the Prudential Purchase Agreement."

(e) All references to "CHH" in the Amended and Restated Term Loan Agreement and the Restructured Loan Documents shall mean the Company.

## 2.2 Prudential Stock Repurchase

The following sentence is hereby added at the end of Section 2.07 of the Amended and Restated Term Loan Agreement: "Within five (5) days after the occurrence of any Prudential Stock Repurchase, CHH shall prepay the Amended and Restated Term Loan in an amount which bears the same ratio to the then outstanding principal balance of the Amended and Restated Term Loan as the amount of the cash or value of property received by Prudential in connection with the Prudential Stock Repurchase bears to the then outstanding principal balance under the Prudential Loan Documents; to the extent such prepayment relates to any Offshore Rate Portion, it shall be accompanied by the amounts necessary to reimburse each Bank for any loss resulting from the payment of such Portion on a date other than the last day of the relevant Offshore Rate Period, including, without limitation, the amount of any loss incurred in liquidating deposits from third parties and loss of profit for the remainder of such Offshore Rate Period"

## 2.3 Collateral Security.

Section 3.01E of the Amended and Restated Term Loan Agreement is hereby amended and restated in its entirety as follows:

"E. Amended and Restated License.

(1) CHH hereby agrees to execute and deliver and to cause, on or before the Federated License Date, Federated (or its Affiliates Bullock's, Inc. and Macy's West, Inc.) to execute and deliver to Agent, for the ratable benefit of Agent and Banks, the Amended and Restated License Agreement in substantially the form of Exhibit I hereto (in the case of CHH) and a Federated License Agreement in the form of Exhibit I-2 attached hereto (in the case of Federated or its Affiliates). On or prior to the Federated License Date, CHH shall use best efforts to cause Prudential to deliver to the Bank an intercreditor agreement with respect to the licenses granted by Federated or its Affiliates on

the same terms as the Intercreditor Agreement. CHH hereby grants to Agent and Banks a present license to use the "Broadway" or "Broadway Southwest" or "Weinstocks" name, as the case may be, and shall cause Federated, on or before the Federated License Date, to grant to Agent and Banks a present license to use the "Bullock's" or "Macy's" name, at the applicable Store, provided that the Banks' rights to use such name shall be effective only if:

(a) any Shopping Center Document requires that all or any part of a Store be operated as a "Broadway", a "Broadway Southwest", or a "Weinstocks", a "Bullock's" or a "Macy's" (or any such similar covenant) ("Operating Covenant"), and such requirement could reasonably be interpreted to bind Agent or Banks or subsequent transferees of Agent or Banks, as the case may be, upon the conveyance of title to Agent (for the ratable benefit of Agent and Banks), or upon any such subsequent transfers, in which event such rights shall be for the term of such Operating Covenant, if such Operating Covenant would be applicable to such subsequent transferee upon such conveyance, and, subject to the foregoing, may be transferred by Agent or Banks to a purchaser of the applicable Store at a foreclosure sale or at a sale upon the exercise of a right of power of sale, or (if Agent or Banks acquire title to the Store by deed (or other transfer) in lieu of foreclosure) to a subsequent purchaser, or

(b) Agent (for the ratable benefit of Agent and Banks) (or a court-appointed receiver) obtains possession of such Store through a court order or acquires the Store through power of sale or foreclosure or deed (or other transfer) in lieu of foreclosure of the applicable Store, in which case such rights shall expire only upon the sale of the applicable Store by Agent (for the ratable benefit of Agent and Banks).

(2) With respect to the rights described in clause (1)(a) above, it is understood and agreed that:

(a) Such rights may only be exercised upon the conveyance of title to the applicable Store to Agent (for the ratable benefit of Agent and Banks), or the taking of possession of the Store by Agent (for the ratable benefit of Agent and Banks) (or a court-appointed receiver), or its designees, successors and assigns, and

(b) If, after the Effective Date, CHH or Federated (or its Affiliates Bullock's or Macy's West, Inc.) delivers to Agent a fully executed amendment to the applicable Shopping Center Document (satisfactory in form and substance to Agent and Majority Banks), which either effects a deletion of the applicable Operating Covenant or renders the applicable Operating Covenant inapplicable to Agent and Banks and their designees, successors and assigns, then such rights shall automatically be deemed terminated with respect to the applicable Store.

(3) With respect to the rights described in



clause (1) above, (a) CHH agrees (and shall cause Federated and/or its Affiliates Bullock's, Inc. and Macy's West, Inc. to agree, prior to the Federated License Date) that, in the event that CHH (or Federated and/or its Affiliates Bullock's, Inc. and Macy's West, Inc.) grants to any party, other than the lenders party to the Intercreditor Agreement, a security interest in the trade names, trademarks or trade styles used by CHH (or Federated and/or its Affiliates Bullock's, Inc. and Macy's West, Inc.) in connection with any of the Stores subject to the Amended and Restated License Agreement or the Federated License Agreement, CHH agrees to provide (or to cause Federated and/or its Affiliates Bullock's, Inc. and Macy's West, Inc. to provide) to Agent and Banks, prior to or concurrently with such grant of security interest, a Nondisturbance Letter in substantially the form of Exhibit G hereto, executed by such parties (and with appropriate revisions therein reflecting Federated and/or its Affiliates Bullock's, Inc. and Macy's West, Inc. as a party if it is a party thereto), and (b) Banks agree that (i) if Agent (for the ratable benefit of Agent and Banks) acquires title to, or possession (whether through a court-appointed receiver or otherwise) of, a Store and operates such Store under the applicable name pursuant to the terms of the foregoing, Banks and their successors shall use reasonable efforts to cause such Store to be operated in such manner (x) as is consistent with the quality of other stores then bearing such name, and (y) as will not materially adversely affect the reputation of any other stores then bearing such name, and (ii) if Agent (for the ratable benefit of Agent and Banks) acquires title to, or possession (whether through a court-appointed receiver or otherwise) of, a Store and operates such Store as anything other than a retail department store which, after a reasonable start-up time, is of a quality reasonably consistent with the quality of other stores then bearing such name, Banks and their successors shall, after written notice from CHH, Federated and/or its Affiliates Bullock's, Inc. and Macy's West, Inc. and continued failure by Banks or their successors within the next sixty (60) days to commence to operate the Store at the required level of quality, cease to operate such Store under the applicable name.

(4) In the event that Banks and/or their successors cease to operate any such Store in accordance with the requirements of clause (3) above, neither CHH, nor Federated, nor its Affiliates Bullock's, Inc. and Macy's West, Inc. shall be entitled to pursue any legal or equitable remedy against Banks other than the enforcement of the agreement of the Banks and/or their successors to cease operation of such Store under the applicable name as provided in said clause (3).

Exhibit I-2 is hereby attached to the Amended and Restated Term Loan Agreement in the form of Exhibit C attached hereto.

#### 2.4 Modified Reporting Obligations.

(a) Section 6.01 B of the Amended and Restated Loan Agreement is hereby amended and restated in its entirety to read as follows:

"B. within forty-five (45) days after the end of each of CHH's first three (3) fiscal quarters during each of CHH's fiscal years an unaudited quarterly balance sheet and income statement for such fiscal quarter; within ninety (90) days after the end of each of CHH's fourth fiscal quarters during each of CHH's fiscal years, unaudited annual balance sheet and income statement for the fiscal year ending with such fiscal quarter (each such quarterly and annual financial statement shall be certified by the Chief Financial Officer of CHH as accurately reflecting the financial condition of CHH as of the date thereof, and each such certificate shall certify as to the material respects in which such statements have not been prepared in conformity with GAAP, shall certify as to whether CHH is in compliance with Section 7.02 below (and shall provide detail as to any non-compliance); and shall be in such reasonable detail as may be required by the Agent and the Banks); and promptly upon their becoming available, copies of all press releases and other statements made available generally concerning CHH and its Subsidiaries;"

(b) The following is hereby added after the word "CHH" in the fourth line of Section 6.01H of the Amended and Restated Term Loan Agreement: ", together with such additional information with respect to the Stores as is provided to Prudential on a quarterly basis with respect to the collateral under the Prudential Loan Documents."

(c) The period at the end of Section 6.01 I of the Amended and Restated Term Loan Agreement is hereby changed to a comma, and the following new subsections J, K, L and M are hereby added to Section 6.01 of the Amended and Restated Term Loan Agreement, as follows:

"J. On or before each March 8 and September 1 until the Amended and Restated Loan has been paid in full, copies of those portions of the seasonal operating plan of Federated both on a consolidated basis and separately for its Macy's West division in the form delivered to Federated's working capital lenders; and on or before each April 30 until the Amended and Restated Loan has been paid in full, copies of those portions of the annual plan of Federated both on a consolidated basis and separately for its Macy's West division in the form delivered to Federated's working capital lenders; and within fifteen (15) days after its adoption by the Board of Directors of Federated, a copy of any business plan of Federated both on a consolidated basis and separately for its Macy's West division in the form delivered to Federated's working capital lenders, it being understood that the information delivered pursuant to this Section 6.01 J shall be Confidential Information subject to the terms and conditions set forth in Section 11.23 of the Amended and Restated Loan Agreement;

K. promptly upon their becoming available copies of: (1) all financial statements, reports, notices and proxy statements sent or made available generally by Federated to its security holders; (2) all regular and periodic reports and all registration statements and prospectuses, if any, filed by Federated or any of its Subsidiaries with any securities exchange or with the Securities Exchange Commission or any governmental authority succeeding to its functions; and (3) all press releases and other statements made available concerning Federated and its Subsidiaries;

L. Within five (5) days after execution thereof, copies of any agreement containing any material modification of the Prudential Purchase Agreement, and within five (5) days after the occurrence of the same, written notice of the occurrence of any Prudential Stock Repurchase which notice shall specify the amount of the cash or value of property received by Prudential in connection with the Prudential Stock Repurchase and the then outstanding principal balance under the Prudential Loan

Documents; and

M. Promptly upon their becoming available, copies of all financial information delivered by CHH to Prudential or GE Capital (except for information exclusively relating to the collateral described in the Prudential Loan Documents or in the documents securing the Accounts Receivable Facility and the Working Capital Facility)."

