SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934

BROADWAY STORES, INC.

(Name of Issuer)

Common Stock, par value $.01 per share

(Title of Class of Securities)

111572103

(CUSIP Number)

Dennis J. Broderick, Esq.
Federated Department Stores, Inc.
7 West Seventh Street
Cincinnati, Ohio 45202

(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

With a copy to:

Robert A. Profusek, Esq.
Jones, Day, Reavis & Pogue
599 Lexington Avenue
New York, New York 10022
(212) 326-3800

August 14, 1995

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(b)(3) or (4), check the following box [ ].

Check the following box if a fee is being paid with the statement [X].

1 NAME OF REPORTING PERSONS
S.S. OR I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS

Federated Department Stores, Inc.
13-3324058

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) [ ]
(b) [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS*
OO

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED
PURSUANT TO ITEM 2(d) or 2(e) [ ]

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

7 SOLE VOTING POWER
-0-

8 SHARED VOTING POWER

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH

24,800,866

9 SOLE DISPOSITIVE POWER

24,800,866

10 SHARED DISPOSITIVE POWER
-0-

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

24,800,866

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES*
[ ]

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

53.9%

14 TYPE OF REPORTING PERSON*

CO

*SEE INSTRUCTIONS BEFORE FILLING OUT!

Item 1. Security and Issuer.

The securities to which this statement relates are the shares of Common Stock, par value $0.01 per share ("Common Stock"), of Broadway Stores, Inc., a Delaware corporation (the "Company"). The Company's principal offices

are located at 3880 North Mission Road, Los Angeles, California 90031.

Item 2. Identity and Background.

This Statement is filed by Federated Department Stores, Inc. ("Federated"). Federated's principal business is the operation of full-line department stores. Federated's principal offices are located at 151 West 34th Street, New York, New York 10001 and 7 West Seventh Street, Cincinnati, Ohio 45202.

Schedule I hereto, which is incorporated herein by this reference, sets forth the name, the business address, the present principal occupation or employment (and the name, principal business, and address of any corporation or other organization in which such employment is conducted), and the citizenship of the directors and executive officers of Federated.

Neither Federated nor, to its knowledge, any of the persons identified in Schedule I hereto has, during the last five years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree, or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

Item 3. Source and Amount of Funds or Other Consideration.

The consideration payable by Federated to purchase the shares of Common Stock to which this statement relates is Common Stock of Federated ("Federated Common Stock"). See Item 4.

Item 4. Purpose of Transaction.

On August 14, 1995, the Company, Federated, and a wholly owned subsidiary of Federated ("Newco") entered into an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which, on the terms and subject to the condition set forth therein, Newco will be merged with and into the Company (the "Merger"). At the effective time of the Merger, among other things, each then-outstanding share of Common Stock (other than shares of Common Stock held by Federated or any of its wholly owned subsidiaries or by any of the Company's wholly owned subsidiaries, which shares will be cancelled) will be converted into the right to receive 0.27 shares of Federated Common Stock. As a result of the Merger, the Company will become a subsidiary of Federated. The Merger is conditioned upon, among other things: (i) adoption by the Company's stockholders of the Merger Agreement; (ii) the waiting period pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, having expired or been terminated; (iii) the absence of any order or injunction which prohibits the consummation of the transactions contemplated by the Merger Agreement; and (iv) all consents, authorizations, orders, and approvals of any governmental authority required in connection with the Merger Agreement having been obtained, other than any such consents, authorizations, orders, or approvals which, if not obtained, would not have a material adverse effect on the business, financial condition, or results of operations of the Company.

As a condition to its willingness to enter into the Merger Agreement, Federated required that, simultaneously with the execution thereof, Zell/Chilmark Fund, L.P. ("Zell/Chilmark") enter into an agreement with Federated (the "Stock Agreement") pursuant to which, among other things, Zell/Chilmark agreed to vote all of the shares of Common Stock owned by it in favor of the adoption of the Merger Agreement at the meeting of the Company's stockholders to be called to vote thereon, granted to Federated the right to purchase such shares for a purchase price payable in shares of Federated Common Stock at the rate of 0.27 shares of Federated Common Stock for each such share of Common Stock (the "Option"), and agreed to certain restrictions on transfer of those shares of Common Stock. See Item 5.

Federated's principal purpose in entering into the Merger Agreement is to acquire the Company. Federated's principal purpose in entering into the Stock Agreement is to enhance the likelihood of the Merger being consummated. Following the Merger or, if earlier, the exercise of the Option, Federated intends to seek to change the composition of the Company's Board of Directors

and thereby control the Company and to seek to cause one or more of the executive officers of the Company to be replaced.

Federated believes that the Merger is in the best interests of it and its stockholders. The Merger will permit Federated to broaden its base of department store operations in the areas in which the Company's department stores are operated. Federated anticipates that a number of the Company's stores will be disposed of following the Merger. As of the date of this statement, however, Federated had not entered into any agreements providing for such dispositions and there can be no assurance that Federated will do so or as to the timing or terms thereof. If the Merger is completed, Federated anticipates that the Company's retained department stores will be converted into Macy's, Bullock's, or Bloomingdale's stores commencing early in 1996.

The foregoing response to this Item 4 is qualified in its entirety by reference to the Merger Agreement and the Stock Agreement, copies of which are filed as Exhibits 1 and 2 hereto and incorporated herein by this reference.

Item 5. Interest in Securities of the Issuer.

The responses to Items 4 and 6 are incorporated herein by this reference.

Pursuant to the Stock Agreement, Zell/Chilmark has represented to Federated that, as of August 14, 1995, Zell/Chilmark was the record and beneficial owner of 24,800,866 shares of Common Stock, or 53.9% of the total number of shares of Common Stock then outstanding. As a result of the Option and the other provisions of the Stock Agreement, Federated may be deemed to be the beneficial owner of all of these 24,800,866 shares of Common Stock. As a result of the Stock Agreement, Federated may be deemed to have shared power to vote or direct the voting of the 24,800,866 shares of Common Stock owned by Zell/Chilmark and sole power to dispose or direct the disposition of such shares.

Except as disclosed in this Statement, neither Federated nor, to its knowledge, any of the persons identified on Schedule I hereto have effected transactions in shares of Common Stock during the preceding 60 days.

Item 6. Contracts, Arrangements, Understandings or Relationships With Respect to Securities of the Issuer.

The responses to Items 4 and 5 are incorporated herein by this reference.

Item 7. Material to be Filed as Exhibits.

Exhibit 1 -- Agreement and Plan of Merger, dated as of August 14, 1995, by and among the Company, Federated, and Newco.

Exhibit 2 -- Stock Agreement, dated as of August 14, 1995, by and between Federated and Zell/Chilmark.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete, and correct.

Date: August 24, 1995 FEDERATED DEPARTMENT STORES, INC.

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick
Title: Senior Vice President

SCHEDULE I

Information with Respect to
Directors and Executive Officers of Federated

Each of the individuals listed below is a United States citizen. The business address of each such individual is 7 West Seventh Street, Cincinnati, Ohio 45202. The address of the corporation or organization (if other than Federated), if any, in which the principal occupation or employment of each such individual is conducted is set forth opposite such individual's name below.

Name	Title	Present Principal Occupation or Employment
Allen I. Questrom	Chairman of the Board, Chief Executive Officer and Director	Chairman of the Board and Chief Executive Officer of Federated
James M. Zimmerman	President, Chief Operating Officer and Director	President and Chief Operating Officer of Federated
Ronald W. Tysoe	Vice Chairman, Chief Financial Officer and Director	Vice Chairman and Chief Financial Officer of Federated
Thomas G. Cody	Executive Vice President - Legal and Human Resources	Executive Vice President - Legal and Human Resources of Federated
Dennis J. Broderick	Senior Vice President, General Counsel and Secretary	Senior Vice President, General Counsel and Secretary of Federated
John E. Brown	Senior Vice President and Controller	Senior Vice President and Controller of Federated
Karen Hoguet	Senior Vice President - Planning and Treasurer	Senior Vice President - Planning and Treasurer of Federated
Robert A. Charpie	Director	Chairman of Ampersand Ventures Ampersand Ventures 55 Williams Street Suite 240 Wellesley, MA 02181
Lyle Everingham	Director	Retired as Chief Executive Officer and Chairman of the Board of The Kroger Co.
Meyer Feldberg	Director	Dean of the Columbia Business School at Columbia University Columbia University School of Business 101 Uris Hall 16th and Broadway New York, New York 10027

Earl G. Graves, Sr.	Director	President and Chief Executive Officer of Earl G. Graves, Ltd. and Publisher of "Black Enterprise" Magazine Earl G. Graves Limited 130 5th Avenue New York, NY 10011
George V. Grune	Director	Chairman of De-Witt Wallace-Reader's Digest Fund and Lila Wallace-Reader's Digest Fund Two Park Avenue, 23rd Floor New York, NY 10016
Gertrude G. Michelson	Director	Retired as Senior Advisor to R. H. Macy & Co., Inc.

<CAPTION>

Name	Title	Present Principal Occupation or Employment
<S>	<C>	<C>
Joseph Neubauer	Director	Chairman and Chief Executive Officer of The ARAMARK Corporation (formerly known as The ARA Group) ARAMARK Corporation 1101 Market Street Philadelphia, PA 19107
Laurence A. Tisch	Director	Chairman, President and Chief Executive Officer of CBS Inc. and Chairman and Co-Chief Executive Officer of Loews Corporation CBS Inc. 51 West 52nd Street, 35th Floor New York, NY 10019 Loews Corporation 667 Madison Avenue New York, NY 10021
Paul W. Van Orden	Director	Executive in Residence, Columbia University, Graduate School of Business Columbia University Graduate School of Business Uris Hall #214 116th Street & Broadway New York, NY 10027
Karl M. von der Heyden	Director	Senior Advisor to The Clipper Group The Clipper Group 12 E. 49th Street 30th Floor New York, NY 10017
Marna C. Whittington	Director	Partner with Miller, Anderson & Sherrerd, LLP Miller, Anderson & Sherrerd, LLP 100 Front Street West Conshohocken, PA 10428

</TABLE>

Exhibit 1

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AGREEMENT AND PLAN OF MERGER

by and among

BROADWAY STORES, INC.

FEDERATED DEPARTMENT STORES, INC.

and

NOMO COMPANY, INC.

Dated as of August 14, 1995

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List of Schedules

List of Exhibits

Agreement and Plan of Merger

Agreement and Plan of Merger (this "Agreement"), dated as of August 14, 1995, by and among Broadway Stores, Inc., a Delaware corporation (the "Company"), Federated Department Stores, Inc., a Delaware corporation ("Parent"), and Nomo Company, Inc., a Delaware corporation and a wholly owned subsidiary of Parent ("Merger Sub").

Recitals

A. Each of the Boards of Directors of the Company, Parent and Merger Sub has determined it is in the best interests of its respective stockholders for Merger Sub to merge with and into the Company (the "Merger"), on the terms and subject to the conditions set forth herein.

B. Each of the Company, Parent and Merger Sub desires to provide for the consummation of the Merger and certain other transactions relating thereto, on the terms and subject to the conditions set forth herein.

C. As a condition to its willingness to enter into this Agreement, Parent has required that, simultaneously with the execution hereof, [Cub], a Delaware limited partnership and stockholder of the Company ("Stockholder"), enter into the Stock Agreement, dated as of even date herewith (the "Stock Agreement"), with Parent, pursuant to which Stockholder is granting to Parent the option (the "Option") to purchase all of the Company Common Shares (as defined below) owned by Stockholder.

1. The Merger

1.1 The Merger. (a) On the terms and subject to the conditions
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of this Agreement, at the Effective Time (as defined below), Merger Sub will be merged with and into the Company in accordance with the applicable provisions of the General Corporation Law of the State of Delaware (the "DGCL"), and the separate corporate existence of Merger Sub will thereupon cease. The Company will be the surviving corporation in the Merger (as such, the "Surviving Corporation").

(b) At the Effective Time, the corporate existence of the Company with all its rights, privileges, powers and franchises will continue unaffected and unimpaired by the Merger. The Merger will have the effects specified in the DGCL.

1.2 The Closing. The closing (the "Closing") of the
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transactions contemplated by this Agreement will take place at the offices of Jones, Day, Reavis & Pogue, 599 Lexington Avenue, New York, New York, at 10:00 a.m., local time, on the first business day following the date on which the last of the conditions (excluding conditions that by their terms cannot be satisfied until the Closing Date (as defined below)) set forth in Article 6 is satisfied or waived in accordance herewith or at such other place, time or date as the parties may agree. The date on which the Closing occurs is hereinafter referred to as the "Closing Date".

1.3 Effective Time. On the Closing Date or as soon as
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practicable following the date on which the last of the conditions set forth in Article 6 is satisfied or waived in accordance herewith, Merger Sub and the Company will cause a certificate of merger to be filed with the Secretary of State of the State of Delaware as provided in Section 251 of

the DGCL. Upon completion of such filing, the Merger will become effective in accordance with the DGCL. The time and date on which the Merger becomes effective is herein referred to as the "Effective Time."

1.4 Certificate of Incorporation and By-Laws of Surviving Corporation. (a) The certificate of incorporation of the Surviving Corporation to be in effect from and after the Effective Time until amended in accordance with its terms and the DGCL will be the certificate of incorporation of the Company immediately prior to the Effective Time, as amended and restated in the form of Exhibit A.

(b) The by-laws of the Surviving Corporation to be in effect from and after the Effective Time until amended in accordance with their terms and the DGCL will be the by-laws of the Company immediately prior to the Effective Time, as amended and restated in the form of Exhibit B.

1.5 Directors and Officers of Surviving Corporation. (a) The members of the initial Board of Directors of the Surviving Corporation will be the members of the Board of Directors of Merger Sub immediately prior to the Effective Time. All of the members of the Board of Directors of the Surviving Corporation will serve until their successors are duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the certificate of incorporation and the by-laws of the Surviving Corporation.

(b) The officers of the Surviving Corporation will consist of the officers of Merger Sub immediately prior to the Effective Time. Such persons will continue as officers of the Surviving Corporation until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the certificate of incorporation and the by-laws of the Surviving Corporation.

2. Conversion of Securities

2.1 Conversion of Securities. (a) At the Effective Time, each share of Common Stock, par value $0.01 per share, of the Company (each a "Company Common Share") issued and outstanding immediately prior to the Effective Time (other than Company Common Shares owned by Parent or any direct or indirect wholly owned subsidiary of Parent (collectively, the "Parent Companies") or any of the Company's direct or indirect wholly owned subsidiaries) will, by virtue of the Merger and without any action on the part of the holder thereof, be converted into 0.27 shares (the "Conversion Rate") of Common Stock, par value $0.01 per share, of Parent and the associated share purchase rights (collectively, the "Parent Common Shares").

(b) All Company Common Shares to be converted into Parent Common Shares pursuant to this Section 2.1 will, by virtue of the Merger and without any action on the part of the holders thereof, cease to be outstanding, be cancelled and retired and cease to exist, and each holder of a certificate previously representing any such Company Common Shares will thereafter cease to have any rights with respect to such Company Common Shares, except the right to receive for each of the Company Common Shares, upon the surrender of such certificate in accordance with Section 2.2, the number of Parent Common Shares specified above and cash in lieu of fractional Parent Common Shares as contemplated by Section 2.3 (collectively, the "Consideration").

(c) At the Effective Time, each Company Common Share issued and outstanding and owned by any of the Parent Companies or any of the Company's direct or indirect wholly owned subsidiaries immediately prior to

the Effective Time will, by virtue of the Merger and without any action on the part of the holder thereof, cease to be outstanding, be cancelled and retired without payment of any consideration therefor and cease to exist.

(d) At the Effective Time, each share of Series A Preferred Stock, par value $0.01 per share, of the Company (each, a "Company Series A Preferred Share") issued and outstanding immediately prior to the Effective Time will, by virtue of the Merger and without any action on the part of the holders thereof, be converted into one one-thousandth of a share of Series A Preferred Stock, par value $0.01 per share, of the Surviving Corporation (each a "Surviving Corporation Series A Preferred Share"), having the powers, preferences and relative, participating, optional or other special rights set forth in Exhibit A.

(e) At the Effective Time, each share of Common Stock, par value $0.01 per share, of Merger Sub issued and outstanding immediately prior to the Effective Time will, by virtue of the Merger and without any action on the part of Merger Sub or the holder thereof, be converted into 370.44 shares of common stock, par value $0.01 per share, of the Surviving Corporation, with the result that the Surviving Corporation will be a wholly owned subsidiary of Parent.

(f) Subject to the satisfaction of the obligations of the Company with respect thereto in Schedule 6.3(d), at the Effective Time, each outstanding option to purchase Company Common Shares (each, an "Option") listed on Schedule 2.1(f) and each outstanding Option issued in accordance with Section 5.2(f) will become an option to acquire, on substantially the same terms and conditions as were applicable under such Option immediately prior to the Effective Time, a number of Parent Common Shares equal to the product of the Conversion Rate and the number of Company Common Shares subject to such Option immediately prior to the Effective Time, at a price per share equal to the aggregate exercise price for the Company Common Shares subject to such Option divided by the number of Parent Common Shares deemed to be purchasable pursuant to such Option; provided, however, that Parent will not issue any fractional Parent Common Share upon any exercise of any Option and any right in respect thereof will, without further action, be forfeited. Subject to the satisfaction of the obligations of the Company with respect thereto in Schedule 6.3(d), following the Effective Time Parent will issue the Parent Common Shares required to be issued upon the exercise of any Option as provided in the immediately preceding sentence.

