SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended	Commission File Number:
January 28, 2006	1-13536

Federated Department Stores, Inc.

7 West Seventh Street
Cincinnati, Ohio 45202
(513) 579-7000
and
151 West 34th Street
New York, New York 10001
(212) 494-1602

Incorporated in Delaware **I.R.S. No. 13-3324058**

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $.01 per share	New York Stock Exchange
7.45% Senior Debentures due 2017	New York Stock Exchange
6.79% Senior Debentures due 2027	New York Stock Exchange
7% Senior Debentures due 2028	New York Stock Exchange

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☑

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☑

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant, computed by reference to the closing price as reported on the New York Stock Exchange as of the last business day of the registrant's most recently completed second fiscal quarter (July 29, 2005) was $13,032,161,000.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at March 31, 2006
Common Stock, $0.01 par value per share	275,265,327 shares

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts Into Which Incorporated
Proxy Statement for the Annual Meeting of Stockholders to be held May 19, 2006 (Proxy Statement)	Part III

Explanatory Note

On August 30, 2005, pursuant to the Agreement and Plan of Merger (the "Merger Agreement"), dated as of February 27, 2005, by and among Federated Department Stores, Inc. ("Federated"), The May Department Stores Company, a Delaware corporation ("May"), and Milan Acquisition LLC (formerly known as Milan Acquisition Corp.), a wholly owned subsidiary of the Company ("Merger Sub"), May merged with and into Merger Sub (the "Merger"). As a result of the Merger, May's separate corporate existence terminated. Upon the completion of the Merger, Merger Sub was merged with and into the Company, and Merger Sub's separate corporate existence terminated.

Unless the context requires otherwise (i) references herein to the "Company" are, for all periods prior to August 30, 2005 (the "Merger Date"), references to Federated and its subsidiaries and their respective predecessors, and for all periods following the Merger Date, references to the surviving corporation in the Merger and its subsidiaries, and (ii) references to "2005," "2004," "2003," "2002" and "2001" are references to the Company's fiscal years ended January 28, 2006, January 29, 2005, January 31, 2004, February 1, 2003 and February 2, 2002, respectively.

Forward-Looking Statements

This report and other reports, statements and information previously or subsequently filed by the Company with the Securities and Exchange Commission (the "SEC") contain or may contain forward-looking statements. Such statements are based upon the beliefs and assumptions of, and on information available to, the management of the Company at the time such statements are made. The following are or may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995: (i) statements preceded by, followed by or that include the words "may," "will," "could," "should," "believe," "expect," "future," "potential," "anticipate," "intend," "plan," "think," "estimate" or "continue" or the negative or other variations thereof, and (ii) statements regarding matters that are not historical facts. Such forward-looking statements are subject to various risks and uncertainties, including:

- *risks and uncertainties relating to the possible invalidity of the underlying beliefs and assumptions;*
- *possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions;*
- *actions taken or omitted to be taken by third parties, including customers, suppliers, business partners, competitors and legislative, regulatory, judicial and other governmental authorities and officials; and*
- *attacks or threats of attacks by terrorists or war.*

Without limiting the generality of the foregoing, forward-looking statements regarding the effects of the acquisition of May are subject to risks and uncertainties relating to, among other things, the successful and timely integration of the acquired businesses with the Company's historical businesses, timely realization of expected cost savings and other synergies, and potential disruption from the transaction which could make it more difficult to maintain relationships with the companies' respective employees, customers and vendors.

No forward-looking statements should be relied upon as continuing to reflect the expectations of management or the current status of any matter referred to therein as of any date subsequent to the date on which such statements are made. Furthermore, future results of the operations of the Company could

differ materially from historical results or current expectations because of a variety of factors that affect the Company, including:

- *the acquisition of May;*
- *transaction costs associated with the renovation, conversion and transitioning of retail stores in regional markets;*
- *the outcome and timing of sales and leasing in conjunction with the disposition of retail store properties in regional markets;*
- *the outcome and timing of sales and leasing in conjunction with the disposition of retail store properties;*
- *the retention, reintegration and transitioning of displaced employees;*
- *the sale of the Company's credit card operations and related strategic alliance;*
- *competitive pressures from department and specialty stores, general merchandise stores, manufacturers' outlets, off-price and discount stores, and all other retail channels, including the Internet, mail-order catalogs and television; and*
- *general consumer-spending levels, including the impact of the availability and level of consumer debt, levels of consumer confidence and the effects of the weather.*

In addition to any risks and uncertainties specifically identified in the text surrounding such forward-looking statements, the foregoing statements and the statements under captions such as "Risk Factors" and "Special Considerations" in reports, statements and information filed by the Company with the SEC from time to time constitute cautionary statements identifying important factors that could cause actual amounts, results, events and circumstances to differ materially from those reflected in such forward-looking statements.

Item 1. Business.

General. The Company is a Delaware corporation. The Company and its predecessors have been operating department stores since 1820.

Upon the completion of the Merger, the Company acquired May's approximately 500 department stores and approximately 700 bridal and formalwear stores. All locations retained by the Company will be converted to the Macy's or Bloomingdale's nameplate in 2006 or 2007. In connection with the Merger, the Company announced its intention to divest approximately 80 stores. As of March 31, 2006, the Company had entered into agreements for the sale of 24 of these stores.

In September 2005, the Company announced its intention to divest May's Bridal Group division. The Bridal Group includes 245 David's Bridal, 454 After Hours Formalwear and 11 Priscilla of Boston stores in 47 states and Puerto Rico. On January 12, 2006, the Company announced its intention to divest May's Lord & Taylor department store division. The Lord & Taylor division currently includes 55 department stores, including six stores scheduled to be closed, of which one will be reopened as a Macy's.

As of January 28, 2006, the continuing operations of the Company, through its divisions, operated 868 retail stores located in 45 states, the District of Columbia, Puerto Rico and Guam. During fiscal 2005, the stores were operated under the names "Macy's" and "Bloomingdale's," and the following May nameplates:

"Famous-Barr," "Filene's," "Foley's," "Hecht's," "Kaufmann's," "L.S. Ayres," "Marshall Field's," "Meier & Frank," "Robinsons-May," "Strawbridge's" and "The Jones Store." The Company is in the process of integrating the businesses operated separately by Federated, May and their respective subsidiaries prior to the Merger. Pursuant to a broad national strategy announced by the Company in September 2005 to more fully leverage its "Macy's" brand, almost all of the stores operating under the names "Famous-Barr," "Filene's," "Foley's," "Hecht's," "Kaufmann's," "L.S. Ayres," "Marshall Field's," "Meier & Frank," "Robinsons-May," "Strawbridge's" and "The Jones Store" will be converted to the Macy's nameplate in September 2006.

The Company's retail stores sell a wide range of merchandise, including men's, women's and children's apparel and accessories, cosmetics, home furnishings and other consumer goods, and are diversified by size of store, merchandising character and character of community served. Most stores are located at urban or suburban sites, principally in densely populated areas across the United States.

The Company, through its divisions, conducts direct-to-customer mail catalog and electronic commerce businesses under the names "Bloomingdale's By Mail" and "macys.com." Additionally, the Company offers an on-line bridal registry to customers.

The Company provides various support functions to its retail operating divisions on an integrated, company-wide basis.

- The Company's financial, administrative and credit services subsidiary, FACS Group, Inc. ("FACS"), continues to provide credit processing, certain collections, customer service and credit marketing services for the proprietary credit programs of the Company's retail operating divisions in respect of all proprietary and non-proprietary credit card accounts owned by the Company and credit processing, customer service and credit marketing in respect of "Macy's" credit card accounts owned by GE Money Bank and Monogram Credit Services, LLC (collectively, "GE Bank"). In addition, FACS provides payroll and benefits services to the Company's retail operating and service subsidiaries and divisions.

  GE Bank owns all of the "Macy's" credit card accounts originated prior to December 19, 1994, when R.H. Macy & Co., Inc. was acquired pursuant to a merger and an allocated portion of the "Macy's" credit card accounts originated subsequent to such merger. Various arrangements between the Company and GE Bank in respect of the "Macy's" credit card accounts owned by GE Bank are set forth in a credit card program agreement. On July 12, 2005, the Company provided GE Bank with a notice of its election to terminate the credit card program agreement effective as of May 1, 2006. On April 4, 2006, the Company entered into a Sale and Purchase Agreement with GE Bank pursuant to which, subject to the receipt of all required regulatory approvals, the Company shall purchase from GE Bank all of the "Macy's" credit card accounts and related receivables and other related assets owned by GE Bank as of 11:59 p.m. on the day immediately preceding the closing date.

  The Company entered into an agreement with Citibank, N.A., effective as of June 1, 2005, pursuant to which the Company agreed to sell to Citibank (i) the proprietary and non-proprietary credit card accounts owned by the Company, together with related receivables balances, and the capital stock of Prime Receivables Corporation, a wholly owned subsidiary of the Company, which owns all of the Company's interest in the Prime Credit Card Master Trust (the "FDS Credit Assets"), (ii) the "Macy's" credit card accounts owned by GE Bank, together with related receivables balances, upon the termination of the Company's credit card program agreement with

GE Bank, and (iii) the proprietary credit card accounts owned by May, together with related receivables balances, prior to August 30, 2006. On October 24, 2005, the Company completed the sale of the FDS Credit Assets to Citibank.

- Federated Systems Group, Inc. ("FSG"), a wholly-owned indirect subsidiary of the Company, provides (directly and pursuant to outsourcing arrangements with third parties) operational electronic data processing and management information services to each of the Company's retail operating and service subsidiaries and divisions.
- Macy's Merchandising Group, Inc. ("MMG"), a wholly-owned indirect subsidiary of the Company and successor in interest to Federated Merchandising Group, is responsible for the private brand development of the Company's Macy's divisions. MMG also helps the Company to centrally develop and execute consistent merchandise strategies while retaining the ability to tailor merchandise assortments and strategies to the particular character and customer base of the Company's various department store franchises. Bloomingdale's uses MMG for some of its private label merchandise but also sources some of its private label merchandise through Associated Merchandising Corporation.
- Federated Logistics and Operations ("FLO"), a division of a subsidiary of the Company, provides warehousing and merchandise distribution services, store design and construction services and certain supply purchasing services for the Company's retail operating subsidiaries and divisions.
- Macy's Home Store, LLC, a wholly-owned indirect subsidiary of the Company and successor in interest to Macy's Home Store, an unincorporated division of the Company, is responsible for the overall strategy, merchandising and marketing of home-related categories of business in all of the Company's Macy's stores.
- A specialized staff maintained in the Company's corporate offices provides services for all divisions of the Company in such areas as accounting, legal, marketing, real estate and insurance, as well as various other corporate office functions.

FACS, FSG and MMG also offer their services to unrelated third parties.

The Company's executive offices are located at 7 West Seventh Street, Cincinnati, Ohio 45202, telephone number: (513) 579-7000 and 151 West 34th Street, New York, New York 10001, telephone number: (212) 494-1602.