2.5 Repayment of Subordinated Notes. A new Section 6.11 is hereby added to the Amended and Restated Term Loan Agreement, as follows:

"Section 6.11. Repayment of Senior Subordinated Notes. In connection with the Merger, CHH shall cause its 6-1/4% senior subordinated notes due 2000 to be paid in full through an equity infusion by Federated, and not through the incurrence of debt."

2.6 Dividends. The second sentence of Section 7.01 of the Amended and Restated Term Loan Agreement is hereby deleted.

2.7 Contracts With Affiliates. A new Section 7.02 is hereby added to the Amended and Restated Term Loan Agreement as follows:

"7.02 Transactions with Affiliates.

(a) CHH shall not enter into any transaction or agreement (including, without limitation, any agreement for management, administrative or other services or the sharing of overhead or general or administrative expenses) with any Affiliate of CHH, with Federated, or with any Affiliate of Federated, except (i) for the consummation of the transactions included within the Merger Transactions, or (ii) in the ordinary course of business and pursuant to the reasonable requirements of the business of CHH; upon fair and reasonable terms no less favorable to CHH than would obtain in a comparable arm's-length transaction with a Person not an Affiliate of CHH or of Federated.

(b) CHH shall not create, incur, assume or suffer to exist any contingent obligations for indebtedness or contractual obligations or tax obligations of Federated or any Affiliate of Federated except for those obligations with respect to tax liabilities arising by operation of law as a result of CHH's membership in the Federated consolidated group.

(c) CHH shall not purchase or acquire, or make any commitment therefor, any capital stock, equity interest, all or substantially all of the assets of, or any obligations or other securities of, or any interest in, Federated or any Affiliate of Federated, or make any advance, loan, extension of credit or capital contribution to or any other investment in, Federated or any Affiliate of Federated, except for intercompany indebtedness incurred in the ordinary course of business under Federated's cash management system.

(d) CHH shall not enter into any lease or agreement to lease any portion of a Store to Federated or any Affiliate of Federated.

(e) CHH shall obtain from Federated and/or its Affiliates Bullock's, Inc. and Macy's West, Inc. and keep in effect such licenses as may be required to operate under the Bullock's or Macy's names any Store using such names."

2.8 Financial and Operating Covenants. A new Section 7.03 is hereby added to the Amended and Restated Term Loan

Agreement as follows:

"Section 7.03 Financial and Operating Covenants.

(a) Minimum Tangible Net Worth. CHH shall not permit, at any time, its tangible net worth (as determined in accordance with GAAP) to be less than two (2) times the outstanding principal balance of the Amended and Restated Term Loan at such time.

(b) Operating Covenant. Unless required to do so by a final, non-appealable order of the California Attorney General or of another Governmental Authority, CHH shall not cease to be engaged in the business of owning and operating not fewer than thirty (30) retail department stores substantially in accordance with its past practices or the past practices of Federated, and shall operate, unless and until each Store is duly released as collateral in compliance with the provisions of Sections 3.02A or 8.03A, at each Store a retail department store which is of a quality reasonably consistent with the quality of other stores then bearing such name."

2.9 Transfer of Interests in CHH.

(a) Section 8.03B of the Amended and Restated Term Loan Agreement is hereby amended and restated in its entirety as follows:

"B. Interests in CHH. CHH acknowledges that Agent and Banks are making the Amended and Restated Term Loan in reliance on the expertise, skill and experience of CHH; thus, the Amended and Restated Term Loan includes material elements similar in nature to a personal service contract. Accordingly, if at any time after the effective date under the First Amendment to this Agreement and during the term of the Amended and Restated Term Loan any of the following events described in (1) and (2) below shall occur:

(1) any person or group (as such terms are defined in the Exchange Act) except Merger Sub, Federated or a Qualified Federated Subsidiary, acquires beneficial ownership (as defined in the Exchange Act) of voting stock of CHH that constitutes, immediately following such acquisition, more than forty-eight percent (48%) of the outstanding voting stock of CHH; or

(2) CHH shall be merged with, or consolidated into, any other corporation (unless the beneficial owners of one hundred percent (100%) in the aggregate of CHH's voting stock immediately prior to the consummation of such a transaction beneficially own at least fifty-one percent (51%), in the aggregate, of the voting stock of the resulting or surviving corporation immediately following the consummation of the transaction);

THEN an Event of Default shall be deemed to exist hereunder. For purposes hereof, a "Qualified Federated Subsidiary" shall mean Macy's West, Inc., or any successor thereto, so long as Macy's West, Inc. or such successor (i) is a wholly-owned Subsidiary of Federated, (ii) has a net worth, immediately upon its acquisition of the voting stock of CHH, in an amount at least equal to that of CHH immediately before such acquisition and in no event less than the amount required under Section 7.03, and (iii) has delivered to the Agent such documents as the Agent may

require in connection with such acquisition, including, without limitation, transfer and assumption documents whereby such Subsidiary assumes, on a recourse basis, all of the Obligations of CHH under this Amended and Restated Loan Agreement and under all other Restructured Loan Documents, and organizational documents and documents evidencing the authority of such Subsidiary to enter into and perform such acquisition and assumption."

(b) Section 8.03C of the Amended and Restated Term Loan Agreement is hereby deleted.

2.10 Licensed Names. Section 8.04 of the Amended and Restated Term Loan Agreement is hereby amended and restated in its entirety as follows:

"Section 8.04 Enforcement of Restrictions on Licensed Names. Following a judicial or nonjudicial foreclosure sale under any Mortgage, or any deed in lieu of foreclosure, and for so long as the Banks' rights under Section 3.01E above and the Amended and Restated License Agreement or Federated License Agreement shall remain in effect, CHH shall enforce (or shall cause Federated and/or its Affiliates Bullock's, Inc. and Macy's West, Inc. to enforce) all restrictions on the use of the "Broadway", "Broadway Southwest", "Weinstocks", "Bullock's" or "Macy's" name, as the case may be, or on the operation of any store then bearing such name, which apply to any other party who has been granted a right to use such name. CHH acknowledges that its failure to enforce (or to cause Federated and/or its Affiliates Bullock's, Inc. and Macy's West, Inc. to enforce) such restrictions could cause irreparable harm to the Banks and their successors, and that monetary damages would not be an adequate remedy for such breach, and CHH and Banks accordingly agree that the Banks and their successors shall enforce the foregoing restrictions exclusively through injunctions, restraining orders, declaratory and other equitable relief. The foregoing obligations shall survive any judicial or nonjudicial foreclosure under any or all of the Mortgages or any deed in lieu of foreclosure."

2.11 Nondisturbance Letter. Section 9.06 of the Amended and Restated Term Loan Agreement is hereby amended and restated in its entirety as follows:

"Section 9.06 Failure to Deliver Nondisturbance Letter. Failure by CHH or Federated and/or its Affiliates Bullock's, Inc. and Macy's West, Inc. to deliver to Agent and Banks the Nondisturbance Letters required by Section 3.01E(3)(a) in the event that CHH or Federated and/or its Affiliates Bullock's, Inc. and Macy's West, Inc. grants to any party, other than the lenders party to the Intercreditor Agreement, a security interest in the trade names, trademarks or trade styles used in connection with any of the Stores subject to the Amended and Restated License Agreement or the Federated License Agreement; or"

2.12 Appraisal Costs. The following sentence is hereby added to Section 11.06 of the Amended and Restated Term Loan Agreement:

"Notwithstanding anything to the contrary set forth herein (including, without limitation, in clause (a) of this Section 11.06 or in Section 3.02), CHH shall pay all costs and expenses incurred by the Agent or any Bank in connection with the appraisal of any one or more of the Stores (i) no more frequently than once annually or (ii) at any time after the occurrence of any Event of Default."

2.13 Recourse. Section 11.22 of the Amended and Restated Term Loan Agreement, and each reference thereto contained in the Restructured Loan Documents, is hereby deleted,

it being understood and agreed that, notwithstanding anything to the contrary set forth in the Amended and Restated Term Loan Agreement or the Restructured Loan Documents, the obligations of CHH under the Amended and Restated Term Loan Agreement and all Restructured Loan Documents shall be personal, recourse obligations of CHH.

### ARTICLE III AMENDMENTS TO OTHER RESTRUCTURED LOAN DOCUMENTS

Upon the Effective Date, Company, Agent and Banks hereby amend the other Restructured Loan Documents as follows:

3.1 Amendments to Notes. The Master Principal Note and the Master Capitalized Interest Note are each hereby amended by deleting therefrom the sentence which reads as follows: "The obligations of Borrower hereunder are non-recourse obligations except as described in Section 11.22 of the Agreement and Section 4.06 of the Deeds of Trust, which provisions govern the limitations on the rights of Agent and Banks to seek a personal or deficiency judgment on this Note."