(g) At or promptly following the Effective Time, Parent will, and will cause the Surviving Corporation to, execute an agreement providing that any holder of a Company Warrant (as defined below) will have the right until the expiration date thereof to exercise such Company Warrant for the number of Parent Common Shares receivable pursuant to Section 2.1(a) by a holder of the number of Company Common Shares for which such Company Warrant might have been exercised immediately prior to the Effective Time.

2.2 Payment for Company Common Shares. (a) At the Effective Time, Parent will make available to The Bank of New York or such other exchange agent as may be selected by Parent and reasonably acceptable to the Company (the "Exchange Agent"), for the benefit of the holders of Company Common Shares, a sufficient number of certificates representing Parent Common Shares required to effect the delivery of the aggregate Consideration pursuant to Section 2.1(a) (the certificates representing Parent Common Shares and any cash delivered to the Exchange Agent pursuant to Section 2.3 comprising such aggregate Consideration being hereinafter referred to as the "Exchange Fund"). The Exchange Agent will, pursuant to irrevocable instructions, deliver the Parent Common Shares contemplated to be issued pursuant to Section 2.1(a) out of the Exchange Fund, and, except as provided in Section 2.3, the Exchange Fund will not be used for any other purpose.

(b) Promptly after the Effective Time, the Exchange Agent will mail to each holder of record (other than holders of certificates for Company Common Shares referred to in Section 2.1(c)) of a certificate or certificates which immediately prior to the Effective Time represented outstanding Company Common Shares (the "Certificates") (i) a form of letter of transmittal (which will specify that delivery will be effected, and risk of loss and title to the Certificates will pass, only upon proper delivery of the Certificates to the Exchange Agent) and (ii) instructions for use in effecting the surrender of the Certificates for payment therefor. Upon surrender of Certificates for cancellation to the Exchange Agent, together with such letter of transmittal duly executed and any other required documents, the holder of such Certificates will be entitled to receive for each of the Company Common Shares represented by such Certificates the Consideration and the Certificates so surrendered will promptly be cancelled. Until so surrendered, Certificates will represent solely the right to receive the Consideration. No dividends or other distributions that are declared after the Effective Time on Parent Common Shares and payable to the holders of record thereof after the Effective Time will be paid to persons entitled by reason of the Merger to receive Parent Common Shares until such persons surrender their Certificates. Upon such surrender, there will be paid to the person in whose name the Parent Common Shares are issued any dividends or other distributions on such Parent Common Shares which will have a record date after the Effective Time and prior to such surrender and a payment date after such surrender and such payment will be made on such payment date. In no event will the persons entitled to receive such dividends or other distributions be entitled to receive interest on such dividends or other distributions. If any cash or certificate representing Parent Common Shares is to be paid to or issued in a name other than that in which the Certificate surrendered in exchange therefor is registered, it will be a condition of such exchange that the Certificate so surrendered be properly endorsed and otherwise in proper form for transfer and that the person requesting such exchange pay to the Exchange Agent any transfer or other taxes required by reason of the issuance of certificates for such Parent Common Shares in a name other than that of the registered holder of the Certificate surrendered, or establish

to the satisfaction of the Exchange Agent that such tax has been paid or is not applicable. Notwithstanding the foregoing, neither the Exchange Agent nor any party hereto will be liable to a holder of Company Common Shares for any Parent Common Shares or dividends thereon or, in accordance with Section 2.3, cash in lieu of fractional Parent Common Shares, delivered to a public official pursuant to applicable escheat law. The Exchange Agent will not be entitled to vote or exercise any rights of ownership with respect to such Parent Common Shares for the account of the persons entitled thereto.

(c) Any portion of the Exchange Fund or the cash made available to the Exchange Agent pursuant to Section 2.3 which remains unclaimed by the former stockholders of the Company for one year after the Effective Time will be delivered to Parent and any former stockholders of the Company will thereafter look only to Parent for payment of their claim for the Consideration for the Company Common Shares.

2.3 Fractional Shares. No fractional Parent Common Shares will
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be issued in the Merger. In lieu of any such fractional securities, each holder of Company Common Shares who would otherwise have been entitled to a fraction of a Parent Common Share upon surrender of Certificates for exchange pursuant to this Article 2 will be paid an amount in cash (without interest), rounded to the nearest cent, determined by multiplying (a) the per share closing price on the New York Stock Exchange, Inc. (the "NYSE") of Parent Common Shares (as reported on the NYSE Composite Transactions) on the date of the Effective Time (or, if Parent Common Shares do not trade on the NYSE on such date, the first date of trading of Parent Common Shares on the NYSE after the Effective Time) by (b) the fractional interest to which such holder otherwise would be entitled. Promptly upon request from the

Exchange Agent, Parent will make available to the Exchange Agent the cash necessary for this purpose.

2.4 Payment for Company Series A Preferred Shares. At the Effective Time, Parent and the Surviving Corporation will make available to the Exchange Agent, for the benefit of the holders of Company Series A Preferred Shares, a sufficient number of certificates representing Surviving Corporation Series A Preferred Shares required to effect the delivery of Surviving Corporation Series A Preferred Shares pursuant to Section 2.1(d). Promptly after the Effective Time, the Exchange Agent will mail to each holder of record of a certificate or certificates which immediately prior to the Effective Time represented outstanding Company Series A Preferred Shares (the "Preferred Certificates") (a) a form of letter of transmittal (which will specify that delivery will be effected, and risk of loss and title to the Preferred Certificates will pass, only upon proper delivery of the Preferred Certificates to the Exchange Agent) and (b) instructions for use in effecting the surrender of the Preferred Certificates for payment therefor. Upon surrender of Preferred Certificates for cancellation to the Exchange Agent, together with such letter of transmittal duly executed and any other required documents, the holder of such Preferred Certificates will be entitled to receive for each of the Company Series A Preferred Shares represented by such Preferred Certificates one Surviving Corporation Series A Preferred Share and the Preferred Certificates so surrendered will promptly be cancelled. Until so surrendered, Preferred Certificates will represent solely the right to receive Surviving Corporation Series A Preferred Shares.

2.5 Dissenting Company Series A Preferred Shares.

(a) Notwithstanding the provisions of Section 2.1 or any other provision of this Agreement to the contrary, the Company Series A Preferred Shares that are issued and outstanding immediately prior to the Effective Date and are held by stockholders who have not voted such Company Series A Preferred Shares in favor of the adoption of this Agreement and who properly demand appraisal of such Company Series A Preferred Shares in accordance with Section 262 of the DGCL (the "Dissenting Shares") will not be converted as provided in Section 2.1(d) at or after the Effective Date unless and until the holder of such Dissenting Shares fails to perfect or effectively withdraws or loses such right to appraisal and payment under the DGCL. If a holder of Dissenting Shares so fails to perfect or effectively withdraws or loses such right to appraisal and payment, then, as of the Effective Time or the occurrence of such event, whichever last occurs, such holder's Dissenting Shares will be converted into and represent solely the right provided in Section 2.1(d).

(b) The Company will give Parent (i) prompt written notice of any written demands for appraisal, withdrawals of demands for appraisal and any other instruments served pursuant to Section 262 of the DGCL and received by the Company and (ii) the opportunity to direct all negotiations and proceedings with respect to demands for appraisal under Section 262 of the DGCL. The Company will not voluntarily make any payment with respect to any demands for appraisal and will not, except with the prior written consent of Parent, settle or offer to settle any such demands.

2.6 No Transfer after the Effective Time. No transfers of Company Common Shares or Company Series A Preferred Shares will be made on the stock transfer books of the Company after the close of business on the day prior to the date of the Effective Time.

3. Representations and Warranties of the Company

The Company hereby represents and warrants to each of Parent and Merger Sub as follows:

3.1 Existence; Good Standing; Corporate Authority. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of Delaware. The Company is duly licensed or qualified to do business as a foreign corporation and is in good standing under the laws of any other state of the United States in which the character of the properties owned or leased by it or in which the transaction of its business makes such qualification necessary, except where the failure to be so qualified or to be in good standing would not have a material adverse effect on the business, results of operations or financial condition of the Company and its Subsidiaries (as defined below) taken as a whole (a "Company Material Adverse Effect"). The Company has all requisite corporate power and authority to own, operate and lease its properties and carry on its business as now conducted. Each of the Company's Subsidiaries is a corporation or partnership duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization, has the corporate or partnership power and authority to own its properties and to carry on its business as it is now being conducted, and is duly qualified

to do business and is in good standing in each jurisdiction in which the ownership of its property or the conduct of its business requires such qualification, except for jurisdictions in which such failure to be so qualified or to be in good standing would not have a Company Material Adverse Effect. The copies of the Company's certificate of incorporation and by-laws previously made available to Parent are true and correct. As used in this Agreement, the word "Subsidiary" when used with respect to any party means any corporation or other organization, whether incorporated or unincorporated, of which such party directly or indirectly owns or controls at least a majority of the securities or other interests having by their terms ordinary voting power to elect a majority of the board of directors or others performing similar functions.

3.2 Authorization, Validity and Effect of Agreement. The Company has the requisite corporate power and authority to execute and deliver this Agreement and all agreements and documents contemplated hereby to be executed and delivered by it. Subject only to the approval of this Agreement, the Merger and the transactions contemplated hereby by the holders of a majority of the outstanding Company Common Shares and the outstanding Company Series A Preferred Shares, voting together as one class, this Agreement, the Merger and the consummation by the Company of the transactions contemplated hereby have been duly authorized by all requisite corporate action. This Agreement constitutes, and all agreements and documents contemplated hereby to be executed and delivered by the Company (when executed and delivered pursuant hereto) will constitute, the valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms.

3.3 Capitalization. The authorized capital stock of the Company consists of 100,000,000 Company Common Shares and 25,000,000 shares of preferred stock, par value $0.01 per Share (the "Company Preferred Shares"). As of August 10, 1995, there were 46,052,006 Company Common Shares, and 755,424 Company Preferred Shares (comprised solely of Company Series A Preferred Shares) issued and outstanding. Since such date, (a) no additional shares of capital stock of the Company have been issued, except pursuant to the Company's stock option and stock purchase plans and other similar employee benefit plans (the "Company Stock Plans") or pursuant to the instruments and securities described in the last sentence of this Section 3.3, and (b) no options, warrants or other rights to acquire shares of the Company's capital stock (collectively, the "Company Rights") have been granted. Except as described in the last sentence of this Section 3.3, the Company has no outstanding bonds, debentures, notes or other obligations the holders of which have the right to vote or which are

convertible into or exercisable for securities having the right to vote with the stockholders of the Company on any matter. All issued and outstanding Company Common Shares and Company Preferred Shares are duly authorized, validly issued, fully paid, nonassessable and free of preemptive rights. There are not at the date of this Agreement any existing options, warrants, calls, subscriptions, convertible securities or other Company Rights which obligate the Company or any of its Subsidiaries to issue, transfer or sell any shares of capital stock of the Company or any of its Subsidiaries other than (i) the Company's 6-1/4% Convertible Senior Subordinated Notes due 2000, which as of the date hereof were convertible into an aggregate of 11,792,453 Company Common Shares (the "Company Convertible Notes"), (ii) the Company's warrants to purchase Company Common Shares (the "Company Warrants"), which as of the date hereof were exercisable to purchase

an aggregate of 1,579,668 Company Common Shares, (iii) 958,558 Company Common Shares reserved for issuance under the Company's Plan of Reorganization (the "Company POR"), (iv) 80,878 Company Warrants reserved for issuance and issuable under the Company POR, (v) 60,163 Company Series A Preferred Shares reserved for issuance and issuable under the Company POR, (vi) Company Warrants issuable upon the exchange of Company Series A Preferred Shares, and (vii) Company Common Shares issuable under the Company Stock Plans or awards granted pursuant thereto.

3.4 Subsidiaries. The Company owns, directly or indirectly, each of the outstanding shares of capital stock (or other ownership interests having by their terms ordinary voting power to elect a majority of directors or others performing similar functions with respect to such Subsidiary) of each of the Company's Subsidiaries. Each of the outstanding shares of capital stock of each of the Company's Subsidiaries is duly authorized, validly issued, fully paid and nonassessable, and is owned, directly or indirectly, by the Company. Each of the outstanding shares of capital stock of each Subsidiary of the Company is owned, directly or indirectly, by the Company free and clear of all liens, pledges, security interests, claims or other encumbrances other than (a) liens granted to secure the Company's indebtedness under its working capital facility with General Electric Capital Corporation or (b) liens imposed by local law which are not material. The following information for each Subsidiary of the Company has been previously provided to Parent, if applicable: (i) its name and jurisdiction of incorporation or organization; (ii) its authorized capital stock or share capital; and (iii) the number of issued and outstanding shares of capital stock or share capital.

3.5 Other Interests. Except for interests in the Company's Subsidiaries, neither the Company nor any of the Company's Subsidiaries owns, directly or indirectly, any interest or investment (whether equity or debt) in any corporation, partnership, joint venture, business, trust or entity (other than (a) non-controlling investments in the ordinary course of business and corporate partnering, development, cooperative marketing and similar undertakings and arrangements entered into in the ordinary course of business and (b) other investments of less than $5,000,000 in the aggregate).

3.6 No Conflict; Required Filings and Consents. (a) The execution and delivery of this Agreement by the Company do not, and the consummation by the Company of the transactions contemplated hereby will not, (i) conflict with or violate the certificate of incorporation or by-laws or equivalent organizational documents of the Company or any of its Subsidiaries, (ii) subject to making the filings and obtaining the approvals identified in Section 3.6(b), conflict with or violate any law, rule, regulation, order, judgment or decree applicable to the Company or any of its Subsidiaries or by which any property or asset of the Company or any of its Subsidiaries is bound or affected, or (iii) subject to making

the filings, obtaining the approvals and effecting any other matters identified in Schedule 3.6(a), result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under, result in the loss of a material benefit under, or give to others any right of purchase or sale, or any right of termination, amendment, acceleration, increased payments or cancellation of, or result in the creation of a lien or other encumbrance on any property or asset of the Company or any of its Subsidiaries pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise

or other instrument or obligation to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries or any property or asset of the Company or any of its Subsidiaries is bound or affected, except, in the case of clauses (ii) and (iii), for any such conflicts, violations, breaches, defaults or other occurrences which would not prevent or delay consummation of any of the transactions contemplated hereby in any material respect, or otherwise prevent the Company from performing its obligations under this Agreement in any material respect, and would not, individually or in the aggregate, have a Company Material Adverse Effect.

(b) The execution and delivery of this Agreement by the Company do not, and the performance of this Agreement and the consummation by the Company of the transactions contemplated hereby will not, require any consent, approval, authorization or permit of, or filing with or notification to, any governmental or regulatory authority, domestic or foreign (each a "Governmental Entity"), except (i) for (A) applicable requirements, if any, of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Securities Act of 1933, as amended (the "Securities Act"), and state securities or "blue sky" laws ("Blue Sky Laws"), (B) the pre-merger notification requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder (the "HSR Act"), (C) the filing of a certificate of merger pursuant to the DGCL, (D) filings and consents as may be required under any environmental, health or safety law or regulation pertaining to any notification, disclosure or required approval, triggered by the Merger or the other transactions contemplated by this Agreement, and (E) applicable requirements, if any, of the Internal Revenue Code of 1986, as amended (the "Code"), and state, local and foreign tax laws, and (ii) where failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications, would not prevent the Company from performing its obligations under this Agreement in any material respect, and would not, individually or in the aggregate, have a Company Material Adverse Effect.

3.7 Compliance. Neither the Company nor any of its Subsidiaries
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is in conflict with, or in default or violation of, (a) any law, rule, regulation, order, judgment or decree applicable to the Company or any of its Subsidiaries or by which any property or asset of the Company or any of its Subsidiaries is bound or affected or (b) any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries or any property or asset of the Company or any of its Subsidiaries is bound or affected, in each case except for such conflicts, defaults or violations that have previously been disclosed by the Company to Parent and such other conflicts, defaults or violations that would not, individually or in the aggregate, have a Company Material Adverse Effect. The Company and its Subsidiaries have obtained all licenses, permits and other authorizations and have taken all actions required by applicable law or government regulations in connection with their business as now conducted, except where the failure to obtain any such item or to take any such action would not, individually or in the aggregate, have a Company Material Adverse Effect.

3.8 SEC Documents. (a) The Company has filed all forms, reports and documents required to be filed by it with the Securities and Exchange Commission (the "SEC") since January 30, 1993 (collectively, the "Company Reports"). As of their

respective dates, the Company Reports and any such reports, forms and other documents filed by the Company with the SEC after the date of this Agreement (i) complied, or will comply, as to form in all material respects with the applicable requirements of the Securities Act, the Exchange Act and the rules and regulations thereunder and (ii) did not, or will not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading. The representation in clause (ii) of the preceding sentence does not apply to any misstatement or omission in any Company Report filed prior to the date of this Agreement which was superseded by a subsequent Company Report filed prior to the date of this Agreement. No Subsidiary of the Company is required to file any report, form or other document with the SEC.

(b) Each of the consolidated balance sheets of the Company included in or incorporated by reference into the Company Reports (including the related notes and schedules) presents fairly, in all material respects, the consolidated financial position of the Company and its Subsidiaries as of its date, and each of the consolidated statements of income, retained earnings and cash flows of the Company included in or incorporated by reference into the Company Reports (including any related notes and schedules) presents fairly, in all material respects, the results of operations, retained earnings or cash flows, as the case may be, of the Company and its Subsidiaries for the periods set forth therein (subject, in the case of unaudited statements, to normal year-end audit adjustments), in each case in accordance with generally accepted accounting principles consistently applied during the periods involved, except as may be noted therein.