Employees. As of January 28, 2006, the Company had approximately 232,000 regular full-time and part-time employees, including approximately 22,000 employees of the Bridal Group and Lord & Taylor. Because of the seasonal nature of the retail business, the number of employees peaks in the holiday season. Approximately 10% of the Company's employees as of January 28, 2006 were represented by unions. Management considers its relations with its employees to be satisfactory.

Seasonality. The retail business is seasonal in nature with a high proportion of sales and operating income generated in the months of November and December. Working capital requirements fluctuate during the year, increasing somewhat in mid-summer in anticipation of the fall merchandising season and increasing substantially prior to the holiday season when the Company must carry significantly higher inventory levels.

Purchasing. The Company purchases merchandise from many suppliers, no one of which accounted for more than 5% of the Company's net purchases during 2005. The Company has no long-term purchase

commitments or arrangements with any of its suppliers, and believes that it is not dependent on any one supplier. The Company considers its relations with its suppliers to be satisfactory.

Competition. The retailing industry is intensely competitive. The Company's stores and direct-to-customer business operations compete with many retailing formats in the geographic areas in which they operate, including department stores, specialty stores, general merchandise stores, off-price and discount stores, new and established forms of home shopping (including the Internet, mail order catalogs and television) and manufacturers' outlets, among others. The retailers with which the Company competes include Bed Bath & Beyond, Belk, Dillard's, Gap, J.C. Penney, Kohl's, Limited, Linens 'n Things, Neiman Marcus, Nordstrom, Old Navy, Saks, Sears, Stage Stores, Target, TJ Maxx, and Wal-Mart. The Company seeks to attract customers by offering superior selections, value pricing, and strong private label merchandise in stores that are located in premier locations, and by providing an exciting shopping environment and superior service. Other retailers may compete for customers on some or all of these bases, or on other bases, and may be perceived by some potential customers as being better aligned with their particular preferences.

Available Information. The Company makes its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act available free of charge through its internet website at *http://www.fds.com* as soon as reasonably practicable after it electronically files such material with, or furnishes it to, the SEC. In addition, the Company has made the following available free of charge through its website at *http://www.fds.com*:

- Audit Committee Charter,
- Compensation and Management Development Committee Charter,
- Nominating and Corporate Governance Committee Charter,
- Corporate Governance Principles, and
- Code of Business Conduct and Ethics.

Executive Officers of the Registrant.

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

Name	Age	Position with the Company
Terry J. Lundgren	54	Chairman of the Board; President and Chief Executive Officer; Director
Thomas G. Cody	64	Vice Chair
Thomas L. Cole	57	Vice Chair
Janet E. Grove	54	Vice Chair
Susan D. Kronick	54	Vice Chair
Ronald W. Tysoe	53	Vice Chair
Karen M. Hoguet	49	Executive Vice President and Chief Financial Officer
Dennis J. Broderick	57	Senior Vice President, General Counsel and Secretary
Joel A. Belsky	52	Vice President and Controller

Terry J. Lundgren has been Chairman of the Board since January 2004 and President and Chief Executive Officer of the Company since February 2003; prior thereto he served as the President/ Chief Operating Officer and Chief Merchandising Officer of the Company from April 2002 to February 2003. Mr. Lundgren served as the President and Chief Merchandising Officer of the Company from May 1997 to April 2002.

Thomas G. Cody has been Vice Chair, Legal, Human Resources, Internal Audit and External Affairs of the Company since February 2003; prior thereto he served as the Executive Vice President, Legal and Human Resources, of the Company from May 1988 to February 2003.

Thomas L. Cole has been Vice Chair, Support Operations of the Company since February 2003 and Chairman of FLO since 1995, FSG since 2001 and FACS since 2002.

Janet E. Grove has been Vice Chair, Merchandising, Private Brand and Product Development of the Company since February 2003 and Chairman of MMG since 1998 and Chief Executive Officer of MMG since 1999.

Susan D. Kronick has been Vice Chair, Department Store Divisions of the Company since February 2003; prior thereto she served as Group President, Regional Department Stores of the Company from April 2001 to February 2003; and prior thereto as Chairman and Chief Executive Officer of Burdines, Inc. from June 1997 to February 2003.

Ronald W. Tysoe has been Vice Chair of the Company since April 1990 and was a Director of the Company from April 1988 to July 2005.

Karen M. Hoguet has been Executive Vice President of the Company since June 2005 and Chief Financial Officer of the Company since October 1997.

Dennis J. Broderick has been Secretary of the Company since July 1993 and Senior Vice President and General Counsel of the Company since January 1990.

Joel A. Belsky has been Vice President and Controller of the Company since October 1996.

Item 1A. Risk Factors.

In evaluating the Company, the risks described below and the matters described in “Forward-Looking Statements” should be considered carefully. Such risks and matters could significantly and adversely affect the Company’s business, prospects, financial condition, results of operations and cash flows.

The Company faces significant competition in the retail industry.

The Company conducts its retail merchandising business under highly competitive conditions. Although the Company is one of the nation’s largest retailers, it has numerous and varied competitors at the national and local levels, including conventional and specialty department stores, other specialty stores, mass merchants, value retailers, discounters, and Internet and mail-order retailers. Competition is characterized by many factors, including assortment, advertising, price, quality, service, location, reputation and credit availability. If the Company does not compete effectively with regard to these factors, its results of operations could be materially and adversely affected.

The Company's sales and operating results depend on consumer preferences and consumer spending.

The fashion and retail industries are subject to sudden shifts in consumer trends and consumer spending. The Company's sales and operating results depend in part on its ability to predict or respond to changes in fashion trends and consumer preferences in a timely manner. The Company develops new retail concepts and continuously adjusts its industry position in certain major and private-label brands and product categories in an effort to satisfy customers. Any sustained failure to identify and respond to emerging trends in lifestyle and consumer preferences could have a material adverse affect on the Company's business. Consumer spending may be affected by many factors outside of the Company's control, including competition from store-based retailers, mail-order and Internet companies, consumer confidence and preferences, consumers' disposable income, weather that affects consumer traffic and general economic conditions.

The Company's business could be affected by extreme weather conditions or natural disasters.

Extreme weather conditions in the areas in which the Company's stores are located could adversely affect the Company's business. For example, frequent or unusually heavy snowfall, ice storms, rain storms or other extreme weather conditions over a prolonged period could make it difficult for the Company's customers to travel to its stores and thereby reduce the Company's sales and profitability. In addition, natural disasters such as hurricanes, tornadoes and earthquakes could severely damage or destroy one or more of the Company's stores or warehouses located in the affected areas, thereby disrupting the Company's business operations.

The Company's business is also susceptible to unseasonable weather conditions. For example, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season could render a portion of the Company's inventory incompatible with those unseasonable conditions. Reduced sales from extreme or prolonged unseasonable weather conditions could adversely affect the Company's business.

The Company's revenues and cash requirements are affected by the seasonal nature of its business.

The Company's business is seasonal, with a high proportion of revenues and operating cash flows generated during the second half of the fiscal year, which includes the fall and holiday selling seasons. The Company has in the past experienced significant fluctuations in its revenues from quarter to quarter with a disproportionate amount of revenues falling in the fourth fiscal quarter, which coincides with the holiday season. In addition, the Company incurs significant additional expenses in the period leading up to the months of November and December in anticipation of higher sales volume in those periods, including for additional inventory, advertising and employees.

The Company's business is subject to unfavorable economic and political conditions and other developments and risks.

Unfavorable global, domestic or regional economic or political conditions and other developments and risks could negatively affect the Company's business. For example, unfavorable changes related to interest rates, rates of economic growth, fiscal and monetary policies of governments, inflation, deflation, consumer credit availability, consumer debt levels, tax rates and policy, unemployment trends, oil prices and other matters that influence the availability and cost of merchandise, consumer confidence, spending and tourism could adversely impact the Company's growth. In addition, unstable political conditions or civil unrest, including terrorist activities and worldwide military and domestic disturbances and conflicts, could have a material adverse effect on the Company's business and results of operations.

The benefits expected to be realized from the May acquisition are subject to various risks, and the Company's failure to integrate May successfully or on a timely basis into the Company's operations could reduce the Company's profitability.

The Company's acquisition of May during the third quarter of 2005 was a significant acquisition for the Company. The Company's success in fully realizing the anticipated benefits from the acquisition will depend in large part on achieving anticipated synergies, business opportunities and growth prospects. There can be no assurance that these synergies, business opportunities and growth prospects will materialize, and the Company's ability to benefit from the May acquisition is subject to both the risks affecting the Company's business generally and the difficulties associated with integrating large business organizations. In addition, there can be no assurance that the Company's execution of its post-merger strategy to rebrand May stores will improve its operating performance. The failure of the Company to realize the benefits expected to result from the May acquisition could have a material adverse effect on the Company's business and results of operations.

The Company's growth may strain operations, which could adversely affect the Company's business and financial performance.

With the acquisition of May, the Company's business has grown dramatically. Accordingly, sales, number of stores and number of associates have grown and likely will continue to grow. This growth places significant demands on management and operational systems. If the Company is unable to effectively manage its growth, operational inefficiencies could occur and, as a result, the Company's business and results of operations could be materially and adversely affected.

The Company depends upon the success of its advertising and marketing programs.

The Company's advertising and promotional costs, net of cooperative advertising allowances, amounted to $1,076 million for 2005. The Company's business depends on high customer traffic in its stores and effective marketing. The Company has many initiatives in this area, and often changes its advertising and marketing programs. There can be no assurance as to the Company's continued ability to effectively execute its advertising and marketing programs, and any failure to do so could have a material adverse effect on the Company's business and results of operations.

A material disruption in the Company's computer systems could adversely affect the Company's business or results of operations.

The Company relies extensively on its computer systems to process transactions, summarize results and manage its business. The Company's computer systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches, catastrophic events such as fires, tornadoes and hurricanes, and usage errors by the Company's employees. If the Company's computer systems are damaged or cease to function properly, the Company may have to make a significant investment to fix or replace them, and the Company may suffer interruptions in its operations in the interim. Any material interruption in the Company's computer systems could adversely affect its business or results of operations.

If the Company is unable to attract and retain quality associates, its business could be adversely affected.

The Company's business is dependent upon attracting and retaining a large and growing number of quality associates. Many of these associates are in entry level or part time positions with historically high rates of turnover. The Company's ability to meet its labor needs while controlling its costs is subject to external factors such as unemployment levels, prevailing wage rates, minimum wage legislation and changing demographics. Changes that adversely impact the Company's ability to attract and retain quality associates could adversely affect the Company's business.

The Company is subject to numerous regulations that could adversely affect its business.

The Company is subject to customs, truth-in-advertising and other laws, including consumer protection regulations and zoning and occupancy ordinances that regulate retailers generally and/or govern the importation, promotion and sale of merchandise and the operation of retail stores and warehouse facilities. Although the Company undertakes to monitor changes in these laws, if these laws change without the Company's knowledge, or are violated by importers, designers, manufacturers or distributors, the Company could experience delays in shipments and receipt of goods or be subject to fines or other penalties under the controlling regulations, any of which could adversely affect the Company's business.