3.2 Amendments to Security Documents.

(a) Each of the Mortgages are amended as follows:

(i) Section 1.10(b) of each Mortgage is amended by deleting therefrom the clause ", subject to the provisions of Section 4.06 hereof and Section 11.22 of the Loan Agreement".

(ii) Section 1.12(g) of each Mortgage is amended by replacing "Pursuant to Section 10.18 of the Loan Agreement and Section 4.06 hereof, the" with "The".

(iii) Section 4.06 of each Mortgage, and each reference thereto contained in the Restructured Loan Documents, is hereby deleted, it being understood and agreed that notwithstanding anything to the contrary set forth in the Amended and Restated Term Loan Agreement or the Restructured Loan Documents, the obligations of CHH under the Amended and Restated Term Loan Agreement and all Restructured Loan Documents shall be personal, recourse obligations of CHH.

(b) Section 17 of each Assignment of Leases, Occupancy Agreements, Licenses and Concession Agreements is hereby deleted.

(c) Section 11 of each Assignment of Warranties, Personal Property Leases and Service Contracts is hereby deleted.

(d) Section 15 of each Assignment of Options and Security Agreement is hereby deleted.

### ARTICLE IV Representations and Warranties

In order to induce Agent and Banks to enter into this First Amendment, Company hereby represents and warrants to Bank as follows, which representations and warranties shall be true and correct as of the date hereof and as of the Effective Date, after giving effect to the Merger Transactions:

4.1 Authorization. The execution, delivery and performance of this First Amendment and the consummation of the Merger Transactions have been duly authorized by all necessary action of Company, Federated and Merger Sub.

4.2 No Conflict. The execution, delivery and performance by Company of this First Amendment and consummation of the Merger Transactions do not and will not (a) violate any Legal Requirements applicable to Company, Federated or Merger Sub or their respective organizational documents, (b) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any contractual obligation or indebtedness of the Company, or (c) result in or require the creation or imposition of any lien upon any of the properties of Company other than those created or permitted by the Restructured Loan Documents, as amended pursuant hereto.

4.3 Consents. The execution, delivery and performance by Company of this First Amendment and the consummation of the Merger Transactions do not and will not require any registration with, consent or approval of, or notice to, or other action by, any governmental authority, or any trustee or holder of any indebtedness or obligation of Company, Federated or Merger Sub, or other Person, or if required, such registration has been made, such consent or approval given, such notice given or such other appropriate action taken, and certified copies of the same have been delivered to Agent.

4.4 Binding Obligation. This First Amendment is the legal, valid and binding obligation of Company, enforceable against it in accordance with its terms.

4.5 Representations and Warranties in Loan Documents. The representations and warranties of Company contained in the Restructured Loan Documents, as amended pursuant hereto, are true and correct on and as of the date hereof as though made on and as of the date hereof, and will be true and correct on and as of the Effective Date as though made on and as of that date and no Default or Event of Default has occurred and is continuing as of the date hereof or will have occurred and be continuing as of the Effective Date or has resulted or will result herefrom or, upon the Effective Date, from consummation of the Merger Transactions (assuming the effectiveness of the amendments to the Amended and Restated Term Loan Agreement contained herein).

4.6 No Offset. Company has no claims, offsets or defenses with respect to the payment of any sums or performance of any obligations due under the Restructured Loan Documents.

## ARTICLE V Miscellaneous

5.1 Ratification of Loan Documents. Except as expressly amended or terminated hereby or pursuant hereto, the Amended and Restated Term Loan Agreement and the other Restructured Loan Documents shall remain in full force and effect in accordance with their terms, and hereby in all respects ratified and confirmed. Nothing in this First Amendment shall impair the first priority liens of the Mortgages on any unreleased collateral. The consent and waiver set forth in the Merger Consent Letter apply and are effective only with respect to any Default or Event of Default that arises or could arise solely as a result of a violation of Section 8.03 of the Amended and Restated Term Loan Agreement and analogous provisions of the other Restructured Loan Documents as a result of the Company, Merger Sub and Federated entering into and consummating each of the Merger Transactions. The Agent and Banks hereby reserve all rights provided under the Restructured Loan Documents, as amended hereby, with respect to any other or future transactions and with respect to any other existing Defaults or Events of Default, if any. The Company affirms and agrees that the Security Documents, as amended hereby, secure the full performance of each and every obligation under the Master Principal Note, the Master Capitalized Interest Note, the Amended and Restated Term Loan Agreement and the Obligations as defined therein, and that the Security Documents continue to be effective as, and to constitute, first and prior liens and charges on the Stores to

the full extent of all obligations secured thereby.

5.2 Waiver of One Form of Action and Anti-Deficiency Rules. In consideration of the Agent's and Banks' entering into this First Amendment, the Company hereby expressly and irrevocably waives all rights, privileges, benefits and defenses that the Company may have under, arising out of, or based on California Code of Civil Procedure Sections 580a, 580d and 726. Without limiting the foregoing, the Company agrees not to plead or assert California Code of Civil Procedure Section 580a, 580d or 726 as an affirmative claim or a defense to, or in connection with, any action or other proceeding (including, but not limited to, any judicial or nonjudicial foreclosure under any of the Mortgages). The Company hereby represents, warrants, and acknowledges that (a) the modifications of the Amended and Restated Term Loan herein constitute a revision or modification and do not constitute a renewal of the Amended and Restated Term Loan; and (b) the Agent and Banks are relying upon such waivers and the foregoing representations, warranties and acknowledgments in entering into this First Amendment, and without such waivers, representations, warranties and acknowledgments, the Agent and Banks would not do so.

5.3 Counterparts. This First Amendment may be executed in any number of counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original, and all such counterparts together shall constitute but one and the same instrument.

5.4 Fees and Expenses. Whether or not the transactions contemplated hereby are consummated, Company shall pay promptly upon demand all reasonable fees, expenses and disbursements of counsel (including reasonably allocated costs of in-house counsel), and other out-of-pocket costs incurred by the Agent and any Bank in connection with the negotiation, documentation and closing of the transactions contemplated hereby.

5.5 Integration. The Restructured Loan Documents, including this First Amendment: (a) integrate all the terms and conditions mentioned in or incidental to the Restructured Loan Documents, (b) supersede all oral negotiations and prior and other writings with respect to their subject matter, and (c) are intended by the parties as the final expression of their agreement with respect to the terms and conditions set forth in the Restructured Loan Documents and as the complete and exclusive statement of the terms agreed to by the parties. If there is any conflict between the terms, conditions and provisions of this First Amendment and those of any other Restructured Loan Documents, the terms, conditions and provisions of this First Amendment shall prevail.

5.6 Separability. If any court of competent jurisdiction determines any provision of this First Amendment or any of the other Restructured Loan Documents to be invalid, illegal or unenforceable, that portion shall be deemed severed from the rest, which shall remain in full force and effect as though the invalid, illegal or unenforceable portion had never been a part of the Restructured Loan Documents. This First Amendment shall be governed by California law. This First Amendment is a Restructured Loan Document.

WITNESS the due execution of this First Amendment by the respective duly authorized officers of the undersigned as of the date first written above.

Company/CHH: BROADWAY STORES, INC. (formerly known as CARTER HAWLEY HALE STORES, INC.), a Delaware corporation

By: \s\ Karen M. Hoguet



Name: Karen M. Hoguet

Title: Treasurer

Agent and Banks: BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, a national banking association, as Agent

By: \s\ Charles D. Graber

Name: Charles D. Graber

Title: Vice President

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, a national banking association, as a Bank

By: \s\ Clara Yang Strand

Name: Clara Yang Strand

Title: Vice President

BARCLAYS BANK PLC, as a Bank

By: \s\ Diane R. Bargas

Name: Diane R. Bargas

Title: Vice President

THE TOKAI BANK LIMITED, as a Bank

By: \s\ Mosahiko Saito

Name: Mosahiko Saito

Title: Assistant General Manager

Exhibit A

CERTIFICATE OF BROADWAY STORES, INC.

(Pursuant to Section 1.1(a) of the  
First Amendment of the Amended and Restated Term Loan Agreement )

Pursuant to Section 1.1(a) of that certain First Amendment to Amended and Restated Term Loan Agreement, dated as of October 11, 1995 among BROADWAY STORES, INC., formerly known as CARTER HAWLEY HALE STORES, INC., a Delaware corporation (the "Company" or "CHH"), BARCLAYS BANK PLC, a bank organized under the laws of the United Kingdom, THE TOKAI BANK LIMITED, a bank organized under the laws of Japan, acting through its Los Angeles Agency, and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, a national banking association (collectively, "Banks," and individually, a "Bank"), and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, a national banking association, as agent for Banks (in such capacity, "Agent") (the "First Amendment") which First Amendment amends the Amended and Restated Term Loan Agreement, dated as of October 8, 1992, among Company, Agent and Banks (the "Amended and Restated Term Loan Agreement"; all capitalized terms used but not defined herein having the meanings set forth in the Amended and Restated Term Loan Agreement), Company represents, warrants, certifies and covenants in favor of Agent and Banks as follows:

1. The Merger Transactions (as defined in the First

Amendment) have been consummated in accordance with the terms previously disclosed in writing to Agent and Bank.