(c) Neither the Company nor any of its Subsidiaries has any liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise) that would be required to be reflected on, or reserved against in, a balance sheet of the Company or in the notes thereto, prepared in accordance with generally accepted accounting principles consistently applied, except for (i) liabilities or obligations that were so reserved on, or reflected in (including the notes to), the consolidated balance sheet of the Company as of January 28, 1995 or April 29, 1995, (ii) liabilities or obligations arising in the ordinary course of business (including trade indebtedness) since April 29, 1995, and (iii) liabilities or obligations which would not, individually or in the aggregate, have a Company Material Adverse Effect.

(d) Set forth on Schedule 3.8(d) is a listing of all of the Company's indebtedness for borrowed money outstanding as of the date hereof, setting forth in each case the principal amount thereof.

(e) No payment default has occurred and is continuing under (i) the Loan Modification Implementation Agreement and Amendment to Loan Agreement, dated as of October 8, 1992, between the Company and The Prudential Insurance Company of America, (ii) the Amended and Restated Term Loan Agreement, dated as of October 8, 1992, by and between the Company and Bank of America, N.T. & S.A., or (iii) the Company's 6 1/4% Convertible Senior Subordinated Notes due 2000.

3.9 Litigation. Except as described in the Company Reports, ----------
there are no actions, suits or proceedings resulting from, arising out of or related to (a) debt (including trade payables), contractual obligations or other liabilities or obligations relating to the financial condition of the Company or (b) all other matters, in either case pending against the Company or any of its Subsidiaries or, to the actual knowledge of the executive officers of the Company, threatened against the Company or any of its Subsidiaries, at law or in equity, or before or by any Governmental Entity, that, individually or in the aggregate, are reasonably likely to have a Company Material Adverse Effect.

3.10 Absence of Certain Changes. Except as described in the ----------
Company Reports or previously disclosed by the Company to Parent, since January 28, 1995, there has not been (a) any Company Material Adverse Effect, (b) any declaration, setting aside or payment of any dividend of other distribution with respect to its capital stock, or (c) any material change in its accounting principles, practices or methods.

3.11 Taxes. (a) The Company and each of its Subsidiaries has -----
filed all tax returns and reports required to be filed by it, or requests for extensions to file such returns or reports have been timely filed and granted and have not expired, and all tax returns and reports are complete and accurate in all respects, except to the extent that such failures to file or be complete and accurate in all respects, as applicable, individually or in the aggregate, would not have a Company Material Adverse Effect. The Company and each of its Subsidiaries has paid (or the Company has paid on its behalf) or made provision for all taxes shown as due on such tax returns and reports. The most recent financial statements contained in the Company Reports reflect adequate reserves for all taxes payable by the Company and its Subsidiaries for all taxable periods and portions thereof accrued through the date of such financial statements, and no deficiencies for any taxes have been proposed, asserted or assessed against the Company or any of its Subsidiaries that are not adequately reserved for, except for inadequately reserved taxes and inadequately reserved deficiencies that would not, individually or in the aggregate, have a Company Material Adverse Effect. No requests for waivers of the time to assess any taxes against the Company or any of its Subsidiaries have been granted or are pending, except for requests with respect to such taxes that have been adequately reserved for in the most recent financial statements contained in the Company Reports, or, to the extent not adequately reserved, the assessment of which would not, individually or in the aggregate, have a Company Material Adverse Effect. As used in this Agreement the term "taxes" includes all federal, state, local and foreign income, franchise, property, sales, use, excise and other taxes, including without limitation obligations for withholding taxes from payments due or made to any other person and any interest, penalties or additions to tax.

(b) The consummation of the Merger and the other transactions contemplated hereby will not result in any taxes being imposed by any state of the United States on the stockholders of the Company as a result of the ownership by the Company or any Subsidiary of the Company of any interest in real property.

3.12 Employee Benefit Plans. Except as described in the Company ----------
Reports (and subsequent financial and actuarial statements and reports furnished to Parent or its agents prior to the date hereof) or as would not have a Company Material Adverse Effect,

(a) all employee benefit plans or programs maintained for the benefit of the current or former employees or directors of the Company or any of its

Subsidiaries that are sponsored, maintained or contributed to by the Company or any of its Subsidiaries, or with respect to which the Company or any of its Subsidiaries has any liability, including without limitation any such plan that is an "employee benefit plan" as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974 ("ERISA"), are in compliance with all applicable requirements of law, including ERISA and the Code, (b) neither the Company nor any of its Subsidiaries has any liabilities or obligations with respect to any such employee benefit plans or programs, whether accrued, contingent or otherwise, nor to the knowledge of the executive officers of the Company are any such liabilities or obligations expected to be incurred, and (c) neither the Company nor any of its Subsidiaries is a party to any contract or other arrangement under which, after giving effect to the Merger, Parent or the Surviving Corporation would be obligated to make any "parachute" payment within the meaning of Section 280G of the Code. Except as described in Schedule 3.6(a), the execution of, and performance of the transactions contemplated by, this Agreement will not (either alone or upon the occurrence of any additional or subsequent events) constitute an event under any benefit plan, program, policy, arrangement or agreement or any trust, loan or funding arrangement that will or may result in any payment (whether of severance pay or otherwise), acceleration, forgiveness of indebtedness, vesting, distribution, increase in benefits or obligation to fund benefits with respect to any employee.

3.13 State Takeover Statutes. The Board of Directors of the Company has (a) approved the Merger, this Agreement, the transactions contemplated hereby, and the grant of the Option and the purchase of Company Common Shares pursuant thereto (collectively, the "Stock Agreement Transaction") and such approval is sufficient to render inapplicable to the Merger, this Agreement, the transactions contemplated hereby and the Stock Agreement Transaction, the provisions of Section 203 of the DGCL. To the knowledge of the executive officers of the Company after due inquiry, no other "fair price", "merger moratorium", "control share acquisition" or other anti-takeover statute or similar statute or regulation applies or purports to apply to the Merger, this Agreement, the Stock Agreement or any of the transactions contemplated hereby or thereby.

3.14 No Brokers. The Company has not entered into any contract, arrangement or understanding with any person or firm which may result in the obligation of the Company or Parent to pay any finder's fees, brokerage or agent's commissions or other like payments in connection with the negotiations leading to this Agreement or the consummation of the transactions contemplated hereby, except that the Company has retained Merrill Lynch, Pierce, Fenner & Smith and Salomon Brothers Inc as its financial advisors, the arrangements with which have been disclosed to Parent prior to the date hereof. Other than the foregoing arrangements, none of the executive officers of the Company is aware of any claim for payment of any finder's fees, brokerage or agent's commissions or other like payments in connection with the negotiations leading to this Agreement or the consummation of the transactions contemplated hereby.

3.15 Opinion of Financial Advisor. The Company has received the opinions of Merrill Lynch, Pierce, Fenner & Smith and Salomon Brothers Inc to the effect that, as of

the date hereof, the consideration to be received by the holders of Company Common Shares in the Merger is fair to such holders from a financial point of view.

4. Representations and Warranties of Parent and Merger Sub

Each of Parent and Merger Sub represents and warrants to the

Company as of the date of this Agreement as follows:

4.1 Existence; Good Standing; Corporate Authority. Each of Parent and Merger Sub is a corporation duly incorporated, validly existing and in good standing under the laws of Delaware. Parent is duly licensed or qualified to do business as a foreign corporation and is in good standing under the laws of any other state of the United States in which the character of the properties owned or leased by it or in which the transaction of its business makes such qualification necessary, except where the failure to be so qualified or to be in good standing would not have a material adverse effect on the business, results of operations or financial condition of Parent and its Subsidiaries taken as a whole (a "Parent Material Adverse Effect"). Parent has all requisite corporate power and authority to own, operate and lease its properties and carry on its business as now conducted. The copies of the certificate of incorporation and by-laws of Parent and the articles of incorporation and code of regulation of Merger Sub previously made available to the Company are true and correct.

4.2 Authorization, Validity and Effect of Agreement. Each of Parent and Merger Sub has the requisite corporate power and authority to execute and deliver this Agreement and all agreements and documents contemplated hereby to be executed respectively by it. This Agreement, the Merger and the consummation by Parent and Merger Sub of the transactions contemplated hereby have been duly and validly authorized by the respective Boards of Directors of Parent and Merger Sub and by Parent as sole stockholder of Merger Sub, and no other corporate action on the part of Parent and Merger Sub is necessary to authorize this Agreement or the Merger or to consummate the transactions contemplated hereby. This Agreement constitutes, and all agreements and documents contemplated hereby to be executed and delivered by Parent or Merger Sub (when executed and delivered pursuant hereto) will constitute, the valid and binding obligations of Parent or Merger Sub, as the case may be, enforceable respectively against them in accordance with their respective terms.

4.3 Capitalization. The authorized capital stock of Parent consists of 500,000,000 Parent Common Shares, and 125,000,000 shares of Preferred Stock, par value $0.01 per Share (the "Parent Preferred Shares"). As of July 29, 1995, there were 182,931,302 Parent Common Shares and no Parent Preferred Shares issued and outstanding (excluding 29,474,155 Parent Common Shares held by wholly owned subsidiaries of Parent). Since such date, no additional shares of capital stock of Parent have been issued except pursuant to Parent's stock option and employee stock purchase plans (the "Parent Stock Plans") or pursuant to the instruments and securities described in the last sentence of this Section 4.3. All such issued and outstanding Parent Common Shares are duly authorized, validly issued, fully paid, nonassessable and free of preemptive rights. Except as

contemplated by this Agreement, there are not at the date of this Agreement any existing options, warrants, calls, subscriptions, convertible securities or other Rights which obligate Parent or any of its Subsidiaries to issue, transfer or sell any shares of capital stock of Parent or any of its Subsidiaries other than (a) Parent's Senior Convertible Discount Notes due 2004 (which as of the date hereof were convertible into an aggregate of 8,563,691 Parent Common Shares), (b) Parent's Series A Warrants (which as of the date hereof were exercisable to purchase an aggregate of 4,187,790 Parent Common Shares), (c) Parent's Series B Warrants (which as of the date hereof were exercisable to purchase an aggregate of 1,047,000 Parent Common Shares), (d) Parent's Series C Warrants (which as of the date hereof were exercisable to purchase an aggregate of 9,000,000 Parent Common Shares), (e) Parent's Series D Warrants (which as of the date hereof were exercisable to purchase an aggregate of 9,000,000 Parent Common Shares), (f) 81,600 shares of Common Stock issuable to the U.S. Treasury under the

Joint Plan of Reorganization of Federated Department Stores, Inc., Allied Stores Corporation and certain of their Subsidiaries, (g) the share purchase rights issued pursuant to the Rights Agreement, dated as of December 19, 1994, between Parent and the Bank of New York, as rights agent (which as of the date hereof were not exercisable), and (h) under the Parent Stock Plans or awards granted pursuant thereto.

4.4 No Conflict; Required Filings and Consents. (a) The execution and delivery of this Agreement by Parent and Merger Sub do not, and the consummation by Parent and Merger Sub of the transactions contemplated hereby will not, (i) conflict with or violate the certificate of incorporation or by-laws or equivalent organizational documents of Parent or Merger sub, (ii) subject to making the filings and obtaining the approvals identified in Section 4.4(b), conflict with or violate any law, rule, regulation, order, judgment or decree applicable to Parent or any of its Subsidiaries or by which any property or asset of Parent or any of its Subsidiaries is bound or affected, or (iii) subject to making the filings, obtaining the approvals and effecting any other matters identified in Schedule 4.4(a), result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under, result in the loss of a material benefit under, or give to others any right of termination, amendment, acceleration, increased payments or cancellation of, or result in the creation of a lien or other encumbrance on any property or asset of Parent or any of its Subsidiaries pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which Parent or any of its Subsidiaries is a party or by which Parent or any of its Subsidiaries or any property or asset of Parent or any of its Subsidiaries is bound or affected, except in the case of clauses (ii) and (iii), for any such conflicts, violations, breaches, defaults or other occurrences which would not prevent or delay consummation of any of the transactions contemplated hereby in any material respect, or otherwise prevent Parent or Merger Sub from performing its obligations under this Agreement in any material respect, and would not, individually or in the aggregate, have a Parent Material Adverse Effect.

(b) The execution and delivery of this Agreement by Parent and Merger Sub do not, and the performance of this Agreement and the consummation of the transactions contemplated hereby by either of them will not, require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Entity, except (i) for (A) applicable requirements, if any, of the Exchange Act, the Securities Act and Blue Sky Laws, (B) the pre-merger notification requirements of the HSR Act, (C) the filing of a

certificate of merger pursuant to the DGCL, (D) such filings and consents as may be required under any environmental, health or safety law or regulation pertaining to any notification, disclosure or required approval triggered by the Merger or the transactions contemplated by this Agreement, and (E) applicable requirements, if any, of the Code and state, local and foreign tax laws, and (ii) where failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications, would not prevent or delay consummation of any of the transactions contemplated hereby in any material respect, or otherwise prevent Parent or Merger Sub from performing its obligations under this Agreement in any material respect, and would not, individually or in the aggregate, have a Parent Material Adverse Effect.

4.5 Compliance. Neither Parent nor any of its Subsidiaries is in conflict with, or in default or violation of, (a) any law, rule, regulation, order, judgment or decree applicable to Parent or any of its Subsidiaries or by which any property or asset of Parent or any of its Subsidiaries is bound or affected or (b) any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other

instrument or obligation to which Parent or any of its Subsidiaries or any property or asset of Parent or any of its Subsidiaries is bound or affected, in each case except for any such conflicts, defaults or violations that would not, individually or in the aggregate, have a Parent Material Adverse Effect. Parent and its Subsidiaries have obtained all licenses, permits and other authorizations and have taken all actions required by applicable law or governmental regulations in connection with their business as now conducted, except where the failure to obtain any such item or to take any such action would have, individually or in the aggregate, a Parent Material Adverse Effect.

4.6 SEC Documents. (a) Parent has filed all forms, reports and documents required to be filed by it with the SEC since January 28, 1995 (collectively, the "Parent Reports"). As of their respective dates, the Parent Reports, and any such reports, forms and other documents filed by Parent with the SEC after the date of this Agreement (i) complied, or will comply, as to form in all material respects with the applicable requirements of the Securities Act, the Exchange Act and the rules and regulations thereunder and (ii) did not, or will not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading. The representation in clause (ii) of the preceding sentence will not apply to any misstatement or omission in any Parent Report filed prior to the date of this Agreement which was superseded by a subsequent Parent Report filed prior to the date of this Agreement. No Subsidiary of Parent is required to file any report, form or other document with the SEC other than Prime Receivables Corporation.

(b) Each of the consolidated balance sheets included in or incorporated by reference into the Parent Reports (including the related notes and schedules) presents fairly, in all material respects, the consolidated financial position of Parent and its Subsidiaries as of its date, and each of the consolidated statements of income, retained earnings and cash flows included in or incorporated by reference into the Parent Reports (including any related notes and schedules) presents fairly, in all material respects, the results of operations, retained earnings or cash flows, as the case may be, of Parent and its Subsidiaries for the periods set

forth therein (subject, in the case of unaudited statements, to normal year-end audit adjustments which would not be material in amount or effect), in each case in accordance with generally accepted accounting principles consistently applied during the periods involved, except as may be noted therein.

(c) Neither Parent nor any of its Subsidiaries has any liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise) that would be required to be reflected on, or reserved against in, a balance sheet of Parent or in the notes thereto, prepared in accordance with generally accepted accounting principles consistently applied, except for (i) liabilities or obligations that were so reserved on, or reflected in (including the notes to), the consolidated balance sheet of Parent as of January 28, 1995 or April 29, 1995, (ii) liabilities or obligations arising in the ordinary course of business since April 29, 1995, and (iii) liabilities or obligations which would not, individually or in the aggregate, have a Parent Material Adverse Effect.

4.7 Litigation. Except as described in the Parent Reports, there are no actions, suits or proceedings pending against Parent or its Subsidiaries or, to the knowledge of the executive officers of Parent, threatened against Parent or any of its Subsidiaries, at law or in equity, or before or by any Government Entity that, individually or in the aggregate, are reasonably likely to have a Parent Material Adverse Effect.

4.8 Absence of Certain Changes. Except as described in the Parent Reports, since April 29, 1995, there has not been (a) any Parent Material Adverse Effect, (b) any declaration, setting aside or payment of any dividend of other distribution with respect to its capital stock, or (c) any material change in its accounting principles, practices or methods.

4.9 Taxes. Each of Parent and its Subsidiaries has filed all tax returns and reports required to be filed by it, or requests for extensions to file such returns or reports have been timely filed and granted and have not expired, and all tax returns and reports are complete and accurate in all respects, except to the extent that such failures to file or be complete and accurate, as applicable, individually or in the aggregate, would not have a Parent Material Adverse Effect. Parent and each of its Subsidiaries has paid (or Parent has paid on its behalf) all taxes shown as due on such tax returns and reports. The most recent financial statements contained in the Reports reflect adequate reserves for all taxes payable by Parent and its Subsidiaries for all taxable periods and portions thereof accrued through the date of such financial statements, and no deficiencies for any taxes have been proposed, asserted or assessed against Parent or any of its Subsidiaries that are not adequately reserved for, except for inadequately reserved taxes and inadequately reserved deficiencies that would not, individually or in the aggregate, have a Parent Material Adverse Effect. No requests for waivers of the time to assess any taxes against Parent or any Parent Subsidiary have been granted or are pending, except for requests with respect to such taxes that have been adequately reserved for in the most recent financial statements contained in the Parent Reports, or, to the extent not adequately reserved, the assessment of which would not, individually or in the aggregate, have a Parent Material Adverse Effect.

