

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report: May 21, 1996

FEDERATED DEPARTMENT STORES, INC.

1440 Broadway, New York, New York 10018
(212) 840-1440

-and-

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

Delaware 1-13536 13-3324058

(State of Incorporation) (Commission File No.) (IRS Id. No.)

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Item 5. Other Events

This Current Report on Form 8-K is being filed with the Securities and Exchange Commission by Federated Department Stores, Inc. ("Federated") for the purpose of filing the Underwriting Agreement, dated as of May 16, 1996, between Federated and the underwriters named therein and the form of Seventh Supplemental Trust Indenture, to be dated as of May 22, 1996 between Federated and State Street Bank and Trust Company (successor to The First National Bank of Boston), as Trustee, as exhibits hereto.

Item 7. Financial Statements, Pro Forma Financial

Information and Exhibits.

The following exhibits are filed herewith:

1. Underwriting Agreement, dated as of May 16, 1996 between Federated Department Stores, Inc. and the underwriters named therein.
4. Form of Seventh Supplemental Trust Indenture, to be dated as of May 22, 1996, between Federated Department Stores, Inc. and State Street Bank and Trust Company (successor to The First National Bank of Boston), as Trustee.

SIGNATURES

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

FEDERATED DEPARTMENT STORES, INC.

Date: May 21, 1996 By: /s/ Dennis J. Broderick

Dennis J. Broderick
Senior Vice President,
General Counsel and
Secretary

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1.	Underwriting Agreement, dated as of May 16, 1996 between Federated Department Stores, Inc. and the underwriters named therein.	5
4.	Form of Seventh Supplemental Trust Indenture, to be dated as of May 22, 1996, between Federated Department Stores, Inc. and State Street Bank and Trust Company (successor to The First National Bank of Boston), as Trustee.	37

Federated Department Stores, Inc.

8 1/2% Senior Notes due 2003

Underwriting Agreement

May 16, 1996

Goldman, Sachs & Co.,
CS First Boston Corporation and
Smith Barney Inc.,
c/o Goldman, Sachs & Co.,
85 Broad Street,
New York, New York 10004

Ladies and Gentlemen:

Federated Department Stores, Inc., a Delaware corporation (the "Company"), proposes, subject to the terms and conditions stated herein, to issue and sell to you (the "Underwriters") an aggregate of \$450,000,000 principal amount of Notes specified above (the "Securities").

1. The Company represents and warrants to, and agrees with, each of the Underwriters that:

(a) A registration statement on Form S-3 (File No. 33-64973) in respect of the Securities has been filed with the Securities and Exchange Commission (the "Commission"); such registration statement and any post-effective amendment thereto, each in the form heretofore delivered or to be delivered to the Underwriters without exhibits thereto, but with documents incorporated by reference in the prospectus contained therein, have been declared effective by the Commission in such form; no other document with respect to such registration statement or document incorporated by reference therein has heretofore been filed or transmitted for filing with the Commission (other than prospectuses filed or to be filed pursuant to Rule 424(b) of the rules and regulations of the Commission under the Securities Act of 1933, as amended (the "Act"), each in the form heretofore delivered or to be delivered to the Underwriters); and no stop order suspending the effectiveness of such registration statement has been issued and no proceeding for that purpose has been initiated or threatened by the Commission (any preliminary prospectus included in such registration statement or filed with the Commission pursuant to Rule 424(a) under the Act is hereinafter called a "Preliminary Prospectus"; the various parts of such registration statement, including all exhibits thereto and the documents incorporated by reference in the prospectus contained in the registration statement at the time such part of the registration statement became effective but excluding Form T-1, each as amended at the time such part of the registration statement became effective, are hereinafter collectively called the "Registration Statement"; the prospectus relating to the Securities, in the form in which it has most recently been filed, or transmitted for filing, with the Commission on or prior to the date of this Agreement, being hereinafter called the "Prospectus"; any reference herein to any Preliminary Prospectus or the Prospectus shall

be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Act, as of the date of such Preliminary Prospectus or Prospectus, as the case may be; any reference to any amendment or supplement to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any documents filed after the date of such Preliminary Prospectus or Prospectus, as the case may be, under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and incorporated by reference in such Preliminary

Prospectus or Prospectus, as the case may be; any reference to any amendment to the Registration Statement shall be deemed to refer to and include any annual report of the Company filed pursuant to Sections 13(a) or 15(d) of the Exchange Act after the effective date of the Registration Statement that is incorporated by reference in the Registration Statement; and any reference to the Prospectus as amended or supplemented shall be deemed to refer to the Prospectus as amended or supplemented in relation to the Securities in the form in which it is filed with the Commission pursuant to Rule 424(b) under the Act in accordance with Section 5(a) hereof, including any documents incorporated by reference therein as of the date of such filing);

(b) The documents incorporated by reference in the Prospectus, when they became effective or were filed with the Commission, as the case may be, conformed in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder, and none of such documents contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein, or necessary to make the statements therein not misleading; and any further documents so filed and incorporated by reference in the Prospectus or any further amendment or supplement thereto, when such documents become effective or are filed with the Commission, as the case may be, will conform in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder and will not contain 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; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by the Underwriters through Goldman, Sachs & Co. expressly for use in the Prospectus as amended or supplemented;

(c) The Registration Statement and the Prospectus conform, and any further amendments or supplements to the Registration Statement or the Prospectus will conform, in all material respects to the requirements of the Act and the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), and the rules and regulations of the Commission thereunder and do not and will not, as of the applicable effective date as to the Registration Statement and any amendment thereto and as of the applicable filing date as to the Prospectus and any amendment or supplement thereto, contain 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; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by the Underwriters through Goldman, Sachs & Co. expressly for use in the Prospectus as amended or supplemented;

(d) There has not been any material adverse change in the business, financial position or results of operations of the Company and its subsidiaries, taken as a whole, from the respective dates as of which information is given in the Registration Statement and the Prospectus. Neither the Company nor any of its subsidiaries has sustained since the date of the latest audited financial statements included or incorporated by reference in the Prospectus any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Prospectus as amended or supplemented; and, since the respective dates as of which information is given in the Registration Statement and the Prospectus, there has not been any change in the capital stock (other than immaterial issuances and forfeitures of stock in connection with equity-based compensation plans of executive officers of the Company or as set forth or contemplated in the Prospectus as amended or supplemented, or any increase in excess of \$25,000,000 in long-term debt of the Company or any of its subsidiaries otherwise than as set forth or contemplated in the Prospectus as amended or supplemented, or any material adverse change, or any development involving a prospective material adverse change, in or affecting the general affairs, management, financial position, shareholders' equity or results of operations of the Company and its subsidiaries, otherwise than as set forth or contemplated in the Prospectus as amended or supplemented;

(e) The Company and its subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them, in each case free and clear of all liens, encumbrances and defects except such as are disclosed in the Prospectus as amended or supplemented, or as do not, individually or in the aggregate, have a material adverse effect on the business, financial position or results of operations or reasonably foreseeable prospects of the Company and its subsidiaries taken as a whole (a "Material Adverse Effect"); and any real property and buildings held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as would not, individually or in the aggregate, have a Material Adverse Effect;

(f) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, with power and authority (corporate and other) to own its properties and conduct its business as described in the Prospectus as amended or supplemented, and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it is required to be so qualified, except where failure to be so qualified and in good standing individually or in the aggregate would not have a Material Adverse Effect; and each Significant Subsidiary (as such term is defined in Rule 405 under the Act) has been duly incorporated and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation and each subsidiary of the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation, except where failure to be duly incorporated, validly existing and in good standing would not, individually or in the aggregate, have a Material Adverse Effect;

(g) All of the issued shares of capital stock of the Company have been duly and validly authorized and issued and are fully paid and non-assessable; all of the issued shares of capital stock of each Significant Subsidiary have been duly and validly authorized and issued, are fully paid and non-assessable and (except as otherwise disclosed in the Prospectus as amended or supplemented) are owned directly or indirectly by the Company, free and clear of all material liens, encumbrances, equities or claims; and all of the issued shares of capital stock of each subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims (except as otherwise disclosed in the Prospectus as amended or supplemented or where, individually or in the aggregate, the failure to have been duly and validly authorized and issued, to be fully paid and non-assessable and to be owned directly or indirectly by the Company free and clear of liens, encumbrances, equities or claims would not have a Material Adverse Effect);

(h) The Securities have been duly authorized and, when issued and delivered pursuant to this Agreement, will have been duly executed, authenticated, issued and delivered and will constitute valid and legally binding obligations of the Company entitled to the benefits provided by the Indenture, dated as of December 15, 1994 (the "Indenture"), as supplemented by the Seventh Supplemental Indenture (the "Supplemental Indenture"), between the Company and State Street Bank and Trust Company (successor to The First National Bank of Boston), as Trustee (the "Trustee"), under which the Securities are to be issued; the Indenture has been duly authorized, executed and delivered and duly qualified under the Trust Indenture Act; the Indenture constitutes (and the Supplemental Indenture, when executed and delivered by the Company and the Trustee, will constitute) a valid and legally binding instrument, enforceable in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, and other laws of general applicability relating to or affecting creditors' rights and to general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law; and the Securities and the Indenture will conform to the descriptions thereof in the Prospectus as amended or supplemented;

(i) The issue and sale of the Securities and the compliance by the Company with all of the provisions of the Securities, the Indenture, as supplemented by the Supplemental Indenture, and this Agreement and the consummation of the transactions herein and therein contemplated (other than to the extent set forth in the Prospectus as amended or supplemented under the caption "Description of the Notes--Certain Restrictive Covenants--Change of Control") will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, sale/leaseback agreement, loan agreement or other similar financing agreement or instrument or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, except for such conflicts, breaches, violations and defaults as individually or in the aggregate would not have a Material Adverse Effect, nor will such action result in any material violation of the provisions of the Certificate of Incorporation or By-laws of the Company or any material statute, order, rule or regulation of any court or governmental

agency or body having jurisdiction over the Company or any of its Significant Subsidiaries or any of their properties, nor will such action result in any violation of the provisions of any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties except for such violations as individually or in the aggregate would not have a Material Adverse Effect; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Securities or the consummation by the Company of the transactions contemplated by this Agreement or the Indenture, as supplemented by the Supplemental Indenture, except the registration of the Securities under the Act, the Exchange Act and such as have been obtained under the Trust Indenture Act and such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Securities by the Underwriters;

(j) Neither the Company nor any of its Significant Subsidiaries (i) is in violation of its certificate of incorporation or by-laws (or comparable governing documents), (ii) is in default, and no event has occurred which, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any material obligation, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or by which it or any of its properties may be bound, or (iii) is in material violation of any material law, ordinance, governmental rule, regulation or court decree to which it or its property is subject, or (iv) has failed to obtain any material license, permit, certificate, franchise or other governmental authorization or permit necessary to the ownership of its property or to the conduct of its business; and none of the subsidiaries of the Company (i) is in violation of its certificate of incorporation or by-laws (or comparable governing documents), (ii) is in default, and no event has occurred which, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any obligation, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or by which it or any of its properties may be bound, or (iii) is in violation of any law, ordinance, governmental rule, regulation or court decree to which it or its property is subject, or (iv) has failed to obtain any license, permit, certificate, franchise or other governmental authorization or permit necessary to the ownership of its property or to the conduct of its business, except for such violations, defaults and failures as individually or in the aggregate would not have a Material Adverse Effect;

(k) The statements set forth in the Prospectus as amended or supplemented under the captions "Description of Debt Securities" and

"Description of the Notes", insofar as they purport to constitute a summary of the terms of the Securities, and under the captions "Plan of Distribution" and "Underwriting", insofar as they purport to describe the provisions of the laws and documents referred to therein, present fair and accurate summaries of such terms and fair and accurate descriptions of such provisions, respectively;

(l) Other than as set forth in the Prospectus as amended or supplemented, there are no legal or governmental proceedings pending to which the Company or any of its

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subsidiaries is a party or of which any property of the Company or any of its subsidiaries is the subject which, if determined adversely to the Company or any of its subsidiaries, would individually or in the aggregate have a Material Adverse Effect; and, to the best of the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

(m) The Company is not and, after giving effect to the offering and sale of the Securities, will not be an "investment company" or an entity "controlled" by an "investment company", as such terms are defined in the Investment Company Act of 1940, as amended (the "Investment Company Act");

(n) Neither the Company nor any of its affiliates does business with the government of Cuba or with any person or affiliate located in Cuba within the meaning of Section 517.075, Florida Statutes; and

(o) KPMG Peat Marwick LLP, who have certified certain financial statements of the Company and its subsidiaries, are independent public accountants as required by the Act and the rules and regulations of the Commission thereunder.

2. Subject to the terms and conditions herein set forth, the Company agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, at a purchase price of 97.963% of the principal amount thereof, plus accrued interest, if any, from May 22, 1996 to the Time of Delivery hereunder, the principal amount of Securities set forth opposite the name of such Underwriter in Schedule I hereto.

3. Upon the authorization by the Underwriters of the release of the Securities, the several Underwriters propose to offer the Securities for sale upon the terms and conditions set forth in the Prospectus as amended or supplemented.

4. (a) The Securities to be purchased by each Underwriter hereunder will be represented by one or more definitive global securities in book-entry form which will be deposited by or on behalf of the Company with The Depository

Trust Company ("DTC") or its designated custodian. The Company will deliver the Securities to Goldman, Sachs & Co., for the account of each Underwriter, against payment by or on behalf of such Underwriter of the purchase price therefor in Federal (same-day) funds by wire transfer to an account designated by the Company for such purpose, by causing DTC to credit the Securities to the account of Goldman, Sachs & Co. at DTC. The Company will cause the certificates representing the Securities to be made available to Goldman, Sachs & Co. for checking at least twenty-four hours prior to the Time of Delivery (as defined below) at the office of DTC or its designated custodian (the "Designated Office"). The time and date of such delivery and payment shall be 9:30 a.m., New York City time, on May 21, 1996 or such other time and date as Goldman, Sachs & Co. and the Company may agree upon in writing. Such time and date are herein called the "Time of Delivery".