2. The representations and warranties of Company contained in the First Amendment are true and correct as of the date hereof and after giving effect to the Merger Transactions (assuming the effectiveness of the First Amendment).

3. No Default or Event of Default has occurred and is continuing on the date hereof after giving effect to the Merger Transactions (assuming the effectiveness of the First Amendment).

4. Attached hereto are true and correct copies of:  
(i) any modifications of the organizational documents of the Company, any Subsidiary entered into in connection with the Merger Transactions and (ii) all instruments, contracts, agreements and documents entered into by the Company, Federated or any Affiliate of the Company or Federated with Prudential or GE Capital in connection with the Merger Transactions.

5. All conditions precedent set forth in Section 1.1 of the First Amendment have been satisfied.

IN WITNESS WHEREOF, the undersigned, being duly authorized, have executed this Certificate on behalf of Company as of this 11th day of October, 1995.

BROADWAY STORES, INC., formerly  
known as CARTER HAWLEY HALE STORES,  
INC.,  
a Delaware corporation

By:  
Name:  
Title:

By:  
Name:  
Title:

Exhibit B

OPINIONS TO BE RENDERED IN THE LEGAL  
OPINIONS TO BE DELIVERED PURSUANT TO SECTION 1.1(j)

1. That the execution, delivery, and performance of this First Amendment have been duly authorized by all necessary corporate action on the part of the Company.

2. That this First Amendment has been duly executed and delivered by the Company.

3. That this First Amendment is a valid and binding obligation of the Company, enforceable in accordance with its terms.

4. That the execution, delivery, and performance of this First Amendment do not (a) violate the organizational documents of the Company, or (b) violate, or require any consents, approvals, authorizations, registrations, declarations or filings by the Company under, any federal statute or the corporate or partnership laws of the state under which the Company is organized.

Exhibit C

## LICENSE AGREEMENT

THIS LICENSE AGREEMENT ("Agreement") is made and dated as of \_\_\_\_\_, by and between \_\_\_\_\_ ("Licensor"), Bank of America National Trust and Savings Association, a national banking association as agent (in such capacity, "Agent") for the ratable benefit of Agent and Barclays Bank, P.L.C., The Tokai Bank Limited, Bank of America National Trust and Savings Association and the banks ("Banks") that are from time to time party to the Loan Agreement (as defined below).

### RECITALS

A. Broadway Stores, Inc. (formerly known as Carter Hawley Hales Stores, Inc.), a Delaware corporation ("CHH"), Banks and Agent are parties to that certain Amended and Restated Term Loan Agreement dated as of October 8, 1992 (as amended, the "Loan Agreement"), as amended by that certain First Amendment to Amended and Restated Term Loan Agreement dated as of \_\_\_\_\_ (the "First Amendment to the Loan Agreement"). Capitalized terms not otherwise defined herein have the defined meanings given in the Loan Agreement as amended. The Obligations under the Loan Agreement are secured primarily by first mortgage liens in favor of Agent (for the ratable benefit of Agent and Banks) on a total of nine (9) retail department stores[, as to certain of which Licensor may be granting to CHH a license to use certain names and marks described below] (collectively, "Stores," and individually, a "Store"). As hereinafter used in this Agreement, the terms "Agent" and "Banks" shall mean and include Agent or such Bank, any subsidiary or affiliate of Agent or such Bank designated by Agent or such Bank to hold title to or possession or control of any Store in connection with the exercise of Agent's or such Bank's rights and remedies under the Restructured Loan Documents, any assignee (to the extent permitted under the Loan Agreement, as amended) of, or successor to, Agent's or such Bank's right, title and interest in or under the Loan Agreement, as amended, or any Mortgage, and any subsidiary or affiliate of such assignee or successor designated by Agent or such Bank to hold title to or possession or control of any Store in connection with the exercise of Agent's or such Bank's rights and remedies under the Restructured Loan Documents.

B. Pursuant to the First Amendment to the Loan Agreement, Licensor has agreed to grant to Agent (for the ratable benefit of Agent and Banks) the right under certain circumstances hereinafter described to use the "Bullock's" and "Macy's" names and certain other names, marks and other rights relating to the operation of the Stores, subject in all respects to the terms and conditions set forth below.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

### AGREEMENT

#### Grant of License.

Licensor hereby grants to Agent (for the ratable benefit of Agent and Banks) and Agent (for the ratable benefit of Agent and Banks) hereby accepts from Licensor a non-exclusive right, privilege and license (the "License") to adopt and use, with respect to each Store during the License Term (as hereinafter defined), if any, applicable thereto, the names which are used by Licensor in connection with the operation of such Store at the time it becomes a Non-Performing Store (as such term is hereinafter defined), and all other names, logos, marks and derivations thereof used by Licensor at the time each such Store becomes a Non-Performing Store to identify its goods sold in such Non-Performing Stores (including all departments thereof), including, without limitation, the state and federally registered

trademarks and service marks listed in Schedule A attached hereto (collectively called the "Marks") then so used, for the sole purpose of operating each Non-Performing Store as a retail department store. Agent and Banks shall have no obligation to pay any royalty, fee or other monetary consideration to Licensor or any other person or entity for or in connection with the rights granted to it under this Agreement, except as provided in Paragraph 7. Licensor shall also take all such action as may be reasonably necessary to permit its licensed manufacturers and distributors of goods sold under any label or house brand name belonging to the Licensor to sell to Agent (for the ratable benefit of Agent and Banks) and their Permitted Assignees (as hereinafter defined) such goods as would be regularly sold by Licensor under private labels or brand names to retail customers of any Non-Performing Stores during the respective License Terms pertaining thereto.

#### License Term.

The term "License Term" shall mean the following with respect to each Store:

- (i) In the case of each Store which is subject to one or more Operating Covenants, the License Term with respect to that Store shall commence at the time such Store becomes a Non-Performing Store and shall continue, notwithstanding one or more subsequent sales or transfers of the Store, until the earlier of (i) the date the Operating Covenant expires or sooner terminates and (ii) the date Agent receives a fully executed amendment to the applicable Shopping Center Document (satisfactory in form and substance to Agent), which either effects a deletion of the applicable Operating Covenant or renders the applicable Operating Covenant inapplicable to Agent and Banks and their designees, successors and assigns.
- (ii) In the case of any Store not subject to an Operating Covenant, and in the case of a Store subject to an Operating Covenant which expires or terminates on or prior to the date such Store becomes a Non-Performing Store, the License Term of that Store shall commence at the time such Store becomes a Non-Performing Store and shall expire upon the sale or transfer by Agent (for the ratable benefit of Agent and Banks) of any interest in such Store which includes the right to operate such Store.

As used herein, the term "Non-Performing Store" means any Store which (i) has been acquired by Agent (for the ratable benefit of Agent and Banks) or its designee through foreclosure, deed (or other transfer) in lieu of foreclosure, sale pursuant to a power of sale, or any other sale or transfer in connection with Agent's and Banks' exercise of their rights and/or pursuit of their remedies under the Restructured Loan Documents or (ii) as to which Agent (for the ratable benefit of Agent and Banks) or a receiver appointed under the Security Documents has gained lawful possession through foreclosure proceedings or otherwise in connection with Agent's and Banks' exercise of their rights and/or pursuit of their remedies under the Restructured Loan Documents.

#### Term of Agreement.

This Agreement shall become effective on the date hereof and shall continue in effect until such time as both of the following shall have occurred:

- A. Agent and Banks shall cease to have any lien, mortgage, encumbrance or security interest of any kind or nature in or with respect to any of the Stores; and

B. The License Terms with respect to all Non-Performing Stores have expired.

Nonexclusive License.

During the License Term with respect to each Store, Agent (for the ratable benefit of Agent and Banks) (or, if such Store shall have been sold or transferred to a Permitted Assignee (as hereinafter defined), then that Permitted Assignee) shall have an exclusive License to use the Marks, with respect to that Store, in connection with the operation of that Store. Except as provided in the foregoing sentence, this License shall be nonexclusive.

Representations, Warranties and Covenants.

A. Licensors represent and warrant that it has, and will have at all times during any License Term, the right to use the Marks with respect to the Stores; that Licensor owns, and will own at all times during any License Term, the Marks free and clear of all liens and encumbrances of every kind and nature, except (i) liens and security interests securing obligations of CHH or its affiliates pursuant to that certain Working Capital Facility by and among CHH and GE Capital and that certain Trademark Security Agreement, executed and delivered in connection therewith; (ii) that certain License Agreement, dated as of August 27, 1987, by and among CHH, Thalheimer Brothers, Inc. and The Prudential Insurance Company of America ("Prudential"), as amended, modified or restated from time to time; (iii) liens, encumbrances and licenses in respect of the use of the Marks on property other than the Stores; and (iv) licenses, liens and security interests securing obligations of CHH or its Affiliates pursuant to any and all refinancings, replacements and/or substitutions of the Working Capital Facility, the Accounts Receivable Facility, or of the loans evidenced by the Prudential Loan Documents (provided, however, that any agent, lender or lenders under any such refinancing, replacement or substitution acquiring such a lien or security interest shall execute and deliver to Agent the Non-Disturbance Letter as provided in Section 3.01E(a) of the Loan Agreement); that there are no claims, actions or suits pending or, to the best of Licensor's knowledge, threatened which challenge Licensor's rights in and to the Marks; that no infringement action has been brought or, to the best of Licensor's knowledge, threatened, with respect to Licensor's use of the Marks, or any of them; that Licensor does not know or have reason to know of any fact which could give rise to a claim of infringement by any person or entity relating to Licensor's ownership, licensing (including, without limitation, this License, the rights of the lenders under the Working Capital Facility or the rights of Prudential under the Prudential License) or use of the Marks; that there are no presently effective determinations of the U.S. Trademark Administrator or the administrator of any state or court and there are no pending interference, opposition or cancellation proceedings or any pending litigation that could adversely affect Agent's and Bank's use of the Marks as provided herein; that there is not, and will not be at any time during any License Term, any agreement to which Licensor is a party which prohibits or limits (other than in connection with a reasonable settlement of an infringement contest) the rights of Licensor to use or license the use of the Marks in respect of the Stores as provided herein; and that the registered trademarks and service marks listed on Schedule A hereto, constitute all of the trademarks and service marks material to the operation of any Store.