4.10 Employee Benefit Plans. Except as described in the Parent Reports or as would not have a Parent Material Adverse Effect, (a) all employee benefit plans or programs maintained for the benefit of the current or former employees or directors of Parent or any of its Subsidiaries that are sponsored, maintained or contributed to by Parent or any of its Subsidiaries, or with respect to which Parent or any of its Subsidiaries has any liability, including without limitation any such plan that is an "employee benefit plan" as defined in Section 3(3) of ERISA, are in compliance with all applicable requirements of law, including ERISA and the Code, and (b) neither Parent nor any of its Subsidiaries has any liabilities or obligations with respect to any such employee benefit plans or programs, whether accrued, contingent or otherwise, nor to the knowledge of the executive officers of Parent are any such liabilities or obligations expected to be incurred. The execution of, and performance of the transactions contemplated by, this Agreement will not (either alone or upon the occurrence of any additional or subsequent events) constitute an event under any benefit plan, program, policy, arrangement or agreement or any trust, loan or funding arrangement that will or may result in any payment (whether of severance pay or otherwise), acceleration, forgiveness of indebtedness, vesting, distribution, increase in benefits or obligation to fund benefits with respect to any employee.

4.11 No Brokers. Neither Parent nor Merger Sub has entered into any contract, arrangement or understanding with any person or firm which may result in the obligation of the Company to pay any finder's fees, brokerage or agent's commissions or other like payments in connection with the negotiations leading to this Agreement or the consummation of the transactions contemplated hereby.

4.12 Merger Sub. Merger Sub was formed solely for the purpose of

engaging in the transactions contemplated hereby. Except for obligations or liabilities incurred in connection with its incorporation or organization and the transactions contemplated hereby, Merger Sub has not incurred any obligations or liabilities or engaged in any business or activities of any type or kind whatsoever or entered into any agreements or arrangements with any person or entity.

4.13 Issuance of Parent Common Shares. The Parent Common Shares required to be issued pursuant to Article 2 will, when issued in accordance with Article 2, be duly authorized, validly issued, fully paid and nonassessable, and no stockholder of Parent will have any preemptive right of subscription or purchase in respect thereof.

5. Covenants

5.1 Alternative Proposals. Prior to the Effective Time, the Company agrees (a) that neither it nor any of its Subsidiaries will, nor will it or any of its Subsidiaries permit their respective officers, directors, employees, agents and representatives (including, without limitation, any investment banker, attorney or accountant retained by it or any of its Subsidiaries) to, initiate, solicit or encourage, directly or indirectly, any inquiries or the making or implementation of any proposal or offer (including without limitation any proposal or offer to its stockholders) with respect to a merger, acquisition, consolidation or similar transaction involving any purchase of all or any significant portion of the assets of the

Company and its Subsidiaries or any equity interest in the Company or any of its Subsidiaries other than the transactions contemplated hereby and by the Stock Agreement and transactions permitted under Section 5.2(h) (any such proposal or offer being hereinafter referred to as an "Alternative Proposal") or engage in any negotiations concerning, or provide any confidential information or data to, or have any discussions with, any person relating to an Alternative Proposal, or otherwise facilitate any effort or attempt to make or implement an Alternative Proposal; and (b) that it will notify Parent immediately if any such inquiries or proposals are received by, any such information is requested from, or any such negotiations or discussions are sought to be initiated or continued with, it; provided, however, that nothing contained in this Section 5.1 will prohibit the Board of Directors of the Company from, to the extent applicable, complying with Rule 14e-2 promulgated under the Exchange Act with regard to an Alternative Proposal. Nothing in this Section 5.1 will (x) permit the Company to terminate this Agreement, (y) permit the Company to enter into any agreement with respect to an Alternative Proposal for as long as this Agreement remains in effect (it being agreed that for as long as this Agreement remains in effect, the Company will not enter into any agreement with any person that provides for, or in any way facilitates, an Alternative Proposal), or (z) affect any other obligation of the Company under this Agreement.

5.2 Interim Operations. Prior to the Effective Time, except as contemplated by any other provision of this Agreement, unless Parent has previously consented in writing thereto, the Company:

(a) Will, and will cause each of its Subsidiaries to, conduct its operations in the ordinary and normal course, consistent with past practice;

(b) Will use its reasonable best efforts, and will cause each of its Subsidiaries to use its reasonable best efforts, to preserve intact their business organizations and goodwill, keep available the services of their respective officers and employees and maintain satisfactory

relationships with those persons having business relationships with them;

(c) Will not amend its certificate of incorporation or by-laws or comparable governing instruments (other than by-law amendments which are not material to the Company or to the consummation of the transactions contemplated by this Agreement and as contemplated by Section 1.5);

(d) Will, upon the occurrence of any event or change in circumstances as a result of which any representation or warranty of the Company contained in Article 3 would be untrue or incorrect if such representation or warranty were made immediately following the occurrence of such event or change in circumstance, promptly (and in any event within two business days of an executive officer of the Company obtaining knowledge thereof) notify Parent thereof;

(e) Will promptly deliver to Parent true and correct copies of any report, statement or schedule filed with the SEC subsequent to the date of this Agreement;

(f) Will not (i) except pursuant to the exercise of options, warrants, conversion rights and other contractual rights existing on the date hereof and disclosed pursuant to this Agreement, issue any shares of its capital stock, effect any stock split or otherwise change its capitalization as it existed on the date hereof, (ii) grant, confer or award any option, warrant, conversion right or other right not existing on the date hereof to acquire any shares of its capital stock or grant, confer or award any bonuses or other forms of cash incentive to any officer, director or key employee except consistent with past practice or grant or confer any awards (other than pursuant to any of the foregoing granted prior to the date hereof and disclosed in the Company Reports filed prior to the date hereof or in a Schedule hereto), (iii) increase any compensation under any employment agreement with any of its present or future officers, directors or employees, except for normal increases for employees consistent with past practice, grant any severance or termination pay to, or enter into any employment or severance agreement with any officer, director or employee or amend any such agreement in any material respect other than severance arrangements which are consistent with past practice with respect to employees terminated by the Company, or (iv) adopt any new employee benefit plan or program (including any stock option, stock benefit or stock purchase plan) or amend any existing employee benefit plan or program in any material respect (nothing in this subsection (f) will prevent the payment or other performance of any award or grant made prior to the date hereof and disclosed in the Company Reports or pursuant to this Agreement);

(g) Will not (i) declare, set aside or pay any dividend or make any other distribution or payment with respect to any shares of its capital stock or other ownership interests or (ii) directly or indirectly redeem, purchase or otherwise acquire any shares of its capital stock or capital stock of any of its Subsidiaries, or make any commitment for any such action;

(h) Will not, and will not permit any of its Subsidiaries to, sell, lease or otherwise dispose of any of its assets (including capital stock of Subsidiaries) or to acquire any business or assets, except (i) in the ordinary course of business, in each case for an amount not exceeding $5,000,000 and (ii) that the Company may sell its store in Westminster, Colorado to an unaffiliated third party for such cash consideration as the Board of Directors of the Company determines in good faith to be fair to the Company;

(i) Will not incur any material amount of indebtedness for borrowed money or make any loans, advances or capital contributions to, or investments (other than non-controlling investments in the ordinary course of business) in, any other person other than a wholly owned Subsidiary of the Company, or issue or sell any debt securities, other than borrowings

under existing lines of credit in the ordinary course of business;

(j) Will not, except pursuant to and in accordance with the capital budget previously disclosed to Parent, authorize, commit to or make capital expenditures;

(k) Will not mortgage or otherwise encumber or subject to any lien any properties or assets except for such of the foregoing as are in the normal course of business and would not be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect; and

(1) Will not make any change to its accounting (including tax accounting) methods, principles or practices, except as may be required by generally accepted accounting principles and except, in the case of tax accounting methods, principles or practices, in the ordinary course of business of the Company or any of its Subsidiaries.

5.3 Meeting of Stockholders. The Company will take all action
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necessary in accordance with applicable law and its certificate of incorporation and by-laws to convene a meeting of its stockholders as promptly as practicable to consider and vote upon the adoption of this Agreement. The Board of Directors of the Company will recommend such adoption and the Company will each take all lawful action to solicit such approval, including, without limitation, timely mailing the Proxy Statement/Prospectus (as defined below); provided, however, that such recommendation or solicitation is subject to any action (including any withdrawal or change of its recommendation) taken by, or upon authority of, the Board of Directors of the Company, as the case may be, in the exercise of its good faith judgment based upon the advice of outside counsel (notice of which will be promptly given to Parent and Merger Sub) as to its fiduciary duties to its stockholders imposed by law.

5.4 Filings, Other Action. Subject to the terms and conditions
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herein provided, the parties will: (a) promptly make their respective filings and thereafter make any other required submissions under the HSR Act; (b) use all reasonable efforts to cooperate with one another in (i) determining which filings are required to be made prior to the Effective Time with, and which consents, approvals, permits or authorizations are required to be obtained prior to the Effective Time from, governmental or regulatory authorities of the United States, the several states and foreign jurisdictions in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby and (ii) timely making all such filings and timely seeking all such consents, approvals, permits or authorizations; and (c) use all reasonable efforts to take, or cause to be taken, all other action and do, or cause to be done, all other things necessary, proper or appropriate to consummate and make effective the transactions contemplated by this Agreement. If, at any time after the Effective Time, any further action is necessary or desirable to carry out the purpose of this Agreement, the proper officers and directors of parties will take all such necessary action. In the case of any consents, approvals, permits or authorizations of any Governmental Entity required for consummation of the Merger and the other transactions contemplated hereby under the HSR Act or any federal or state antitrust or similar law ("Antitrust Authorizations"), the reasonable efforts of Parent will be deemed to include divesting or otherwise holding separate, or taking such other action (or otherwise agreeing to do any thereof) with respect to, the Surviving Corporation's assets and properties necessary to obtain such Antitrust Authorizations, except to the extent that Parent reasonably determines in good faith that such actions would, in the aggregate, require Parent to compromise fundamentally its business interests in consummating the transactions contemplated by this Agreement.

5.5 Inspection of Records. From the date hereof to the

Effective Time, each of the parties will (a) allow all designated officers, attorneys, accountants and other representatives of the other reasonable access at all reasonable times to the offices, records and files, correspondence, audits and properties, as well as to all information relating to commitments, contracts, titles and financial position, or otherwise pertaining to the business

and affairs, of the parties and their respective Subsidiaries, as the case may be, (b) furnish to the other, the other's counsel, financial advisors, auditors and other authorized representatives such financial and operating data and other information as such persons may reasonably request, and (c) instruct the employees, counsel and financial advisors of the parties, as the case may be, to cooperate with the other in the other's investigation of the business of it and its Subsidiaries.

5.6 Publicity. The initial press release relating to this

Agreement will be a joint press release and thereafter the Company and Parent will, subject to their respective legal obligations (including requirements of stock exchanges and other similar regulatory bodies), consult with each other, and use reasonable efforts to agree upon the text of any press release, before issuing any such press release or otherwise making public statements with respect to the transactions contemplated hereby and in making any filings with any Governmental Entity or with any national securities exchange with respect thereto.

5.7 Registration Statement. Parent and the Company will
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cooperate and promptly prepare and Parent will file with the SEC as soon as practicable a Registration Statement on Form S-4 (the "Form S-4") under the Securities Act, which will contain a proxy statement/prospectus and a form of proxy in connection with the vote of the Company's stockholders with respect to the Merger and the offer to such stockholders of the securities to be issued pursuant to the Merger (the "Proxy Statement/Prospectus"). The respective parties will cause the Form S-4 to comply as to form in all material respects with the applicable provisions of the Securities Act, the Exchange Act and the rules and regulations thereunder. Parent will use all reasonable efforts, and the Company will cooperate with Parent, to have the Form S-4 declared effective by the SEC as promptly as practicable and to keep the Form S-4 effective as long as is necessary to consummate the Merger. Parent will, as promptly as practicable, provide copies of any written comments received from the SEC with respect to the Form S-4 to the Company and advise the Company of any verbal comments with respect to the Form S-4 received from the SEC. Parent will use its reasonable efforts to obtain, prior to the effective date of the Form S-4, all necessary state securities law or "Blue Sky" permits or approvals required to carry out the transactions contemplated by this Agreement and will pay all expenses incident thereto. Parent agrees that the Proxy Statement/Prospectus and each amendment or supplement thereto at the time of mailing thereof and at the time of the respective meetings of stockholders of the Company, or, in the case of the Form S-4 and each amendment or supplement thereto, at the time it is filed or becomes effective, will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing will not apply to the extent that any such untrue statement of a material fact or omission to state a material fact was made by Parent in reliance upon and in conformity with written information concerning the Company furnished to Parent by the Company specifically for use in the Form S-4. The Company agrees that the written information concerning the Company provided by it for inclusion in the Proxy Statement/Prospectus and each amendment or supplement thereto, at the time of mailing thereof and at the time of the meeting of stockholders of the Company, or, in the case of written information concerning the Company provided by the Company for inclusion in the Form S-4 or any amendment or

supplement thereto, at the time it is filed or

becomes effective, will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. No amendment or supplement to the Form S-4 or the Proxy Statement/Prospectus will be made by Parent or the Company without the approval of the other party, such approval not to be unreasonably withheld or delayed. Parent will advise the Company, promptly after it receives notice thereof, of the time when the Form S-4 has become effective or any supplement or amendment has been filed, the issuance of any stop order, the denial or suspension of the qualification of Parent Common Shares issuable in connection with the Merger for offering or sale in any jurisdiction, or any request by the SEC for any amendment or supplement to the Form S-4 or the Proxy Statement/Prospectus or comments thereon and responses thereto or requests by the SEC for additional information.

5.8 Listing Application. Parent will promptly prepare and submit to the NYSE a supplemental listing application covering Parent Common Shares issuable in the Merger, and will use reasonable efforts to obtain, prior to the Effective Time, approval for the listing of such Parent Common Shares, subject to official notice of issuance.

5.9 Further Action. Each party hereto will, subject to the fulfillment at or before the Effective Time of each of the conditions of performance set forth herein or the waiver thereof, perform such further acts and execute such documents as may be reasonably required to effect the Merger.

5.10 Affiliate Letters. At least 15 days prior to the Closing Date, the Company will deliver to Parent a list of names and addresses of those persons who were, in the Company's reasonable judgment, at the record date for its stockholders' meeting to approve the Merger, "affiliates" (each such person, an "Affiliate") of the Company within the meaning of Rule 145 of the rules and regulations promulgated under the Securities Act. The Company will use all reasonable efforts to deliver or cause to be delivered to Parent, prior to the Closing Date, from each of the Affiliates of the Company identified in the foregoing list, an Affiliate Letter in the form attached hereto as Exhibit C. Parent will be entitled to place legends as specified in such Affiliate Letters on the certificates evidencing any Parent Common Stock to be received by such Affiliates pursuant to the terms of this Agreement, and to issue appropriate stop-transfer instructions to the transfer agent for Parent Common Stock, consistent with the terms of such Affiliate Letters.

5.11 Expenses. Whether or not the Merger is consummated, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby will be paid by the party incurring such expenses except as expressly provided herein and except that (a) the filing fee in connection with the HSR Act filing, (b) the filing fee in connection with the filing of the Form S-4 or Proxy Statement/Prospectus with the SEC, and (c) the expenses incurred in connection with printing and mailing the Form S-4 and the Proxy Statement/Prospectus, will be shared equally by the Company and Parent.

5.12 Insurance; Indemnity. (a) From and after the Effective Time, Parent will cause the Surviving Corporation to indemnify, defend and hold harmless, to the fullest extent that the Company would be required under its certificate of incorporation, by-laws and

applicable law, each person who is now, or has been at any time prior to the date hereof, an officer or director of the Company (individually, an "Indemnified Party" and collectively, the "Indemnified Parties"), against all losses, claims, damages, liabilities, costs or expenses (including attorneys' fees), judgments, fines, penalties and amounts paid in settlement in connection with any claim, action, suit, proceeding or investigation arising out of or pertaining to acts or omissions, or alleged acts or omissions, by them in their capacities as such occurring at or prior to the Effective Time. In the event of any such claim, action, suit, proceeding or investigation (an "Action"), any Indemnified Party wishing to claim indemnification will promptly notify the Surviving Corporation thereof (provided that failure to so notify the Surviving Corporation will not affect the obligations of the Surviving Corporation to provide indemnification except to the extent that the Surviving Corporation shall have been prejudiced as a result of such failure). With respect to any Action for which indemnification is requested, the Surviving Corporation will be entitled to participate therein at its own expense and, except as otherwise provided below, to the extent that it may wish, the Company may assume the defense thereof, with counsel reasonably satisfactory to the Indemnified Party. After notice from the Surviving Corporation to the Indemnified Party of its election to assume the defense of an Action, the Surviving Corporation will not be liable to the Indemnified Party for any legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense thereof, other than as provided below. The Surviving Corporation will not settle any Action without the Indemnified Party's written consent (which consent will not be unreasonably withheld). The Indemnified Party will have the right to employ counsel in any Action, but the fees and expenses of such counsel incurred after notice from the Surviving Corporation of its assumption of the defense thereof will be at the expense of the Indemnified Party, unless (i) the employment of counsel by the Indemnified Party has been authorized by the Surviving Corporation, (ii) the Indemnified Party will have reasonably concluded upon the advice of counsel that there may be a conflict of interest between the Indemnified Party and the Surviving Corporation in the conduct of the defense of an Action, or (iii) the Surviving Corporation shall not in fact have employed counsel to assume the defense of an Action, in each of which cases the reasonable fees and expenses of counsel selected by the Indemnified Party will be at the expense of the Surviving Corporation. Notwithstanding the foregoing, the Surviving Corporation will not be liable for any settlement effected without its written consent and the Surviving Corporation will not be obligated pursuant to this Section 5.12(a) to pay the fees and disbursements of more than one counsel for all Indemnified Parties in any single Action, except to the extent two or more of such Indemnified Parties have conflicting interests in the outcome of such action.