(b) The documents to be delivered at the Time of Delivery by or on behalf of the parties hereto pursuant to Section 7 hereof, including the cross-receipt for the Securities and any additional documents requested by the Underwriters pursuant to Section 7(j) hereof, will be delivered at the offices of Simpson Thacher & Bartlett, 425 Lexington Avenue, New York, New

York 10017 (the "Closing Location"), and the Securities will be delivered at the Designated Office, all at the Time of Delivery. A meeting will be held at the Closing Location at 2:00 p.m., New York City time, on the New York Business Day next preceding the Time of Delivery, at which meeting the final drafts of the documents to be delivered pursuant to the preceding sentence will be available for review by the parties hereto. For purposes of this Section 4, "New York Business Day" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New York are generally authorized or obligated by law or executive order to close.

5. The Company agrees with each of the Underwriters:

(a) To prepare the Prospectus as amended or supplemented in a form approved by the Underwriters and to file such Prospectus pursuant to Rule 424(b) under the Act not later than the Commission's close of business on the second business day following the execution and delivery of this Agreement or, if applicable, such earlier time as may be required by Rule 424(b); to make no further amendment or any supplement to the Registration Statement or Prospectus after the date of this Agreement and prior to the Time of Delivery for which shall be disapproved by the Underwriters promptly after reasonable notice thereof; to advise the Underwriters promptly of such amendment or supplement after such Time of Delivery and furnish the Underwriters with copies thereof; to file promptly all reports and any definitive proxy or information statements required to be filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act for so long as the delivery of a prospectus is

required in connection with the offering or sale of the Securities, and during such same period to advise the Underwriters promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any supplement to the Prospectus or any amended Prospectus has been filed with the Commission, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any prospectus relating to the Securities, of the suspension of the qualification of the Securities for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement or Prospectus or for additional information; and, in the event of the issuance of any such stop order or of any such order preventing or suspending the use of any prospectus relating to the Securities or suspending any such qualification, to promptly use its best efforts to obtain the withdrawal of such order;

(b) Promptly from time to time to take such action as the Underwriters may reasonably request to qualify the Securities for offering and sale under the securities laws of such jurisdictions as the Underwriters may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Securities, provided that in connection therewith the Company shall not be required to qualify as a foreign corporation, to file a general consent to service of process in any jurisdiction or to take any action that would subject it to general taxation in any jurisdiction;

(c) Prior to 10:00 a.m., New York City time, on the business day next succeeding the date of this Agreement and from time to time thereafter, to furnish the Underwriters

with copies of the Prospectus as amended or supplemented in such quantities in New York City as the Underwriters may reasonably request, and, if the delivery of a prospectus is required at any time prior to the expiration of nine months after the time of issue of the Prospectus in connection with the offering or sale of the Securities and if at such time any event shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made when such Prospectus is delivered, not misleading, or, if for any other reason it shall be necessary during such same period to amend or supplement such Prospectus or to file under the Exchange Act any document incorporated by reference in such Prospectus in order to comply with the Act, the Exchange Act or the Trust Indenture Act, to notify the Underwriters and, upon your request and subject to your approval, to file such document and to prepare

and furnish without charge to each Underwriter and to any dealer in securities as many copies as the Underwriters may from time to time reasonably request of an amended Prospectus or a supplement to the Prospectus which will correct such statement or omission or effect such compliance; and in case any Underwriter is required to deliver a prospectus in connection with sales of any of the Securities at any time nine months or more after the time of issue of the Prospectus, upon request of such Underwriter but at the expense of such Underwriter, to prepare and deliver to such Underwriter as many copies as such Underwriter may request of an amended or supplemented Prospectus complying with Section 10(a)(3) of the Act;

(d) To make generally available to its securityholders as soon as practicable, but in any event not later than eighteen months after the effective date of the Registration Statement (as defined in Rule 158(c) under the Act), an earnings statement of the Company and its subsidiaries (which need not be audited) complying with Section 9(a) of the Act and the rules and regulations of the Commission thereunder (including, at the option of the Company, Rule 158, in which case this Section 5(d) shall not be construed to require the Company to file any report referred to in Rule 158 prior to the time at which such report is otherwise due);

(e) During the period beginning from the date hereof and continuing to and including the later of the Time of Delivery and such earlier time as the Underwriters may notify the Company, not to offer, sell, contract to sell or otherwise dispose of, except as provided hereunder, any securities of the Company that are substantially similar to the Securities;

(f) For so long as Securities are in global form, to furnish to the holders of the Securities as soon as practicable after the end of each fiscal year an annual report (including a balance sheet and statements of income, shareholders' equity and cash flows of the Company and its consolidated subsidiaries certified by independent public accountants) and, as soon as practicable after the end of each of the first three quarters of each fiscal year (beginning with the fiscal quarter ending after the effective date of the Registration Statement), consolidated summary financial information of the Company and its subsidiaries for such quarter in reasonable detail; and to furnish to the holders of the Securities all other documents specified in Section 7.04 of the Indenture, all in the manner so specified;

(g) During a period of three years from the effective date of the Registration Statement, to furnish to the Underwriters copies of all reports or other communications (financial or other) furnished to the

Company's stockholders generally, and to deliver to the Underwriters (i) as soon as they are available, (A) copies of any reports and financial statements furnished to or filed with the Commission or any national securities exchange on which the Securities or any class of securities of the Company is listed and (B) the documents specified in Section 7.04 of the Indenture, as in effect at the Time of Delivery, and (ii) such additional information concerning the business and financial condition of the Company as the Underwriters may from time to time reasonably request, provided that any material nonpublic information received by the Underwriters will be held in confidence and not used in violation of any applicable law (such financial statements to be on a consolidated basis to the extent the accounts of the Company and its subsidiaries are consolidated in reports furnished to its shareholders generally or to the Commission);

(h) To use the net proceeds received by it from the sale of the Securities pursuant to this Agreement in the manner specified in the Prospectus as amended or supplemented under the caption "Use of Proceeds"; and

(i) To use its best efforts to list the Securities, subject to official notice of issuance, on the New York Stock Exchange.

6. The Company covenants and agrees with the several Underwriters that the Company will pay or cause to be paid the following: (i) the fees, disbursements and expenses of the Company's counsel and accountants in connection with the registration of the Securities under the Act and all other expenses in connection with the preparation, printing and filing of the Registration Statement, any Preliminary Prospectus and the Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (ii) the cost of producing any Agreement among Underwriters, this Agreement, the Indenture, the Blue Sky and Legal Investment Memoranda, closing documents (including any compilations thereof) and any other documents in connection with the offering, purchase, sale and delivery of the Securities; (iii) all expenses in connection with the qualification of the Securities for offering and sale under state securities laws as provided in Section 5(b) hereof, including the fees and disbursements of counsel for the Underwriters (not to exceed \$15,000 in the aggregate) in connection with such qualification and in connection with the Blue Sky and legal investment surveys; (iv) any fees charged by securities rating services for rating the Securities; (v) the filing fees incident to, and fees and the disbursements of counsel for the Underwriters in connection with, any required review by the National Association of Securities Dealers, Inc. of the terms of the sale of the Securities; (vi) the cost of preparing the Securities; (vii) the fees and expenses of the Trustee and any agent of the Trustee and the fees and disbursements of counsel for the Trustee in connection with the Indenture and the Securities; and (viii) all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section. It is understood, however, that, except as provided in this Section, and Sections 7 and 9 hereof, the Underwriters will pay all of their own costs and expenses, including the fees of their counsel, transfer taxes on resale of any of the Securities by them, and any advertising expenses connected with any offers they may make.

7. The obligations of the Underwriters to purchase the Securities hereunder shall be subject in the sole discretion of the Underwriters to the condition that all representations and

warranties and other statements of the Company herein are, at and as of the Time of Delivery, true and correct, the condition that the Company shall have performed all of its obligations hereunder theretofore to be performed, and the following additional conditions:

(a) The Prospectus as amended or supplemented, shall have been filed with the Commission pursuant to Rule 424(b) within the applicable time period prescribed for such filing by the rules and regulations under the Act and in accordance with Section 5(a) hereof and the Indenture shall have been qualified under the Trust Indenture Act; no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; and all requests for additional information on the part of the Commission shall have been complied with to the reasonable satisfaction of the Underwriters;

(b) Simpson Thacher & Bartlett, counsel for the Underwriters, shall have furnished to the Underwriters a written opinion, dated the Time of Delivery, in substantially the form attached hereto as Annex III;

(c) The General Counsel or Deputy General Counsel of the Company shall have furnished to the Underwriters his written opinion, dated the Time of Delivery, in substantially the form attached hereto as Annex IV;

(d) Jones, Day, Reavis & Pogue, counsel for the Company, shall have furnished to the Underwriters a written opinion, dated the Time of Delivery, in substantially the form attached hereto as Annex V;

(e) On the date hereof at a time prior to the execution of this Agreement, and at 9:30 a.m., New York City time, on the effective date of any post-effective amendment to the Registration Statement filed subsequent to the date of this Agreement, KPMG Peat Marwick LLP shall have furnished to the Underwriters a letter, dated the date of delivery thereof, in form and substance satisfactory to the Underwriters, and KPMG Peat Marwick LLP shall have furnished to the Underwriters a "bring-down" letter, dated the Time of Delivery, in form and substance satisfactory to the Underwriters (the executed copy of the letter delivered prior to the execution of this Agreement is attached hereto as Annex I and draft the form of the letter to be delivered on the effective date of any post-effective amendment to the Registration Statement and as of the Time of Delivery is attached hereto as Annex II);

(f)(i) Neither the Company nor any of its subsidiaries shall have sustained since the date of the latest audited financial statements included or incorporated by reference in the Prospectus as first amended or supplemented any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Prospectus as first amended or supplemented, and (ii) since the respective dates as of which information is given in the Prospectus as first amended or supplemented there shall not have been any change in the capital stock or long-term debt of the Company or any of its subsidiaries or any change, or any development involving a prospective change, in or affecting the general

affairs, management, financial position, shareholders' equity or results of operations of the Company and its subsidiaries, otherwise than as set forth or contemplated in the Prospectus as first amended or supplemented, the effect of which, in any such case described in clause (i) or (ii), is in the judgment of the Underwriters so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Securities on the terms and in the manner contemplated in the Prospectus as first amended or supplemented;

(g) On or after the date hereof, (i) no downgrading shall have occurred in the rating accorded the Company's debt securities by any "nationally recognized statistical rating organization", as that term is defined by the Commission for purposes of Rule 436(g)(2) under the Act, and (ii) no such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any of the Company's debt securities;

(h) On or after the date hereof, there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange; (ii) a suspension or material limitation in trading in the Company's securities on the New York Stock Exchange; (iii) a general moratorium on commercial banking activities declared by either Federal or New York State authorities; or (iv) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war, if the effect of any such event specified in this clause (iv) in the judgment of the Underwriters makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Securities on the terms and in the manner contemplated in the Prospectus as first amended or supplemented; or (v) the occurrence of any material adverse change in the existing financial, political or economic conditions in the United States or elsewhere which, in the judgment of the Underwriters, would materially and adversely affect the financial markets or the market for the Securities and other debt securities;

(i) The Securities shall have been approved for listing, subject to official notice of issuance, on the New York Stock Exchange; and

(j) The Company shall have furnished or caused to be furnished to the Underwriters at the Time of Delivery certificates of officers of the Company satisfactory to the Underwriters as to the accuracy of the representations and warranties of the Company herein at and as of such Time of Delivery, as to the performance by the Company of all of its obligations hereunder to be performed at or prior to such Time of Delivery, as to the matters set forth in subsections (a) and (f) of this Section and as to such other matters as the Underwriters may reasonably request.

8. (a) The Company will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, any preliminary prospectus supplement, the Registration Statement or the Prospectus, or any

amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a

material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, any preliminary prospectus supplement, the Registration Statement or the Prospectus as amended or supplemented, or any such amendment or supplement thereto in reliance upon and in conformity with written information furnished to the Company by any Underwriter through Goldman, Sachs & Co. expressly for use therein.

(b) Each Underwriter will indemnify and hold harmless the Company against any losses, claims, damages or liabilities to which the Company may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, any preliminary prospectus supplement, the Registration Statement or the Prospectus as amended or supplemented, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in any Preliminary Prospectus, any preliminary prospectus supplement, the Registration Statement or the Prospectus as amended or supplemented, or any such amendment or supplement thereto in reliance upon and in conformity with written information furnished to the Company by such Underwriter through Goldman, Sachs & Co. expressly for use therein; and will reimburse the Company for any legal or other expenses reasonably incurred by the Company in connection with investigating or defending any such action or claim as such expenses are incurred.

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense

thereof, with counsel satisfactory to such indemnified party (who shall 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 shall not be liable to such indemnified party under such subsection 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. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of

the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party.

(d) If the indemnification provided for in this Section 8 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the offering of the Securities. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required under subsection (c) above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not

be just and equitable if contribution pursuant to this subsection (d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (e). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (e) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint.