B. Licensor covenants and agrees that at all times during the term of this Agreement, it shall use reasonable efforts to protect each and every right which Agent and

Banks have under this Agreement, at Licensor's sole cost and expense. Without limiting the foregoing, Licensor shall use reasonable efforts to pursue any infringement (except for a trivial or insignificant infringement) of the Marks of which Licensor has knowledge; provided, however, that if Licensor fails to pursue any such infringement which affects Agent's and Banks' rights hereunder in any material respect, then, in addition to any right or remedy which Agent and Banks may have against Licensor, Agent and Banks shall have the right to bring suit, or to commence other legal proceedings, on behalf of Agent and Banks and Licensor, to enjoin any such infringement, to seek damages on account thereof, and to obtain any other remedy available at law or in equity.

#### Protection of Marks.

A. Agent and Banks hereby agree that (i) if Agent (for the ratable benefit of Agent and Banks) operates any Non-Performing Store under the applicable licensed name pursuant to the terms of this License, Agent and Banks shall use reasonable efforts to cause such Store to be operated in such manner (x) as is consistent with the quality of other stores then bearing such name, and (y) as will not materially adversely affect the reputation of any other stores then bearing such name, and (ii) if Agent (for the ratable benefit of Agent and Banks) operates any Non-Performing Store as anything other than a retail department store which, after a reasonable start-up time, is of a quality reasonably consistent with the quality of other stores then bearing such licensed name, Agent and Banks shall, after written notice from Licensor and continued failure within the next sixty (60) days to commence to operate the Store at the required level of quality, cease to operate such Store under the applicable licensed name, and the License Term applicable to such Store shall terminate; provided, however, that (i) Agent and Banks shall not be entitled to an additional thirty (30) day cure period under paragraph 9, after the expiration of said sixty (60) days period, and (ii) Agent and Banks shall not be responsible or liable under any circumstances whatsoever for or on account of any act or omission of Licensor or any of its Subsidiaries or Affiliates, or of any employee, officer, or agent of any thereof.

B. Agent and Banks acknowledge and agree that any goodwill arising from the use of the Marks by Agent (for the ratable benefit of Agent and Banks) belongs solely to Licensor and that Agent and Banks have no rights therein or thereto either during or after the License Terms. Agent and Banks shall not, either during or after any License Term, directly or indirectly do or assist any person or entity to do anything which would in any material respect infringe upon, harm, or contest the rights of Licensor in the Marks.

C. Agent (for the ratable benefit of Agent and Banks) shall use the Marks only in conjunction with the operation of the Non-Performing Stores and only in the form and manner previously used at such Stores by Licensor. Agent (for the ratable benefit of Agent and Banks) shall not (i) add any other names, words or marks to the Marks; (ii) make any variations in the use of the Marks; or (iii) use the Marks to create new "private label" goods unless approved first, in writing, by Licensor.

#### Licensor's Agreement to Operate.

If, at any time during one or more of the License Terms, Licensor is then engaged in the business of owning and operating retail department stores, and Agent (for the ratable benefit of Agent and Banks) or any Permitted Assignee is then operating one or more Stores under the "Bullock's" or "Macy's" names, then, for the balance of the applicable License Terms (or such shorter period as Agent may designate), Licensor shall, upon

the written request of Agent, (a) manage the applicable Store or Stores, using all of its know-how, expertise and best efforts, and (b) in connection therewith use reasonable efforts to make available to Agent (for the ratable benefit of Agent and Banks) Licensor's private labels and other products then sold in Bullock's or Macy's stores, all upon terms and conditions reasonably satisfactory to Licensor, Agent and Banks. The foregoing notwithstanding, the referenced terms and conditions shall not be more onerous to Agent and Banks than they would be to other third parties for whom Licensor would provide similar services and make such products available, and with respect to the management fee and other associated costs payable to Licensor by Agent and Banks, shall be comparable to the fees and costs other third parties with experience and expertise comparable to that of Licensor would reasonably be expected to charge therefor. In no event shall the lenders under the Working Capital Credit Facility be obligated to undertake any of the obligations of CHH under this Paragraph 7.

#### Post-Term Obligations.

Upon termination of the License Term for any Store, Agent and Banks shall:

A. Immediately and permanently cease to use, directly or indirectly, any of the Marks (and anything confusingly similar) at that Store; and

B. Promptly remove from such Store all stationery, letterheads, forms, printed matter, promotional displays, signs and advertising containing any of the Marks.

#### Remedies.

In the event Agent or Banks breach any covenant of this Agreement, Licensor shall provide Agent with written notice thereof, specifying therein the nature of such breach and the manner in which such breach may be cured. If Banks fail to commence to cure such breach within thirty (30) days of its receipt of Licensor's written notice, Licensor shall have the right to terminate Banks' use of the Marks only in connection with the operation of the Store or Stores with respect to which such breach occurred, and shall not have the right to terminate this Agreement or Agent's use of the Marks in connection with the operation of any other Store. Licensor agrees that it shall not be entitled to pursue any legal or equitable remedy against Agent and Bank other than the enforcement of the agreement of Banks to cease use of the Marks as described above upon the breach of any covenant of this Agreement by Agent and Bank.

#### Assignment.

This Agreement shall be binding upon and inure to the benefit of the parties hereto, their respective legal representatives, successors and permitted assigns. Except as may be permitted by the Loan Agreement, CHH shall be prohibited from assigning this Agreement or any of its rights hereunder and from delegating any of its obligations under this Agreement without the prior written consent of Agent and Majority Banks, which may be withheld in Agent's and Majority Banks' sole discretion except that Licensor's rights and obligations under Paragraph 7 hereof may not be assigned or delegated under any circumstances. A "Permitted Assignee" shall mean any person or entity who acquires title to or possession or control from Agent (for the ratable benefit of Agent and Banks) directly or indirectly through one or more Permitted Assignees of one or more Stores which are then subject to Operating Covenants. Except in the case of the rights and obligations described or referred to in Paragraph 7 of this Agreement, Agent (for the ratable benefit of Agent and Banks) and any Permitted Assignee may assign this Agreement and any or all of their respective rights hereunder (other than the rights granted in paragraph 2(ii) hereof, which may not be assigned to a Permitted Assignee), and may delegate any or all of the

respective obligations under this Agreement to one or more Permitted Assignees, but only to the extent that such rights and obligations pertain to the Stores respectively sold or transferred to such Permitted Assignees; provided that each such Permitted Assignee shall execute and deliver to Licensor a written agreement to be bound by the provisions hereof (except the provisions of Paragraph 7). Upon any sale or transfer of a Store or Stores by Agent (for the ratable benefit of Agent and Banks) or a Permitted Assignee to any Permitted Assignee, the selling or transferring party shall thereupon be relieved of any obligation hereunder to Licensor relating to the Store or Stores so sold or transferred, except for obligations relating to periods prior to such sale or transfer, if any. Except as provided in this Paragraph 10, and except in connection with (i) a sale or transfer of Agent's (for the ratable benefit of Agent and Banks) interest as mortgagee of a Store in accordance with the terms and provisions of the Loan Agreement, or (ii) a transfer by Agent (for the ratable benefit of Agent and Banks) to one of its affiliates, Agent may not assign this Agreement or its rights hereunder or delegate its obligations hereunder without the prior written consent of Licensor.

#### Terminology.

All terms and words used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include any other number and any other gender as the context of this Agreement requires.

#### Enforcement.

The rights granted to Agent and Banks under this Agreement are part of the essential basis of the bargain in connection with the First Amendment to the Loan Agreement, and Agent and Banks would not have made the First Amendment to the Loan Agreement without this Agreement. Accordingly, the terms of this Agreement shall be strictly enforced.

#### Miscellaneous.

A. This Agreement shall be governed by and construed in accordance with the internal laws of the State of California.

B. The paragraph captions appearing herein are solely for convenience of reference and shall not affect the interpretation or application of any of the provisions hereof.

C. This Agreement may be executed in any number of counterparts and by the respective parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

D. This Agreement, together with the provisions of Section 3.01E of the Loan Agreement, is intended by the parties as a final expression and a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter hereof. There are no agreements, promises, understandings, representations, warranties, undertakings or restrictions with respect to such subject matter except those set forth herein. This Agreement supersedes all contemporary and prior oral and written agreements and understandings among the parties with respect to such subject matter.

E. This Agreement may be amended, modified or supplemented only by a subsequent written agreement executed by all of the parties hereto.