(b) Parent will cause the Surviving Corporation to keep in effect provisions in its certificate of incorporation and by-laws providing for exculpation of director and officer liability and its indemnification of the Indemnified Parties to the fullest extent permitted under the DGCL, which provisions will not be amended except as required by applicable law or except to make changes permitted by law that would enlarge the Indemnified Parties' right of indemnification.

(c) For a period of five years after the Effective Time, Parent will cause to be maintained officers' and directors' liability insurance covering the Indemnified Parties who are currently covered, in their capacities as officers and directors, by the Company's existing officers' and directors' liability insurance policies on terms substantially no less

advantageous to the Indemnified Parties than such existing insurance; provided, however, that Parent will not be required in order to maintain or procure such coverage to pay premiums on an annualized basis in excess of two times the current annual premium paid by the Company for its existing overage (the "Cap") (which current annual premium the Company represents and warrants to be approximately $835,000); and provided, further, that if equivalent coverage cannot be obtained, or can be obtained only by paying an annual premium in excess of the Cap, Parent will only be required to obtain as much coverage as can be obtained by paying premiums on an annualized basis equal to the Cap.

(d) The provisions of this Section 5.12 will survive the consummation of the Merger and expressly are intended to benefit each of the Indemnified Parties.

5.13 Employee Benefits. Notwithstanding anything to the contrary
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contained herein, from and after the Effective Time, the Surviving Corporation will have sole discretion over the hiring, promotion, retention, firing and other terms and conditions of the employment of employees of the Surviving Corporation. Subject to the immediately preceding sentence, Parent will provide, or will cause the Surviving Corporation to provide, for the benefit of employees of the Surviving Corporation who were employees of the Company immediately prior to the Effective Time, recognizing all prior service for eligibility and vesting purposes of the officers, directors or employees with the Company and any of its Subsidiaries as service thereunder, "employee benefit plans" within the meaning of Section 3(3) of ERISA (a) until January 1, 1996, that are, in the aggregate, substantially comparable to the "employee benefit plans" provided to such individuals by the Company on the date hereof, and (b) thereafter until the expiration of one year after the Effective Time, at the election of Parent, that are either (i) in the aggregate, substantially comparable to the "employee benefit plans" provided to such individuals by the Company on the date hereof or (ii) in the aggregate, substantially comparable to the "employee benefit plans" provided to similarly situated employees of Parent or its Subsidiaries who were not employees of the Company immediately prior to the Effective Time; provided, however, that notwithstanding the foregoing (A) nothing herein will be deemed to require Parent to modify the benefit formulas under any pension plan of the Company in a manner that increases the aggregate expenses thereof as of the date hereof in order to comply with the requirements of ERISA, the Code or the "Tax Reform Act of 1986," (B) employee stock ownership, stock option and similar equity-based plans, programs and arrangements of the Company or any of its Subsidiaries are not encompassed within the meaning of the term "employee benefit plans" hereunder, (C) nothing herein will obligate Parent or the Surviving Corporation to continue any particular employee benefit plan for any period after the Effective Time, and (D) without limiting the generality or effect of Section 8.3, no employee of the Company or any Subsidiary of the Company will have any claim or right by reason of this Section 5.13. Parent will cause the Surviving Corporation to honor (subject to any withholdings under applicable law) all employment, consulting and severance agreements or arrangements to which the Company or any of its Subsidiaries is presently a party, all of which are disclosed in the Company Reports or in Schedule 5.13.

5.14 Conveyance Taxes. The Company and Parent will cooperate in
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the preparation, execution and filing of all returns, questionnaires, applications or other documents regarding any real property transfer or gains, sales, use, transfer, value added,

stock transfer and stamp taxes, any transfer, recording, registration and other fees and any similar taxes which become payable in connection with the transactions contemplated by this Agreement that are required or permitted to be filed on or before the Effective Time and each party will

pay any such tax or fee which becomes payable by it on or before the Effective Time.

5.15 Consents. The Company will use all reasonable efforts to obtain each of the consents identified in Schedule 3.6(a).

5.16 No Extraordinary Dividends by Parent. Prior to the Effective Time, Parent will not declare, set aside or pay any extraordinary dividend or make any other extraordinary distribution or payment with respect to shares of its capital stock.

5.17 Delivery of Parent Company Shares under the Company POR. Subject to the satisfaction of Section 6.3(g), after the Effective Time, Parent will contribute or otherwise make available to the Surviving Corporation Parent Common Shares to enable it to issue, distribute or release such Parent Common Shares in accordance with the Company POR.

6. Conditions

6.1 Conditions to Each Party's Obligation To Effect the Merger. The respective obligations of each party to effect the Merger will be subject to the fulfillment at or prior to the Closing Date of the following conditions:

(a) This Agreement and the transactions contemplated hereby shall have been approved in the manner required by applicable law by the holders of the issued and outstanding shares of capital stock of the Company.

(b) The waiting period applicable to the consummation of the Merger under the HSR Act shall have expired or been terminated.

(c) Neither of the parties hereto shall be subject to any order or injunction of a court of competent jurisdiction which prohibits the consummation of the transactions contemplated by this Agreement. In the event any such order or injunction shall have been issued, each party agrees to use its reasonable best efforts to have any such injunction lifted.

(d) The Form S-4 shall have become effective and shall be effective at the Effective Time, and no stop order suspending effectiveness of the Form S-4 shall have been issued, no action, suit, proceeding or investigation by the SEC to suspend the effectiveness thereof shall have been initiated and be continuing or, to the knowledge of Parent or the Company, be threatened in writing, and all necessary approvals under state securities laws relating to the issuance or trading of Parent Common Shares to be issued to the Company stockholders in connection with the Merger shall have been received.

(e) All consents, authorizations, orders and approvals of (or filings or registrations with) any Governmental Entity required in connection with the execution, delivery and performance of this Agreement shall have been obtained or made, except for filings in connection with the Merger and any other documents required to be filed after the Effective Time and except where the failure to have obtained or made any such consent, authorization, order, approval, filing or registration would not have a material adverse effect on the business, financial condition or results of operations of the Surviving Corporation following the Effective Time.

(f) Parent Common Shares to be issued to the Company stockholders in connection with the Merger shall have been approved for listing on the NYSE, subject only to official notice of issuance.

(g) General Electric Capital Corporation, the Company and Parent shall have executed the 10th Amendment to the Credit Agreement dated October 8, 1992 between GECC and the Company containing the terms and conditions substantially identical to those set forth in the term sheet, dated August 14, 1995, initialled by each of the parties.

6.2 Conditions to Obligation of Company To Effect the Merger.

The obligation of the Company to effect the Merger will be subject to the fulfillment at or prior to the Closing Date of the following additional conditions:

(a) Each of Parent and Merger Sub shall have performed in all material respects its agreements contained in this Agreement required to be performed by it on or prior to the Closing Date, (i) all of the representations and warranties of Parent and Merger Sub contained in this Agreement shall have been true and correct in all material respects as of the date hereof and (ii) the representations and warranties of Parent and Merger Sub contained in this Agreement (other than those contained in Sections 4.5(b), 4.6(c), 4.8(a) and 4.10(b)) shall be true and correct in all material respects as of the Closing Date, except (A) for changes specifically permitted by this Agreement and (B) that those representations and warranties which address matters only as of a particular date shall remain true and correct in all material respects as of such date, and the Company shall have received a certificate of the Chairman, the President or a Vice President of Parent, dated the Closing Date, certifying to such effect.

(b) From the date of this Agreement through the Effective Time, there shall not have occurred any material adverse change in the business or properties of Parent excluding changes resulting from, arising out of or related to (i) Parent's operations, (ii) Parent's results of operations, (iii) the department store or retail business generally or (iv) general economic or financial conditions.

(c) Parent shall have executed a Registration Rights Agreement substantially in the form of Exhibit D.

6.3 Conditions to Obligation of Parent and Merger Sub to Effect the Merger. The obligation of Parent and Merger Sub to effect the Merger will be subject to the

fulfillment at or prior to the Closing Date (or such other date as may be specified below) of the following additional conditions:

(a) The Company shall have performed in all material respects its agreements contained in this Agreement required to be performed on or prior to the Closing Date, (i) the representations and warranties of the Company contained in this Agreement shall have been true and correct in all material respects as of the date hereof and (ii) the representations and warranties of the Company contained in this Agreement (other than those contained in Sections 3.7(b), 3.8(c), 3.9(a), 3.10(a) and 3.12(b)) shall be true and correct in all material respects as of the Closing Date, except (A) for changes specifically permitted by this Agreement and (B) that those representations and warranties which address matters only as of a particular date will remain true and correct in all material respects as of such date, and Parent and Merger Sub shall have received a certificate of the Chairman, the President or a Vice President of the Company, dated the Closing Date, certifying to such effect.

(b) From the date of this Agreement through the Effective Time, there shall not have occurred any material adverse change in the business or properties of the Company excluding changes resulting from, arising out of or related to (i) the Company's operations, (ii) the Company's results of operations, (iii) the department store or retail business generally or (iv) general economic or financial conditions.

(c) [Intentionally Left Blank]

(d) The Company or the Board of Directors of the Company or the other persons or entities described in Schedule 6.3(d), as the case may be, shall have taken the actions set forth in Schedule 6.3(d).

(e) Parent shall have obtained the consent or waiver set forth in Schedule 4.4(a) by the fourteenth business day following the date hereof and the consent or waiver set forth in Schedule 6.4 to the Purchase Agreement, dated as of the date hereof (the "Prudential Agreement"), among The Prudential Insurance Company of America ("Prudential"), Federated Noteholding Corporation II ("FNC") and Parent, provided that this condition will be deemed to be waived (without any action by the parties) in the event Parent does not terminate this Agreement within five business days after the date referred to above.

(f) All conditions to the obligations of FNC to consummate the transactions contemplated by the Prudential Agreement shall have been duly satisfied or waived in accordance with the provisions thereof.

(g) Within 30 calendar days after of the date hereof, the Company shall have delivered to Parent either (i) an order of the Bankruptcy Court having jurisdiction over the Company POR or (ii) a written opinion of nationally recognized outside counsel, in either case in form and substance reasonably satisfactory to Parent, to the effect that the obligation of the Company to distribute any additional Company Common Shares pursuant to the Company POR on or after the Effective Time may be satisfied by the distribution for each such Company Common Share of Parent Common Shares at the Conversion Rate.

(h) After the Effective Time, no person will have any right under any stock option plan (or any option granted thereunder) or other plan, program or arrangement to acquire any equity securities of the Company of any of its Subsidiaries.

7. Termination

7.1 Termination by Mutual Consent. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time, before or after the approval of this Agreement by the stockholders of the Company, by the mutual consent of Parent and the Company.

7.2 Termination by Either Parent or Company. This Agreement may be terminated and the Merger may be abandoned by action of the Board of Directors of either Parent or the Company if (a) the Merger shall not have been consummated by February 29, 1996 (the "Outside Date"), (b) a United States federal or state court of competent jurisdiction or United States federal or state governmental, regulatory or administrative agency or commission issues an order, decree or ruling or takes any other action permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this agreement and such order, decree, ruling or other action becomes final and non-appealable; provided, that the party seeking to terminate this Agreement pursuant to this clause (b) has used all reasonable efforts to remove such injunction, order or decree, or (c) any condition to such party's obligations to consummate the

transactions contemplated hereby is incapable of being satisfied by the Outside Date; and provided, in the case of a termination pursuant to clause (a) or (b) above, that the terminating party has not breached in any manner that proximately contributes to the failure to consummate the Merger by the Outside Date.

7.3 Termination by Company. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time, before or after the adoption by the stockholders of the Company referred to in Section 6.1(a), by action of the Board of Directors of the Company, if (a) there has been a material breach by Parent or Merger Sub of any representation or warranty contained in this Agreement which is not curable or, if curable, is not cured by the Outside Date and such breach had or is reasonably likely to have a Parent Material Adverse Effect, (b) there has been a material breach of any of the covenants set forth in this Agreement on the part of Parent, which breach is not curable or, if curable, is not cured within 60 calendar days after written notice of such breach is given by the Company to Parent, or (c) the condition set forth in Section 6.1(g) shall not have been satisfied on or prior to August 17, 1995.

7.4 Termination by Parent and Merger Sub. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time, before or after the approval by the stockholders of the Company referred to in Section 6.1(a), by action of the Boards of Directors of Parent, if (a) the Board of Directors of the Company shall have withdrawn or modified in a manner materially adverse to Parent or Merger Sub its approval or recommendation of this Agreement or the Merger or shall have recommended an Alternative Proposal to the Company's stockholders, (b) there has been a material breach by the Company of any representation or warranty contained in this Agreement which is not

curable or, if curable, is not cured by the Outside Date and such breach had or is reasonably likely to have a Company Material Adverse Effect, (c) there has been a material breach of any of the covenants set forth in this Agreement on the part of the Company, which breach is not curable or, if curable, is not cured within five days after written notice of such breach is given by Parent to the Company, (d) there has been a material breach by Stockholder of the Stock Agreement, (e) an involuntary case under the United States Bankruptcy Code or any applicable bankruptcy, insolvency or other similar law is commenced against the Company or any of its Subsidiaries, a decree or order of a court of competent jurisdiction for the appointment of a receiver, liquidator, sequestrator, trustee, custodian or other officer having similar powers of the Company or any of its Subsidiaries or over a material portion of their respective assets shall have been entered or the involuntary appointment of an interim receiver, trustee or other custodian of the Company or any of its Subsidiaries shall have occurred and any such event described in this clause (e) shall have continued neither stayed nor dismissed for 60 days or (f) the Company or any of its Subsidiaries has an order for relief entered with respect to it or commences a voluntary case under the United States Bankruptcy Code or any applicable bankruptcy, insolvency or other similar law, or consents to the entry of an order for relief in an involuntary case, to the conversion of an involuntary case to a voluntary case or to the appointment of or taking possession by a receiver, trustee or other custodian of any part of the Company's property, or makes any assignment for the benefit of creditors.

7.5 Effect of Termination and Abandonment. In the event of termination of this Agreement and the abandonment of the Merger pursuant to this Article 7, all obligations of the parties hereto will terminate, except the obligations of the parties pursuant to this Section 7.5 and Section 5.11 and except for the provisions of Sections 8.3, 8.4, 8.6, 8.8, 8.9, 8.12, 8.13 and 8.14. Moreover, in the event of termination of this

Agreement pursuant to Section 7.2, 7.3 or 7.4, nothing herein will prejudice the ability of the non-breaching party from seeking damages from any other party for any willful breach of this Agreement, including without limitation attorneys' fees and the right to pursue any remedy at law or in equity.

8. General Provisions

8.1 Nonsurvival of Representations, Warranties and Agreements.

All representations, warranties and agreements in this Agreement or in any instrument delivered pursuant to this Agreement will be deemed to the extent expressly provided herein to be conditions to the Merger and will not survive the Merger, provided, however, that the agreements contained in Article 2, Sections 5.12, 5.13 and 5.17 and this Article 8 will survive the Merger and Sections 5.11 and 7.5 will survive termination.

8.2 Notices. Any notice required to be given hereunder will be sufficient if in writing, and sent by facsimile transmission and by courier service (with proof of service), hand delivery or certified or registered mail (return receipt requested and first-class postage prepaid), addressed as follows:

If to Parent or Merger Sub:

If to the Company:

Federated Department Stores, Inc.
7 W. Seventh Street
Cincinnati, Ohio 45202
Attention: Dennis J. Broderick
General Counsel
Fax No.: 513-579-7354

Broadway Stores, Inc.
3880 North Mission Road
Los Angeles, California 90031
Attention: John C. Haeckel
Exec. V.P. and
Chief Financial Officer
Fax No.: 213-227-3588

With copies to:

Jones, Day, Reavis & Pogue
599 Lexington Avenue
New York, New York 10022
Attention: Robert A. Profusek, Esq.
Fax No.: 212-755-7306

With copies to:

Cleary, Gottlieb, Steen & Hamiltion
One Liberty Plaza
New York, New York 10006
Attention: William A. Groll, Esq.
Fax No.: 212-225-3999

or to such other address as any party will specify by written notice so given, and such notice will be deemed to have been delivered as of the date so telecommunicated, personally delivered or mailed.

8.3 Assignment; Binding Effect. Neither this Agreement nor any of the rights, interests or obligations hereunder will be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties. Subject to the preceding sentence, this Agreement will be binding upon and will inure to the benefit of the parties hereto and their respective successors and assigns. Notwithstanding anything contained in this Agreement to the contrary, except for the provisions of Section 5.12, nothing in this Agreement,

expressed or implied, is intended to confer on any person other than the parties hereto or their respective heirs, successors, executors, administrators and assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement.

8.4 Entire Agreement. This Agreement, the Exhibits, the Schedules and any documents delivered by the parties in connection herewith, together with the Confidentiality Agreement, dated July 25, 1995, between Parent and the Company, which will survive the execution and delivery of this Agreement, constitute the entire agreement among the parties with respect to the subject matter hereof and supersede all prior agreements and understandings among the parties with respect thereto. No addition to or modification of any provision of this Agreement will be binding upon any party hereto unless made in writing and signed by all parties hereto.

8.5 Amendment. This Agreement may be amended by the parties hereto, by action taken by their respective Board of Directors, at any time before or after approval of matters presented in connection with the Merger by the stockholders of the Company but after any such stockholder approval, no amendment will be made which by law requires the further approval of such stockholders without obtaining such further approval. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

8.6 Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of Delaware without regard to its rules of conflict of laws.

8.7 Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered will be an original,

but all such counterparts will together constitute one and the same instrument. Each counterpart may consist of a number of copies hereof each signed by less than all, but together signed by all of the parties hereto.

8.8 Headings. Headings of the Articles and Sections of this Agreement are for the convenience of the parties only, and will be given no substantive or interpretive effect whatsoever.