Litigation or regulatory developments could adversely affect the Company's business or financial condition.

The Company is subject to various federal, state and local laws, rules and regulations, which may change from time to time. In addition, the Company is regularly involved in various litigation matters that arise in the ordinary course of its business. Litigation or regulatory developments could adversely affect the Company's business and financial condition.

Factors beyond the Company's control could affect the Company's stock price.

The Company's stock price, like that of other retail companies, is subject to significant volatility because of many factors, including factors beyond the control of the Company. These factors include:

- general economic and stock market conditions;
- risks relating to the Company's business and its industry, including those discussed above;
- strategic actions by the Company or its competitors;
- variations in the Company's quarterly results of operations;
- future sales of the Company's common stock; and
- investor perceptions of the investment opportunity associated with the Company's common stock relative to other investment alternatives.

In addition, the Company may fail to meet the expectations of its stockholders or of analysts at some time in the future. If the analysts that regularly follow the Company's stock lower their rating or lower their projections for future growth and financial performance, the Company's stock price could decline. Also, sales of a substantial number of shares of the Company's common stock in the public market or the appearance that these shares are available for sale could adversely affect the market price for Company common stock.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The properties of the Company consist primarily of stores and related facilities, including warehouses and distribution and fulfillment centers. The Company also owns or leases other properties, including corporate office space in Cincinnati and New York and other facilities at which centralized operational support functions are conducted. As of January 28, 2006, the continuing operations of the Company operated 868 retail stores in 45 states, the District of Columbia, Puerto Rico and Guam, comprising a total of approximately 158,500,000 square feet. Of such stores, 468 were owned, 281 were leased and 119 stores were operated under arrangements where the Company owned the building and leased the land. All owned properties are held free and clear of mortgages. Pursuant to various shopping center agreements, the Company is obligated to operate certain stores for periods of up to 20 years. Some of these agreements require that the stores be operated under a particular name. Most leases require the Company to pay real estate taxes, maintenance and other costs; some also require additional payments based on percentages of sales and some contain purchase options. Certain of the Company's real estate leases have terms that extend for significant numbers of years and provide for rental rates that increase or decrease over time.

Item 3. Legal Proceedings.

On January 11, 2006, Edward Decristofaro, an alleged former May stockholder, filed a purported class action lawsuit on behalf of all former May stockholders in the Circuit Court of St. Louis, Missouri against May and the former members of the board of directors of May. The complaint generally alleges that the directors of May breached their fiduciary duties of loyalty, due care, good faith and candor to May stockholders in connection with the Merger. The Company believes the lawsuit is without merit and intends to contest it vigorously.

The Company and its division, Macy's West (formerly a subsidiary of the Company), The May Department Stores Company, and a number of other retailers were named as defendants in a civil action filed by the California Attorney General on June 23, 2004 in Alameda County Superior Court. The complaint alleged violations of California's Safe Drinking Water and Toxic Enforcement Act of 1986, California Health & Safety Code §§25249.5 et seq., also known as Proposition 65 ("Prop 65") on the basis that the Company offers for sale fashion jewelry containing levels of lead requiring a warning under Prop 65 and that such warning had not been provided. The Company entered into a negotiated consent judgment that was entered by the court on February 21, 2006 covering all divisions of the Company, including the former May divisions and Bloomingdale's. The consent judgment calls for an aggregate payment by the Company of $35,000 and requires jewelry manufacturers and vendors to reformulate jewelry products, as defined, to meet certain lead specifications by September 1, 2007, with respect to children's jewelry products offered for sale by the Company, and by March 1, 2008, with respect to adult jewelry products offered for sale by the Company.

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

None.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The Common Stock is listed on the New York Stock Exchange (the "NYSE") under the trading symbol "FD." As of January 28, 2006, the Company had approximately 29,600 stockholders of record. The following table sets forth for each fiscal quarter during 2005 and 2004 the high and low sales prices per share of Common Stock as reported on the NYSE Composite Tape and the dividend declared each fiscal quarter on each share of Common Stock.

	2005			2004		
	Low	High	Dividend	Low	High	Dividend
1st Quarter	54.90	65.08	0.135	46.95	55.06	0.125
2nd Quarter	57.69	77.25	0.135	44.07	51.07	0.135
3rd Quarter	57.56	78.05	0.250	42.80	51.10	0.135
4th Quarter	59.80	74.96	0.250	49.33	59.40	0.135

The Company repurchased no shares of its common stock in the fourth quarter of 2005.

On March 28, 2006, the Company's board of directors authorized a two percent increase in the quarterly cash dividend payable on July 3, 2006 to stockholders of record at the close of business on June 16, 2006. In addition, the Company's board of directors declared its intention to authorize a two-for-one split of each share of Common Stock to be effected in the form of a stock dividend if, at the Company's 2006 annual meeting, stockholders approve an increase in the number of authorized shares of the Company's Common Stock.

Item 6. Selected Financial Data.

The selected financial data set forth below should be read in conjunction with the Consolidated Financial Statements and the notes thereto and the other information contained elsewhere in this report.

	2005	2004	2003	2002	2001
	(millions, except per share data)				
Consolidated Statement of Operations Data:					
Net Sales	$ 22,390	$15,776	$15,412	$15,571	$15,785
Cost of sales	(13,272)	(9,382)	(9,175)	(9,324)	(9,656)
Inventory valuation adjustments – May integration	(25)	–	–	–	–
Gross margin	9,093	6,394	6,237	6,247	6,129
Selling, general and administrative expenses	(6,980)	(4,994)	(4,896)	(4,904)	(4,863)
May integration costs	(169)	–	–	–	–
Gain on sale of accounts receivable	480	–	–	–	–
Asset impairment and restructuring charges	–	–	–	–	(162)
Operating income	2,424	1,400	1,341	1,343	1,104
Interest expense (a)	(422)	(299)	(266)	(311)	(347)
Interest income	42	15	9	16	7
Income from continuing operations before income taxes	2,044	1,116	1,084	1,048	764
Federal, state and local income tax expense	(671)	(427)	(391)	(410)	(256)
Income from continuing operations	1,373	689	693	638	508
Discontinued operations, net of income taxes (b)	33	–	–	180	(784)
Net income (loss)	$ 1,406	$ 689	$ 693	$ 818	$ (276)
Basic earnings (loss) per share:					
Income from continuing operations	$ 6.44	$ 3.93	$ 3.76	$ 3.23	$ 2.60
Net income (loss)	6.60	3.93	3.76	4.15	(1.41)
Diluted earnings (loss) per share:					
Income from continuing operations	$ 6.32	$ 3.86	$ 3.71	$ 3.21	$ 2.54
Net income (loss)	6.47	3.86	3.71	4.12	(1.38)
Average number of shares outstanding	212.6	174.5	183.8	196.6	195.1
Cash dividends paid per share	$ .77	$ .53	$ .375	$ –	$ –
Depreciation and amortization	$ 978	$ 737	$ 710	$ 680	$ 689
Capital expenditures	$ 656	$ 548	$ 568	$ 627	$ 651
Balance Sheet Data (at year end):					
Cash and cash equivalents	$ 248	$ 868	$ 925	$ 716	$ 636
Total assets	33,168	14,885	14,550	14,441	16,112
Short-term debt	1,323	1,242	908	946	1,012
Long-term debt	8,860	2,637	3,151	3,408	3,859
Shareholders' equity	13,519	6,167	5,940	5,762	5,564

(a) Interest expense includes costs of approximately $59 million in 2004 and $16 million in 2001 associated with repurchases of the Company's long-term debt.

(b) Discontinued operations include (1) for 2005, the after-tax operations of the Lord & Taylor division and the Bridal Group division (including David's Bridal, After Hours Formalwear and Priscilla of Boston) acquired in the May acquisition and (2) for 2001, the after-tax results of operations of Fingerhut Companies, Inc., including an estimated after-tax loss on the disposal of discontinued operations of $770 million. For 2002, discontinued operations represents adjustments to the estimated loss on disposal of discontinued operations.

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

The Company is a retail organization operating retail stores that sell a wide range of merchandise, including men's, women's and children's apparel and accessories, cosmetics, home furnishings and other consumer goods in 45 states, the District of Columbia, Puerto Rico and Guam. The Company's operations are significantly impacted by competitive pressures from department stores, specialty stores and mass merchandisers and all other retail channels. The Company's operations are also significantly impacted by general consumer-spending levels, which are driven in part by consumer confidence and employment levels.

In 2003, the Company commenced the implementation of a strategy to more fully utilize its Macy's brand. This strategy allows the Company to magnify the impact of its marketing efforts on a nationwide basis, as well as to leverage major events such as the Macy's Thanksgiving Day Parade and Macy's 4th of July fireworks. On March 6, 2005, the Company completed the conversion of all of the Company's regional department store nameplates to the Macy's nameplate. As a result, prior to the acquisition of The May Department Stores Company ("May"), the Company operated coast-to-coast exclusively under two retail brands – Macy's and Bloomingdale's.

In early 2004, the Company announced a further step in reinventing its department stores – the creation of a centralized organization to be responsible for the overall strategy, merchandising and marketing of home-related categories of business in all of its Macy's-branded stores. While its benefits have taken longer to be realized, the centralized operation is still expected to accelerate future sales in these categories largely by improving and further differentiating the Company's home-related merchandise assortments.

Over the past three years, the Company focused on four key priorities for improving the business over the longer term: differentiating and editing merchandise assortments; simplifying pricing; improving the overall shopping experience; and communicating better with customers through more brand focused and effective marketing. The Company believes that its recent results indicate that these strategies are working and that the customer is responding in a favorable manner. In 2005, the Company launched a new nationwide Macy's customer loyalty program, called Star Rewards, in coordination with the launch of the Macy's nameplate in cities across the country. The program provides an enhanced level of offers and benefits to Macy's best credit card customers.

On August 30, 2005, the Company completed its merger with May (the "Merger"). The results of May's operations have been included in the consolidated financial statements since that date. The aggregate purchase price for May was approximately $11.7 billion, including approximately $5.7 billion of cash and approximately 100 million shares of Company common stock and options to purchase an additional 9.4 million shares of Company common stock valued at approximately $6.0 billion in the aggregate. In connection with the Merger, the Company also assumed approximately $6.0 billion of May debt.

The Merger is expected to have a material effect on the Company's consolidated financial position, results of operations and cash flows. The Company expects to realize approximately $175 million of cost savings in 2006 and $450 million of annual cost savings starting in 2007, resulting from the consolidation of central functions, division integrations and the adoption of best practices across the combined company. The Merger is also expected to accelerate comparable store sales growth. In addition, the Company anticipates incurring approximately $1.0 billion in one-time costs related to the acquisition and integration, spread out over a three-year period, commencing after the acquisition in 2005.