(e) The obligations of the Company under this Section 8 shall be in addition to any liability which the Company may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Underwriter within the meaning of the Act; and the obligations of the Underwriters under this Section 8 shall be in addition to any liability

which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company (including any person who, with his or her consent, is named in the Registration Statement as about to become a director of the Company) and to each person, if any, who controls the Company within the meaning of the Act.

9. (a) If any Underwriter shall default in its obligation to purchase the Securities which it has agreed to purchase hereunder, the Underwriters may in their discretion arrange for the Underwriters or another party or other parties to purchase such Securities on the terms contained herein. If within thirty-six hours after such default by any Underwriter the Underwriters do not arrange for the purchase of such Securities, then the Company shall be entitled to a further period of thirty-six hours within which to procure another party or other parties satisfactory to the Underwriters to purchase such Securities on such terms. In the event that, within the respective prescribed periods, the Underwriters notify the Company that they have so arranged for the purchase of such Securities, or the Company notifies the Underwriters that it has so arranged for the purchase of such Securities, the Underwriters or the Company shall have the right to postpone the Time of Delivery for a period of not more than seven days in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus as amended or supplemented or in any other documents or arrangements,

and the Company agrees to file promptly any amendments or supplements to the Registration Statement or the Prospectus which in the opinion of the Underwriters may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section with like effect as if such person had originally been a party to this Agreement with respect to such Securities.

(b) If, after giving effect to any arrangements for the purchase of the Securities of a defaulting Underwriter or Underwriters by the Underwriters and the Company as provided in subsection (a) above, the aggregate principal amount of such Securities which remains unpurchased does not exceed one-eleventh of the aggregate principal amount of all the Securities, then the Company shall have the right to require each non-defaulting Underwriter to purchase the principal amount of Securities which such Underwriter agreed to purchase hereunder and, in addition, to require each non-defaulting Underwriter to purchase its pro rata share (based on the principal amount of Securities which such Underwriter agreed to purchase hereunder) of the Securities of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

(c) If, after giving effect to any arrangements for the purchase of the Securities of a defaulting Underwriter or Underwriters by the Underwriters and the Company as provided in subsection (a) above, the aggregate principal amount of Securities which remains unpurchased exceeds one-eleventh of the aggregate principal amount of all the Securities, or if the Company shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to purchase Securities of a defaulting Underwriter or Underwriters, then this Agreement shall thereupon terminate, without liability on the part of any non-defaulting Underwriter or the Company, except for the expenses to be borne by the Company and the Underwriters as provided in Section 6 hereof and the indemnity and contribution agreements in Section 8 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

10. The respective indemnities, agreements, representations, warranties and other statements of the Company and the several Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter or the Company, or any officer or director or controlling person of the Company, and shall survive delivery of and payment for the Securities.

11. If this Agreement shall be terminated pursuant to Section 9

hereof, the Company shall not then be under any liability to any Underwriter except as provided in Sections 6 and 8 hereof; but, if for any other reason, the Securities are not delivered by or on behalf of the Company as provided herein, the Company will reimburse the Underwriters for all out-of-pocket expenses, including fees and disbursements of counsel, reasonably incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Securities, but the Company shall then be under no further liability to any Underwriter except as provided in Sections 6 and 8 hereof.

12. All statements, requests, notices, and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to the Underwriters in care of Goldman, Sachs & Co., 85 Broad Street, New York, New York 10004, Attention: Registration Department; and if to the Company shall be delivered or sent by mail, telex or facsimile transmission to the address of the Company set forth in the Registration Statement, Attention: Chief Financial Officer and Attention: Secretary; provided, however, that any notice to an Underwriter pursuant to Section 8(c) hereof shall be delivered or sent by mail, telex or facsimile transmission to such Underwriter at its address set forth in its Underwriters' Questionnaire, or telex constituting such Questionnaire, which address will be supplied to the Company by the Underwriters upon request. Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

13. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, the Company and, to the extent provided in Sections 8 and 10 hereof, the officers and directors of the Company and each person who controls the Company or any Underwriter, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Securities from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

14. Time shall be of the essence of this Agreement. As used herein, the term "business day" shall mean any day when the Commission's office in Washington, D.C. is open for business.

15. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

16. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such respective counterparts shall together constitute one and the same instrument.

If the foregoing is in accordance with your understanding, please sign and return to us seven counterparts hereof, and upon the acceptance hereof by the Underwriters, this letter and such acceptance hereof shall constitute a binding agreement among each of the Underwriters and the Company.

Very truly yours,

FEDERATED DEPARTMENT STORES, INC.

By:

Dennis J. Broderick,
Senior Vice President

Accepted as of the date hereof:

GOLDMAN, SACHS & CO.,
CS FIRST BOSTON CORPORATION and
SMITH BARNEY INC.

By:

(Goldman, Sachs & Co.)

On behalf of each of the Underwriters

SCHEDULE I

Principal Amount of Securities
to be Purchased

Goldman, Sachs & Co.	\$247,500,000
CS First Boston Corporation	157,500,000
Smith Barney Inc.	45,000,000

Total	<u><u>\$450,000,000</u></u>

ANNEX I

[Attach executed copy of initial comfort letter]

ANNEX II

[Attach form of bring-down comfort letter]

ANNEX III

GOLDMAN, SACHS & CO.,
CS FIRST BOSTON CORPORATION AND
SMITH BARNEY INC.,
C/O GOLDMAN, SACHS & CO.,
85 Broad Street
New York, New York 10004

May 22, 1996

Ladies and Gentlemen:

We have acted as your counsel in connection with the purchase by you of \$450,000,000 aggregate principal amount of 8 1/2% Senior Notes due 2003 (the "Notes") of Federated Department Stores, Inc., a Delaware corporation (the "Company"), pursuant to the Underwriting Agreement dated May 16, 1996 between you and the Company.

We have examined the Registration Statement on Form S-3 (File No. 33-64973) filed by the Company under the Securities Act of 1933, as amended (the "Act"), as it became effective under the Act (the "Registration Statement"); and the Company's prospectus dated January 22, 1996, as supplemented by the prospectus supplement dated May 16, 1996 (the "Prospectus"), filed by the Company pursuant to Rule 424(b) of the rules and regulations of the Securities and Exchange Commission (the "Commission") under the Act, which pursuant to Form S-3 incorporates by reference the Annual Report on Form 10-K of the Company for

the fiscal year ended February 3, 1996 and the Current Report on Form 8-K of the Company dated May __, 1996 (the "Exchange Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"); and the Indenture dated as of December 15, 1994, (as supplemented by the Seventh Supplemental Indenture dated as of May 21, 1996, the "Indenture") between the Company and State Street Bank and Trust Company (successor to First National Bank of Boston), as Trustee (the "Trustee") relating to the Notes. In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to you at the closing, and upon originals or copies, certified or otherwise identified to our satisfaction, of such corporate records, agreements, documents and other instruments and such certificates or comparable documents of public officials and of officers and representatives of the Company, and have made such other and further investigations, as we have deemed relevant and necessary as a basis for the opinions hereinafter set forth.

In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion that:

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Goldman, Sachs & Co.

May 22, 1996

1. The Company has been duly incorporated and is validly existing and in good standing as a corporation under the laws of the State of Delaware.
2. The Indenture has been duly authorized, executed and delivered by the Company and duly qualified under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), and, assuming due authorization, execution and delivery thereof by the Trustee, constitutes a valid and legally binding obligation of the Company enforceable against the Company in accordance with its terms.
3. The Notes have been duly authorized, executed and issued by the Company and, assuming due authentication thereof by the Trustee and upon payment and delivery in accordance with the Underwriting Agreement, will constitute valid and legally binding obligations of the Company enforceable against the Company in accordance with their terms and entitled to the benefits of the Indenture.
4. The statements made in the Prospectus under the captions "Description of Debt Securities" and "Description of the Notes," insofar as they purport to constitute summaries of certain terms of documents referred to therein, constitute accurate summaries of the terms of such documents in all material respects.
5. The Underwriting Agreement has been duly authorized, executed and delivered by the Company.

Our opinions set forth in paragraphs 2 and 3 above are subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in

equity or at law) and an implied covenant of good faith and fair dealing.

All legal proceedings taken by the Company in connection with the offering of the Notes, and the legal opinions, dated the date hereof, rendered to you by Dennis J. Broderick, General Counsel of the Company, and Jones, Day, Reavis & Pogue, counsel for the Company, pursuant to the Underwriting Agreement, are in form satisfactory to us.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Registration Statement, the Prospectus or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraph 4 above. In the course of the preparation by the Company of the Registration Statement and the Prospectus Supplement (excluding the Exchange Act Documents), we participated in conferences with certain officers and employees of the Company, with representatives of KPMG Peat Marwick LLP and with counsel to the

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Goldman, Sachs & Co.

May 22, 1996

Company. We did not participate in the preparation of the Exchange Act Documents. Based upon our examination of the Registration Statement, the Prospectus and the Exchange Act Documents, our investigations made in connection with the preparation of the Registration Statement and the Prospectus Supplement (excluding the Exchange Act Documents) and our participation in the conferences referred to above, (i) we are of the opinion that the Registration Statement, as of its effective date, and the Prospectus, as of May 16, 1996, complied as to form in all material respects with the requirements of the Act, the Trust Indenture Act and the applicable rules and regulations of the Commission thereunder and that the Exchange Act Documents complied as to form when filed in all material respects with the requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no opinion with respect to the financial statements or other financial data contained or incorporated by reference in the Registration Statement, the Prospectus or the Exchange Act Documents, and (ii) we have no reason to believe that the Registration Statement, as of its effective date (including the Exchange Act Documents on file with the Commission on such effective date), contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading or that the Prospectus (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no belief with respect to the financial statements or other financial data contained or incorporated by reference in the Registration Statement, the Prospectus or the Exchange Act Documents.

We are members of the Bar of the State of New York and we do not express any opinion herein concerning any law other than the law of the State of New York, the federal law of the United States and the Delaware General Corporation Law.

This opinion is rendered to you in connection with the above described transactions. This opinion may not be relied upon by you for any other purpose, or relied upon by, or furnished to, any other person, firm or corporation without our prior written consent.

Very truly yours,

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ANNEX IV

May 22, 1996

Goldman, Sachs & Co.,
CS First Boston Corporation and
Smith Barney Inc.,
c/o Goldman, Sachs & Co.,
85 Broad Street
New York, New York 10004

Re: \$450,000,000 Aggregate Principal Amount of 8 1/2% Senior Notes
due 2003 of Federated Department Stores, Inc.

Ladies and Gentlemen:

As General Counsel of Federated Department Stores, Inc. (the "Company"), I have acted as counsel for the Company in connection with the sale of \$450,000,000 aggregate principal amount of the Company's 8 1/2% Senior Notes due 2003 (the "Notes") pursuant to the Underwriting Agreement, dated May 16, 1996 (the "Underwriting Agreement"), between you and the Company. This opinion is furnished to you pursuant to Section 7(c) of the Underwriting Agreement. Except as otherwise defined herein, terms used herein with initial capital letters are so used with the respective meanings ascribed thereto in the Underwriting Agreement.

I have examined such documents, records and matters of law as I have deemed necessary for purposes of this opinion. Based thereupon, I am of the opinion that:

1. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, with corporate power and authority to own its properties and conduct its business as described in the Prospectus as amended or supplemented prior to the date hereof;

2. All of the issued shares of capital stock of the Company have been duly and validly authorized and issued and are fully paid and non-assessable;

3. The Company has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it is required to be so qualified, except for such failures to be so qualified and in good standing as individually or in the aggregate would not have a Material Adverse Effect;

Goldman, Sachs & Co.

May 22, 1996

4. Each Significant Subsidiary of the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation; all of the issued shares of capital stock of each such Significant Subsidiary have been duly and validly authorized and issued, are fully paid and non-assessable, and (except as otherwise disclosed in the Prospectus as amended or supplemented prior to the date hereof) are owned directly or indirectly by the Company, free and clear of all material liens, encumbrances, equities or claims; each subsidiary of the Company has been duly incorporated as is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation, except where the failure to be duly incorporated, validly existing and in good standing would not, individually or in the aggregate, have a Material Adverse Effect, taken as a whole; and all of the issued shares of capital stock of each subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims (except as otherwise disclosed in the Prospectus as amended or supplemented prior to the date hereof or where, individually or in the aggregate, the failure to have been duly and validly authorized and issued, to be fully paid and non-assessable or to be owned directly or indirectly by the Company free and clear of liens, encumbrances, equities or claims would not have a Material Adverse Effect);

5. To my knowledge, other than as disclosed in the Prospectus as amended or supplemented prior to the date hereof, there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or of which any property of the Company or any of its subsidiaries is the subject which, if determined adversely to the Company or any of its subsidiaries, is reasonably likely individually or in the aggregate to have a Material Adverse Effect; and, to my knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

6. The issue and sale of the Securities and the compliance by the Company with all of the provisions of the Securities, the Indenture and the Underwriting Agreement and the consummation of the transactions therein contemplated (other than to the extent set forth in the Prospectus as amended or supplemented prior to the date hereof under the caption "Description of the Notes--Certain Restrictive Covenants--Change of Control") will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, sale/leaseback agreement, loan agreement or other financing agreement or any other agreement or instrument known to me to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, except for such conflicts, breaches, violations and defaults as individually or in the aggregate would not have a Material Adverse Effect, nor will such action result in any material violation of the provisions of the Certificate of Incorporation or By-laws of the Company or (a) any material statute, order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its Significant Subsidiaries or any of their properties or (b) any statute, order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties, except, with respect to this clause (b) only, for such violations, defaults and failures as individually or in the aggregate would not have a Material Adverse Effect;