F. Whenever and so often as requested by Agent or a Permitted Assignee, Borrower will (i) promptly execute and



deliver or cause to be executed and delivered all such other and further instruments, documents or assurances (including, without limitation, Uniform Commercial Code financing statements evidencing the rights and interests created hereunder), and (ii) promptly do or cause to be done all such other and further things (in the case of both (i) and (ii) above) as may be necessary and reasonably required in order to give public notice of, or to further and more fully vest in Agent for the ratable benefit of Agent and Banks, or such Permitted Assignee, all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred by this Agreement.

G. Licensors hereby waive any right to require Agent or Banks to (i) proceed against CHH, (ii) proceed against or exhaust any security held from CHH, or (iii) pursue any other remedy in Agent's or Banks' power whatsoever. Licensors waive any defense because of any disability, any modification of the Obligations under the Loan Agreement or other defense or cessation of liability of CHH or any other person and waives any right of subrogation or any right to participate in any security for the Obligations under the Loan Agreement. Agent and Banks may, at their election and in their sole discretion, exercise any right or remedy they may have against CHH or any security held by them.

IN WITNESS WHEREOF, the parties have executed this License Agreement on the date first above written.

LICENSOR

a \_\_\_\_\_,

By:  
Name:  
Title:

BANK OF AMERICA NATIONAL TRUST AND  
SAVINGS ASSOCIATION, a national  
banking association, as Agent

By:  
Name:  
Title:

BARCLAYS BANK, P.L.C.,  
as a Bank

By:  
Name:  
Title:

BANK OF AMERICA NATIONAL TRUST  
AND SAVINGS ASSOCIATION,  
a national banking association,  
as a Bank

By:  
Name:  
Title:

THE TOKAI BANK LIMITED,  
as a Bank

By:  
Name:  
Title:  
SCHEDULE A  
TO  
LICENSE AGREEMENT

Federal Registration

Mark	Registration Number	Date Issued
------	------------------------	-------------

BULLOCK'S  
MACY'S  
[List private label names]

Federal Applications

Arizona Registrations

California Registrations

Nevada Registrations

August 18, 1995

To: Credit Agreement Lenders

Re: Request for Amendment #2 and Waiver

Please refer to the Credit Agreement dated as of December 19, 1994 (as heretofore amended, the "Credit Agreement") among Federated Department Stores, Inc. ("Federated"), the Lenders parties thereto, Citibank, N.A. as Administrative Agent, Chemical Bank as Agent, Citicorp Securities, Inc. as Arranger and Chemical Securities Inc. as Co-Arranger. Capitalized terms used in this letter and not otherwise defined have the meanings assigned such terms in the Credit Agreement. We remind you that the contents of this letter are covered by the confidentiality requirements of the above referenced Credit Agreement.

One component of Federated's growth strategy is to take advantage of the consolidating nature of the industry by acquiring department stores particularly in markets that could be folded into existing Federated divisions. In furtherance of this growth strategy, Federated has signed a merger agreement to acquire Broadway Stores, Inc. ("Broadway"), which operates in California and the Southwest. This acquisition is expected to provide sales and earnings growth by enabling us to both enhance and protect Macy's/Bullock's current competitive positioning and also facilitate the expansion of Bloomingdale's into California. In so doing, we will be able to better leverage our costs in a highly competitive market. Federated requires this Amendment #2 and Waiver from the Required Lenders in order to effect the merger.

#### Summary of Key Financial Considerations

- o Net purchase price after giving effect to anticipated asset sales and repayment of certain assumed debt is approximately \$990 million. (see Chart 3)
- o Approximately 58% of the net purchase price is equity financed, thereby minimizing the impact to total leverage.
- o 45 new Federated Stores projected to generate EBITDA of \$176 million in first full year of operation (1997).
- o Up to \$500 million in new financing will be required for:
  - i) Refinancing \$143 million of Broadway's Convertible Notes
  - ii) One time costs and initial conversion capital expenditures

o This amendment requests changes to the Capital Expenditure, Fixed Charge Coverage and Leverage Ratio financial covenants. No change is required for the Interest Coverage covenant. The changes in the Fixed Charge Coverage and Leverage Ratio are required through the second quarter of 1997; they then revert back to the current levels. these changes are primarily due to the capital expenditures, and the associated one-time costs and non-operating expenses, required to convert the stores and to bring them up to the Federated standard.

#### OVERVIEW

Broadway operates 82 department stores in California and the Southwest under the names Broadway, Emporium and Weinstocks. While the Broadway currently operates below department store standards for sales productivity and profitability, much of their real estate is not only valuable but fits well with the needs of our Macy's West operation. The Broadway store breakdown is shown

below.

	Total Sq. Ft.	1994 Sales	
# Stores	(000)	(000)	
Southern California	41	7,105	\$1,107.6
Northern California	30	6,217	742.8
Southwest	11	1,751	243.0
Total	82	15,073	\$2,093.4

While store specific decisions are not all final, we are assuming for purposes of our analysis that we will retain 45 of the 82 Broadway store locations (the "Retained Stores") -- 41 for Macy's/Bullock's and 4 for Bloomingdale's as shown below.

This acquisition is important strategically to Federated in that it will enable Bullock's to significantly improve its Southern California position which would be difficult to accomplish in any other way. In addition, it will allow Bloomingdale's to enter the California market with better locations faster and in a more cost efficient manner than it could without the acquisition. It will also enhance Macy's position in Northern California and the Southwest.

	Total Retained	Southern Calif.	Northern Calif.	Southwest
Macy's/Bullock's	41	23	11	7
Bloomingdale's	4	1	3	0
Total	45	24	14	7

## OPERATING FORECAST

Our current plans include operating between closing and the end of 1995 under the current Broadway nameplates and using our best efforts to maximize the Christmas selling season. Starting early in 1996 we will begin to convert stores to Macy's and Bullock's while most likely closing for remodeling the stores which are to become Bloomingdale's. By November 1996 it would be our goal to have converted most of the stores to be retained and to have sold the remaining stores.

In fiscal 1997, the first full year of operations under the revised structure, these 45 Retained Stores are projected to produce \$1,369 million in sales. The incremental EBITDA in 1997 is expected to be \$176 million, growing to \$257 million by 2000. By 1997 the Debt to EBITDA ratio on a combined basis is expected to be approximately 2.3x. This acquisition is expected to produce an internal rate of return of 14%. We currently expect there to be non-operating expense resulting from the capital expenditures as well as the store conversions. All capital expenditure projects include some non-operating expense, but because of the conversions it is higher than normal in this circumstance. (see Chart 1)

## ONE-TIME COSTS

One-time costs are expected to be approximately \$175 million over 1995 and 1996 to cover the shutdown of the central organization, store closings, going dark periods during the Bloomingdale's conversions, and transitional costs.

## CAPITAL EXPENDITURES

We expect that it will require approximately \$525MM of capital to convert and remodel these Retained Stores. We expect to spend on average \$60 per gross square foot (estimated \$75 per selling square foot) for the Macy's and Bullock's stores and \$117 per

gross square foot (estimated \$145 per selling square foot) for the Bloomingdale's stores. Accordingly, the capital expenditure covenant in the Credit Agreement will need to be increased to cover this amount plus the portion of the purchase price allocated to PP&E.

## CLEAN-DOWN

In order to insure that Federated can fund these one-time costs, conversion capital expenditures and non-operating expenses, Federated is requesting an amendment of the Clean-Down provision for this fiscal year. We are committing to a Clean-Down Amount equal to the amount by which the Working Capital Commitments exceed \$650 million, or, in effect, the amount of cash borrowings and stand-by letters of credit to be no more than \$1,350 million for the 30 day period.

## FINANCING

### (I) INITIAL PURCHASE

We are acquiring the common stock of Broadway with Federated common stock valued at \$375 million. We have agreed to a .27 to 1 conversion, which equates to 12.7 million shares of FD stock. The Bank of America and other miscellaneous mortgage debt and the GECC receivables facility are expected to remain outstanding and are non-recourse to Federated. Federated Noteholding Corporation II, a newly formed wholly owned subsidiary of Federated ("FNC II"), will buy the Prudential Mortgage Note for \$200 million in equity and a new note of \$221.1 million, which note will have a subordinated guaranty from Federated and will be secured by a pledge of the stock of FNC II. The total value of equity being utilized for the acquisition is therefore \$575 million. The Convertible Note has a change of control par put so that it is assumed that we will need to refinance this at the time of the acquisition. (see Charts 2, 3 and 4)

### (II) REQUIRED FINANCING

Federated presently intends to finance the Convertible Note refinancing (\$143 million), the one time costs and conversion capital expenditures primarily by issuing \$300-500 million of new senior unsecured notes. (see Chart 4)

## WAIVER REQUEST

To consummate the transaction outlined above, we request a waiver of, and each Lender, by its execution of a counterpart hereof agrees to waive to the extent requested (subject to the conditions of effectiveness referred to below), the following sections of the Credit Agreement:

- A. Section 5.01(l) of the Credit Agreement so that, due to charter and Broadway Debt restrictions, (i) Merger Sub will not be required to guaranty the obligations of Federated under the Credit Agreement, (ii) Broadway will not be required to guaranty the obligations of Federated under the Credit Agreement so long as Broadway is restricted from effecting such guaranty by the terms of the assumed debt at Broadway, and (iii) the stock of FNC II will not have to be pledged to the Lenders under the Credit Agreement since Prudential required that it be pledged to them as security for their new note;
- B. Section 5.02(b)(i)(C) of the Credit Agreement so that, notwithstanding the provisions thereof, which restrict Federated's ability to issue unsecured Debt and require any Net Cash Proceeds be applied to prepay Advances, Federated can (i) issue up to \$500 million of unsecured notes not amortizing earlier than six months after the Termination Date and (ii) apply the Net Cash Proceeds thereof to refinance the Convertible Notes and to pay transaction costs, including the one-time costs and conversion capital expenditures,

associated therewith;