The Company expects to add about 400 Macy's locations nationwide in 2006 as it converts the regional department store nameplates acquired through the Merger. In conjunction with the conversion process, the Company has identified approximately 80 locations which will be divested starting in 2006, including approximately 40 current May stores operating in 11 states under various nameplates, as well as approximately 40 Macy's stores operating in 15 states. Locations identified for divestiture accounted for approximately $2.2 billion of 2005 sales on a pro forma basis. On September 20, 2005 and January 12, 2006, the Company announced its intention to dispose of the acquired May Bridal Group division, which includes the operations of David's Bridal, After Hours Formalwear and Priscilla of Boston, and the acquired Lord & Taylor division of May, respectively. As a result of the Company's decision to dispose of these businesses, these businesses are being reported as discontinued operations. Unless otherwise indicated, the following discussion relates to the Company's continuing operations. The Company is continuing to study its store portfolio in light of the Merger and some plans may change as conversion dates approach.

In June 2005, the Company entered into a Purchase, Sale and Servicing Transfer Agreement (the "Purchase Agreement") with Citibank, N.A. pursuant to which the Company agreed to sell to Citibank (i) the proprietary and non-proprietary credit card accounts owned by the Company, together with related receivables balances, and the capital stock of Prime Receivables Corporation, a wholly owned subsidiary of the Company, which owned all of the Company's interest in the Prime Credit Card Master Trust (the "FDS Credit Assets"), (ii) the "Macy's" credit card accounts owned by GE Money Bank and Monogram Credit Services, LLC (collectively, "GE Bank"), together with related receivables balances (the "GE/ Macy's Credit Assets"), upon the termination of the Company's credit card program agreement with GE Bank, and (iii) the proprietary credit card accounts owned by May, together with related receivables balances (the "May Credit Assets"), prior to August 30, 2006. The purchase by Citibank of the FDS Credit Assets was completed on October 24, 2005.

In connection with the Purchase Agreement, the Company and Citibank entered into a long-term marketing and servicing alliance pursuant to the terms of a Credit Card Program Agreement (the "Program Agreement") with an initial term of 10 years commencing from the date of the last closing under the Purchase Agreement and, unless terminated by either party as of the expiration of the initial term, an additional renewal term of three years. The Program Agreement provides for, among other things, (i) the ownership by Citibank of the accounts purchased by Citibank pursuant to the Purchase Agreement, (ii) the ownership by Citibank of new accounts opened by the Company's customers, (iii) the provision of credit by Citibank to the holders of the credit cards associated with the foregoing accounts, (iv) the servicing of the foregoing accounts, and (v) the allocation between Citibank and the Company of the economic benefits and burdens associated with the foregoing and other aspects of the alliance.

The sales prices provided for in the Purchase Agreement equate to approximately 111.5% of the receivables to be included in the FDS Credit Assets, the GE/ Macy's Credit Assets and the May Credit Assets, and the Company will receive ongoing payments under the Program Agreement. The transactions contemplated by the Purchase Agreement and the Program Agreement are expected to be accretive to the Company's earnings per share, particularly as the sales of the GE/ Macy's Credit Assets and the May Credit Assets are completed.

The Company has provided GE Bank with a notice of its election to terminate the Company's credit card program agreement with GE Bank effective as of May 1, 2006. On April 4, 2006, the Company entered into a Sale and Purchase Agreement with GE Bank pursuant to which, subject to the receipt of all required regulatory approvals, the Company shall purchase from GE Bank all of the GE/ Macy's Credit

Assets owned by GE Bank as of 11:59 p.m. on the day immediately preceding the closing date. Pursuant to the credit card program agreement, the purchase price for the GE/ Macy's Credit Assets will be equal to the "net book value" (as such term is defined in the credit card program agreement) of the assets to be purchased as of the purchase date.

The following discussion should be read in conjunction with our Consolidated Financial Statements and the related notes included elsewhere in this report. The following discussion contains forward-looking statements that reflect the Company's plans, estimates and beliefs. The Company's actual results could materially differ from those discussed in these forward-looking statements. Factors that could cause or contribute to those differences include, but are not limited to, those discussed below and elsewhere in this report, particularly in "Forward-Looking Statements."

Results of Operations

Comparison of the 52 Weeks Ended January 28, 2006 and the 52 Weeks Ended January 29, 2005. Net income for 2005 increased to $1,406 million compared to $689 million for 2004. Net income for 2005 includes income from discontinued operations of $33 million. The increase in income from continuing operations in 2005 reflects the $480 million gain on the sale of the FDS Credit Assets as well as the impact of the acquisition of May.

Net sales for 2005 totaled $22,390 million, compared to net sales of $15,776 million for 2004, an increase of 41.9%. Net sales for September 2005 through January 2006 include the continuing operations of May. On a comparable store basis (sales from Bloomingdale's and Macy's stores in operation throughout 2004 and 2005 and all Internet sales and mail order sales from continuing businesses), net sales increased 1.3% compared to 2004. Sales in 2005 were strongest at Bloomingdale's and Macy's Florida. Sales of the Company's private label brands continued to be strong in 2005 in all Macy's-branded stores. By family of business, sales in 2005 were strong in shoes, handbags, cosmetics and fragrances and men's and women's sportswear. The weaker businesses during 2005 continued to be in the home-related areas.

Cost of sales was 59.3% of net sales for 2005, compared to 59.5% for 2004. Included in cost of sales for 2004 were $36 million of markdowns, 0.2% of net sales, associated with the Macy's home store centralization and the Burdines-Macy's consolidation in Florida. The cost of sales rate in 2005 was essentially flat with the cost of sales rate in 2004, excluding the impact of the markdowns in 2004. These markdowns were primarily related to merchandise that was being sold at Macy's-branded stores and which was not reordered following the Burdines-Macy's consolidation and home store centralization. Gross margin for 2005 reflects $25 million of inventory valuation adjustments related to the integration of May and Federated merchandise assortments. The valuation of department store merchandise inventories on the last-in, first-out basis did not impact cost of sales in either period.

Selling, general and administrative ("SG&A") expenses were 31.2% of net sales for 2005, compared to 31.6% for 2004. Included in SG&A expenses for 2004 were approximately $63 million of costs, 0.4% of net sales, incurred in connection with store closings, the Burdines-Macy's consolidation and the home store centralization. The SG&A rate in 2005 was negatively impacted by the sale of the FDS Credit Assets.

May integration costs for 2005 amounted to $169 million, primarily related to impairment charges for certain Macy's stores to be closed and sold.

A pre-tax gain of approximately $480 million was recorded in 2005 in connection with the sale of the FDS Credit Assets.

Net interest expense was $380 million for 2005, compared to $284 million for 2004. The increase in interest expense during 2005 as compared to 2004 is due to the increased levels of borrowings associated with the acquisition of May, offset in part by the reduction in receivables-backed borrowings due to the sale of the FDS Credit Assets. Net interest expense for 2005 includes $17 million of interest income related to the settlement of various tax examinations. Net interest expense for 2004 includes $59 million of costs associated with the repurchase of $274 million of the Company's 8.5% senior notes due 2010.

The Company's effective income tax rates of 32.8% for 2005 and 38.3% for 2004 differ from the federal income tax statutory rate of 35.0%, and on a comparative basis, principally because of the reduction in the valuation allowance associated with capital loss carryforwards, the settlement of various tax examinations and the effect of state and local income taxes. Federal, state and local income tax expense for 2005 benefited from approximately $85 million related to the reduction in the valuation allowance associated with the capital loss carryforwards realized as a result of the sale of the FDS Credit Assets and $10 million related to the settlement of various tax examinations.

For 2005, income from the discontinued operations of the acquired Lord & Taylor and bridal group businesses, net of income taxes, was $33 million on sales of approximately $957 million.

Comparison of the 52 Weeks Ended January 29, 2005 and the 52 Weeks Ended January 31, 2004. Net income for 2004 totaled $689 million, compared to net income of $693 million for 2003. Net income for 2004 reflects strong sales and gross margin performance in 2004, offset by higher SG&A expenses, interest expense associated with the repurchase of $274 million of the Company's 8.5% senior notes due 2010 and higher income tax expense. Income tax expense during 2003 benefited from a $38 million favorable tax adjustment.

Net sales for 2004 totaled $15,776 million, compared to net sales of $15,412 million for 2003, an increase of 2.4%. On a comparable store basis (sales from stores in operation throughout 2003 and 2004), net sales increased 2.6% compared to 2003. Bloomingdale's and Burdines-Macy's produced the strongest sales performance in 2004 compared to 2003. Sales of the Company's private label brands continued to sell extremely well throughout the store and the penetration of the Company's private brands increased in 2004 to 17.4% of sales in Macy's-branded stores. By family of business, sales were strong in handbags, jewelry and cosmetics as well as in children's apparel.

Cost of sales was 59.5% of net sales for 2004 and 2003. Included in cost of sales for 2004 were $36 million of markdowns associated with the Macy's home store centralization and the consolidation of six Macy's stores operating in Florida into the Burdines-Macy's organization. These markdowns are primarily related to merchandise that was being sold at Macy's-branded stores that will not continue to be sold following the home store centralization and the Burdines-Macy's consolidation. The cost of sales rate and corresponding gross margin in 2004, excluding the home store centralization and the Burdines-Macy's consolidation markdowns, benefited from lower net markdowns due to the lower inventory levels and improved sales. Merchandise inventories were down 3% at the end of 2004 as compared to the end of 2003. The valuation of merchandise inventories on the last-in, first-out basis did not impact cost of sales in either period.

SG&A expenses were 31.6% of net sales for 2004 compared to 31.8% for 2003. SG&A expenses in 2004 reflect higher pension costs and higher selling-related costs, partially offset by improved bad debt expense. Included in SG&A expenses for 2004 were approximately $63 million of costs incurred in connection with the home store centralization, the Burdines-Macy's consolidation and other store closings.

Included in SG&A expenses for 2003 were approximately $59 million of costs incurred in connection with the Rich's-Macy's and Burdines-Macy's consolidations and other announced store closings

Net interest expense was $284 million for 2004 compared to $257 million for 2003. Net interest expense for 2004 includes $59 million of costs associated with the repurchase of $274 million of the Company's 8.5% senior notes due 2010, partially offset by the impact of lower levels of borrowings.

The Company's effective income tax rates of 38.3% for 2004 and 36.0% for 2003 differ from the federal income tax statutory rate of 35.0%, and on a comparative basis, principally because of the effect of state and local income taxes and the impact of a $38 million favorable tax adjustment in 2003. The favorable tax adjustment in 2003 reduced income tax expense by $38 million and resulted from a change in estimate of the effective tax rate at which existing deferred tax assets and liabilities will ultimately be settled.

Liquidity and Capital Resources

The Company's principal sources of liquidity are cash from operations, cash on hand and the credit facilities described below.