7. Neither the Company nor any of its Significant Subsidiaries is (a) in violation of its certificate of incorporation or by-laws (or comparable governing documents) or (b) in default in the performance or observance of any material obligation, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument known to me after due inquiry to which it is a party or by which it or any of its properties may be bound, and, to my knowledge after due inquiry, none of the subsidiaries of the Company is (a) in material violation of its certificate of incorporation or by-laws (or comparable governing documents) or (b) in default in the performance or observance of any material obligation, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument known to me after due inquiry to which it is a party or by which it or any of its properties may be bound, except for such violations and defaults as individually or in the aggregate would not have a Material Adverse Effect;

8. The Underwriting Agreement has been duly authorized, executed and delivered by the Company;

9. The Securities have been duly authorized, executed, authenticated, issued, and delivered and constitute valid and legally binding obligations of the Company enforceable against the Company in accordance with their terms and entitled to the benefits provided by the Indenture, except as the enforceability of the Securities and the Indenture may be limited by bankruptcy, insolvency, reorganization, and other laws of general applicability relating to or affecting creditors' rights and to general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law; and the Securities and the Indenture conform in all material respects to the descriptions thereof in the Prospectus, as amended or supplemented prior to the date hereof;

10. The Indenture has been duly authorized, executed and delivered and constitutes a valid and legally binding instrument, enforceable against the Company in accordance with its terms, except as the enforceability of the Indenture may be limited by bankruptcy, insolvency, reorganization, and other laws of general applicability relating to or affecting creditors' rights and to general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law; and the Indenture has been duly qualified under the Trust Indenture Act;

11. No consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Securities or the consummation by the Company of the transactions contemplated by the Underwriting Agreement or the Indenture, except such as have been obtained under the Act, the Exchange Act, and the Trust Indenture Act, and such consents, approvals, authorizations, registrations, or qualifications as may be required under the state securities or Blue Sky laws in connection with the purchase and distribution of the Securities by the Underwriters;

12. The statements set forth in the Prospectus, as amended or supplemented prior to the date hereof, under the captions "Description of Debt Securities" and "Description of the Notes," and under the captions "Plan of Distribution" and "Underwriting," insofar as

they purport to summarize the provisions of the laws and documents referred to therein, present fair summaries of such provisions;

13. The Company is not an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the Investment Company Act;

14. The documents incorporated by reference in the Prospectus or any amendment or supplement thereto made by the Company prior to the date hereof (other than the financial statements and related schedules and other financial or statistical data contained therein, as to which I express no opinion), when they were filed with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the rules and regulations of the Commission thereunder; and I have no reason to believe that any of the documents referred to in this paragraph 14, when such documents were so filed, contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such documents were so filed, not misleading. However, I have not independently verified, and I assume no responsibility for the accuracy, completeness or fairness of the Registration Statement or the Prospectus, as amended or supplemented (including any documents incorporated by reference therein), except to the extent of the opinion expressed in paragraph 12; and

15. The Registration Statement and the Prospectus and any amendments and supplements thereto made by the Company prior to the Time of Delivery (other than the financial statements and related schedules and other financial or statistical data therein, as to which I express no opinion) comply as to form in all material respects with the requirements of the Act and the Trust Indenture Act and the rules and regulations thereunder; and I do not know of any amendment to the Registration Statement required to be filed or of any contract or other document of a character required to be filed as an exhibit to the Registration Statement or required to be incorporated by reference into the Prospectus or required to be described in the Registration Statement or the Prospectus which are not filed or incorporated by reference or described as required.

In rendering the opinions in paragraphs 9 through 15 hereof, I have relied solely on the opinion of Jones, Day, Reavis & Pogue furnished to you pursuant to Section 7(d) of the Underwriting Agreement.

In rendering this opinion, I have assumed that (i) the signatures on all documents examined by me are genuine and that, where any such signature purports to have been made in a corporate, governmental, fiduciary or other capacity, the person who affixed such signature to such document had authority to do so and (ii) the statements and certificates described in the following paragraph are accurate in all material respects at the date of this opinion.

I am a member of the bar of the State of Ohio, and have not been admitted to the bar of any other jurisdiction. In rendering the opinions set forth herein, my examination of matters of law has been limited to the federal laws of the United States of America, the corporation laws of the States of Delaware and Ohio, and the laws of the State of New York.

May 22, 1996

In rendering the opinions in paragraphs 1-13 and paragraph 15, I have relied, as to certain matters of fact, without any independent investigation, inquiry or verification, upon statements or certificates of representatives of the Company and of the Trustee under the Indenture and upon statements or certificates of public officials.

This opinion is furnished by me, as General Counsel of the Company, to you solely for your benefit and solely with respect to the purchase by you of the Notes from the Company, upon the understanding that I am not assuming hereby any professional responsibility to any other person whatsoever.

Very truly yours,

Dennis J. Broderick

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Annex V

May 22, 1996

Goldman, Sachs & Co.,
CS First Boston Corporation and
Smith Barney Inc.,
c/o Goldman, Sachs & Co.,
85 Broad Street
New York, New York 10004

Re: \$450,000,000 Aggregate Principal Amount of 8 1/2% Senior Notes
due 2003 of Federated Department Stores, Inc.

Ladies and Gentlemen:

We have acted as counsel for Federated Department Stores, Inc. (the "Company") in connection with the sale of \$450,000,000 aggregate principal amount of the Company's 8 1/2% Senior Notes due 2003 (the "Notes") pursuant to the Underwriting Agreement, dated May 16, 1996 (the "Underwriting Agreement"), between you and the Company. This opinion is furnished to you pursuant to Section 7(d) of the Underwriting Agreement. Except as otherwise defined herein, terms used herein with initial capital letters are so used with the respective meanings ascribed thereto in the Underwriting Agreement.

We have examined such documents, records, and matters of law as we have

deemed necessary for purposes of this opinion. Based thereupon, we are of the opinion that:

1. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, with corporate power and authority to own its properties and conduct its business as described in the Prospectus as amended or supplemented prior to the date hereof;
2. The Underwriting Agreement has been duly authorized, executed, and delivered by the Company;
3. The Securities have been duly authorized, executed, authenticated, issued, and delivered and constitute valid and legally binding obligations of the Company enforceable against the Company in accordance with their terms and entitled to the benefits provided by the Indenture, except as the enforceability of the Securities and the Indenture may be limited by bankruptcy, insolvency, reorganization, and other laws of general applicability relating to or affecting creditors' rights and to general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law; and the Securities and the

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Goldman, Sachs & Co.

May 22, 1996

Indenture conform in all material respects to the descriptions thereof in the Prospectus as amended or supplemented prior to the date hereof;

4. The Indenture has been duly authorized, executed, and delivered and constitutes a valid and legally binding instrument, enforceable against the Company in accordance with its terms, except as the enforceability of the Indenture may be limited by bankruptcy, insolvency, reorganization, and other laws of general applicability relating to or affecting creditors' rights and to general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law; and the Indenture has been duly qualified under the Trust Indenture Act;
5. No consent, approval, authorization, order, registration, or qualification of or with any court or governmental agency or body is required for the issue and sale of the Securities or the consummation by the Company of the transactions contemplated by the Underwriting Agreement or the Indenture, except such as have been obtained under the Act, the Exchange Act, and the Trust Indenture Act, and such consents, approvals, authorizations, registrations, or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Securities by the Underwriters;
6. The statements set forth in the Prospectus as amended or supplemented prior to the date hereof under the captions "Description of Debt Securities" and "Description of the Notes," and under the captions "Plan of Distribution" and "Underwriting," insofar as they purport to summarize the provisions of the laws and documents referred to therein, present fair summaries of such provisions;
7. The Company is not an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the Investment Company Act;
8. The documents incorporated by reference in the Prospectus or any amendment or supplement thereto made by the Company prior to the date hereof (other than the financial statements and related schedules and other financial or statistical data contained therein, as to which we express no opinion), when they were filed with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the rules and regulations of the Commission thereunder; and
9. The Registration Statement and the Prospectus and any amendments

and supplements thereto made by the Company prior to the date hereof (other than the financial statements and related schedules and other financial or statistical data contained therein, as to which we express no opinion) comply as to form in all material respects with the requirements of the Act and the Trust Indenture Act and the rules and regulations thereunder; and we do not know of any amendment to the Registration Statement required to be filed or of any contracts or other documents of a character required to be filed as an exhibit to the Registration Statement or required to be incorporated by reference into the Prospectus or required to be described in the Registration Statement or the Prospectus which are not filed or incorporated by reference or described as required.

We have participated in the preparation of the Registration Statement and the Prospectus (but not the documents incorporated into the Registration Statement or the

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Goldman, Sachs & Co.

May 22, 1996

Prospectus by reference) and, based on such participation, no facts have come to our attention which cause us to believe that, as of its effective date, the Registration Statement or any amendment thereto made by the Company prior to the date hereof (other than the financial statements and related schedules and other financial data contained therein, as to which we express no belief) contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that, as of its date, the Prospectus or any amendment or supplement thereto made by the Company prior to the date hereof (other than the financial statements and related schedules and other financial data contained therein, as to which we express no belief) contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading or that, as of the date hereof, either the Registration Statement or the Prospectus or any amendment or supplement thereto made by the Company prior to the date hereof (other than the financial statements and related schedules and other financial data contained therein, as to which we express no belief) contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. However, we have not independently verified, and we assume no responsibility for, the accuracy, completeness, or fairness of the Registration Statement or the Prospectus as amended or supplemented (including any documents incorporated or deemed to be incorporated by reference therein) except to the extent of the opinion expressed in paragraph 6.

In rendering the foregoing opinions, we have assumed (i) the due authorization, execution, and delivery of the Underwriting Agreement by or on behalf of the Underwriters, (ii) that the signature on all documents examined by us are genuine and that where any such signature purports to have been made in a corporate, governmental, fiduciary, or other capacity, the person who affixed

such signature to such document had authority to do so, and (iii) that the statements and certificates described in the following paragraph are accurate in all material respects at the date of this opinion.

In rendering the opinions in paragraphs 1 through 9, (i) our examination of matters of law has been limited to the federal laws of the United States of America, the laws of the State of New York, and the General Corporation Law of the State of Delaware and (ii) we have relied, as to certain matters of fact, without any independent investigation, inquiry, or verification, upon statements or certificates of representatives of the Company and of the Trustee under the Indenture and upon statements or certificates of public officials.

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Goldman, Sachs & Co.

May 22, 1996

This opinion is furnished by us, as counsel for the Company, to you solely for your benefit and solely with respect to the purchase by you of the Notes from the Company, upon the understanding that we are not assuming hereby any professional responsibility to any other person whatsoever.

Very truly yours,

JONES, DAY, REAVIS & POGUE

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FEDERATED DEPARTMENT STORES, INC.
and

STATE STREET BANK AND TRUST COMPANY
(successor to The First National Bank of Boston),

Trustee

SEVENTH SUPPLEMENTAL TRUST INDENTURE

Dated as of May 22, 1996

Supplementing that certain

INDENTURE

Dated as of December 15, 1994

Authorizing the Issuance and Delivery of

Senior Securities

consisting of \$450,000,000 aggregate principal amount of

8 1/2% Senior Notes due 2003

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SEVENTH SUPPLEMENTAL INDENTURE, dated as of May 22, 1996, between Federated Department Stores, Inc., a corporation duly organized and existing under the laws of the State of Delaware (the "Company"), and State Street Bank and Trust Company (successor to The First National Bank of Boston), a trust company organized under the laws of the Commonwealth of Massachusetts, as Trustee (the "Trustee"), supplementing that certain Indenture, dated as of December 15, 1994, between the Company and the Trustee (the "Indenture").

RECITALS

A. The Company has duly authorized the execution and delivery of the Indenture to provide for the issuance from time to time of its unsecured debentures, notes, or other evidences of indebtedness (the "Securities") to be issued in one or more series as provided for in the Indenture.

B. The Indenture provides that the Securities of each series shall be in substantially the form set forth in the Indenture, or in such other form as may be established by or pursuant to a Board Resolution or in one or more indentures supplemental thereto, in each case with such appropriate insertions, omissions, substitutions, and other variations as are required or permitted by the Indenture, and may have such letters, numbers, or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined to be required by the officers executing such Securities, as evidenced by their execution thereof.

C. The Company and the Trustee have agreed that the Company shall issue and deliver, and the Trustee shall authenticate, Securities denominated "8 1/2% Senior Notes due 2003" (the "Senior Notes") pursuant to the terms of this Supplemental Indenture and substantially in the form set forth below, in each case with such appropriate insertions, omissions, substitutions, and other variations as are required or permitted by the Indenture and this Supplemental Indenture, and with such letters, numbers, or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of such Securities.

[Form of Face of Security]

This Security is a Global Security within the meaning of the Indenture hereinafter referred to and is registered in the name of a Depositary or a nominee thereof. This Security may not be transferred to, or registered or exchanged for Securities registered in the name of, any Person other than the Depositary or a nominee thereof, and no such transfer may be registered, except in the limited circumstances described in the Indenture. Every Security authenticated and delivered upon registration of transfer of, or in exchange for or in lieu of, this Security shall be a Global Security subject to the

foregoing, except in such limited circumstances.

FEDERATED DEPARTMENT STORES, INC.

8 1/2% SENIOR NOTE DUE 2003

No. R- _____ \$ _____

FEDERATED DEPARTMENT STORES, INC., a corporation duly organized and existing under the laws of the State of Delaware (hereinafter called the "Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of \$ _____ on June 15, 2003, and to pay interest thereon from May 22, 1996 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semiannually on June 15 and December 15 of each year, commencing on December 15, 1996, at the rate of 8 1/2% per annum, until the principal hereof is paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date shall, as provided in said Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the June 1 or December 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 calendar days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

Payment of the principal of and any such interest on this Security shall be made at the office or agency of the Company maintained for the purpose in New York, New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Company payment of interest may be made by check mailed to the address of the Person entitled thereto as such address appears in the Security Register.