C. Section 5.02(b)(iii) of the Credit Agreement to permit FNC II to issue a new promissory note in an aggregate principal amount not to exceed \$221.5 million in exchange for the existing Prudential Mortgage Note;

D. Section 5.02(c) of the Credit Agreement so that Nomo Company, Inc., a newly formed wholly owned Subsidiary of Federated ("Merger Sub"), may merge with and into Broadway, with Broadway being the surviving wholly owned subsidiary of Federated;

E. Section 5.02(d) of the Credit Agreement to the extent it may be deemed to restrict Federated's ability to sell the stores bought as part of this acquisition so long as they are sold for cash or promissory notes and for fair value in accordance with the requirements of Section 5.02(d) of the Credit Agreement and to pay down the Debt at Broadway as required by the Debt at Broadway, provided that any Net Cash Proceeds from such asset sales not required to repay outstanding Debt of Broadway pursuant to the terms of the relevant Debt instrument shall be applied to prepay the Advances in the amount and in the order of priority set forth in Section 2.06 (b)(ii) of the Credit Agreement;

F. Section 5.02(e)(i) of the Credit Agreement to the extent it may be deemed to restrict the ability of Federated to make an equity infusion into Broadway to fund the refinancing of the Convertible Notes and to fund the one time costs and conversion capital;

G. Section 5.02(e)(xii) of the Credit Agreement solely to the extent it restricts the making of the proposed acquisition, including the acquisition of the common stock of Broadway, the acquisition of the Prudential Note by FNC II and assumption of the other Debt of Broadway as described herein;

H. Section 5.02(f) of the Credit Agreement to the extent that it may be deemed to restrict the ability of (i) Broadway to issue shares of its new Series A Preferred Stock upon the consummation of the merger in exchange for the shares of its existing Series A Preferred Stock and (ii) Federated to issue warrants to the holders of Broadway's Series A Preferred Stock entitling such holders to acquire shares of Federated's common stock;

I. Section 5.02(j) of the Credit Agreement solely to the extent necessary to permit Broadway to prepay the Convertible Notes if such notes are put back to Broadway upon the change of control.

J. Section 5.02(a) of the Credit Agreement solely to the extent necessary to permit Federated to pledge the stock of FNC II to secure Federated's obligations under its subordinated guaranty in favor of Prudential.

K. Section 5.02(b) of the Credit Agreement solely to the extent necessary to permit Federated to issue to Prudential its subordinated guaranty of FNC II's obligations under FNC II's new promissory note payable to Prudential.

#### AMENDMENTS

In addition to the foregoing accommodation, we request the following amendments to the Credit Agreement:

A. Section 1.01 of the Credit Agreement be amended to restate in their entirety the following two definitions:

"Clean-Down Amount" means (a) for the first Clean-Down Period occurring after the date hereof, the amount by which the aggregate amount of the Working Capital

Commitments on the first day of such Clean-Down Period exceeds \$650,000,000 and (b) for each Clean-Down Period occurring thereafter, the amount by which the aggregate amount of the Working Capital Commitments on the first day of such Clean-Down Period exceeds \$1,000,000,000."

"Receivables Financing Facility" means the receivables financing facility established by the Borrower in 1992 and any replacement thereof that is on terms no less favorable, taken as a whole, to the Borrower and its Subsidiaries, pursuant to which certain Subsidiaries of the Borrower issue non-recourse public term Debt and commercial paper secured by certain receivables of the Borrower and its Subsidiaries, and the receivables financing facility established by Broadway Receivables, Inc. as of October 8, 1992 and the Subordinated Credit Card Notes in the aggregate principal amount of \$64 million issued by Broadway Receivables, Inc. pursuant to an Indenture dated as of September 1, 1994 with Bankers Trust Company, as trustee, together with any replacement or replacements of either thereof pursuant to which Broadway Receivables, Inc. finances receivables it acquired from Broadway Stores, Inc."

B. Section 5.02(o), titled "Cash Capital Expenditures", of the Credit Agreement be amended and restated so that it will read in full as follows:

"During any Non-Investment Grade Period, make, or permit any of its Subsidiaries to make, any Cash Capital Expenditures that would cause the aggregate of all such Cash Capital Expenditures made by the Borrower and its Subsidiaries in any period set forth below to exceed the amount set forth below for such period:

Fiscal Year	Amount
1995	\$755,000,000
1996	\$920,000,000
1997	\$785,000,000
1998 and thereafter	\$800,000,000

provided that, commencing with the Fiscal Year ending in January 1996, the Borrower and its Subsidiaries shall be entitled to make additional Cash Capital Expenditures in any Fiscal Year in an amount (the "Carry-Over Amount") equal to the lesser of (i) 25% of the amount set forth above for the immediately preceding Fiscal Year and (ii) the amount by which (A) the amount (the "Maximum Permitted Amount") of Cash Capital Expenditures permitted under this Section 5.02(o) for the immediately preceding Fiscal Year (after giving effect to this proviso) exceeds (B) the actual amount of Cash Capital Expenditures made during the immediately preceding Fiscal Year; provided further that if, subsequent to the making of Cash Capital Expenditures during any Investment Grade Period in excess of the amounts specified above, the Debt Rating shall cease to be an Investment Grade Rating, such Cash Capital Expenditures shall be deemed to be permitted hereunder; provided still further that in connection with the acquisition of any business pursuant to an asset purchase (whether during a Non-Investment Grade Period or an Investment Grade Period), the applicable requirements as to Investments contained in Section 5.02(e)(xii) shall have been satisfied."

C. Sections 5.04 (a) and (b) of the Credit Agreement be amended and restated so that they will read in full as follows:

(a)Leverage Ratio. Maintain at the end of each fiscal quarter of the Borrower a Leverage Ratio of not more than the amount set forth below for each period set forth below:

Fiscal Quarter Ending in the Fiscal Month of	Ratio
April, 1995	0.55:1
July, 1995	0.55:1
October, 1995	0.56:1
January, 1996	0.53:1
April, 1996	0.53:1
July, 1996	0.53:1
October, 1996	0.55:1
January, 1997	0.49:1
April, 1997	0.48:1
July, 1997	0.48:1
October, 1997	0.49:1
January, 1998	0.44:1
April, 1998	0.44:1
July, 1998	0.44:1
October, 1998	0.45:1
January, 1999 and thereafter	0.40:1

(b)Fixed Charge Coverage Ratio. During each Non-Investment Grade Period, maintain at the end of each Measurement Period a ratio of the sum of (x) Consolidated EBITDA for the Measurement Period then ended plus (y) in the case of any such Measurement Period ending prior to or on February 3, 1996, the net increase (if any) in respect of Debt of the Borrower and its Subsidiaries under the Receivables Financing Facility during such Measurement Period to the sum of (i) Net Cash Interest for such Measurement Period plus (ii) principal amounts of all Funded Debt payable (other than (I) Debt refunded or refinanced in accordance with the terms of the Loan Documents and (II) Debt payable under the May Note Monetization Facility) plus (iii) Cash Capital Expenditures made plus (iv) cash income taxes paid plus (v) cash dividends made, in each case by the Borrower and its Subsidiaries during such Measurement Period determined in accordance with GAAP of not less than the amount set forth below for each period set forth below:

Measurement Period Ending in the Fiscal Month of	Ratio
April, 1995	0.25:1
July, 1995	0.32:1
October, 1995	0.50:1
January, 1996	1.00:1
April, 1996	1.00:1
July, 1996	0.90:1
October, 1996	0.87:1
January, 1997	0.93:1
April, 1997	0.95:1
July, 1997	0.98:1
October, 1997	1.00:1
January, 1998 and thereafter	1.00:1

#### Confirmations

By its execution of this Amendment #2 and Waiver letter, the Borrower represents and warrants that: (i) the representations and warranties contained in each Loan Document are correct on and as of the date hereof other than any such representations or warranties that, by their terms, refer to a specific date other than the date hereof, and (ii) no event has occurred and is continuing that constitutes a Default.



Miscellaneous

This Amendment #2 and Waiver letter shall become effective as of the date first above written when, and only when, the Administrative Agent shall have received counterparts of this Amendment #2 and Waiver letter executed by the undersigned and the Required Lenders or, as to any of the Lenders, advice satisfactory to the Administrative Agent that such Lender has executed this Amendment #2 and Waiver letter, and the consent attached hereto executed by each Guarantor, provided, however, that if the transactions described in this Amendment #2 and Waiver letter fail to occur by February 29, 1996, this Amendment #2 and Waiver letter shall be null and void and of no force and effect and the provisions of the Credit Agreement shall be deemed not to have been amended or waived pursuant to this Amendment #2 and Waiver letter in any respect. The effectiveness of this Amendment #2 and Waiver letter is conditioned upon the substantial accuracy of the factual matters described herein. This Amendment #2 and Waiver letter is subject to the provisions of Section 8.01 of the Credit Agreement. Except as specifically provided herein, the Credit Agreement shall remain in full force and effect and is hereby ratified and confirmed. Notwithstanding anything in this Amendment #2 and Waiver letter to the contrary, no waiver of any default under or breach of any provision of the Credit Agreement shall be deemed to be a waiver of any subsequent similar or different default under or breach of such or any other provision of the Credit Agreement or of any election of remedies available in connection with any of the foregoing.