Net cash provided by continuing operating activities in 2005 was $1,950 million, compared to the $1,507 million provided in 2004, reflecting improved operating performance, including the impact of the acquisition of May.

Net cash used by continuing investing activities was $2,506 million for 2005, compared to $727 million for 2004. Investing activities for 2005 include the cash outflow associated with the acquisition of May of $5,321 million and the cash inflow associated with the sale of the FDS Credit Assets of $3,583 million. Investing activities for 2005 also included purchases of property and equipment totaling $568 million, capitalized software of $88 million and an increase in non-proprietary accounts receivable of $131 million. Investing activities for 2004 included purchases of property and equipment totaling $467 million, capitalized software of $81 million, an increase in non-proprietary accounts receivable of $236 million and $30 million collection of notes receivable.

The Company opened two new Macy's department stores during 2005 and opened six new department stores under legacy May nameplates since the acquisition of May. The Company opened four department stores, four furniture stores and expanded into two additional locations in existing malls in 2004. The Company intends to open four new department stores, one new furniture gallery, reopen one or two of the former May stores being converted to Bloomingdale's and reopen some of the five hurricane related closings in Florida and Louisiana before the fourth quarter of 2006. The Company's budgeted capital expenditures are approximately $1.6 billion for 2006 and approximately $1.1 to $1.2 billion for each of 2007 and 2008. Management presently anticipates funding such expenditures with cash from operations.

Net cash used by the Company for all continuing financing activities was $58 million for 2005, including the issuance of $4,580 million of short-term debt used to finance the acquisition of May, the repayment of approximately $4,755 million of debt, the issuance of $336 million of its common stock, primarily related to the exercise of stock options, and $157 million of cash dividends paid. The debt repaid in 2005 includes $1.2 billion of receivables backed financings and approximately $3.4 billion of acquisition-related borrowings, which repayments were primarily funded from the net proceeds received from the sale of the FDS Credit Assets. The Company acquired no shares of its common stock under its share repurchase program during 2005.

Net cash used by the Company for all continuing financing activities was $837 million for 2004, including $365 million of debt repayments, the acquisition of 18.3 million shares of its common stock at an approximate cost of $901 million, the issuance of $298 million of its common stock, primarily related to the exercise of stock options, and $93 million of cash dividends paid. The debt repaid in 2004 includes the repurchase of $274 million of the Company's 8.5% senior notes due 2010 and $85 million of the Company's 6.79% senior debentures due 2027. Certain holders of the Company's 6.79% senior debentures due 2027 elected to have such debentures repaid on July 15, 2004 at 100% of the principal amount thereof, together with accrued interest to the date of repayment.

The Company's board of directors approved additional $750 million authorizations to the Company's existing share repurchase program on February 27, 2004 and July 20, 2004. In connection with the May acquisition, the Company suspended repurchases under the Company's share repurchase program. As of January 28, 2006, the share repurchase program had approximately $670 million of authorization remaining. The Company currently anticipates resuming its share repurchase program sometime in the second or third quarter of 2006.

The Company is a party to a five-year credit agreement with certain financial institutions providing for revolving credit borrowings and letters of credit in an aggregate amount not to exceed $2.0 billion (which amount may be increased to $2.5 billion at the option of the Company) outstanding at any particular time. This agreement expires August 30, 2010 and replaces the previous five-year credit agreement which was set to expire June 29, 2006. As of January 28, 2006, the Company had no borrowings outstanding under the five-year credit agreement.

In connection with the Merger, the Company entered into a 364-day bridge credit agreement with certain financial institutions providing for revolving credit borrowings in an aggregate amount initially not to exceed $5.0 billion outstanding at any particular time. The aggregate amount of the facility will be reduced upon the receipt by the Company of net cash proceeds from certain events, including certain sales or other dispositions of assets aggregating $100 million or more, the issuance of certain equity interests and the incurrence of certain long term indebtedness. The aggregate amount of the facility has been reduced to $2.25 billion as a result of the proceeds received from the sale of the FDS Credit Assets. As of January 28, 2006, the Company had no borrowings outstanding under the 364-day bridge credit agreement.

In connection with the Merger, the Company entered into an unsecured commercial paper program pursuant to which it may issue and sell commercial paper in an aggregate amount outstanding at any particular time not to exceed its then-current combined borrowing availability under the revolving credit facilities described above. As of January 28, 2006, the Company had $1,199 million of commercial paper outstanding under its commercial paper program.

The Company funded the cash consideration payable in the Merger originally through cash on hand and borrowings under its 364-day bridge credit agreement. The Company subsequently issued commercial paper and utilized the proceeds thereof and additional cash on hand to pay down the borrowings under the 364-day bridge credit agreement.

The Company's bank credit agreements require the Company to maintain a specified interest coverage ratio of no less than 3.25 and a specified leverage ratio of no more than .62. The interest coverage ratio for 2005 was 7.80 and at January 28, 2006 the leverage ratio was .41. Management believes that the likelihood of the Company defaulting on these requirements in the future is remote absent any material negative event affecting the U.S. economy as a whole. However, if the Company's results of operations or operating ratios deteriorate to a point where the Company is not in compliance with any of its debt covenants and

the Company is unable to obtain a waiver, much of the Company's debt would be in default and could become due and payable immediately.

At January 28, 2006, the Company had contractual obligations (within the scope of Item 303(a)(5) of Regulation S-K) as follows:

	Obligations Due, by Period				
	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
			(millions)		
Short-term debt	$ 1,315	$ 1,315	$ –	$ –	$ –
Long-term debt	8,080	–	1,312	1,204	5,564
Interest on debt	7,627	571	1,078	883	5,095
Capital lease obligations	171	16	31	30	94
Other long-term liabilities	1,495	78	265	463	689
Operating leases	3,415	229	431	375	2,380
Letters of credit	60	60	–	–	–
Other obligations	3,104	2,794	248	62	–
	$ 25,267	$ 5,063	$3,365	$3,017	$ 13,822

"Other obligations" in the foregoing table consist primarily of significant merchandise purchase obligations and obligations under outsourcing arrangements, construction contracts, employment contracts, group medical/dental/life insurance programs and energy and other supply agreements identified by the Company. The Company's merchandise purchase obligations fluctuate on a seasonal basis, typically being higher in the summer and early fall and being lower in the late winter and early spring. The Company purchases a substantial portion of its merchandise inventories and other goods and services otherwise than through binding contracts. Consequently, the amounts shown as "Other obligations" in the foregoing table do not reflect the total amounts that the Company would need to spend on goods and services in order to operate its businesses in the ordinary course.

Management believes that, with respect to the Company's current operations, cash on hand and funds from operations, together with its credit facilities and other capital resources, will be sufficient to cover the Company's reasonably foreseeable working capital, capital expenditure and debt service requirements in both the near term and over the longer term. The Company's ability to generate funds from operations may be affected by numerous factors, including general economic conditions and levels of consumer confidence and demand; however, the Company expects to be able to manage its working capital levels and capital expenditure amounts so as to maintain sufficient levels of liquidity. For short-term liquidity, the Company also relies on its unsecured commercial paper facility (which is discussed above). Access to the unsecured commercial paper program is primarily dependent on the Company's credit ratings; a downgrade in its short-term ratings could hinder its ability to access this market. If the Company is unable to access the unsecured commercial paper market, it has the current ability to access $4.25 billion pursuant to its bank credit agreements, subject to compliance with the interest coverage and leverage ratio requirements discussed above and other requirements under the agreements. Depending upon conditions in the capital markets and other factors, the Company will from time to time consider the issuance of debt or other securities, or other possible capital markets transactions, the proceeds of which could be used to refinance current indebtedness or for other corporate purposes.

Management believes the retail business will continue to consolidate. The Company intends from time to time to consider additional acquisitions of, and investments in, department stores and other complementary assets and companies. Acquisition transactions, if any, are expected to be financed from one or more of the following sources: cash on hand, cash from operations, borrowings under existing or new credit facilities and the issuance of long-term debt, commercial paper or other securities, including common stock.

Critical Accounting Policies

Allowance for Doubtful Accounts

The Company evaluates the collectibility of its proprietary accounts receivable based on a combination of factors, including analysis of historical trends, aging of accounts receivable, write-off experience and expectations of future performance. Proprietary accounts receivable are considered delinquent if more than one scheduled minimum payment is missed. Delinquent proprietary accounts are generally written off automatically after the passage of 180 days without receiving a full scheduled monthly payment. Accounts are written off sooner in the event of customer bankruptcy or other circumstances that make further collection unlikely. The Company reserves for doubtful proprietary accounts with a methodology based upon historical write-off performance in addition to factoring in a flow rate performance tied to the customer delinquency trend. At January 28, 2006, a 0.1 percentage point change in the result of the reserve methodology would impact the proprietary reserve for doubtful accounts by approximately $2 million.

Merchandise Inventories

Merchandise inventories are valued at the lower of cost or market using the last-in, first-out (LIFO) retail inventory method. Under the retail inventory method, inventory is segregated into departments of merchandise having similar characteristics, and is stated at its current retail selling value. Inventory retail values are converted to a cost basis by applying specific average cost factors for each merchandise department. Cost factors represent the average cost-to-retail ratio for each merchandise department based on beginning inventory and the fiscal year purchase activity. The retail inventory method inherently requires management judgments and contains estimates, such as the amount and timing of permanent markdowns to clear unproductive or slow-moving inventory, which may impact the ending inventory valuation as well as gross margins.

Permanent markdowns designated for clearance activity are recorded when the utility of the inventory has diminished. Factors considered in the determination of permanent markdowns include current and anticipated demand, customer preferences, age of the merchandise and fashion trends. When a decision is made to permanently mark down merchandise, the resulting gross profit reduction is recognized in the period the markdown is recorded. The Company receives cash allowances from merchandise vendors as purchase price adjustments. Purchase price adjustments are credited to cost of sales in accordance with Emerging Issues Task Force (“EITF”) Issue No. 02-16, “Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor.”

Shrinkage is estimated as a percentage of sales for the period from the last inventory date to the end of the fiscal period. Such estimates are based on experience and the most recent physical inventory results. While it is not possible to quantify the impact from each cause of shrinkage, the Company has loss prevention programs and policies that are intended to minimize shrinkage. Physical inventories are

generally taken within each merchandise department annually and inventory records are adjusted accordingly.

Long-Lived Asset Impairment and Restructuring Charges

The carrying values of long-lived assets are periodically reviewed by the Company whenever events or changes in circumstances indicate that a potential impairment has occurred. For long-lived assets held for use, a potential impairment has occurred if projected future undiscounted cash flows are less than the carrying value of the assets. The estimate of cash flows includes management's assumptions of cash inflows and outflows directly resulting from the use of those assets in operations. When a potential impairment has occurred, an impairment write-down is recorded if the carrying value of the long-lived asset exceeds its fair value. The Company believes its estimated cash flows are sufficient to support the carrying value of its long-lived assets. If estimated cash flows significantly differ in the future, the Company may be required to record asset impairment write-downs.