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REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS SET FORTH ON THE REVERSE HEREOF. SUCH PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS THOUGH FULLY SET FORTH IN THIS PLACE.

This Security shall not be valid or become obligatory for any purpose until the certificate of authentication herein has been signed manually by the Trustee under said Indenture.

IN WITNESS WHEREOF, this instrument has been duly executed in accordance with the Indenture.

FEDERATED DEPARTMENT STORES, INC.

Date Issued: _____ By: _____

Attest:

By: _____

[Form of Reverse of Security]

FEDERATED DEPARTMENT STORES, INC.

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities") issued and to be issued in one or more series under an Indenture, dated as of December 15, 1994 (herein called the "Indenture"), between the Company and State Street Bank and Trust Company, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties, and immunities thereunder of the Company, the Trustee, and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof, limited in aggregate principal amount to \$450,000,000.

Upon the occurrence of a Change of Control prior to such time as the Company shall have reached Investment Grade Status or, thereafter, upon the occurrence of a Designated Event with respect to the Company and a Rating Decline in connection therewith, the Company is required to offer to purchase the Securities at a purchase price equal to 101% of the principal amount thereof, together in the case of any such purchase with accrued and unpaid interest to the Purchase Date, but interest installments with a Stated Maturity on or prior to such Purchase Date

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shall be payable to the Holders of such Securities of record at the close of business on the relevant Record Dates referred to on the face hereof, all as provided in the Indenture.

In the event of the repurchase of this Security in part only, a new Security or Securities of this series and of like tenor for the portion hereof not so repurchased shall be issued in the name of the Holder hereof upon the cancellation hereof.

The Indenture contains provisions for defeasance at any time of (a) the entire indebtedness of this Security or (b) certain restrictive covenants and Events of Default with respect to this Security, in each case upon compliance with certain conditions set forth in the Indenture.

If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default with respect to the Securities of this series, the Holders of not less than 25% in principal amount of the Securities of this series at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of a majority in principal amount of Securities of this series at the time Outstanding a direction inconsistent with

such request and shall have failed to institute such proceeding for 60 calendar days after receipt of such notice, request, and offer of indemnity. The foregoing shall apply to any suit instituted by the Holder of this Security for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and

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unconditional, to pay the principal of and any premium and interest on this Security at the times, place, and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registerable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, shall be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form without coupons in denominations of \$1,000 and integral multiples thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee, and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security shall be overdue, and neither the Company, the Trustee, nor any such agent shall be affected by notice to the contrary.

Unless this Security is presented by an authorized representative of The Depository Trust Company (55 Water Street, New York, New York) to the Company or its agent for registration of transfer, exchange, or payment, and any Security issued upon registration of transfer of, or in exchange for or in lieu of, this Security is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and payment hereon is made to Cede & Co., ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL because the registered owner hereof, Cede & Co., has an interest herein.

All terms used in this Security that are defined in the Indenture shall have the respective meanings assigned to them in the Indenture.

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D. The Trustee's certificate of authentication shall be in substantially the following form:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

STATE STREET BANK AND TRUST COMPANY, as Trustee

By: _____

E. All acts and things necessary to make the Senior Notes, when the Senior Notes have been executed by the Company and authenticated by the Trustee and delivered as provided in the Indenture and this Supplemental Indenture, the valid, binding, and legal obligations of the Company and to constitute these presents a valid indenture and agreement according to its terms, have been done and performed, and the execution and delivery by the Company of the Indenture and this Supplemental Indenture and the issue hereunder of the Senior Notes have in all respects been duly authorized; and the Company, in the exercise of legal right and power in it vested, is executing and delivering the Indenture and this Supplemental Indenture and proposes to make, execute, issue, and deliver the Senior Notes.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH:

In order to declare the terms and conditions upon which the Senior Notes are authenticated, issued, and delivered, and in consideration of the premises and of the purchase and acceptance of the Senior Notes by the Holders thereof, it is mutually agreed, for the equal and proportionate benefit of the respective Holders from time to time of the Senior Notes, as follows:

ARTICLE I. ISSUANCE OF SENIOR NOTES.

Section 1.1. Issuance of Senior Notes; Principal Amount; Maturity.

(a) On May 22, 1996, the Company shall issue and deliver to the Trustee, and the Trustee shall authenticate, Senior Notes substantially in the form set forth above, in each case with such appropriate insertions, omissions, substitutions, and other variations as are required or permitted by the Indenture and this Supplemental Indenture, and with such letters, numbers, or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith,

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be determined by the officers executing such Senior Notes, as evidenced by their execution of such Senior Notes.

(b) The Senior Notes shall be issued in the aggregate principal amount of \$450,000,000 and shall mature on June 15, 2003.

Section 1.2. Interest on the Senior Notes; Payment of Interest.

(a) The Senior Notes shall bear interest at the rate of 8 1/2% per annum from May 22, 1996, except in the case of Senior Notes delivered pursuant to Sections 2.05 or 2.07 of the Indenture, which shall bear interest from the last Interest Payment Date through which interest has been paid.

(b) The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date shall, as provided in such Indenture, be paid to the Person in whose name a Senior Note (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the June 1 or December 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name the Senior Note (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 calendar days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture.

(c) Payment of the principal of (and premium, if any) and any such interest on the Senior Notes shall be made at the office or agency of the

Company maintained for the purpose in New York, New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Company payment of interest may be made by check mailed to the address of the Person entitled thereto as such address appears in the Security Register.

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ARTICLE II. CERTAIN DEFINITIONS.

Section 2.1. Certain Definitions.

The terms defined in this Section 2.1 (except as herein otherwise expressly provided or unless the context of this Supplemental Indenture otherwise requires) for all purposes of this Supplemental Indenture and of any indenture supplemental hereto have the respective meanings specified in this Section 2.1. All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP. All other terms used in this Supplemental Indenture that are defined in the Indenture or the Trust Indenture Act, either directly or by reference therein (except as herein otherwise expressly provided or unless the context of this Supplemental Indenture otherwise requires), have the respective meanings assigned to such terms in the Indenture or the Trust Indenture Act, as the case may be, as in force at the date of this Supplemental Indenture as originally executed.

"Bank Facilities" means the Credit Agreement, dated as of December 19, 1994, among the Company, certain financial institutions, Citibank, N.A., as administrative agent, and Chemical Bank, as agent, as the same may be amended, supplemented, or otherwise modified from time to time.

"Cash Equivalent" means: (a) obligations unconditionally guaranteed as to principal and interest by the United States of America or by any agency or authority controlled or supervised by and acting as an instrumentality of the United States of America; (b) obligations (including, but not limited to, demand or time deposits, bankers' acceptances and certificates of deposit) issued by a depository institution or trust company or a wholly owned Subsidiary or branch office of any depository institution or trust company, provided that (i) such depository institution or trust company has, at the time of the Company's or any Restricted Subsidiary's investment therein or contractual commitment providing for such investment, capital, surplus, or undivided profits (as of the date of such institution's most recently published financial statements) in excess of \$100.0 million and (ii) the commercial paper of such depository institution or trust company, at the time of the Company's or any Restricted Subsidiary's investment therein or contractual commitment providing for such investment, is rated at least A1 by S&P or P-1 by Moody's; (c) debt obligations (including, but not limited to, commercial paper and medium term notes) issued or unconditionally guaranteed as to principal and interest by any corporation, state or municipal government or agency or instrumentality thereof, or foreign sovereignty, if the commercial paper of such corporation, state or municipal government or foreign sovereignty, at the time of the Company's or any Restricted Subsidiary's investment therein or contractual commitment providing for such investment, is rated at least A1 by S&P or P-1 by Moody's; (d) repurchase obligations with a term of not more than seven calendar days for underlying securities of the type described above entered into with a depository institution or trust company meeting the qualifications described in clause (b) above; and (e) Investments in money market or mutual funds that invest predominantly in Cash Equivalents of the type described in clauses (a), (b), (c), and (d) above; provided, however, that, in the case of clauses (a) through (c) above, each such investment has a maturity of one year or less from the date of acquisition thereof.

"Change of Control" means the occurrence of any of the following events: (a) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act)

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is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the total voting power of all classes of stock of the Company entitled to vote generally in the election of directors of the Company ("Voting Stock"); (b) the Company

consolidates with, or merges with or into, another Person or sells, assigns, conveys, transfers, leases, or otherwise disposes of all or substantially all of its assets to any Person, or another Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which the outstanding Voting Stock of the Company is converted into or exchanged for cash, securities, or other property, other than any such transaction where (i) the outstanding Voting Stock of the Company is converted into or exchanged for (1) Voting Stock (other than redeemable Voting Stock) of the surviving or transferee corporation, (2) cash, securities, and other property in an amount that could be paid by the Company as a Restricted Payment, or (3) a combination thereof, and (ii) immediately after such transaction (A) no "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the total Voting Stock of the Company and (B) the holders of equity securities of the Company immediately prior to such transaction hold, immediately following such transaction, a majority of the total Voting Stock of the Person surviving such transaction, (c) during any consecutive two-year period, individuals who at the beginning of such period constituted the Board of Directors (together with any new directors whose election by such Board of Directors or whose nomination for election by the stockholders of the Company was approved by a vote of a majority of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors then in office; or (d) the dissolution or liquidation of the Company.

"Consolidated Net Worth" of the Company means the stockholders' equity of the Company and its Subsidiaries, determined on a consolidated basis in accordance with GAAP; provided that adjustments following the date of this Supplemental Indenture to the accounting books and records of the Company, in accordance with Accounting Principles Board Opinions Nos. 16 and 17 (or successor opinions thereto) or otherwise, resulting from the acquisition of control of the Company by another Person shall not be given effect.

"Debt Rating" means the actual rating assigned to the Notes by Moody's or S&P. The Company shall use its reasonable best efforts to cause both Moody's and S&P to make a rating of the Senior Notes publicly available, but in the event that either Moody's or S&P does not make a rating of the Senior Notes publicly available, the Company shall select any other nationally recognized securities rating agency (a "Recognized Rating Agency") to make such a rating. In such event, the terms "Moody's" and "S&P," as the case may be, mean, for purposes of this definition, such other Recognized Rating Agency.

"Designated Event" shall be deemed to have occurred at such time as (a) a Change of Control occurs or (b) a Designated Restricted Payment Event occurs.

"Designated Restricted Payment Event" means the (i) declaration or payment of any dividend on, or the making of any distribution on account of, the Company's capital stock or (ii) purchase, redemption, or acquisition or retirement for value of any capital stock (including any option, warrant, or right to purchase capital stock) of the Company owned beneficially by

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a Person other than a wholly owned Subsidiary of the Company, by the Company or any Subsidiary of the Company, directly or indirectly, if, after giving effect to any such action set forth in clause (i) or (ii), the Consolidated Net Worth of the Company as at the end of the last fiscal quarter for which consolidated financial statements are available is less than \$2,750.0 million.

"Effective Date" means December 19, 1994.

"Existing Indebtedness" means all Indebtedness under or evidenced by: (a) the Senior Notes; (b) the Company's 10% Senior Notes due 2001; (c) the Company's 8.125% Senior Notes due 2002; (d) the Company's 5% Convertible Subordinated Notes due 2003; (e) the outstanding principal amount of notes issued pursuant to the Loan Agreement, dated as of December 30, 1987, by and among Allied Stores General Real Estate Company and certain of its Subsidiaries and The Prudential Insurance Company of America; (f) the outstanding principal amount of notes issued pursuant to the Mortgage Note Agreement, dated as of the

Effective Date, between Macy's Primary Real Estate, Inc. and Federated Noteholding Corporation; (g) the outstanding principal amount of notes issued pursuant to the Loan Agreement, dated as of May 26, 1994, by and among Joseph Home Co., Inc., PNC Bank Ohio, National Association, as agent, and the financial institutions listed on the signature pages thereof; (h) the Capital Lease Obligations of the Company and the Restricted Subsidiaries existing on the date of the initial issuance of the Senior Notes; (i) the outstanding principal amount of uncertificated obligations of the Company owed to the Internal Revenue Service and other taxing authorities; (j) the existing secured mortgage debt of the Macy's Debtors assumed pursuant to the Plan; (k) the Note Override Agreement, dated as of the Effective Date, by Kings Plaza Shopping Center of Avenue U, Inc., as Issuer, and The John Hancock Mutual Life Insurance Company ("John Hancock"), as Noteholder, and the Promissory Note, dated as of the Effective Date, by Macy's Kings Plaza Real Estate, Inc., as Issuer, and John Hancock, as Noteholder; (l) the outstanding principal amount of the notes of Broadway Stores, Inc. ("Broadway") held by Federated Noteholding Corporation II ("FNC II"); (m) the outstanding principal amount of mortgage indebtedness of Broadway held by FNC II; (n) the outstanding principal amount of mortgage indebtedness of Broadway to Bank of America; and (o) the other secured Indebtedness of the Company or secured or unsecured Indebtedness of the Restricted Subsidiaries existing on the date of the initial issuance of the Senior Notes.

"Full Rating Category" means (i) with respect to S&P, any of the following categories: BB, B, CCC, CC, and C and (ii) with respect to Moody's, any of the following categories: Ba, B, Caa, Ca, and C. In determining whether the rating of the Senior Notes has decreased by the equivalent of one Full Rating Category, gradation within Full Rating Categories (+ and - for S&P; and 1, 2, and 3 for Moody's) shall be taken into account (e.g., with respect to S&P, a decline in rating from BB+ to BB-, or from BB to B+, shall constitute a decrease of less than one Full Rating Category).