On and after the effectiveness of this Amendment #2 and Waiver letter, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, and each reference in the Notes and each of the other Loan Documents to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended by this Amendment #2 and Waiver letter.

This Amendment #2 and Waiver letter may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same Amendment #2 and Waiver letter. Delivery of an executed counterpart of a signature page to this Amendment #2 and Waiver letter by telecopier shall be effective as delivery of a manually executed counterpart of this Amendment #2 and Waiver letter.

This Amendment #2 and Waiver letter shall be governed by, and construed in accordance with, the laws of the State of New York.

If the terms of this Amendment #2 and Waiver letter are acceptable to you, please return an executed copy of this Amendment #2 and Waiver letter by August 30, 1995 via facsimile to Ms. Rosemary Bell at Citibank, N.A. fax number (212) 527-3670.

Very truly yours,

FEDERATED DEPARTMENT STORES, INC.

By: \s\ Ronald W. Tysoe  
Ronald W. Tysoe  
Vice Chairman and Chief

Financial Officer

Accepted and Agreed to on  
this 30 day of August, 1995

Name of Bank: Citibank  
BY: \s\ Rachel Heisler

Name: Rachel Heisler  
Title: Assistant Vice President

## CONSENT

Dated as of August 18,  
1995

Each of the undersigned as a Guarantor under the Guaranty dated December 19, 1994 (the "Guaranty") in favor of the Administrative Agent, the Agent, the Lender Parties parties to the Credit Agreement referred to in the foregoing Amendment #2 and Waiver letter and the Hedge Banks referred to in the Credit Agreement and Federated Retail Holdings, Inc., as a Pledgor under the Security Agreement dated December 19, 1994 (the "Security Agreement") in favor of the Administrative Agent, for its benefit and the benefit of the Secured Parties referred to therein, hereby consents to such Amendment #2 and Waiver letter and hereby confirms and agrees that (a) notwithstanding the effectiveness of such Amendment #2 and Waiver letter, each of the Guaranty and the Security Agreement is, and shall continue to be, in full force and effect and is hereby ratified and confirmed in all respects, except that, on and after the effectiveness of such Amendment #2 and Waiver letter, each reference in each of the Guaranty and the Security Agreement to the "Credit Agreement", "thereunder", "thereof" or words of like import shall mean and be a reference to the Credit Agreement, as amended by such Amendment #2 and Waiver letter, and (b) the Collateral Documents to which such Pledgor is a party and all of the Collateral described therein do, and shall continue to, secure the payment of all the Secured Obligations (in each case, as defined therein).

Abraham & Straus, Inc.  
Bloomingdale's, Inc.  
Bloomingdale's By Mail Ltd.  
The Bon, Inc.  
Bullock's, Inc.  
Burdines, Inc.  
Federated Real Estate, Inc.  
Federated Retail Holdings, Inc.  
Jordan Marsh Stores Corporation  
Lazarus, Inc.  
Lazarus PA, Inc.  
Macy's Close-Out, Inc.  
Macy's East, Inc.  
Macy's Real Estate, Inc.  
Macy's Specialty Stores, Inc.  
Macy's West, Inc.  
Rich's Department Stores, Inc.  
Stern's Department Stores, Inc.

By: \s\ Dennis J. Broderick  
Title: Vice President

## FIRST AMENDMENT TO LOAN AGREEMENT

This First Amendment To Loan Agreement ("First Amendment"), dated as of December 6, 1995, is by and among Lazarus PA, Inc., as successor to Joseph Horne Co., Inc. (the "Borrower"), and PNC Bank, Ohio, National Association, as the sole lender (the "Bank") and in its capacity as agent for the Banks (the "Agent").

W I T N E S S E T H:

WHEREAS, the parties hereto (or their predecessors in interest) are party to a Loan Agreement dated as of May 26, 1994, as amended from time to time (the "Loan Agreement");

WHEREAS, the parties hereto have agreed upon the terms and conditions contained herein to amend the Loan Agreement by amending Schedule 2.3(b)(ii) thereto to reflect changes in the "Location" and the "Stipulated Amount" of the properties subject to Section 2.3(b)(ii) of the Loan Agreement;

WHEREAS, the parties have agreed to execute and record (i) a release of the mortgage lien and security interest (the "Releases") granted to the Banks on the Downtown Pittsburgh store and the Oppenheim -Collins Building (the "Downtown Pittsburgh Locations") pursuant to that certain Mortgage and Security Agreement dated as of May 26, 1994 and (ii) appropriate termination statements (the "Termination Statements") for the termination of those certain Uniform Commercial Code financing statements, also dated as of May 26, 1994, filed with respect to the Downtown Pittsburgh Locations.

NOW, THEREFORE, in consideration of mutual promises contained herein and other valuable consideration and with the intent to be legally bound hereby, the Borrower, the Banks and the Agent hereby agree as follows:

1. Definitions: Terms defined in the Loan Agreement and not otherwise defined herein are used herein as defined in the Loan Agreement.

2. Amendment: Schedule 2.3(b)(ii) to the Loan Agreement is hereby amended by deleting it in its entirety and substituting therefor a new Schedule 2.3(b)(ii) which is attached hereto as Exhibit A.

3. Release and Termination Statements: The Banks and Agent shall execute contemporaneously herewith and facilitate the recording of the Releases and Termination Statements.

4. Miscellaneous:

4.1 Except to the extent expressly amended hereby, the Loan Agreement shall remain unchanged and in full force and effect.

4.2 This First Amendment shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania except where such law is superseded by applicable federal law and except only to the extent precluded by the mandatory application of another state's law.

4.3 This First Amendment may be executed in one or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound, have entered into this First Amendment as of the day and year first above written.

LAZARUS PA, INC.

ATTEST:

\s\ Susan P. Storer            By: \s\Karen M. Hoguet  
Name: Karen M. Hoguet  
Title: Treasurer

PNC BANK, OHIO, National  
Association  
in its capacity as the sole Bank  
and Agent

By: \s\ David C. Melin  
Name: David C. Melin  
Title: Assistant Vice President

Property Subject to Section 2.3(b)(ii) Mandatory Prepayment

Location	Stipulated Amount	Type of Interest	Appraised Value
Warehouse	\$ 3,400,000 and Improvements	Real Property determined	To be
South Hills	\$ 23,000,000 and Improvements	Real Property determined	To be
Monroeville	\$ 15,700,000 and Ground Lease	Improvements determined	To be

## EXHIBIT 11

&lt;TABLE&gt;

## FEDERATED DEPARTMENT STORES, INC.

EXHIBIT OF PRIMARY AND FULLY DILUTED EARNINGS (LOSS) PER SHARE  
(THOUSANDS, EXCEPT PER SHARE FIGURES)

&lt;CAPTION&gt;

	13 Weeks Ended					39 Weeks Ended				
	October 28, 1995			October 29, 1994		October 28, 1995			October 29, 1994	
<S>	Shares	Income		Shares	Income	Shares	Income		Shares	Income
	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net income (loss) and average number of shares outstanding		197,017		\$ (46,395)	126,600	\$ 44,343	187,508		\$(170,320)	126,545
Earnings (loss) per share		\$(.24)			\$.35		\$(.91)			\$.63

## PRIMARY COMPUTATION:

Average number of common share equivalents:

Shares to be issued to the U.S.

Treasury	81		122		81		122		
Deferred compensation plan	164			85		155		62	
Warrants	798		-		295		-		
Stock options	1,294		-	217		840		-	
Adjusted number of common and common equivalent shares outstanding and adjusted net income (loss)	199,354		(46,395)	127,024		44,343	188,879	(170,320)	126,978
Primary earnings (loss) per share		\$(.23)		\$.35		\$(.90)		\$.63	

## FULLY DILUTED COMPUTATION:

Additional adjustments to a fully diluted basis:

Convertible notes	-	-	8,564	2,651	-	-	-	-	-
Warrants	-	-	-	221	-	-	-	-	-
Stock options	-	-	-	150	-	-	-	-	-
Adjusted number of shares outstanding and net income (loss) on a fully diluted basis	199,354		\$(46,395)	135,588		\$46,994	189,250	\$(170,320)	126,978
Fully diluted earnings (loss) per share		\$(.23)		\$.35		\$(.90)		\$.63	

&lt;/TABLE&gt;

<TABLE> <S> <C>

<ARTICLE> 5

<CIK> 0000794367

<NAME> FEDERATED DEPARTMENT STORES, INC.

<MULTIPLIER> 1,000

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<PERIOD-TYPE>	3-MOS
<FISCAL-YEAR-END>	FEB-03-1996
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<CASH>	158,027
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<NET-INCOME>	(46,395)
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<F1>Includes the following:	
Supplies and prepaid expenses	120,191
Deferred income tax assets	177,596
<F2>Includes the following:	
Intangible assets - net	1,160,661
Notes receivable	407,209
Other assets	423,227
<F3>Includes the following:	
Deferred income taxes	911,525
Other liabilities	593,023
Shareholders' equity	4,023,840
<F4>Includes the following:	
Interest income	11,928
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</TABLE>