8.9 Interpretation. In this Agreement, unless the context otherwise requires, words describing the singular number will include the plural and vice versa, and words denoting any gender will include all genders and words denoting natural persons will include corporations and partnerships and vice versa.

8.10 Waivers. Except as provided in this Agreement, no action taken pursuant to this Agreement, including, without limitation, any investigation by or on behalf of any party, will be deemed to constitute a waiver by the party taking such actio of compliance with any representations, warranties, covenants or agreements contained in this Agreement. The waiver by any party hereto of a breach of any provision hereunder will not operate or be construed as a waiver of any prior or subsequent breach of the same or any other provision hereunder.

8.11 Incorporation of Schedules. The Schedules attached hereto and referred to herein are hereby incorporated herein and made a part

hereof for all purposes as if fully set forth herein.

8.12 Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction will, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision will be interpreted to be only so broad as is enforceable.

8.13 Enforcement of Agreement. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement was not performed in accordance with its specific terms or was otherwise breached. It is accordingly agreed that the parties will be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any Delaware Court, this being in addition to any other remedy to which they are entitled at law or in equity.

8.14 Prudential Loan. The Company hereby acknowledges that, simultaneously with the execution and delivery hereof, Parent and FNC are entering into the Prudential Agreement with Prudential to acquire all of Prudential's interest in loans previously made by Prudential to the Company (the "PRU Loan") and the Company hereby consents to, and waives any contractual prohibition against, such acquisition, provided that, prior to such acquisition, (a) the Effective Time has occurred or (b) Company Common

Shares shall have been purchased by Parent upon exercise of the Option and the condition set forth in Section 6.1(d) shall have been satisfied.

8.15 Effect of Exercise of Option. In the event that Parent purchases Company Common Shares upon exercise of the Option:

(a) If requested by Parent, the Company will, promptly following the purchase of Company Common Shares upon exercise of the Option and from time to time thereafter, take all action necessary to cause at least a majority of the number of directors, rounded up to the next whole number, of the Company to be persons designated by Parent (whether, at the request of Parent, by increasing the size of the number of directors of the Company or by seeking the resignation of directors and causing Parent's designees to be elected to fill the vacancies so created). At such time, the Company also will take all action permitted by law to cause persons designated by Parent to constitute at least the same percentage as is on the Company's Board of Directors of (i) each committee of the Company's Board of Directors, (ii) the board of directors of each Subsidiary of the Company, and (iii) each committee, if any, of each such board of directors. The Company's obligation to cause designees of Parent to be so elected or appointed as directors of the Company will be subject to Section 14(f) of the Exchange Act and Rule 14(f)-1 promulgated thereunder. Parent will supply to the Company in writing and will be solely responsible for any information with respect to it and its designees, officers, directors and affiliates required by Section 14(f) and Rule 14f-1, and the Company will use all reasonable efforts to file as promptly as practicable with the SEC and transmit to all holders of record of securities of the Company who would be entitled to vote at a meeting for election of directors such information as is required under Section 14(f) and Rule 14(f)-1. Notwithstanding the foregoing, until the Effective Time, the Company will use all reasonable efforts to assure that the Company's Board of Directors has at least three directors who are directors on the date hereof (the "Continuing Directors"); provided further, that, in such event, if the

number of Continuing Directors is reduced below three for any reason whatsoever, any remaining Continuing Directors (or Continuing Director, if there is only one remaining) will be entitled to designate three persons to fill such vacancies who will be deemed to be Continuing Directors for purposes of this Agreement or, if no Continuing Director then remains, the other directors will designate three persons to fill such vacancies who are not shareholders, affiliates or associates of Parent or Purchaser and such persons will be deemed to be Continuing Directors for purposes of this Agreement. The Company will use all reasonable efforts to cause the person(s) so designated by the Continuing Directors to be elected to the Board of Directors of the Company.

(b) Parent will use all reasonable efforts in accordance with applicable law and the Company's certificate of incorporation and by-laws to convene a meeting of the Company's stockholders as promptly as practicable to consider and vote upon the Merger, including, without limitation, timely mailing of the Proxy Statement/Prospectus.

(c) Parent will, with respect to all Company Common Shares acquired by it upon exercise of the Option and any other Company Common Shares that it owns of record or beneficially on the record date for voting at the meeting of stockholders called to consider and vote upon the Merger, vote or cause to be voted such Company Common

Shares (or execute or cause to be executed written consents with respect thereto) (i) in favor of the adoption of this Agreement and approval of the Merger and the other transactions contemplated hereby, (ii) against any Alternative Proposal, and (iii) in favor of any other matter necessary for the consummation of the transactions contemplated by this Agreement and considered and voted upon at such meeting of the Company's stockholders.

(d) Notwithstanding any other provision contained herein to the contrary, from and after the date of the closing of the exercise of the Option, the obligations of Parent and Merger Sub to effect the Merger will be subject only to the fulfillment at or prior to the Closing Date of the conditions set forth in Section 6.1(a), (c) and (d) and all other conditions to the obligations of the Parent and Merger Sub to effect the Merger on the terms and conditions of this Agreement as in effect immediately prior to the exercise of the Option will be deemed satisfied or waived.

(e) Notwithstanding any other provision contained herein to the contrary, from and after the date of the closing of the exercise of the Option, Parent and Merger Sub will not be entitled to terminate this Agreement or abandon the Merger unless a United States federal or state court of competent jurisdiction or United States federal or state governmental, regulatory or administrative agency or commission issues an order, decree or ruling or takes any other action permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this agreement and such order, decree, ruling or other action becomes final and non-appealable.

(f) Any action by the Company to waive or amend any provision of this Agreement will require the approval of a majority of the Continuing Directors.

8.16 Absence of Certain Knowledge. Parent hereby acknowledges
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that nothing has come to the attention of the executive officers of Parent during the course of the due diligence conducted by Parent in connection with this Agreement which gives such executive officers actual knowledge that any of the representations or warranties of the Company set forth herein were not true or correct in any material respect as of the date hereof; provided, however, that nothing in this Section 8.16 will constitute a waiver of any right which Parent may have with respect to this Agreement or the representations and warranties made herein by the Company,

whether at law or in equity, in contract or in tort.

IN WITNESS WHEREOF, the parties have executed this Agreement and caused the same to be duly delivered on their behalf on the day and year first written above.

BROADWAY STORES, INC.

By: /s/ David L. Dworkin

David L. Dworkin
President and Chief Executive Officer

FEDERATED DEPARTMENT STORES, INC.

By: /s/ Ronald W. Tysoe

Ronald W. Tysoe
Vice Chairman

NOMO COMPANY, INC.

By: /s/ Dennis J. Broderick

Dennis J. Broderick
Vice President

Exhibit 2

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STOCK AGREEMENT

by and between

FEDERATED DEPARTMENT STORES, INC.

and

ZELL/CHILMARK FUND, L.P.

Dated as of August 14, 1995

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Stock Agreement

Stock Agreement (this "Agreement"), dated as of August 14, 1995, by and between Federated Department Stores, Inc., a Delaware corporation ("Parent"), and Zell/Chilmark Fund, L.P., a Delaware limited partnership ("Stockholder").

Recitals

A. Parent, Nomo Company, Inc., a Delaware corporation and wholly owned subsidiary of Parent ("Merger Sub"), and Broadway Stores, Inc., a Delaware corporation (the "Company"), have entered into an Agreement and Plan of Merger, dated the date hereof (the "Merger Agreement"), pursuant to which the parties thereto have agreed, on the terms and subject to the conditions set forth therein, to merge the Company with and into Merger Sub (the "Merger").

B. As of the date hereof, Stockholder is the record and beneficial owner of, and has the sole right to vote and dispose of, 24,800,866 shares (the "Owned Shares") of Common Stock, par value $0.01 per share, of the Company ("Company Common Shares").

C. As a condition to its willingness to enter into the Merger Agreement, Parent has required that simultaneously with the execution of the Merger Agreement Stockholder agree, and Stockholder is willing to agree, to the matters set forth herein.

1. Option

1.1 Option. (a) Stockholder hereby grants to Parent an irrevocable option (the "Option") to purchase, on the terms and subject to the conditions set forth herein, all of the Owned Shares, together with (i) any additional shares of capital stock of the Company which Stockholder is or becomes entitled to receive from the Company by reason of being a record holder of the Owned Shares, (ii) any securities or other property into which any such Owned Shares shall have been or shall be converted or changed (other than Parent Common Shares (as defined below)), whether by amendment to the Certificate of Incorporation of the Company, merger, consolidation, reorganization, capital change or otherwise, (iii) any additional Company Common Shares acquired by Stockholder as the result of Stockholder exercising an option, warrant or other right to acquire shares of capital stock from the Company (all of the foregoing hereinafter collectively referred to as the "Additional Owned Shares"), and (iv) any shares of capital stock referred to in clauses (i), (ii), and (iii) above that are issued or issuable in respect of Additional Owned Shares (the Owned Shares, the Additional Owned Shares and any securities referred to in clause (iv) above hereinafter collectively referred to as the "Option Shares").

(b) Subject to the conditions set forth in Section 1.1(f), the Option may be exercised in whole but not in part by notice given by Parent to Stockholder at any time prior to the later of (i) February 29, 1996 and (ii) the date to which the date specified in Section 7.2(a) of the Merger Agreement may from time to time be extended (the "Outside Date").

(c) In the event Parent wishes to exercise the Option, Parent first will send a written notice to Stockholder specifying a place, date (not less than two Business Days (as defined in Section 4.3(a)) nor more than 60 calendar days from the date such notice is given) and time for the closing of the purchase of the Option Shares (the "Closing").

(d) The total price payable to Stockholder upon exercise of the Option will be the number of shares of Common Stock, par value $0.01 per share, of Parent together with the associated share purchase rights ("Parent Common Share") equal to the product of (i) the Conversion Rate (as defined in the Merger Agreement) and (ii) the number of Option Shares to be purchased upon such exercise; provided, however, that if any additional shares of capital stock of the Company or any of its Subsidiaries (as defined in the Merger Agreement) are issued by the Company or any of its Subsidiaries or any of their respective successors, other than those described in Section 3.3 to the Merger Agreement (the "Excess Shares"), the total number of Parent Common Shares payable to Stockholder for all of the Option Shares, including any Excess Shares owned beneficially or of record by Stockholder, will be the number of Parent Common Shares equal to the product of (A) the Conversion Rate and (B) the total number of Option Shares, less the total number of Excess Shares owned beneficially or of record by Stockholder.

(e) At the Closing, Stockholder will deliver to Parent a certificate or certificates representing the Option Shares, duly endorsed for transfer or accompanied by appropriate stock powers, duly executed in blank, and Parent will issue or deliver to Stockholder a certificate representing the number of Parent Common Shares to which Stockholder is entitled pursuant to Section 1.1(d). Transfer taxes, if any, imposed as a result of the exercise of the Option and the transfer of the Parent Common Shares will be shared equally by Stockholder and Parent.

(f) The obligations of Parent and Stockholder to consummate the purchase and sale of the Option Shares pursuant to this Section 1.1 will be

subject to the fulfillment of the following conditions:

(i) The expiration or termination of the waiting period applicable to the consummation of such transactions under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder (the "HSR Act");

(ii) Neither of the parties hereto shall be subject to any order of injunction of a court of competent jurisdiction which prohibits the consummation of such transactions; and

(iii) Satisfaction of the condition set forth in Section 6.1(g) of the Merger Agreement.

Each of the parties will promptly make, and cause each of their respective affiliates to make, all such filings and take all such actions as may be reasonably required in order to permit the

lawful exercise of the Option, as promptly as possible, including without limitation all filings and other actions contemplated by Section 1.1(f).

1.2 Prohibited Transfers. Stockholder will not during the term of the Option, except pursuant to this Agreement or the Merger Agreement (a) sell, pledge or otherwise dispose of any Option Shares or any interest therein, (b) deposit any Option Shares into a voting trust or enter into a voting agreement or arrangement with respect to any Option Shares or grant any proxy with respect thereto, or (c) enter into any contract, option or other arrangement or undertaking with respect to the foregoing or the direct or indirect acquisition or sale, assignment, transfer or other disposition of any Company Common Shares or any interest therein.

2. Representations and Warranties of Stockholder

Stockholder hereby represents and warrants to Parent as follows:

2.1 Authorization, Validity and Effect of Agreement. Stockholder has the requisite limited partnership power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by Stockholder and constitutes the valid and binding obligation of Stockholder, enforceable against Stockholder in accordance with its terms.

2.2 No Conflict; Required Filings and Consents. (a) The execution and delivery of this Agreement by Stockholder do not, and the consummation by Stockholder of the transactions contemplated hereby will not, (i) conflict with or violate the partnership agreement of Stockholder, (ii) subject to making the filings and obtaining the approvals identified in Section 2.2(b), conflict with or violate any law, rule, regulation, order, judgment or decree applicable to Stockholder or by which Stockholder or any Option Shares is bound or affected, or (iii) result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under, result in the loss of a material benefit under, or give to others any right of purchase or sale, or any right of termination, amendment, acceleration, increased payments or cancellation of, or result in the creation of a lien or other encumbrance on any Option Shares pursuant to any contract, agreement or other instrument or obligation to which Stockholder is a party or by which Stockholder or any property or asset of Stockholder is bound or affected.

(b) The execution and delivery of this Agreement by Stockholder do not, and the performance of this Agreement and the consummation by Stockholder of the transactions contemplated hereby will not, require any consent, approval, authorization or permit of, or filing with or notification to, any governmental or regulatory authority, domestic or foreign (each a "Governmental Entity"), except for (i) applicable requirements, if any, of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and (ii) the notification requirements under the HSR Act.

2.3 Ownership of Owned Shares. Stockholder is the sole record and beneficial owner of the Owned Shares, free and clear of any security interests, liens, charges, encumbrances, equities, claims, options (other than the Option), proxies, stockholder agreements or limitations of whatever nature and free of any other limitation or restriction (including any restriction on the right to vote, sell or otherwise dispose of the Owned Shares or any interest therein) except pursuant to this Agreement. The Owned Shares constitute all of the Company Common Shares owned of record or beneficially (within the meaning of Rule 13d-3 under the Exchange Act) by Stockholder.

2.4 Purchase Not for Distribution. The Parent Common Shares to be acquired upon exercise of the Option will be so acquired without a view to the public distribution thereof and such shares will not be transferred or otherwise disposed of except in a transaction registered or exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), and in compliance with applicable state securities laws.

2.5 No Brokers. Stockholder has not entered into any contract, arrangement or understanding with any person or firm which may result in the obligation of Parent to pay any finder's fees, brokerage or agent's commissions or other like payments in connection with the negotiations leading to this Agreement or the consummation of the transactions contemplated hereby.

3. Representations and Warranties of Parent

Parent hereby represents and warrants to Stockholder as follows:

3.1 Authorization, Validity and Effect of Agreement. Parent has the requisite corporate power and authority to execute and deliver this agreement and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by Parent and constitutes the valid and binding obligation of Parent, enforceable against Parent in accordance with its terms.

3.2 No Conflict; Required Filings and Consents. (a) The execution and delivery of this Agreement by Parent do not, and the consummation by Parent and of the transactions contemplated hereby will not, (i) conflict with or violate the certificate of incorporation or by-laws of Parent, (ii) subject to making the filings and obtaining the approvals identified in Section 3.2(b), conflict with or violate any law, rule, regulation, order, judgment or decree applicable to Parent or by which any property or asset of Parent is bound or affected, or (iii) subject to making the filings and obtaining the approvals identified in Schedule 4.3(a) of the Merger Agreement, result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under, result in the loss of a material benefit under, or give to others any right of termination, amendment,

acceleration, increased payments or cancellation of, or result in the creation of a lien or other encumbrance on any property or asset of Parent pursuant to, any contract, agreement or other instrument or obligation to which Parent is a party or by which Parent or any property or asset of Parent is bound or affected.

(b) The execution and delivery of this Agreement by Parent do not, and the performance of this Agreement and the consummation by Parent of the transactions contemplated hereby will not, require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Entity, except for (i) applicable requirements, if any, of the Exchange Act and (ii) the notification requirements under the HSR Act.

3.3 Purchase Not for Distribution. The Option and the securities to be acquired upon exercise of the Option (the "Acquired Shares") are and will be acquired by Parent without a view to the public distribution thereof and neither this Option nor any Acquired Shares will be transferred or otherwise disposed of except in a transaction registered or exempt from registration under the Securities Act and in compliance with applicable state securities laws.

3.4 No Brokers. Parent has not entered into any contract, arrangement or understanding with any person or firm which may result in the obligation of Stockholder to pay any finder's fees, brokerage or agent's commissions or other like payments in connection with the negotiations leading to this Agreement or the consummation of the transactions contemplated hereby.

3.5 Issuance of Parent Common Shares. The Parent Common Shares to be paid to Stockholder upon exercise of the Option pursuant to this Agreement will, when issued in accordance with this Agreement, be duly authorized, validly issue, fully paid and nonassessable.

4. Certain Covenants

4.1 Voting of Shares. (a) Stockholder will, with respect to (i) all Owned Shares and (ii) any other Option Shares that it owns of record or beneficially on the record date for voting at the meeting of stockholders called to consider and vote upon the Merger (the "Stockholder Meeting"), vote or cause to be voted such Option Shares (or execute or cause to be executed written consents with respect to such Option Shares) (A) in favor of the adoption of the Merger Agreement and approval of the Merger and the other transactions contemplated by the Merger Agreement, (B) against any Alternative Proposal (as defined in the Merger Agreement), and (C) in favor of any other matter necessary for the consummation of the transactions contemplated by the Merger Agreement and considered and voted upon at the Stockholder Meeting. Stockholder acknowledges receipt and review of a copy of the Merger Agreement.