"Interest Coverage Ratio" means the ratio of (a) the sum of (i) net income (other than net income of any Restricted Subsidiary during a period in which such Restricted Subsidiary is prohibited from paying dividends pursuant to any provision referred to in clause (ii), (iii), or (iv) of Section 3.5 hereof), (ii) net interest expense, (iii) cash dividends with respect to redeemable preferred stock (to the extent deducted from net income and not included in net interest expense in accordance with GAAP), (iv) income tax expense, (v) depreciation expense,

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(vi) amortization expense, and (vii) the net amount, which may be less than zero, of extraordinary and unusual losses (including business consolidation and integration expense), minus extraordinary and unusual gains of the Company and its Subsidiaries on a consolidated basis, to (b) net interest expense, plus cash dividends with respect to redeemable preferred stock (to the extent deducted from net income and not included in net interest expense in accordance with GAAP), of the Company and its Subsidiaries on a consolidated basis, all as determined in accordance with GAAP (or, in respect of the net income of any Restricted Subsidiary for purposes of the parenthetical in clause (a)(i) above, the normal accounting practices of such Restricted Subsidiary as in effect from time to time), for the four most recently completed fiscal quarters of the Company.

"Investment" means, with respect to any Person, any direct or indirect loan or other extension of credit or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition by such Person of any capital stock, bonds, notes, debentures, or other securities or evidences of Indebtedness issued by any other Person. The amount of any Investment shall be the original cost thereof, plus the cost of all additions thereto, without any adjustments for increases or decreases in value, write-ups, write-downs, or write-offs with respect to such Investment.

"Investment Grade" means a rating of at least BBB- (or the equivalent) or higher by S&P and Baa3 (or the equivalent) or higher by Moody's.

"Investment Grade Status" exists as of a date and thereafter if at such date the Debt Rating by both Moody's and S&P is Investment Grade.

"Lien" means any mortgage, deed of trust, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), security interest, or preference, priority, or other security agreement or preferential arrangement of any kind or nature whatsoever intended to assure payment of any Indebtedness or other obligation, including without limitation any conditional sale, deferred purchase price, or other title retention agreement, the interest of a lessor under a Capital Lease Obligation, any financing lease having substantially the same economic effect as any of the foregoing, and the filing, under the Uniform Commercial Code or comparable law of any jurisdiction, of any financing statement naming the owner of the asset to which such Lien relates as debtor.

"Moody's" means Moody's Investors Service, or any successor to the rating agency business thereof.

"Notice" means, with respect to an Offer to Purchase, a written notice stating:

(a) the Section of this Supplemental Indenture pursuant to which such Offer to Purchase is being made;

(b) the applicable Purchase Amount (including, if less than all the Senior Notes, the calculation thereof pursuant to the Section hereof requiring such Offer to Purchase);

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(c) the applicable Purchase Date;

(d) the purchase price to be paid by the Company for each \$1,000 principal amount at maturity of Senior Notes accepted for payment (as specified in this Supplemental Indenture);

(e) that the Holder of any Senior Note may tender for purchase by the Company all or any portion of such Senior Note equal to \$1,000 principal amount or any integral multiple thereof;

(f) the place or places where Senior Notes are to be surrendered for tender pursuant to such Offer to Purchase;

(g) any Senior Note not tendered or tendered but not purchased by the Company pursuant to such Offer to Purchase shall continue to accrue interest as set forth in such Senior Note and this Supplemental Indenture;

(h) that on the Purchase Date the purchase price shall become due and payable upon each Senior Note (or portion thereof) selected for purchase pursuant to such Offer to Purchase and that interest thereon shall cease to accrue on and after the Purchase Date;

(i) that each Holder electing to tender a Senior Note pursuant to such Offer to Purchase shall be required to surrender such Senior Note at the place or places specified in the Notice prior to the close of business on the fifth Business Day prior to the Purchase Date (such Senior Note being, if the Company or the Trustee so requires, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or its attorney duly authorized in writing);

(j) that (i) if Senior Notes (or portions thereof) in an aggregate principal amount less than or equal to the Purchase Amount are duly tendered and not withdrawn pursuant to such Offer to Purchase, the Company shall purchase all such Senior Notes and (ii) if Senior Notes in an aggregate principal amount in excess of the Purchase Amount are duly tendered and not withdrawn pursuant to such Offer to Purchase, (A) the Company shall purchase Senior Notes having an aggregate principal amount equal to the Purchase Amount and (B) the particular Senior Notes (or portions thereof) to be purchased shall be selected by such method as the

Trustee shall deem fair and appropriate and which may provide for the selection for purchase of portions (equal to \$1,000 or an integral multiple of \$1,000) of the principal amount of Senior Notes of a denomination larger than \$1,000;

(k) that, in the case of any Holder whose Senior Note is purchased only in part, the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Senior Note without service charge, a new Senior Note or Senior Notes of any authorized denomination as requested by such Holder in an aggregate principal amount equal to and in exchange for the unpurchased portion of the Senior Note so tendered; and

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(l) any other information required by applicable law to be included therein.

"Offer to Purchase" means an offer to purchase Senior Notes pursuant to and in accordance with a Notice, in the aggregate Purchase Amount, on the Purchase Date, and at the purchase price specified in such Notice (as determined pursuant to this Supplemental Indenture). Any Offer to Purchase shall remain open from the time of mailing of the Notice until the Purchase Date, and shall be governed by and effected in accordance with, and the Company and the Trustee shall perform their respective obligations specified in, the Notice for such Offer to Purchase.

"Permitted Indebtedness" means: (a) Existing Indebtedness; (b) Indebtedness under the Bank Facilities in an aggregate principal amount at any one time not to exceed \$2,800.0 million, less (i) principal payments actually made by the Company on any term loan facility under such Bank Facilities (other than principal payments made in connection with or pursuant to a refinancing of the Bank Facilities in compliance with clause (j) below) and (ii) any amounts by which any revolving credit facility commitments under the Bank Facilities are permanently reduced (other than permanent reductions made in connection with or pursuant to a refinancing of the Bank Facilities in compliance with clause (j) below) except that under no circumstances shall the total allowable indebtedness under this clause (b) be less than \$1,250.0 million (subject to increase from and after the date hereof at a rate, compounded annually, equal to 3% per annum) if incurred for the purpose of providing the Company and its Subsidiaries with working capital, including without limitation bankers' acceptances, letters of credit, and similar assurances of payment whether as part of the Bank Facilities or otherwise; (c) Indebtedness existing as of the date of the initial issuance of Senior Notes of any Subsidiary of the Company engaged primarily in the business of owning or leasing real property; (d) Indebtedness incurred for the purpose of financing store construction and remodeling or other capital expenditures; (e) unsecured Indebtedness among the Company and its Subsidiaries; (f) Indebtedness in respect of the deferred purchase price of property or arising under any conditional sale or other title retention agreement; (g) Indebtedness of a Person acquired by the Company or a Subsidiary of the Company at the time of such acquisition; (h) to the extent deemed to be "Indebtedness," obligations under swap agreements, cap agreements, collar agreements, insurance arrangements, or any other agreement or arrangement, in each case designed to provide protection against fluctuations in interest rates, the cost of currency or the cost of goods (other than inventory); (i) other Indebtedness in outstanding amounts not to exceed \$750.0 million in the aggregate incurred by the Company and the Restricted Subsidiaries at any particular time; and (j) Indebtedness incurred in connection with any extension, renewal, refinancing, replacement, or refunding (including successive extensions, renewals, refinancings, replacements, or refundings), in whole or in part, of any Indebtedness of the Company or the Restricted Subsidiaries; provided, however, that the principal amount of the Indebtedness so incurred does not exceed the sum of the principal amount of the Indebtedness so extended, renewed, refinanced, replaced, or refunded, plus all interest accrued thereon and all related fees and expenses (including any payments made in connection with procuring any required lender or similar consents).

"Permitted Investments" means: (a) Cash Equivalents; (b) Investments in another Person, if as a result of such Investment (i) such other Person becomes a Restricted Subsidiary of the Company or (ii) such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all of its assets to, the Company or a Restricted Subsidiary of

Company; (c) Investments in the Company or any Restricted Subsidiary of the Company; (d) Investments represented by accounts receivable created or acquired in the ordinary course of business, extensions of trade credit on commercially reasonable terms in accordance with normal trade practices, or liabilities to the Company or any Restricted Subsidiary represented by customer credit card obligations; (e) commissions and advances to employees of the Company and its Subsidiaries in the ordinary course of business; (f) investments representing notes, securities, or other instruments or obligations acquired in connection with the sale of assets; (g) Investments in the form of the sale (on a "true-sale" non-recourse basis) of receivables transferred from the Company or any Restricted Subsidiary, or transfers of cash, to an Unrestricted Subsidiary as a capital contribution or in exchange for Indebtedness of such Unrestricted Subsidiary or cash; (h) Permitted Joint Venture Investments; (i) Investments representing capital stock or obligations issued to the Company or any Restricted Subsidiary in settlement of claims against any other Person by reason of a composition or readjustment of debt or a reorganization of any debtor of the Company or such Restricted Subsidiary; (j) loans or advances to vendors in connection with in-store merchandising to be repaid either on a lump-sum basis or over a period of time by the delivery of merchandise; (k) loans or advances to sublessees in an aggregate amount not to exceed \$5 million at any time outstanding; (l) construction advances to developers; (m) Investments in swap agreements, cap agreements, collar agreements, insurance arrangements or any other agreement or arrangement, in each case designed to provide protection against fluctuations in interest rates, the cost of currency or the cost of goods (other than inventory); and (n) other Investments not to exceed \$200.0 million in the aggregate.

"Permitted Joint Venture Investments" means Investments in joint ventures or other risk-sharing arrangements (which may include investments in partnerships or corporations) the purpose of which is to engage in the same or similar lines of business as the operating business of the Company or a Restricted Subsidiary or in businesses consistent with the fundamental nature of the operating business of the Company or a Restricted Subsidiary or necessary or desirable to facilitate the opening business of the Company or a Restricted Subsidiary and is a business or operation that the Company or a Restricted Subsidiary could engage in directly under the terms hereof and that constitute "Investments" solely due to the fact that Persons other than the Company or a Restricted Subsidiary have an interest in such business or operation; provided, however, that the business of such joint venture, partnership, or corporation is, by the terms of the applicable joint venture agreement, partnership agreement, or corporate charter, prohibited from the making of Investments other than Permitted Investments to the extent the Company could make such Investments directly in accordance with the terms hereof.

"Permitted Liens" means: (a) Liens (other than Liens on inventory) securing Indebtedness referred to in any of clauses (a) through (d) and clauses (f) through (j) of the definition of "Permitted Indebtedness"; (b) Liens incurred and pledges and deposits made in the ordinary course of business in connection with liability insurance, workers' compensation, unemployment insurance, old-age pensions, and other social security benefits other than in respect of employee benefit plans subject to the Employee Retirement Income Security Act of 1974, as amended; (c) Liens securing performance, surety, and appeal bonds and other obligations of like nature incurred in the ordinary course of business; (d) Liens on goods and documents securing trade letters of credit; (e) Liens imposed by law, such as carriers', warehousemen's, mechanics', materialmen's, and vendor's Liens, incurred in the ordinary course of business and securing obligations which are not yet due or which are being contested in good faith by appropriate

proceedings; (f) Liens securing the payment of taxes, assessments, and governmental charges or levies, either (i) not delinquent or (ii) being contested in good faith by appropriate legal or administrative proceedings and as to which adequate reserves shall have been established on the books of the relevant Person in conformity with GAAP; (g) zoning restrictions, easements, rights of way, reciprocal easement agreements, operating agreements, covenants,

conditions, or restrictions on the use of any parcel of property that are routinely granted in real estate transactions or do not interfere in any material respect with the ordinary conduct of the business of the Company and its Subsidiaries or the value of such property for the purpose of such business; (h) Liens on property existing at the time such property is acquired; (i) purchase money Liens upon or in any property acquired or held in the ordinary course of business to secure Indebtedness incurred solely for the purpose of financing the acquisition of such property; (j) Liens on the assets of any Subsidiary of the Company at the time such Subsidiary is acquired; (k) Liens with respect to obligations in outstanding amounts not to exceed \$100.0 million at any particular time and that (i) are not incurred in connection with the borrowing of money or obtaining advances or credit (other than trade credit in the ordinary course of business) and (ii) do not in the aggregate interfere in any material respect with the ordinary conduct of the business of the Company and its Subsidiaries; and (l) without limiting the ability of the Company or any Restricted Subsidiary to create, incur, assume, or suffer to exist any Lien otherwise permitted under any of the foregoing clauses, any extension, renewal, or replacement, in whole or in part, of any Lien described in the foregoing clauses; provided, however, that any such extension, renewal, or replacement Lien is limited to the property or assets covered by the Lien extended, renewed, or replaced or substitute property or assets, the value of which is determined by the Board of Directors of the Company to be not materially greater than the value of the property or assets for which the substitute property or assets are substituted.

"Plan" means the Amended Joint Plan of Reorganization of R.H. Macy & Co., Inc. and certain of its Subsidiaries.

"Purchase Amount" means the aggregate outstanding principal amount of the Senior Notes required to be offered to be purchased by the Company pursuant to an Offer to Purchase.

"Purchase Date" means, with respect to any Offer to Purchase, a date specified by the Company in such Offer to Purchase not less than 30 calendar days or more than 60 calendar days after the date of the mailing of the Notice of such Offer to Purchase (or such other time period as is necessary for the Offer to Purchase to remain open for a sufficient period of time to comply with applicable securities laws).