For long-lived assets held for disposal by sale, an impairment charge is recorded if the carrying amount of the assets exceeds its fair value less costs to sell. Such valuations include estimations of fair values and incremental direct costs to transact a sale. For long-lived assets to be abandoned, the Company considers the asset to be disposed of when it ceases to be used. If the Company commits to a plan to abandon a long-lived asset before the end of its previously estimated useful life, depreciation estimates are revised accordingly. In addition, liabilities arise such as severance, contractual obligations and other accruals associated with store closings from decisions to dispose of assets. The Company estimates these liabilities based on the facts and circumstances in existence for each restructuring decision. The amounts the Company will ultimately realize or disburse could differ from the amounts assumed in arriving at the asset impairment and restructuring charge recorded.

The carrying value of goodwill and other intangible assets with indefinite lives are reviewed annually for possible impairment. The impairment review is based on a discounted cash flow approach at the reporting unit level, that requires significant management judgment with respect to sales, gross margin and expense growth rates, and the selection and use of an appropriate discount rate. The use of different assumptions would increase or decrease estimated discounted future operating cash flows and could increase or decrease an impairment charge. The occurrence of an unexpected event or change in circumstances, such as adverse business conditions or other economic factors, would determine the need for impairment testing between annual impairment tests.

Self-Insurance Reserves

The Company is self-insured for workers compensation and public liability claims up to certain maximum liability amounts. Although the amounts accrued are actuarially determined by third parties based on analysis of historical trends of losses, settlements, litigation costs and other factors, the amounts the Company will ultimately disburse could differ from such accrued amounts.

Pension and Supplementary Retirement Plans

The Company has funded defined benefit pension plans (the "Pension Plans") and unfunded defined benefit supplementary retirement plans (the "SERPs"). The Company accounts for these plans using SFAS No. 87, "Employers' Accounting for Pensions." Under SFAS No. 87, pension expense is recognized on an accrual basis over employees' approximate service periods. Pension expense calculated under

SFAS No. 87 is generally independent of funding decisions or requirements. The Company anticipates that pension expense and other retirement costs relating to continuing operations will increase by approximately $75 million in 2006, compared to 2005, reflecting a full year of expenses related to May.

Funding requirements for the Pension Plans are determined by government regulations, not SFAS No. 87. Although no funding contributions were required, the Company made a $136 million voluntary funding contribution to the Pension Plans in 2005 and a $100 million voluntary funding contribution to the Pension Plans in 2004. The Company currently anticipates that it will not be required to make any additional contributions to the Pension Plans until 2008. The Company has not yet determined whether a voluntary contribution will be made to the Pension Plans prior to this date.

At January 28, 2006, the Company had unrecognized actuarial losses of $437 million for the Pension Plans and $92 million for the SERPs. These losses will be recognized as a component of pension expense in future years in accordance with SFAS No. 87.

The calculation of pension expense and pension liabilities requires the use of a number of assumptions. Changes in these assumptions can result in different expense and liability amounts, and future actual experience may differ significantly from current expectations. The Company believes that the most critical assumptions relate to the long-term rate of return on plan assets (in the case of the Pension Plans), the discount rate used to determine the present value of projected benefit obligations and the weighted average rate of increase of future compensation levels.

The Company has assumed that the Pension Plans' assets will generate a long-term rate of return of 8.75% for 2006 and 2005. The Company develops its long-term rate of return assumption by evaluating input from several professional advisors taking into account the asset allocation of the portfolio and long-term asset class return expectations, as well as long-term inflation assumptions. Pension expense increases or decreases as the expected rate of return on the assets of the Pension Plans decreases or increases, respectively. Lowering the expected long-term rate of return on the Pension Plans' assets by 0.25% (from 8.75% to 8.50%) would increase the estimated 2006 pension expense by approximately $6 million and raising the expected long-term rate of return on the Pension Plans' assets by 0.25% (from 8.75% to 9.00%) would decrease the estimated 2006 pension expense by approximately $6 million.

The Company discounted its future pension obligations using a rate of 5.70% at December 31, 2005, compared to 5.75% at December 31, 2004. The Company determines the appropriate discount rate with reference to the current yield earned on an index of investment-grade long-term bonds and the impact of a yield curve analysis to account for the difference in duration between the long-term bonds and the Pension Plans' and SERPs' estimated payments. Pension liability and future pension expense both increase or decrease as the discount rate is reduced or increased, respectively. Lowering the discount rate by 0.25% (from 5.70% to 5.45%) would increase the projected benefit obligation at January 28, 2006 by approximately $125 million and would increase estimated 2006 pension expense by approximately $13 million. Increasing the discount rate by 0.25% (from 5.70% to 5.95%) would decrease the projected benefit obligation at January 28, 2006 by approximately $121 million and would decrease estimated 2006 pension expense by approximately $19 million.

The assumed weighted average rate of increase in future compensation levels was 5.4% as of December 31, 2005 and December 31, 2004 for the Pension Plans, and 7.2% as of December 31, 2005 and December 31, 2004 for the SERPs. The Company develops its increase of future compensation level assumption based on recent experience. Pension liabilities and future pension expense both increase or decrease as the weighted average rate of increase of future compensation levels is increased or decreased,

respectively. Increasing or decreasing the assumed weighted average rate of increase of future compensation levels by 0.25% would increase or decrease the projected benefit obligation at January 28, 2006 by approximately $15 million and change estimated 2006 pension expense by approximately $3 million.

New Pronouncements

In November 2004, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 151, "Inventory Costs – An Amendment of ARB No. 43, Chapter 4." This statement amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) and is effective for fiscal years beginning after June 15, 2005. The Company does not anticipate that the adoption of this statement will have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets – An Amendment of APB Opinion No. 29, "Accounting for Nonmonetary Transactions." This statement eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21(b) of Accounting Principles Board ("APB") Opinion No. 29, and replaces it with an exception for exchanges that do not have commercial substance. The provisions of the statement are effective for fiscal periods beginning after June 15, 2005. The Company does not anticipate that the adoption of this statement will have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"). This statement is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. Under the provisions of this statement, the Company must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at the date of adoption. The transition alternatives include retrospective and prospective adoption methods. Under the retrospective method, prior periods may be restated based on the amounts previously recognized under SFAS 123 for purposes of pro forma disclosures either for all periods presented or as of the beginning of the year of adoption. The prospective method requires that compensation expense be recognized beginning with the effective date, based on the requirements of this statement, for all share-based payments granted after the effective date, and based on the requirements of SFAS 123, for all awards granted to employees prior to the effective date of this statement that remain unvested on the effective date.

The Company has decided to adopt SFAS 123R for its fiscal year beginning January 29, 2006 using the prospective method. The impact of adopting SFAS 123R cannot be accurately estimated since it will depend on levels of share-based awards granted in the future, the stock price at the date of grant and other factors used in the Black-Scholes options pricing model. However, had the Company adopted SFAS 123R in prior periods, the impact of this statement would have approximated the impact of the fair value recognition provisions of SFAS 123 as previously disclosed by the Company on a pro forma basis.

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments" ("SFAS 155"), which amended certain provisions of SFAS No. 133 and SFAS No. 140. SFAS 155 is effective for all financial instruments acquired, issued or subject to a remeasurement (new basis) event after the beginning of a company's first fiscal year that begins after September 15, 2006. The Company does not anticipate that the adoption of this statement will have a material impact on the Company's consolidated financial position, results of operations or cash flows.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The Company is exposed to market risk from changes in interest rates which may adversely affect its financial position, results of operations and cash flows. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposures through its regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. The Company does not use financial instruments for trading or other speculative purposes and is not a party to any leveraged financial instruments.

The Company is exposed to interest rate risk primarily through its customer lending and borrowing activities, which are described in Notes 6 and 10 to the Consolidated Financial Statements. The majority of the Company's borrowings are under fixed rate instruments. However, the Company, from time to time, may use interest rate swap and interest rate cap agreements to help manage its exposure to interest rate movements and reduce borrowing costs. At January 28, 2006, the Company was not a party to any derivative financial instruments. See Notes 10 and 17 to the Consolidated Financial Statements, which are incorporated herein by reference.

Based on the Company's market risk sensitive instruments (primarily variable rate debt) outstanding at January 28, 2006, the Company has determined that there was no material market risk exposure to the Company's consolidated financial position, results of operations or cash flows as of such date.

Item 8. Consolidated Financial Statements and Supplementary Data.

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

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

None.

Item 9A. Controls and Procedures.

a. ***Disclosure Controls and Procedures***

The Company's Chief Executive Officer and Chief Financial Officer have carried out, as of January 28, 2006, with the participation of the Company's management, an evaluation of the effectiveness of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) under the Exchange Act. Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective to provide reasonable assurance that material information required to be disclosed by the Company in reports the Company files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms.

b. ***Management's Report on Internal Control over Financial Reporting***

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). The Company's management conducted an assessment of the Company's internal control over financial reporting based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework*. Based on this assessment, the Company's management has concluded that, as of January 28, 2006, the Company's internal control over financial reporting is effective. The scope of management's assessment of the effectiveness of internal control over financial reporting includes all of the Company's consolidated operations except for the acquired operations of The May Department Stores Company, which the Company acquired on August 30, 2005. The Company's consolidated net sales for the year ended January 28, 2006 were $22,390 million, of which the acquired May operations represented $6,473 million. The Company's consolidated total assets as of January 28, 2006 were $33,168 million, of which assets associated with the acquired May operations represented approximately $22,750 million.

The Company's independent registered public accounting firm, KPMG LLP, has audited the Company's consolidated financial statements and has issued an audit report on management's assessment of the Company's internal control over financial reporting, as stated in their report included herein.

c. ***Changes in Internal Control over Financial Reporting***

There were no changes in the Company's internal controls over financial reporting that occurred during the Company's most recently completed fiscal quarter that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

d. ***Certifications***

The certifications of the Company's Chief Executive Officer and Chief Financial Officer required under Section 302 of the Sarbanes-Oxley Act have been filed as Exhibits 31.1 and 31.2 to this report. Additionally, in 2005 the Company's Chief Executive Officer certified to the New York Stock Exchange ("NYSE") that he was not aware of any violation by the Company of the NYSE corporate governance listing standards.

PART III

Item 10. Directors and Executive Officers of the Registrant.

Information called for by this item is set forth under "Item 1 – Election of Directors" and "Further Information Concerning the Board of Directors – Committees of the Board – Audit Committee" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement, and "Item 1. Business – Executive Officers of the Registrant" in this report and incorporated herein by reference.

Item 11. Executive Compensation.