(b) Following the acquisition of the Option Shares by Parent upon the exercise of the Option, Parent will, with respect to the Option Shares that it owns of record or beneficially on the record date for the Stockholder Meeting, vote or cause to be voted such Option Shares (or execute or cause to be executed written consents with respect to such Option Shares) (i) in favor of the adoption of the Merger Agreement and approval of the Merger and the other transactions contemplated by the Merger Agreement, (ii) against any

Alternative Proposal, and (iii) in favor of any other matter necessary for the consummation of the transactions contemplated by the Merger Agreement and considered and voted upon at the Stockholder Meeting.

4.2 No Solicitation. Prior to the Effective Time (as defined in the Merger Agreement), (a) Stockholder will not, and will cause its officers, directors and employees, in their capacities as such, and its agents or representatives (including, without limitation, any investment banker, attorney or accountant retained by it or any of its subsidiaries) not to, initiate, solicit or encourage, directly or indirectly, any inquiries or the making or implementation of any Alternative Proposal or engage in any negotiations concerning, or provide any confidential information or data to, or have any discussions with, any person relating to an Alternative Proposal, or otherwise facilitate any effort or attempt to make or implement an Alternative Proposal, and (b) Stockholder will notify Parent immediately if any such inquiries or proposals are received by, any such information is requested from, or any such negotiations or discussions are sought to be initiated or continued with, it.

4.3 Registration Rights. (a) Definitions. For purposes of this Section 4.3, the following terms will have the following meanings:

"Blackout Period" means a Section 4.3(f)(i) Period or a Section 4.3(f)(ii) Period.

"Business Day" means a day, other than a Saturday or Sunday, on which banking institutions and securities exchanges in New York, New York are required to be open.

"Counsel to Stockholder" means the single law firm reasonably acceptable to Parent from time to time representing Stockholder.

"Effective Period" means a period commencing on the date of this Agreement and ending on the earlier of (i) the first date as of which all Registrable Securities cease to be Registrable Securities and (ii) the date on which such Stockholder may sell Registrable Securities in accordance with Rule 145(d)(3) under the Securities Act.

"Inspectors" has the meaning specified in Section 4.3(g)(xii).

"NASD" means the National Association of Securities Dealers, Inc.

"Prospectus" means the prospectus included in any Registration Statement, as amended or supplemented by any prospectus supplement with respect to the terms of the offering of any portion of the Registrable Securities covered by any Registration Statement and by all other amendments and supplements to the prospectus, including post-effective amendments and all material incorporated by reference in such prospectus.

"Records" has the meaning specified in Section 4.3(g)(xii).

"Registrable Securities" means Parent Common Shares acquired by Stockholder upon the exercise of the Option.

"Registration Expenses" means any and all reasonable expenses incident to performance of or compliance with this Agreement, including without limitation, (i) all SEC, NASD and securities exchange registration and filing fees, (ii) all fees and expenses of complying with state securities or blue sky laws (including reasonable fees and disbursements of counsel for any underwriters in connection with blue sky qualifications of the Registrable Securities), (iii) all printing expenses, (iv) all fees and expenses incurred in connection with the listing of the Registrable Securities on any securities exchange or automated quotation system pursuant to Section 4.3(g)(viii), (v) the fees and disbursements of counsel for Parent and of its independent public accountants, (vi) the reasonable fees and expenses of any special experts retained by Parent in connection with the requested registration, and (vii) out-of-pocket expenses of underwriters customarily paid by the issuer to the extent provided for in any underwriting agreement, but excluding underwriting discounts, commissions and transfer taxes, if any, fees and expenses of Counsel to Stockholder and all the fees and expenses of Stockholder incident to its offering or sale of Registerable Securities.

"Registration Hold Period" means a Section 4.3(g)(v) Period or a Section 4.3(g)(xiii) Period.

"Registration Statement" means any registration statement of Parent referred to in Sections 4.3(c) or (d), including any Prospectus, amendments and supplements to any such registration statement, including post-effective amendments, and all exhibits and all material incorporated by reference in any such registration statement.

"Related Securities" means any securities of Parent similar or identical to any of the Registrable Securities, including without limitation Parent Common Shares and all options, warrants, rights and other securities convertible into, or exchangeable or exercisable for, Parent Common Shares.

"SEC" means the Securities and Exchange Commission.

"Section 4.3(f)(i) Period" has the meaning specified in Section 4.3(f)(i).

"Section 4.3(f)(ii) Period" has the meaning specified in Section 4.3(f)(ii).

"Section 4.3(g)(v) Period" has the meaning specified in Section 4.3(g)(v).

"Section 4.3(g)(xiii) Period" has the meaning specified in Section 4.3(g)(xiii).

"Shelf Registration" means a registration statement on an appropriate form pursuant to Rule 415 under the Securities Act (or any successor rule that may be adopted by the SEC).

"underwritten registration" or "underwritten offering" means an underwritten offering in which securities of Parent are sold to an underwriter for reoffering to the public.

(b) Securities Subject to this Section 4.3. The securities
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entitled to the benefits of this Section 4.3 are the Registrable Securities. For the purposes of this Section 4.3, Registrable Securities will cease to be Registrable Securities when and to the extent that (i) a Registration Statement covering Registrable Securities has been declared effective under the Securities Act and Registrable Securities have been

disposed of pursuant to such effective Registration Statement or three years has passed since such Registration Statement was declared effective, (ii) Registrable Securities are distributed to the public pursuant to Rule 144 (or any similar provision then in force) under the Securities Act, or (iii) Registrable Securities have ceased to be outstanding.

(c) Piggy-Back Registration Rights. (i) Whenever during the Effective Period Parent proposes to file a registration statement under the Securities Act relating to the public offering of Parent Common Shares for cash pursuant to a firm commitment underwritten offering (other than pursuant to a registration statement on Form S-4 or Form S-8 or any successor forms, or filed in connection with an exchange offer or an offering of securities solely to existing stockholders or employees of Parent), Parent will (A) give written notice at least 15 Business Days prior to the filing thereof to Stockholder, specifying the approximate date on which Parent proposes to file such registration statement and advising Stockholder of its right to have any or all of the Registrable Securities then held by Stockholder included among the securities to be covered thereby, and (B) at the written request of Stockholder given to Parent at least five Business Days prior to the proposed filing date, include among the securities covered by such registration statement the number of Registrable Securities which Stockholder shall have requested be so included (subject, however, to reduction in accordance with paragraph (ii) of this Section). Parent will use commercially reasonable efforts to cause the managing underwriter of the proposed underwritten offering to permit the Registrable Securities so requested to be included in the Registration Statement for such offering to be included in such offering on the same terms and conditions as any similar securities of Parent included therein.

(ii) In the event Stockholder desires to participate in an offering pursuant to Section 4.3(c)(i), Stockholder may include Registrable Securities in any Registration Statement relating to such offering to the extent that the inclusion of such Registrable Shares will not reduce the number of shares of Parent Common Shares to be offered and sold by Parent or any other person pursuant thereto. If the lead managing underwriter selected by Parent for an underwritten offering pursuant to Section 4.3(c)(i) determines that marketing factors require a limitation on the number of Parent Common Shares to be offered and sold by the stockholders of Parent in such offering, there will be included in the offering only that number of Parent Common Shares, if any, that such lead managing underwriter determines will not jeopardize the success of the offering of all the Parent Common Shares that Parent desires to sell for its own account. In such event and provided the managing underwriter has so notified Parent in writing, the number of shares of Parent Common Shares to be offered and sold by stockholders of Parent, including Stockholder, desiring to participate in such

offering will be allocated among such holders of the Parent Common Shares (subject to any written agreements between two or more holders requiring a different priority).

(iii) Nothing in this Section 4.3(c) will create any liability on the part of Parent to Stockholder if Parent for any reason should decide not to file a registration statement proposed to be filed under Section 4.3(c)(i) or to withdraw such registration statement subsequent to its filing, regardless of any action whatsoever that Stockholder may have taken, whether as a result of the issuance by Parent of any notice hereunder or otherwise.

(iv) A request by Stockholder to include Registrable Securities in a proposed underwritten offering pursuant to Section 4.3(c)(i) will not be deemed to be a request for a demand registration pursuant to Section 4.3(d).

(d) Demand Registration Rights. (i) Upon the written request by Stockholder during the Effective Period that Parent effect the registration with the SEC under and in accordance with the provisions of the Securities Act of all or part of Stockholder's Registrable Securities (which written request will specify the aggregate number of shares of Registrable Securities requested to be registered and the means of distribution), Parent will file a Registration Statement covering Stockholder's Registrable Securities requested to be registered within 20 Business Days after receipt of such request; provided, however, that Parent will not be required to take any action pursuant to this Section 4.3(d):

(A) if prior to the date of such request Parent shall have effected one registration pursuant to this Section 4.3(d);

(B) if Parent has effected a registration pursuant to Section 4.3(c) within the 180-day period next preceding such request which permitted Stockholder to register Registrable Securities;

(C) if Parent shall at the time have effective a Shelf Registration pursuant to which Stockholder could effect the disposition of Stockholder's Registrable Securities in the manner requested;

(D) if the Registrable Securities which Parent shall have been requested to register shall have a then-current market value of less than $50,000,000, unless such registration request is for all remaining Registrable Securities; or

(E) during the pendency of any Blackout Period;

provided further, however, that Parent will be permitted to satisfy its obligations under this Section 4.3(d)(i) by amending (to the extent permitted by applicable law) any registration statement previously filed by Parent under the Securities Act so that such registration statement (as amended) will permit the disposition (in accordance with the intended methods of disposition specified as aforesaid) of all of the Registrable Securities for which a demand for registration has been made under this Section 4.3(d)(i). If Parent so amends a previously

filed registration statement, it will be deemed to have effected a registration for purposes of this Section 4.3(d).

(ii) Stockholder may distribute the Registrable Securities covered by such request by means of an underwritten offering or any other lawful means, as determined by Stockholder.

(iii) A registration requested pursuant to this Section 4.3(d) will not be deemed to be effected for purposes of this Section 4.3(d) if it has not been declared effective by the SEC or become effective in accordance with the Securities Act and the rules and regulations thereunder.

(iv) Stockholder may, at any time prior to the effective date of the Registration Statement relating to such registration, revoke such request by providing a written notice to Parent revoking such request. In such event, Stockholder will reimburse Parent for all its out-of-pocket expenses incurred in the preparation, filing and processing of the Registration Statement; provided, however, that, if such revocation was based on (A) Parent's failure to comply in any material respect with its obligations hereunder or (B) the occurrence of a Blackout Period, such reimbursement will not be required.

(v) Parent will not include any securities which are not Registrable Securities in any Registration Statement filed pursuant to a demand made under this Section 4 without the prior written consent of Stockholder.

(e) Selection of Underwriters. In connection with any underwritten offering pursuant to a Registration Statement filed pursuant to a demand made under Section 4.3(d), Stockholder will have the right to select a managing underwriter or underwriters to administer the offering, which managing underwriter or underwriters will be reasonably satisfactory to Parent.

(f) Blackout Periods. (i) If (A) during the Effective Period, Parent files or proposes to file a registration statement (other than in connection with the registration of securities issuable pursuant to a continuous "at the market offering" pursuant to Rule 415(a)(4) under the Securities Act, an employee stock option, stock purchase, dividend reinvestment plan or similar plan or pursuant to a merger, exchange offer or a transaction of the type specified in Rule 145(a) under the Securities Act) with respect to any securities of Parent, and (B) with reasonable prior notice, (1) Parent (in the case of a non-underwritten offering pursuant to such registration statement) advises Stockholder in writing that a sale or distribution of Registrable Securities would adversely affect such offering or (2) the managing underwriter or underwriters (in the case of an underwritten offering) advise Parent in writing (in which case Parent will notify Stockholder), that a sale or distribution of Registrable Securities would adversely affect such offering, then Parent will not be obligated to effect the initial filing of a Registration Statement pursuant to Section 4.3(d) during the period commencing on the date that is 30 calendar days prior to the date Parent in good faith estimates (as certified in writing by an officer of Parent to Stockholder following a request for registration pursuant to Section 4.3(d)(i)) will be the date of the filing of, and ending on

the date which is 120 calendar days following the effective date of, such registration statement (a "Section 4.3(f)(i) Period").

(ii) If Parent determines in good faith that the registration and distribution of Registrable Securities (A) would materially impede, delay or interfere with any pending financing (other than a financing of the type described in Section 4.3(f)(i)), acquisition, corporate reorganization or other significant transaction involving Parent or (B) would require disclosure of non-public material information, the disclosure of which would materially and adversely affect Parent, and, in the case of clause (B), Parent is concurrently forbidding purchases or sales in the open market by senior executives of Parent, Parent will promptly give the stockholder written notice of such determination and will be entitled to postpone the filing or effectiveness of a Registration Statement for a reasonable period of time not to exceed 120 calendar days (a "Section 4.3(f)(ii) Period"); provided, however, that in connection therewith Parent will be required to deliver to Counsel to Stockholder (as identified at such time to the Company) a general statement, signed by an officer of Parent, describing in reasonable detail the reasons for such postponement or restriction on use and an estimate of the anticipated delay. Parent will promptly notify Stockholder of the expiration or earlier termination of a Section 4.3(f)(ii) Period.

(iii) Notwithstanding anything in this Section 4.3(f) to the contrary, (A) the beginning of any Blackout Period will be at least 120 calendar days after the end of the prior Blackout Period, and (B) the aggregate number of days included in all Blackout Periods and all Registration Hold Periods during any consecutive 12-month period during the

Effective Period will not exceed 180 calendar days.

(g) Registration Procedures. If and whenever Parent is required to use commercially reasonable efforts to effect or cause the registration of any Registrable Securities under the Securities Act as provided in this Agreement, Parent will, as expeditiously as possible:

(i) prepare and file with the SEC a Registration Statement with respect to such Registrable Securities on any form for which Parent then qualifies or which counsel for Parent deems appropriate, and which form is available for the sale of the Registrable Securities in accordance with the intended methods of distribution thereof (including, if so requested by Stockholder, distributions under Rule 415 under the Securities Act pursuant to a Shelf Registration Statement), and use commercially reasonable efforts to cause such Registration Statement to become and remain effective;

(ii) prepare and file with the SEC amendments and post-effective amendments to such Registration Statement and such amendments to the Prospectus used in connection therewith as may be necessary to maintain the effectiveness of such registration or as may be required by the rules, regulations or instructions applicable to the registration form utilized by Parent or by the Securities Act or rules and regulations thereunder necessary to keep such Registration Statement effective for up to 90 calendar days, in the case of an underwritten offering, or 180 calendar days,

in any other case (or longer period in the event of a Registration Hold Period during such 90 or 180 calendar days, as provided in this Section 4.3(g)) and cause the Prospectus as so supplemented to be filed pursuant to Rule 424 under the Securities Act, and to otherwise comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such Registration Statement until the earlier of (A) such 90th or 180th calendar day (or longer period) and (B) such time as all Registrable Securities covered by such Registration Statement have ceased to be Registrable Securities; provided that a reasonable time before filing a Registration Statement or Prospectus, or any amendments or supplements thereto, Parent will furnish to Stockholder, the managing underwriter and their respective counsel for review and comment, copies of all documents proposed to be filed and will not file any such documents to which any of them reasonably object prior to the filing thereof;

(iii) furnish to Stockholder such number of copies of such Registration Statement and of each amendment and post-effective amendment thereto (in each case including all exhibits), any Prospectus or Prospectus supplement and such other documents as Stockholder may reasonably request in order to facilitate the disposition of the Registrable Securities by Stockholder (Parent hereby consenting to the use (subject to the limitations set forth in the last paragraph of this Section 4.3(g)) of the Prospectus or any amendment or supplement thereto in connection with such disposition);

(iv) use commercially reasonable efforts to register or qualify such Registrable Securities covered by such Registration Statement under such other securities or blue sky laws of such jurisdictions as Stockholder reasonably requests, and do any and all other acts and things which may be reasonably necessary or advisable to enable Stockholder to consummate the disposition in such jurisdictions of the Registrable Securities owned by Stockholder, except that Parent will not for any such purpose be required to qualify generally to do business as a foreign corporation in any jurisdiction where, but for the requirements of this Section

4.3(g)(iv), it would not be obligated to be so qualified, to subject itself to taxation in any such jurisdiction or to consent to general service of process in any such jurisdiction;

(v) notify Stockholder at any time when a Prospectus relating to any such Registrable Securities is required to be delivered under the Securities Act within the appropriate period mentioned in Section 4.3(g)(ii) of Parent's becoming aware that the Prospectus included in such Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing (the period during which Stockholder is required to refrain from effective public sales or distributions in such case being referred to as a "Section 4.3(g)(v) Period"), and prepare and furnish to Stockholder a reasonable number of copies of an amendment to such Registration Statement or related Prospectus as may be necessary so that, as thereafter delivered to the purchasers of such Registrable Securities, such Prospectus shall not include an untrue statement of a

material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing, and the time during which such Registration Statement shall remain effective pursuant to Section 4.3(g)(ii) will be extended by the number of days in the Section 4.3(g)(v) Period;

(vi) notify Stockholder at any time,

(A) when the Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to the Registration Statement or any post-effective amendment, when the same has become effective;

(B) of any request by the SEC for amendments or supplements to the Registration Statement or the Prospectus or for additional information;

(C) of the issuance by the SEC of any stop order of which Parent or its counsel is aware or should be aware suspending the effectiveness of the Registration Statement or any order preventing the use of a related Prospectus, or the initiation or any threats of any proceedings for such purposes;

(D) of the receipt by Parent of any written notification of the suspension of the qualification of any of the Registrable Securities for sale in any jurisdiction of the initiation or any threats of any proceeding for that purpose; and

(E) if at any time the representations and warranties of Parent contemplated by Section 4.3(g)(ix)(A) cease to be true and correct in any material respect;

(vii) otherwise use commercially reasonable efforts to comply with all applicable rules and regulations of the SEC, and make available to Stockholder an earnings statement which shall satisfy the provisions of Section 11(a) of the Securities Act, provided that Parent will be deemed to have complied with this Section 4.3(g)(vii) if it has satisfied the provisions of Rule 158 under the Securities Act;

(viii) use commercially reasonable efforts to cause all such Registrable Securities to be listed on any securities exchange or automated quotation system on which the Parent Common Shares is then

listed, if such Registrable Securities are not already so listed and if such listing is then permitted under the rules of such exchange or automated quotation system, and to provide a transfer agent and registrar for such Registrable Securities covered by such Registration Statement no later than the effective date of such Registration Statement;

(ix) enter into agreements (including underwriting agreements) and take all other appropriate and reasonable actions in order to expedite or facilitate the disposition of such Registrable Securities and in such connection, whether or not an underwriting agreement is entered into and whether or not the registration is an underwritten registration:

(A) make such representations and warranties to Stockholder and the underwriters, if any, in form, substance and scope as are customarily made by issuers to underwriters in comparable underwritten offerings;

(B) obtain opinions of counsel to Parent thereof (which counsel and opinions (in form, scope and substance) will be reasonably satisfactory to the managing underwriters, if any, and Stockholder) addressed to Stockholder and the underwriters, if any, covering the matters customarily covered in opinions requested in comparable underwritten offerings and such other matters as may be reasonably requested by Stockholder and the managing underwriter, if any;

(C) obtain "cold comfort" letters and bring-downs thereof from Parent's independent certified public accountants addressed to Stockholder and the underwriters, if any, such letters to be in customary form and covering matters of the type customarily covered in "cold comfort" letters by independent accountants in connection with underwritten offerings;

(D) if requested, provide indemnification in accordance with the provisions and procedures of Section 4.3(j) to all parties to be indemnified pursuant to said Section; and

(E) deliver such documents and certificates as may be reasonably requested by Stockholder and the managing underwriters, if any, to evidence compliance with Section 4.3(g)(vi) and with any customary conditions contained in the underwriting agreement or other agreement entered into by Parent.