"Rating Decline" means the occurrence of the following on, or within 90 calendar days after, the date of public disclosure of the occurrence of a Designated Event (which period shall be extended, for a period not to exceed 90 calendar days, so long as the Debt Rating is under publicly announced consideration for possible downgrading by both Moody's and S&P): (i) in the event the Senior Notes are rated Investment Grade by Moody's or S&P on the earlier of the date immediately preceding the date of the public disclosure of (w) the occurrence of a Designated Event or (x) (if applicable) the intention of the Company to effect a Designated Event, the Debt Rating by both Moody's and S&P shall be below Investment Grade or (ii) in the event the Senior Notes are rated below Investment Grade by both Moody's and S&P on the

earlier of the date immediately preceding the date of the public disclosure of (y) the occurrence of a Designated Event or (z) (if applicable) the intention of the Company to effect a Designated Event, the Debt Rating by each of Moody's and S&P shall be decreased by at least one Full Rating Category. In the event that either Moody's or S&P does not make a rating of the Senior Notes publicly available, and the Company selects a Recognized Rating Agency to make such a rating, (i) the terms "Moody's" or "S&P," as the case may be, shall mean such other Recognized Rating Agency; (ii) the term "Full Rating Category" shall mean, with respect to such Recognized Rating Agency, the equivalent of any such category of S&P or Moody's used by such Recognized Rating Agency; and (iii) the term "Investment Grade" shall mean, with respect to such Recognized Rating Agency, the equivalent of a rating of at least BBB- in the case of S&P and at least Baa3 in the case of Moody's used by such Recognized Rating Agency.

"Restricted Subsidiary" means any direct or indirect subsidiary (as that term is defined in Regulation S-X promulgated by the Securities and

Exchange Commission) other than an Unrestricted Subsidiary.

"S&P" means Standard & Poor's Rating Services, a division of McGraw-Hill, Inc., or any successor to the rating agency business thereof.

"Sale and Leaseback Transaction" means, with respect to any Person, an arrangement with any bank, insurance company, or other lender or investor or to which such lender or investor is a party providing for the leasing pursuant to a Capital Lease by such Person or any Subsidiary of such Person of any property or asset of such Person or such Subsidiary which has been or is being sold or transferred by such Person or such Subsidiary to such lender or investor or to any Person to whom funds have been or are to be advanced by such lender or investor on the security of such property or asset.

"Senior Indebtedness" means any Indebtedness of the Company or its Subsidiaries other than Subordinated Indebtedness.

"Significant Subsidiary" means any Subsidiary which accounts for 10.0% or more of the total consolidated assets of the Company and its Subsidiaries as of any date of determination or 10.0% or more of the total consolidated revenues of the Company and its Subsidiaries for the most recently concluded fiscal quarter.

"Subordinated Indebtedness" means any Indebtedness of the Company which is expressly subordinated in right of payment to the Senior Notes.

"Unrestricted Subsidiary" means (a) FDS National Bank, FACS Group, Inc., Federated Credit Holdings Corporation, Prime Credit Card Master Trust (to the extent that it is deemed to be a Subsidiary), Prime Receivables Corporation, Seven Hills Funding Corporation, Ridge Capital Trust II (to the extent that it is deemed to be a Subsidiary), Macy Financial, Inc., R.H. Macy Overseas Finance, N.V., Macy Credit Corp., and Macy's Data and Credit Services Corp., (b) any Subsidiary of the Company the primary business of which consists of, and is restricted by the charter, partnership agreement, or similar organizational document of such Subsidiary to, financing operations on behalf of the Company and its Subsidiaries, and/or purchasing accounts receivable or direct or indirect interests therein, and/or making loans secured

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by accounts receivable or direct or indirect interests therein (and business related to the foregoing), or which is otherwise primarily engaged in, and restricted by its charter, partnership agreement, or similar organizational document to, the business of a finance company (and business related thereto), which, in accordance with the provisions of this Supplemental Indenture, has been designated by Board Resolution as an Unrestricted Subsidiary, in each case unless and until any of the Subsidiaries of the Company referred to in the foregoing clauses (a) and (b) is, in accordance with the provisions of this Supplemental Indenture, designated by a Board Resolution as a Restricted Subsidiary, and (c) any Subsidiary of the Company of which, in the case of a corporation, more than 50% of the issued and outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation has or might have voting power upon the occurrence of any contingency), or, in the case of any partnership or other legal entity, more than 50% of the ordinary equity capital interests, is at the time directly or indirectly owned or controlled by one or more Unrestricted Subsidiaries and the primary business of which consists of, and is restricted by the charter, partnership agreement or similar organizational document of such Subsidiary to, financing operations on behalf of the Company and its Subsidiaries, and/or purchasing accounts receivable or direct or indirect interests therein, and/or making loans secured by accounts receivable or direct or indirect interests therein (and business related to the foregoing), or which is otherwise primarily engaged in, and restricted by its charter, partnership agreement or similar organizational document to, the business of a finance company (and business related thereto).

ARTICLE III. CERTAIN COVENANTS.

The following covenants shall be applicable to the Company for so long

as any of the Senior Notes are Outstanding; provided, however, that upon reaching Investment Grade Status the Company shall be released from its obligations to comply with each of the following restrictive covenants, except for those set forth in Sections 3.2, 3.4, 3.9 (including the provisions of the covenant set forth in Section 3.7 with respect to application of proceeds), and 3.10. Nothing in this paragraph will, however, affect the Company's obligations under any provision of the Indenture or, except for Article III hereof, this Supplemental Indenture.

Section 3.1. Indebtedness.

The Company shall not directly or indirectly incur, assume, guarantee, or otherwise become liable with respect to any Indebtedness other than Permitted Indebtedness referred to in clauses (a) through (c), clauses (e) and (f), and clauses (h) through (j) of the definition thereof, unless immediately thereafter the Interest Coverage Ratio is 2.0 to 1.0 or greater, after giving effect, on a pro forma basis as if incurred at the beginning of the applicable period, to the obligations of the Company and the Restricted Subsidiaries in respect of such Indebtedness.

The Company shall not permit any Restricted Subsidiary directly or indirectly to incur, assume, guarantee, or otherwise become liable with respect to, any Indebtedness (A) other than Permitted Indebtedness referred to in clauses (a) through (c), clauses (e) and (f) and clauses (h) through (j) of the definition thereof and (B) other than Permitted Indebtedness referred to in clauses (d) and (g) of the definition thereof, provided, in the case of Permitted Indebtedness

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incurred pursuant to this clause (B), immediately thereafter the Interest Coverage Ratio is 2.0 to 1.0 or greater, after giving effect, on a pro forma basis as if incurred at the beginning of the applicable period, to the obligations of the Company and the Restricted Subsidiaries in respect of such Indebtedness.

Section 3.2. Liens.

The Company shall not, and shall not permit any Restricted Subsidiary to, create, incur, assume, or suffer to exist any Liens upon any of their respective assets, other than Permitted Liens, unless the Senior Notes are secured by an equal and ratable Lien on the same assets.

Section 3.3. Restricted Payments.

The Company shall not, and shall not permit any Restricted Subsidiary to, (a) declare or pay any dividend on, or make any other distribution on account of, the Company's capital stock; (b) purchase, redeem, or otherwise acquire or retire for value any capital stock (including any option, warrant, or right to purchase capital stock) of the Company owned beneficially by a Person other than a wholly owned Subsidiary of the Company; (c) purchase, redeem, or otherwise acquire or retire for value the principal of any Subordinated Indebtedness (other than the principal amount of notes outstanding pursuant to the Loan Agreement, dated as of December 30, 1987, by and among Allied Stores General Real Estate Company and certain of its Subsidiaries and The Prudential Insurance Company of America, if deemed to be subordinated by virtue of the Company's guaranty thereof) prior to the scheduled maturity thereof other than pursuant to mandatory scheduled redemptions or repayments; or (d) make any Investment other than Permitted Investments (all such dividends, distributions, purchases, redemptions, or Investments being collectively referred to as "Restricted Payments"); if, at the time of such action, or after giving effect thereto: (i) an Event of Default shall have occurred and is continuing; (ii) the Company could not incur at least \$1.00 of additional Indebtedness under the Interest Coverage Ratio test in Section 3.1; or (iii) the cumulative amount of Restricted Payments made subsequent to the Effective Date shall be greater than the sum of: (A) 50% of the Company's cumulative consolidated net income (or a negative amount equal to 100% of the Company's cumulative consolidated net loss, if applicable) from January 29, 1995 through the end of the Company's fiscal quarter next preceding the taking of such action; (B) 100% of the aggregate net cash proceeds received by the Company from the issue or sale of capital stock of the Company (other than redeemable capital stock), including capital stock issued upon the conversion of convertible Indebtedness issued on or after the

Effective Date, in exchange for outstanding Indebtedness, or from the exercise of options, warrants, or rights to purchase capital stock of the Company to any Person other than to a Subsidiary of the Company subsequent to the Effective Date, (with the Company being deemed, in the case of capital stock issued upon conversion or in exchange for Indebtedness, to have received net cash proceeds equal to the principal amount of the Indebtedness so converted or exchanged); and (C) \$250.0 million; provided, however, that (1) the payment of any dividend within 60 calendar days after the date of declaration thereof, if such declaration complied with the foregoing redemption or other acquisition provisions on the date of such declaration, (2) the purchase, redemption, or other acquisition or retirement for value of any shares of capital stock of the Company in exchange for, or out of the proceeds of, a substantially concurrent issue and sale (other than to a Restricted

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Subsidiary) of other shares of capital stock (other than redeemable capital stock) of the Company, (3) the redemption or other acquisition or retirement for value prior to any scheduled maturity of any Subordinated Indebtedness in exchange for, or out of the proceeds of, a substantially concurrent issue and sale of (a) capital stock (other than redeemable capital stock) of the Company or (b) Subordinated Indebtedness of the Company, (4) any purchase, redemption, or other acquisition or retirement for value of any capital stock (including any option, warrant, or right to purchase capital stock) of the Company issued to any employee or director of the Company pursuant to any employee benefit or similar plan, and (5) any redemption of share purchase rights issued pursuant to the Rights Agreement, dated as of December 19, 1994, by and between the Company and The Bank of New York, as Rights Agent (as the same may be amended from time to time), or any similar successor replacement share purchase rights plan involving an aggregate redemption price (A) for any one such redemption of less than \$10.0 million and (B) for all such redemptions of not more than \$20.0 million, shall not be deemed to constitute "Restricted Payments" and shall not be prohibited under this Section.

Section 3.4. Change of Control.

Following (a) a Change of Control prior to such time as the Company shall have reached Investment Grade Status or (b) a Designated Event and a Rating Decline in connection therewith after such time as the Company shall have reached Investment Grade Status, the Company shall offer to repurchase the Senior Notes pursuant to an Offer to Purchase at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date established for such repurchase. Such Offer to Purchase shall be made by mailing of a Notice to the Trustee and each Holder at the address appearing in the Security Register, by first class mail, postage prepaid, by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company, on a date selected by the Company, which shall be not more than 60 calendar days following the Change in Control or the later of (i) the Designated Event and (ii) the Rating Decline, as the case may be. On the Purchase Date, the Company shall (i) accept for payment the Senior Notes or portions thereof tendered pursuant to the Offer to Purchase, (ii) deposit with the Paying Agent money sufficient to pay the purchase price of all Senior Notes or portions thereof so accepted, and (iii) deliver to the Trustee the Senior Notes so accepted. The Paying Agent shall promptly mail to the Holders of Senior Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail to each Holder at the address appearing on the Security Register new Senior Notes equal in principal amount to any unpurchased portion of the Senior Notes surrendered. Notwithstanding the foregoing, if the Company effects Defeasance or Covenant Defeasance of the Senior Notes as provided in Article V of the Indenture prior to the date Notice of a Rating Decline in connection with a Designated Event is required, the Company shall not be obligated to give such Notice or offer to repurchase the Senior Notes as a result of such Designated Event and Rating Decline.

Acceptance of the Offer to Purchase by a Holder shall be irrevocable (unless otherwise provided by law). The payment of accrued interest as part of any repurchase price on any Purchase Date shall be subject to the right of Holders of record on the relevant Regular Record Date to receive interest due on an Interest Payment Date that is on or prior to such Purchase Date.

If an Offer to Purchase Senior Notes is made, the Company shall comply with all tender offer rules, including but not limited to Section 14(e) under the Exchange Act and Rule 14e-1 thereunder, to the extent applicable to such Offer to Purchase.

Section 3.5. Payment Restrictions Affecting Restricted Subsidiaries.

The Company shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or suffer to exist any contractual restriction on the ability of any Restricted Subsidiary to (a) pay any dividend on, or make any other distribution on account of, its capital stock or pay any Indebtedness owed to the Company or a Restricted Subsidiary or (b) make loans or advances to the Company or a Restricted Subsidiary, except for (i) restrictions existing as of the Effective Date, (ii) restrictions in the documentation setting forth the terms of or entered into in connection with any Permitted Indebtedness, (iii) restrictions in the documentation setting forth the terms of or entered into in connection with the sale of such Restricted Subsidiary to a third party, (iv) restrictions applicable to a Person acquired by the Company or a Subsidiary of the Company or designated as a Restricted Subsidiary, which exist at the time of such acquisition or designation, or (v) other restrictions arising in the ordinary course of business otherwise than in connection with financing transactions.

Section 3.6. Issuance of Subsidiary Preferred Stock.