Information called for by this item is set forth under "Executive Compensation" and "Compensation and Management Development Committee Report" in the Proxy Statement and incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information called for by this item is set forth under "Stock Ownership – Certain Beneficial Owners" and "Stock Ownership – Stock Ownership of Directors and Executive Officers" in the Proxy Statement and incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

Information called for by this item is set forth under "Further Information Concerning the Board of Directors – Certain Relationships and Related Transactions" in the Proxy Statement and incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

Information called for by this item is set forth under "Item 2 – Appointment of Independent Registered Public Accounting Firm" in the Proxy Statement and incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as part of this report:

1. ***Financial Statements:***

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

2. ***Financial Statement Schedules:***

All schedules are omitted because they are inapplicable, not required, or the information is included elsewhere in the Consolidated Financial Statements or the notes thereto.

3. ***Exhibits:***

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

Exhibit Number	Description	Document if Incorporated by Reference
2.1	Agreement and Plan of Merger, dated as of February 27, 2005, by and among the Company, Milan Acquisition Corp. and The May Department Stores Company ("May Delaware")	Exhibit 2.1 to the Current Report on Form 8-K filed February 28, 2005 by May Delaware
3.1	Certificate of Incorporation	Exhibit 3.1 to the Company's Annual Report on Form 10-K (File No. 001-135361) for the fiscal year ended January 28, 1995 (the "1994 Form 10-K")
3.1.1	Amended and Restated Article Seventh to the Certificate of Incorporation of the Company	Annex F to the Company's Proxy Statement dated May 31, 2005
3.1.2	Certificate of Designations of Series A Junior Participating Preferred Stock	Exhibit 3.1.1 to the Company's 1994 Form 10-K
3.2	By-Laws	Exhibit 4.3 to the Company's Registration Statement on Form S-8 filed on April 1, 2003
3.2.1	Amended and Restated Sections 28 and 29 of the By-Laws of the Company	Exhibit 99.1 to the Company's Current Report on Form 8-K dated as of July 18, 2005
4.1	Certificate of Incorporation	See Exhibits 3.1, 3.1.1 and 3.1.2
4.2	By-Laws	See Exhibit 3.2 and 3.2.1
4.3	Indenture, dated as of December 15, 1994, between the Company and U.S. Bank National Association (successor to State Street Bank and Trust Company and The First National Bank of Boston), as Trustee (the "1994 Indenture")	Exhibit 4.1 to the Company's Registration Statement on Form S-3 (Registration No. 33-88328) filed on January 9, 1995
4.3.1	Eighth Supplemental Indenture, dated as of July 14, 1997, between the Company and U.S. Bank National Association (successor to State Street Bank and Trust Company and The First National Bank of Boston), as Trustee	Exhibit 2 to the Company's Current Report on Form 8-K dated as of July 15, 1997 (the "July 1997 Form 8-K")
4.3.2	Ninth Supplemental Indenture, dated as of July 14, 1997, between the Company and U.S. Bank National Association (successor to State Street Bank and Trust Company and The First National Bank of Boston), as Trustee	Exhibit 3 to the July 1997 Form 8-K

Exhibit Number	Description	Document if Incorporated by Reference
4.3.3	Tenth Supplemental Indenture, dated as of August 30, 2005, among the Company, Federated Retail Holdings, Inc. ("Federated Retail") and U.S. Bank (as successor to State Street Bank and Trust Company and as successor to The First National Bank of Boston), as Trustee	Exhibit 10.14 to the Company's Current Report on Form 8-K dated as of August 30, 2005 (the "August 30, 2005 Form 8-K")
4.3.4	Guarantee of Securities, dated as of August 30, 2005, by the Company relating to the 1994 Indenture	Exhibit 10.16 to the August 30, 2005 Form 8-K
4.4	Indenture, dated as of September 10, 1997, between the Company and Citibank, N.A., as Trustee (the "1997 Indenture")	Exhibit 4.4 to the Company's Amendment Number 1 to Form S-3 dated as of September 11, 1997
4.4.1	First Supplemental Indenture, dated as of February 6, 1998, between the Company and Citibank, N.A., as Trustee	Exhibit 2 to the Company's Current Report on Form 8-K dated as of February 6, 1998
4.4.2	Third Supplemental Trust Indenture, dated as of March 24, 1999, between the Company and Citibank, N.A., as Trustee	Exhibit 4.2 to the Company's Registration Statement on Form S-4 (Registration No. 333-76795) dated as of April 22, 1999
4.4.3	Fourth Supplemental Trust Indenture, dated as of June 6, 2000, between the Company and Citibank, N.A., as Trustee	Exhibit 4.1 to the Company's Current Report on Form 8-K, dated as of June 5, 2000
4.4.4	Fifth Supplemental Trust Indenture dated as of March 27, 2001, between the Company and Citibank, N.A., as Trustee	Exhibit 4 to the Company's Current Report on Form 8-K dated as of March 21, 2001
4.4.5	Sixth Supplemental Trust Indenture dated as of August 23, 2001, between the Company and Citibank, N.A., as Trustee	Exhibit 4 to the Company's Current Report on Form 8-K dated as of August 22, 2001
4.4.6	Seventh Supplemental Indenture, dated as of August 30, 2005 among the Company, Federated Retail and Citibank, N.A., as Trustee	Exhibit 10.15 to the August 30, 2005 Form 8-K
4.4.7	Guarantee of Securities, dated as of August 30, 2005, by the Company relating to the 1997 Indenture	Exhibit 10.17 to the August 30, 2005 Form 8-K
4.5	Indenture, dated as of June 17, 1996, among May Delaware, Federated Retail (f/k/a The May Department Stores Company (NY)) ("May New York") and J.P. Morgan Trust Company, as Trustee	Exhibit 4.1 to the Registration Statement on Form S-3 (Registration No. 333-06171) filed June 18, 1996 by May Delaware
4.5.1	First Supplemental Trust Indenture, dated as of August 30, 2005, by and among the Company (as successor to May Delaware), Federated Retail (f/k/a May New York) and J.P. Morgan Trust Company, as Trustee	Exhibit 10.9 to the August 30, 2005 Form 8-K

Exhibit Number	Description	Document if Incorporated by Reference
4.6	Indenture, dated as of July 20, 2004, among May Delaware, Federated Retail (f/k/a May New York) and J.P. Morgan Trust Company, as Trustee	Exhibit 4.1 to the Current Report on Form 8-K (File No. 001-00079) filed July 21, 2004 by May Delaware
4.6.1	First Supplemental Trust Indenture, dated as of August 30, 2005 among the Company (as successor to May Delaware), Federated Retail (f/k/a May New York) and J.P. Morgan Trust Company, as Trustee	Exhibit 10.10 to the August 30, 2005 Form 8-K
10.1	Credit Agreement, dated as of July 18, 2005, among the Company, Federated Retail, JPMorgan Chase Bank N.A. ("JPMorgan Chase") and Bank of America, N.A. (as Administrative Agents) and JPMorgan Chase (as Paying Agent)	Exhibit 99.1 to the Current Report on Form 8-K dated as of July 18, 2005
10.1.1	Accession Agreement, dated August 30, 2005, between Federated Retail and JPMorgan Chase	Exhibit 10.1 to the August 30, 2005 Form 8-K
10.1.2	Guarantee Agreement, dated as of August 30, 2005, among the Company, Federated Retail and JP Morgan Chase, related to the Credit Agreement	Exhibit 10.3 to the August 30, 2005 Form 8-K
10.2	Bridge Credit Agreement, dated as of August 30, 2005, among the Company, Federated Retail, the lenders from time to time party thereto, JPMorgan Chase, as paying agent and an administrative agent, and Bank of America N.A., as an administrative agent	Exhibit 10.2 to the August 30, 2005 Form 8-K
10.2.1	Guarantee Agreement, dated as of August 30, 2005, among the Company, Federated Retail and JP Morgan Chase, related to the Bridge Credit Agreement	Exhibit 10.4 to the August 30, 2005 Form 8-K
10.3	Commercial Paper Issuing and Paying Agent Agreement, dated as of January 30, 1997, between Citibank, N.A. and the Company (the "Issuing and Paying Agent Agreement")	Exhibit 10.25 to the Company's Annual Report on Form 10-K (File No. 1-13536) for the fiscal year ended February 1, 1997 (the "1996 Form 10-K")
10.3.1	Letter Agreement, dated August 30, 2005, among the Company, Federated Retail and Citibank, as issuing and paying agent, amending the Issuing and Paying Agent Agreement	Exhibit 10.5 to the August 30, 2005 Form 8-K
10.4	Commercial Paper Dealer Agreement, dated as of August 30, 2005, among the Company, Federated Retail and Banc of America Securities LLC	Exhibit 10.6 to the August 30, 2005 Form 8-K

Exhibit Number	Description	Document if Incorporated by Reference
10.5	Commercial Paper Dealer Agreement, dated as of August 30, 2005, among the Company, Federated Retail and Goldman, Sachs & Co.	Exhibit 10.7 to the August 30, 2005 Form 8-K
10.6	Commercial Paper Dealer Agreement, dated as of August 30, 2005, among the Company, Federated Retail and J.P. Morgan Securities Inc.	Exhibit 10.8 to the August 30, 2005 Form 8-K
10.7	Tax Sharing Agreement	Exhibit 10.10 to the Company's Registration Statement on Form 10, filed November 27, 1991, as amended (the "Form 10")
10.8	Ralphs Tax Indemnification Agreement	Exhibit 10.1 to Form 10
10.9	Account Purchase Agreement dated as of May 10, 1991, by and among Monogram Bank, USA, Macy's, Macy Credit Corporation, Macy Funding, Macy's California, Inc., Macy's Northeast, Inc., Macy's South, Inc., Bullock's Inc., I. Magnin, Inc., Master Servicer, and Macy Specialty Stores, Inc. **	Exhibit 19.2 to Macy's Quarterly Report on Form 10-Q for the fiscal quarter ended May 4, 1991 (File No. 33-6192), as amended under cover of Form 8, dated October 3, 1991
10.10	Amended and Restated Credit Card Program Agreement, dated as of June 4, 1996 (the "Credit Card Program Agreement"), among GE Money Bank (successor in interest to GE Capital Consumer Card Co.) ("GE Bank"), FDS Bank (successor in interest to FDS National Bank), Macy's East, Inc., Macy's West, Inc., Federated Western Properties, Inc. (successor in interest to Bullock's, Inc. and Broadway Stores, Inc.), FACS Group, Inc., and MSS-Delaware, Inc. **	Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended August 3, 1996 (the "August 1996 Form 10-Q")
10.10.1	Amendment Agreement (First Amendment) to the Credit Card Program Agreement dated June 4, 1996	Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended May 1, 2004 (the "May 2004 Form 10-Q")
10.10.2	Second Amendment Agreement to the Credit Card Program Agreement dated January 31, 1997	Exhibit 10.3 to the May 2004 Form 10-Q
10.10.3	Third Amendment to the Credit Card Program Agreement dated March 1, 1997	Exhibit 10.4 to the May 2004 Form 10-Q
10.10.4	Amendment No. 4 to the Credit Card Program Agreement dated July 22, 1998	Exhibit 10.5 to the May 2004 Form 10-Q
10.10.5	Amendment No. 5 to the Credit Card Program Agreement	Exhibit 10.6 to the May 2004 Form 10-Q
10.10.6	Sixth Amendment to the Credit Card Program Agreement dated February 23, 2004	Exhibit 10.7 to the May 2004 Form 10-Q