(x) cooperate with Stockholder and the managing underwriter or underwriters or agents, if any, to facilitate, to the extent commercially reasonable under the circumstances, the timely preparation and delivery of certificates (not bearing any restrictive legends) representing the securities to be sold under such Registration Statement, and enable such securities to be in such denominations and registered in such names as the managing underwriter or underwriters or agents, if any, or Stockholder may request;

(xi) if reasonably requested by the managing underwriter or underwriters or Stockholder, incorporate in a Prospectus supplement or post-effective amendment such information as the managing underwriters and Stockholder agree should be included therein relating to the plan of distribution with respect to such

Registrable Securities, including without limitation information with respect to the purchase price being paid by such underwriters and with respect to any other terms of the underwritten offering of the Registrable Securities to be sold in such offering and make all required filings of such Prospectus supplement or post-effective amendment as promptly as practicable upon being notified of the matters to be incorporated in such Prospectus supplement or post-effective amendment;

(xii) provide Stockholder, any underwriter participating in any disposition pursuant to such Registration Statement and any attorney, accountant or other agent retained by Stockholder or underwriter (collectively, the "Inspectors") reasonable access to appropriate officers of Parent and Parent's subsidiaries to ask questions and to obtain information reasonably requested by any such Inspector and make available for inspection all financial and other records and other information, pertinent corporate documents and properties of any of Parent and its subsidiaries and affiliates (collectively, the "Records") as may be reasonably necessary to enable them to exercise their due diligence responsibilities; provided, however, that the Records that Parent determines, in good faith, to be confidential and which it notifies the Inspectors in writing are confidential will not be disclosed to any Inspector unless such Inspector signs a confidentiality agreement reasonably satisfactory to Parent but in any event permitting disclosure by an Inspector if (A) the disclosure of such Records is necessary to avoid or correct a misstatement or omission of a material fact in such Registration Statement or (B) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction; provided further, however, that any decision regarding the disclosure of information pursuant to clause (A) may be made only after consultation with counsel for the applicable Inspectors. Stockholder agrees that it will promptly after learning that disclosure of such Records is sought in a court having jurisdiction, give notice to Parent and allow Parent, at Parent's expense, to undertake appropriate action to prevent disclosure of such Records; and

(xiii) in the event of the issuance of any stop order of which Parent or its counsel is aware or should be aware suspending the effectiveness of the Registration Statement or of any order suspending or preventing the use of any related Prospectus or suspending the qualification of any Registrable Securities included in the Registration Statement for sale in any jurisdiction, Parent will use commercially reasonable efforts promptly to obtain its withdrawal; and the period for which the Registration Statement will be kept effective will be extended by a number of days equal to the number of days between the issuance and withdrawal of any stop orders (a "Section 4.3(g)(xiii) Period").

Parent may require Stockholder to furnish Parent with such information regarding Stockholder and pertinent to the disclosure requirements relating to the registration and the distribution of such securities as Parent may from time to time reasonably request in writing. Upon receipt of any notice from Parent of the happening of any event of the kind described in Section 4.3(g)(v), Stockholder will forthwith discontinue disposition of Registrable Securities pursuant to the Prospectus or Registration Statement covering such Registrable

Securities until Stockholder's receipt of the copies of the supplemented or

amended Prospectus contemplated by Section 4.3(g)(v), and, if so directed by Parent, Stockholder will deliver to Parent (at Parent's expense) all copies, other than permanent file copies then in Stockholder's possession, of the Prospectus covering such Registrable Securities current at the time of receipt of such notice.

(h) Registration Expenses. Parent will pay all Registration Expenses in connection with all registrations of Registrable Securities pursuant to Sections 4.3(c) and (d) upon the written request of Stockholder, and Stockholder will pay (A) any fees or disbursements of Counsel to Stockholder and (B) all underwriting discounts and commissions and transfer taxes, if any, and other fees, costs and expenses of Stockholder relating to the sale or disposition of Stockholder's Registrable Securities pursuant to the Registration Statement.

(i) Reports Under the Exchange Act. Parent will:

(i) file with the SEC in a timely manner all reports and other documents required of Parent under the Exchange Act; and

(ii) furnish to Stockholder, during the Effective Period, forthwith upon request (A) a written statement by Parent that it has complied with the current public information and reporting requirements of Rule 144 under the Securities Act and the Exchange Act and (B) a copy of the most recent annual or quarterly report of Parent and such other reports and documents so filed by Parent.

(j) Indemnification; Contribution. (i) Indemnification by Parent. Parent will indemnify and hold harmless Stockholder, its officers, directors, agents, trustees, general partners and each person who controls Stockholder (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act), against all losses, claims, damages, liabilities and expenses (including reasonable attorneys' fees, disbursements and expenses) incurred by such party pursuant to any actual or threatened action, suit, proceeding or investigation arising out of or based upon (A) any violation by Parent (or its officers, directors or controlling persons) of any federal or state law, rule or regulation applicable to Parent and relating to any action required or inaction by Parent (or such other person) in connection with or relating to any Registration Statement, (B) any untrue or alleged untrue statement of material fact contained in the Registration Statement, any Prospectus or preliminary Prospectus, or any amendment or supplement to any of the foregoing, or (C) any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of a Prospectus or a preliminary Prospectus, in light of the circumstances then existing) not misleading, except in each case insofar as the same arise out of or are based upon any such untrue statement or omission made in reliance on and in conformity with information with respect to such indemnified party furnished in writing to Parent by such indemnified party or its counsel expressly for use therein. In connection with an underwritten offering, Parent will indemnify the underwriters thereof, their officers, directors, agents, trustees, general partners, and each person who controls such underwriters (within the meaning of Section 15 of the Securities

Act or Section 20 of the Exchange Act) to the same extent as provided above with respect to the indemnification of Stockholder. Notwithstanding the foregoing provisions of this Section 4.3(j)(i), Parent will not be liable to Stockholder (or any officer, director, agent, trustee or controlling person thereof), any person who participates as an underwriter in the offering or sale of Registrable Securities or any other person, if any, who

controls Stockholder or underwriter (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act), under the indemnity agreement in this Section 4.3(j)(i) for any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense that arises out of Stockholder's or such other person's failure to send or deliver a copy of the final Prospectus to the person asserting an untrue statement or alleged untrue statement or omission or alleged omission at or prior to the written confirmation of the sale of the Registrable Securities to such person if such statement or omission was corrected in such final Prospectus and Parent had previously furnished copies thereof to Stockholder or such other person in accordance with this Agreement.

(ii) Indemnification by Stockholder. In connection with the Registration Statement, Stockholder will furnish to Parent in writing such information, including the name and address of, and the amount of Registrable Securities held by, Stockholder, as Parent reasonably requests for use in such Registration Statement or the related Prospectus and will indemnify and hold harmless (in the same manner and to the same extent as set forth in Section 4.3(j)(i)) Parent or any underwriter, as the case may be, and any of their respective affiliates, directors, officers, agents, trustees and controlling persons (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act), against any losses, claims, damages, liabilities and expenses resulting from (A) any violation by Stockholder (or its officers, directors, agents, trustees or controlling persons) of any federal or state law, rule or regulation relating to action required of or inaction by Stockholder (or such other person) in connection with its offer and sale of Registrable Securities and (B) any untrue or alleged untrue statement of a material fact contained in, or any omission or alleged omission of a material fact required to be stated in, such Registration Statement or Prospectus or any amendment or supplement to either of them or necessary to make the statements therein (in the case of a Prospectus, in the light of the circumstances then existing) not misleading, but only to the extent that any such untrue statement or omission is made in reliance on and in conformity with information with respect to Stockholder furnished in writing to Parent by Stockholder or its counsel specifically for inclusion therein.

(iii) Conduct of Indemnification Proceedings. Any Person entitled to indemnification hereunder agrees to give prompt written notice to the indemnifying party after the receipt by such indemnified party of any written notice of the commencement of any action, suit, proceeding or investigation or threat thereof made in writing for which such indemnified party may claim indemnification or contribution pursuant to this Agreement (provided that failure to give such notification will not affect the obligations of the indemnifying party pursuant to this Section 4.3(j) except to the extent the indemnifying party shall have been actually prejudiced as a result of such failure). In case any such action is brought against any indemnified party and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it wishes, jointly with any other indemnifying party similarly notified, to

assume the defense thereof, with counsel satisfactory to such indemnified party (who may not, except with the consent of the indemnified party, be counsel to the indemnifying party), and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under these indemnification provisions for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation, unless in the reasonable judgment of any indemnified party a conflict of interest is likely to exist, based on the written opinion of counsel, between such indemnified party and any other of such indemnified parties with respect to such claim, in which event the

indemnifying party will be obligated to pay the reasonable fees and expenses of such additional counsel. No indemnifying party, in defense of any such action, suit, proceeding or investigation, may, except with the consent of each indemnified party, consent to the entry of any judgment or entry into any settlement (which consent will not be unreasonably withheld) which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such action, suit, proceeding or investigation to the extent the same is covered by the indemnity obligation set forth in this Section 4.3(j). No indemnified party may consent to entry of any judgment or enter into any settlement without the consent of each indemnifying party (which consent will not be unreasonably withheld).

(iv) Contribution. If the indemnification from the indemnifying party provided for in this Section 4.3(j) is unavailable to an indemnified party hereunder in respect of any losses, claims, damages, liabilities or expenses referred to herein, then the indemnifying party, in lieu of indemnifying such indemnified party, will contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities and expenses in such proportion as is appropriate to reflect the relative fault of the indemnifying party and indemnified party in connection with the actions which resulted in such losses, claims, damages, liabilities and expenses, as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified party will be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, has been made by, or relates to information supplied by, such indemnifying party or indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action. The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and expenses referred to above will be deemed to include, subject to the limitations set forth in Section 4.3(j)(iii), any legal and other fees and expenses reasonably incurred by such indemnified party in connection with any investigation or proceeding. The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 4.3(j)(iv) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above. Notwithstanding the provisions of this Section 4.3(j)(iv), no underwriter will be required to contribute any amount in excess of the underwriting discount or commission applicable to the Registrable Securities underwritten by it. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any person who was

not guilty of such fraudulent misrepresentation. Stockholder's obligation to contribute is several in the proportion that the proceeds of the offering received by Stockholder bears to the total proceeds of the offering, and not joint. If indemnification is available under this Section 4.3(j)(iv), the indemnifying parties will indemnify each indemnified party to the full extent provided in Section 4.3(j)(i) or 4.3(j)(ii), as the case may be, without regard to the relative fault of said indemnifying parties or indemnified party or any other equitable consideration provided for in this Section 4.3(j)(iv).

(v) Certain Limitations. In no event will Stockholder be liable or required to contribute any amount under this Section 4.3(j) or otherwise in respect of any untrue or alleged untrue statement or omission or alleged omission for amounts in excess of the amount by which the total price at which the Registrable Securities of Stockholder were offered to the public exceeds the amount of any damages which Stockholder has otherwise been required to pay by reason of such untrue statement or omission.

(vi) Nonexclusivity. The provisions of this Section 4.3(j) will be in addition to any liability which any indemnifying party may have to any indemnified party and will survive the termination of this Agreement.

(k) Participation in Underwritten Offerings. Stockholder may not participate in any underwritten offering pursuant to Section 4.3(c) hereunder unless Stockholder (i) agrees to sell Stockholder's Registrable Securities on the basis provided in any underwriting arrangements approved by Parent in its reasonable discretion and (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements.

4.4 Transfer of Shares. Prior to the Effective Time or, if earlier, the termination of the Merger Agreement in accordance with its terms, Stockholder will not directly or indirectly, through any affiliate or associate, sell, assign, transfer, pledge or otherwise dispose of or acquire, or enter into any put, call or other contract, option or other arrangement or undertaking with respect to the direct or indirect acquisition or sale, assignment or other disposition of any Parent Common Shares. For 90 calendar days beginning on the date of the Effective Time, Stockholder will not directly or indirectly, through any affiliate or associate, sell, assign, transfer, pledge or otherwise dispose of (including make any distribution to its limited partners) or acquire, or enter into any put, call or other contract, option or other arrangement or undertaking with respect to the direct or indirect acquisition or sale, assignment or other disposition of, any Parent Common Shares.

5. General Provisions

5.1 Notices. Any notice required to be given hereunder will be sufficient if in writing, and sent by facsimile transmission and by courier service (with proof of service), hand delivery or certified or registered mail (return receipt requested and first class postage prepaid), addressed as follows:

If to Parent or Merger Sub:

Federated Department Stores, Inc.
7 W. Seventh Street
Cincinnati, Ohio 45202
Attention: Dennis J. Broderick
General Counsel
Fax No.: 513/579-7354

If to Stockholder:

Zell/Chilmark Fund, L.P.
Two North Riverside Plaza
Suite 1500
Chicago, IL 60606
Attention: David M. Schulte
Fax No.: (312) 984-0317

With copies to:

Jones, Day, Reavis & Pogue
599 Lexington Avenue
New York, New York 10022
Attention: Robert A. Profusek, Esq.
Fax No.: 212/755-7306

With copies to:

Rosenberg & Liebentritt, P. C.
Two North Riverside Plaza
Suite 1600
Chicago, Illinois 60606
Attention: Sheli Z. Rosenberg
Fax No.: (312) 454-0531

or to such other address as any party shall specify by written notice so given, and such notice will be deemed to have been delivered as of the date so telecommunicated, personally delivered or mailed.

5.2 Assignment; Binding Effect. Neither this Agreement nor any

of the rights, interests or obligations hereunder may be assigned or delegated by either of the parties hereto (whether by operation of law or otherwise). This Agreement will be binding upon and inure solely to the benefit of each party hereto, and nothing in this Agreement, express or implied, is intended to or will confer upon any person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

5.3 Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings between the parties with respect thereto.

5.4 Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of Delaware without regard to its rules of conflict of laws.

5.5 Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute one and the same instrument. Each counterpart may consist of a number of copies hereof each signed by less than both, but together signed by both of the parties hereto.

5.6 Headings. Headings of the Articles and Sections of this Agreement are for the convenience of the parties only, and will be given no substantive or interpretive effect whatsoever.

5.7 Interpretation. In this Agreement, unless the context otherwise requires, words describing the singular number will include the plural and vice versa, and words denoting any gender will include all genders and words denoting natural persons will include corporations and partnerships and vice versa.

5.8 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement will nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provisions is invalid, illegal or incapable of being enforced, the parties hereto will negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible to the fullest extent permitted by applicable law in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

5.9 Termination. If Parent has not theretofore purchased the Option Shares pursuant to the Option or not then given notice of its desire to exercise the Option pursuant to Section 1.1(c), this Agreement will terminate automatically immediately upon the earlier to occur of (a) the Outside Date and (b) the termination of the Merger Agreement pursuant to Section 7.1, 7.2(a), 7.2(b), 7.3(c) or 7.4 thereof. In addition if Parent fails to exercise the Option to purchase Parent Common Shares within 60 calendar days after giving notice that it wishes to do so, this Agreement will terminate automatically.

5.10 Specific Performance. The parties hereto agree that

irreparable damage would occur in the event any provision of this Agreement was not performed in accordance with the terms hereof and that the parties will be entitled to specific performance of the terms hereof, in addition to any other remedy at law or in equity.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

FEDERATED DEPARTMENT STORES, INC.

By: /s/ Ronald W. Tysoe

Name: Ronald W. Tysoe

Title: Vice Chairman

Zell/Chilmark Fund, L.P.

By: ZC Limited Partnership, general partner

By: ZC Partnership, general partner

By: CZ Inc., a partner

By: /s/ David M. Schulte

David M. Schulte, President