The Company shall not permit any Restricted Subsidiary to issue any shares of preferred stock other than (a) preferred stock issued to the Company or a wholly owned Subsidiary of the Company or (b) preferred stock issued to any other Person if, after giving effect thereto on a pro forma basis as if such preferred stock were issued at the beginning of the applicable period, such Restricted Subsidiary could have incurred additional Indebtedness in an amount equal to the aggregate liquidation value of such preferred stock (assuming such Indebtedness were incurred to the Person(s) and for the purposes to which and for which such preferred stock was issued).

Section 3.7. Asset Sales.

The Company shall not, and shall not permit any Restricted Subsidiary to, consummate any sale of assets (other than sales of inventories, goods, fixtures, and accounts receivable in the ordinary course of business, and sales of assets to the Company or a wholly owned Subsidiary of the Company) unless such sale is for fair market value and, in the case of individual sales of assets for which the consideration received (including liabilities assumed) is more than \$25.0 million, at least 75% of the consideration therefor (other than liabilities assumed) consists of either (a) any combination of cash, cash equivalents, or promissory notes secured by letters of credit or similar assurances of payment issued by commercial banks of recognized standing or (b) capital asset contributions or capital expenditures made for or on behalf of the Company or a Subsidiary by a third party. Asset sales not subject to Section 3.8 below shall be presumed to be for fair market value if the consideration received is less than \$25.0 million and shall be conclusively presumed to have been for fair market value if the transaction is determined by the Board of Directors to be fair, from a financial point of view, to the Company. To the extent that the aggregate amount of cash proceeds (net of all legal, title, and recording tax expenses, commissions, and other fees and expenses incurred, and all federal,

state, provincial, foreign, and local taxes and reserves required to be accrued as a liability, as a consequence of such sales of assets, and net of all payments made on any Indebtedness which is secured by such assets in accordance with the terms of any Liens upon or with respect to such assets or which must by the terms of such Lien, or in order to obtain a necessary consent to such sale or by applicable law be repaid out of the proceeds from such sales of assets, and net of all distributions and other payments made to minority interest holders in Subsidiaries or joint ventures as a result of such sales of assets)

from such sales of assets that shall not have been reinvested in the business of the Company or its Subsidiaries or used to reduce Senior Indebtedness of the Company or its Subsidiaries within 12 months of the receipt of such proceeds (with cash equivalents being deemed to be proceeds upon receipt of such cash equivalents and cash payments under promissory notes secured as aforesaid being deemed to be proceeds upon receipt of such payments) shall exceed \$100.0 million ("Excess Sale Proceeds") from time to time, the Company shall offer to repurchase pursuant to an Offer to Purchase Senior Notes with such Excess Sale Proceeds (on a pro rata basis with any other Senior Indebtedness of the Company or its Subsidiaries required to be repurchased) at 100% of principal amount, plus accrued and unpaid interest, and to pay related costs and expenses. Such Offer to Purchase shall be made by mailing of a Notice to the Trustee and to each Holder at the address appearing in the Security Register, by first class mail, postage prepaid, by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company, on a date selected by the Company not later than 12 months from the date such Offer to Purchase is required to be made pursuant to the immediately preceding sentence. To the extent that the aggregate purchase price for Senior Notes or other Senior Indebtedness tendered pursuant to such offer to repurchase is less than the aggregate purchase price offered in such offer, an amount of Excess Sale Proceeds equal to such shortfall shall cease to be Excess Sale Proceeds and may thereafter be used for general corporate purposes. On the Purchase Date, the Company shall (i) accept for payment Senior Notes or portions thereof tendered pursuant to the Offer to Purchase in an aggregate principal amount equal to the Purchase Amount (selected by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for purchase of portions (equal to \$1,000 or an integral multiple of \$1,000) of the principal amount of Senior Notes of a denomination larger than \$1,000), (ii) deposit with the Paying Agent money sufficient to pay the purchase price of all Senior Notes or portions thereof so accepted, and (iii) deliver to the Trustee Senior Notes so accepted. The Paying Agent shall promptly mail to the Holders of Senior Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail to such Holders a new Senior Note equal in principal amount to any unpurchased portion of each Senior Note surrendered.

Election of the Offer to Purchase by a Holder shall (unless otherwise provided by law) be irrevocable. The payment of accrued interest as part of any repurchase price on any Purchase Date shall be subject to the right of Holders of record on the relevant Regular Record Date to receive interest due on an Interest Payment Date that is on or prior to such Purchase Date.

If an Offer to Purchase Senior Notes is made, the Company shall comply with all tender offer rules, including but not limited to Section 14(e) under the Exchange Act and Rule 14e-1 thereunder, to the extent applicable to such Offer to Purchase.

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Section 3.8. Transactions with Affiliates.

The Company shall not, and shall not permit any Restricted Subsidiary to, (a) sell, lease, transfer, or otherwise dispose of any of its properties, assets, or securities to, (b) purchase any property, assets, or securities from, or (c) enter into any contract or agreement with or for the benefit of an Affiliate (as defined below) of the Company or a Subsidiary of the Company (other than the Company or a wholly-owned Subsidiary of the Company) (an "Affiliate Transaction") other than Affiliate Transactions in the ordinary course of business which in the aggregate do not exceed (i) \$25.0 million in any one Affiliate Transaction or series of related Affiliate Transactions unless a majority of the disinterested members of the Board of Directors determines that such Affiliate Transaction or series of Affiliate Transactions is on terms not less favorable to the Company or such Restricted Subsidiary than those that would apply to an arms-length transaction with an unaffiliated party and (ii) \$100.0 million in any one Affiliate Transaction or series of related Affiliate Transactions unless the test set forth in clause (i) has been satisfied and the Board of Directors of the Company shall have been advised by an independent financial advisor that, in the opinion of such advisor, such Affiliate Transaction or series of Affiliate Transactions is fair, from a financial point of view, to the Company or such Restricted Subsidiary. Solely for purposes of this Section 3.8, the term "Affiliate" shall have the meaning

set forth in Rule 405 promulgated by the Securities and Exchange Commission under the Securities Act of 1933, as amended, provided, however, that there shall be a rebuttable presumption that any Person that holds more than 15% of the stock having ordinary voting power of an entity is an "Affiliate" of such entity.

Section 3.9. Sale and Leaseback Transactions.

The Company shall not, and shall not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction unless: (a) the Capital Lease Obligation incurred in connection therewith complies with Section 3.1 and (b) the net cash proceeds therefrom are applied in compliance with Section 3.7 and to the extent required by Section 3.7. If the Company reaches Investment Grade Status, the provisions of clause (a) above shall not apply thereafter.

Section 3.10. Merger and Certain Other Transactions.

In addition to the conditions set forth in Section 11.01 of the Indenture, the Company, in a single transaction or through a series of related transactions, shall not consolidate with or merge with or into any other Person, or transfer (by lease, assignment, sale, or otherwise) all or substantially all of its properties and assets to another Person unless immediately after and giving effect to such transaction and the incurrence of any Indebtedness to be incurred in connection therewith the Surviving Person could incur \$1.00 of additional Indebtedness under the Interest Coverage Ratio test.

Section 3.11. Permitting Unrestricted Subsidiaries to Become Restricted Subsidiaries.

The Company shall not permit any Unrestricted Subsidiary to be designated as a Restricted Subsidiary unless such Subsidiary has outstanding no Indebtedness except such Indebtedness as the Company could permit it to become liable for immediately after becoming

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a Restricted Subsidiary and such Subsidiary is otherwise in compliance with all provisions of the Indenture and this Supplemental Indenture that apply to Restricted Subsidiaries.

Section 3.12. Payment Office.

The Company shall cause a Payment Office for the Senior Notes to be maintained at all times in New York, New York.

ARTICLE IV. ADDITIONAL EVENTS OF DEFAULT.

Section 4.1. Additional Events of Default.

In addition to the Events of Default set forth in the Indenture, the term "Event of Default," whenever used in the Indenture or this Supplemental Indenture with respect to the Senior Notes, means any one of the following events (whatever the reason for such Event of Default and whether it may be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree, or order of any court or any order, rule, or regulation of any administrative or governmental body):

(a) the failure to redeem the Senior Notes when required pursuant to the terms and conditions thereof or to pay the repurchase price for Senior Notes to be repurchased in accordance with Section 3.4 or 3.7 of this Supplemental Indenture;

(b) any nonpayment at maturity or other default is made under any agreement or instrument relating to any other Indebtedness of the Company or any Restricted Subsidiary (the unpaid principal amount of which is not less than \$100.0 million), and, in any such case, such default (i) continues beyond any period of grace provided with respect thereto and (ii) results in such Indebtedness becoming due prior to its stated maturity or occurs at the final maturity of such Indebtedness; provided, however, that, subject to the provisions of Section 9.01 and 8.08 of the Indenture, the Trustee shall not be deemed to have knowledge of such nonpayment or other

default unless either (1) a Responsible Officer of the Trustee has actual knowledge of nonpayment or other default or (2) the Trustee has received written notice thereof from the Company, from any Holder, from the holder of any such Indebtedness or from the trustee under the agreement or instrument, relating to such Indebtedness;

(c) the entry of one or more judgments or orders for the payment of money against the Company or any Restricted Subsidiary, which judgments and orders create a liability of \$100.0 million or more in excess of insured amounts and have not been stayed (by appeal or otherwise), vacated, discharged, or otherwise satisfied within 60 calendar days of the entry of such judgments and orders; and

(d) Events of Default of the type and subject to the conditions set forth in clauses (vi) and (vii) of Section 8.01(a) of the Indenture in respect of any Significant Subsidiary or, in related events, any group of Subsidiaries which, if considered in the aggregate, would be a Significant Subsidiary of the Company.

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ARTICLE V. DEFEASANCE.

Section 5.1. Applicability of Article V of the Indenture.

(a) The Senior Notes shall be subject to Defeasance and Covenant Defeasance as provided in Article V of the Indenture; provided, however, that no Defeasance or Covenant Defeasance shall be effective unless and until:

(i) there shall have been delivered to the Trustee the opinion of a nationally recognized independent public accounting firm certifying the sufficiency of the amount of the moneys, U.S. Government Obligations, or a combination thereof, placed on deposit to pay, without regard to any reinvestment, the principal of and any premium and interest on the Senior Notes on the Stated Maturity thereof or on any earlier date on which the Senior Notes shall be subject to redemption;

(ii) there shall have been delivered to the Trustee the certificate of a Responsible Officer of the Company certifying, on behalf of the Company, to the effect that such Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under, any agreement to which the Company is a party or violate any law to which the Company is subject; and

(iii) No Event of Default or event that (after notice or lapse of time or both) would become an Event of Default shall have occurred and be continuing at the time of such deposit or, with regard to any Event of Default or any such event specified in Sections 8.01(a)(vi) and (vii), at any time on or prior to the 124th calendar day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until after such 124th calendar day).

(b) Upon the exercise of the option provided in Section 5.01 of the Indenture to have Section 5.03 of the Indenture applied to the Outstanding Senior Notes, in addition to the obligations from which the Company shall be released specified in the Indenture, the Company shall be released from its obligations under Article III hereof.

ARTICLE VI. MISCELLANEOUS.

Section 6.1. Reference to and Effect on the Indenture.

This Supplemental Indenture shall be construed as supplemental to the Indenture and all the terms and conditions of this Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture. Except as set forth herein, the Indenture heretofore executed and delivered is hereby (i) incorporated by reference in this Supplemental Indenture and (ii) ratified, approved and confirmed.

Section 6.2. Waiver of Certain Covenants.

The Company may omit in any particular instance to comply with any term, provision, or condition set forth in Article III hereof if the Holders of a majority in principal amount of the Outstanding Senior Notes shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such term, provision or condition, but no such waiver shall extend to or affect such term, provision, or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such term, provision, or condition shall remain in full force and effect.

Section 6.3. Supplemental Indenture May be Executed In Counterparts.

This instrument may be executed in any number of counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

Section 6.4. Effect of Headings.

The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

[Seal] FEDERATED DEPARTMENT STORES, INC.

By:

Name:
Title:

Attest:

Name:
Title:

STATE STREET BANK AND TRUST
COMPANY,
as Trustee

By:

Name:
Title:

Attest:

Name:

Title:

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STATE OF OHIO)
) ss.:
COUNTY OF HAMILTON)

On this day of May, 1996, before me personally came
, to me known, who, being by me duly sworn, did depose and say that
he/she is a of FEDERATED DEPARTMENT STORES, INC., one of the
entities described in and which executed the above instrument; that he/she knows
the seal of said entity; that the seal or a facsimile thereof affixed to said
instrument is such seal; that it was so affixed by authority of the Board of
Directors of said entity, and that he/she signed his/her name thereto by like
authority.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my
official seal the day and year in this certificate first above written.

Notary Public

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COMMONWEALTH OF MASSACHUSETTS)
) ss.:
COUNTY OF SUFFOLK)

On this day of May, 1996, before me personally came
, to me known, who, being by me duly sworn, did depose and say that
he/she is a of STATE STREET BANK AND TRUST COMPANY, one of the
entities described in and which executed the above instrument; that he/she knows
the seal of said entity; that the seal or a facsimile thereof affixed to said
instrument is such seal; that it was so affixed by authority of the Board of
Directors of said entity, and that he/she signed his/her name thereto by like
authority.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my
official seal the day and year in this certificate first above written.

Notary Public

Schedule I

Particular Terms of Senior Notes

Maturity: The Senior Notes will mature on June 15, 2003.

Interest: The interest rate per annum on the Senior Notes shall be 8 1/2%.

Redemption: The Senior Notes will not be redeemable at the option of the
Company prior to maturity and are not subject to a sinking fund.