Exhibit Number	Description	Document if Incorporated by Reference
10.10.7	Seventh Amendment to the Credit Card Program Agreement dated April 30, 2004	Exhibit 10.8 to the May 2004 Form 10-Q
10.10.8	Eighth Amendment to the Credit Card Program Agreement dated March 15, 2005	Exhibit 99.1 to the Company's Current Report on Form 8-K dated as of March 17, 2005
10.10.9	Notice of Termination regarding the Credit Card Program Agreement, dated July 12, 2005	Exhibit 99.1 to the Company's Current Report on Form 8-K dated as of July 12, 2005 (the "July 12, 2005 Form 8-K")
10.10.10	Notice of Election to Purchase under the Credit Card Program Agreement, dated July 12, 2005	Exhibit 99.2 to the July 12, 2005 Form 8-K
10.10.11	Sale and Purchase Agreement, dated as of April 4, 2006, among FDS Bank, GE Bank and Monogram Credit Services, LLC	Exhibit 10.1 to the Company's Current Report on Form 8-K dated April 4, 2006
10.11	Amended and Restated Trade Name and Service Mark License Agreement, dated as of June 4, 1996, among the Company, GE Bank and General Electric Capital Corporation ("GE Capital")	Exhibit 10.2 to the August 1996 Form 10-Q
10.12	FACS Credit Services and License Agreement, dated as of June 4, 1996 (the "Credit Services and License Agreement"), by and among GE Bank, GE Capital and FACS Group, Inc. **	Exhibit 10.3 to the August 1996 Form 10-Q
10.12.1	Addendum to the Credit Services and License Agreement dated January 1, 2001	Exhibit 10.9 to the May 2004 Form 10-Q
10.12.2	Second Addendum to the Credit Services and License Agreement dated November 11, 2001	Exhibit 10.10 to the May 2004 Form 10-Q
10.13	FDS Guaranty, dated as of June 4, 1996	Exhibit 10.4 to the August 1996 Form 10-Q
10.14	GE Capital Credit Services and License Agreement, dated as of June 4, 1996, among GE Capital, FDS Bank (successor in interest to FDS National Bank), the Company and FACS Group, Inc. **	Exhibit 10.5 to the August 1996 Form 10-Q
10.15	GE Capital/GE Bank Credit Services Agreement, dated as of June 4, 1996, among GE Capital and GE Bank **	Exhibit 10.6 to the August 1996 Form 10-Q
10.16	Amended and Restated Commercial Accounts Agreement, dated as of June 4, 1996, among GE Capital, the Company, FDS Bank (successor in interest to FDS National Bank), Macy's East, Inc., Macy's West, Inc., Federated Western Properties, Inc. (successor in interest to Bullock's, Inc. and Broadway Stores, Inc.), FACS Group, Inc. and MSS-Delaware, Inc. **	Exhibit 10.7 to the August 1996 Form 10-Q

Exhibit Number	Description	Document if Incorporated by Reference
10.17	Purchase, Sale and Servicing Transfer Agreement, effective as of June 1, 2005, among the Company, FDS Bank, Prime II Receivables Corporation ("Prime II") and Citibank, N.A. ("Citibank")	Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of June 2, 2005 (the "June 2, 2005 Form 8-K")
10.17.1	Letter Agreement, dated August 22, 2005, among the Company, FDS Bank, Prime II and Citibank	
10.17.2	Second Amendment to Purchase, Sale and Servicing Transfer Agreement, dated October 24, 2005, between the Company and Citibank	Exhibit 10.1 to the Company's Current Report on Form 8-K dated October 24, 2005 (the "October 24, 2005 Form 8-K")
10.18	Credit Card Program Agreement, effective as of June 1, 2005, among the Company, FDS Bank, FACS Group, Inc. and Citibank	Exhibit 10.2 to the June 2, 2005 Form 8-K
10.18.1	First Amendment to Credit Card Program Agreement, dated October 24, 2005, between the Company and Citibank	Exhibit 10.2 to the October 24, 2005 Form 8-K
10.19	Amendment and Notice of Termination, dated October 24, 2005, among the Company, JPMorgan, as trustee, and the certificate holders of the Prime Credit Card Master Trust II	Exhibit 10.3 to the October 24, 2005 Form 8-K
10.20	1995 Executive Equity Incentive Plan, as amended and restated as of May 21, 2004 *	Appendix D to the Company's Proxy Statement filed April 15, 2004
10.21	1992 Incentive Bonus Plan, as amended and restated as of May 17, 2002 *	Appendix A to the Company's Proxy Statement filed on April 17, 2002
10.22	1994 Stock Incentive Plan *	Exhibit 10.1 to the Current Report on From 8-K filed March 23, 2005 by May Delaware (the "March 23, 2005 Form 8-K")
10.23	Form of Indemnification Agreement *	Exhibit 10.14 to Form 10
10.24	Senior Executive Medical Plan *	Exhibit 10.1.7 to the Company's Annual Report on Form 10-K (File No. 1-163) for the fiscal year ended February 3, 1990
10.25	Employment Agreement, dated as of March 1, 2003, between Terry J. Lundgren and the Company (the "Lundgren Employment Agreement") *	Exhibit 10.45 to the Company's Annual Report on Form 10-K (File No. 001-13536) for the fiscal year ended January 31, 2004 (the "2003 Form 10-K")
10.25.1	Amended Exhibit A, dated as of January 29, 2004, to the Lundgren Employment Agreement *	Exhibit 10.46.1 to the Company's Annual Report on Form 10-K (File No. 001-13536) for the fiscal year ended January 29, 2005 (the "2004 Form 10-K")
10.25.2	Amended Exhibit A, dated July 1, 2004, to the Lundgren Employment Agreement *	Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended July 31, 2004

Exhibit Number	Description	Document if Incorporated by Reference
10.25.3	Amended Exhibit A, dated March 25, 2005, to the Lundgren Employment Agreement *	Exhibit 10.1 to the Company's Current Report on Form 8-K dated March 25, 2005 (the "March 25, 2005 Form 8-K")
10.25.4	Amended Exhibit A, effective as of April 1, 2006, to the Lundgren Employment Agreement *	Exhibit 10.1 to the Company's Current Report on Form 8-K dated March 24, 2006 (the "March 24, 2006 Form 8-K")
10.26	Employment Agreement, dated July 1, 2005, between Thomas L. Cole and Federated Corporate Services, Inc., a wholly-owned subsidiary of the Company (the "Cole Employment Agreement") *	Exhibit 10.1 to the Company's Current Report on Form 8-K dated May 26, 2005
10.26.1	Amended Exhibit A, effective as of April 1, 2006, to the Cole Employment Agreement *	Exhibit 10.3 to the Company's March 24, 2006 Form 8-K
10.27	Employment Agreement, dated July 1, 2005, between Janet E. Grove and Macy's Merchandising Group, Inc. (f/k/a Macy's Merchandising Group, LLC), a wholly-owned and indirect subsidiary of the Company (the "Grove Employment Agreement") *	Exhibit 10.1 to the Company's Current Report on Form 8-K dated May 31, 2005
10.27.1	Amended Exhibit A, effective as of April 1, 2006, to the Grove Employment Agreement *	Exhibit 10.4 to the Company's March 24, 2006 Form 8-K
10.28	Employment Agreement, dated July 1, 2005, between Thomas G. Cody and Federated Corporate Services, Inc., a wholly-owned subsidiary of the Company (the "Cody Employment Agreement") *	Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 13, 2005
10.28.1	Amended Exhibit A, effective as of April 1, 2006, to the Cody Employment Agreement *	Exhibit 10.2 to the Company's March 24, 2006 Form 8-K
10.29	Employment Agreement, dated July 1, 2005, between Susan Kronick and Federated Corporate Services, Inc., a wholly-owned subsidiary of the Company (the "Kronick Employment Agreement") *	Exhibit 10.6 to the Company's March 24, 2006 Form 8-K
10.29.1	Amended Exhibit A, effective as of April 1, 2006, to the Kronick Employment Agreement *	Exhibit 10.5 to the Company's March 24, 2006 Form 8-K
10.30	Form of Employment Agreement for Executives and Key Employees *	Exhibit 10.31 the Company's Annual Report on Form 10-K (File No. 001-10951) for fiscal year ended January 29, 1994
10.31	Form of Severance Agreement (for Executives and Key Employees other than Executive Officers) *	Exhibit 10.44 to the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 1999 (the "1998 Form 10-K")
10.32	Form of Second Amended and Restated Severance Agreement (for Executive Officers) *	Exhibit 10.45 to the 1998 Form 10-K

Exhibit Number	Description	Document if Incorporated by Reference
10.33	Form of Non-Qualified Stock Option Agreement (for Executives and Key Employees) *	Exhibit 10.2 to the March 25, 2005 Form 8-K
10.33.1	Form of Non-Qualified Stock Option Agreement (for Executives and Key Employees), as amended *	
10.34	Form of Restricted Stock Agreement for the 1994 Stock Incentive Plan *	Exhibit 10.4 to the March 23, 2005 Form 8-K
10.35	Form of Performance Restricted Stock Agreement for the 1994 Stock Incentive Plan *	Exhibit 10.5 to the March 23, 2005 Form 8-K
10.36	Form of Performance Restricted Stock Agreement (Bridal Group) for the 1994 Stock Incentive Plan *	Exhibit 10.6 to the March 23, 2005 Form 8-K
10.37	Form of Non-Qualified Stock Option Agreement for the 1994 Stock Incentive Plan *	Exhibit 10.7 to the March 23, 2005 Form 8-K
10.38	Supplementary Executive Retirement Plan, as amended and restated as of January 1, 1997 *	Exhibit 10.46 to the 1996 Form 10-K
10.39	Executive Deferred Compensation Plan, as amended *	Exhibit 10.47 to the 1996 Form 10-K
10.40	Profit Sharing 401(k) Investment Plan, effective as of April 1, 1997, as amended and restated as of February 5, 2002 (the "Amended and Restated 401(k) Plan") *	
10.40.1	Amendment (No. 1) to the Amended and Restated 401(k) Plan, dated as of December 23, 2002 *	
10.40.2	Amendment (No. 2) to the Amended and Restated 401(k) Plan, dated as of July 19, 2002 *	
10.40.3	Amendment (No. 3) to the Amended and Restated 401(k) Plan, dated as of February 3, 2003 *	
10.40.4	Amendment (No. 4) to the Amended and Restated 401(k) Plan, dated as of December 30, 2003 *	
10.40.5	Amendment (No. 5) to the Amended and Restated 401(k) Plan, dated as of December 31, 2003 *	
10.40.6	Amendment (No. 6) to the Amended and Restated 401(k) Plan, dated as of March 30, 2005 *	

Exhibit Number	Description	Document if Incorporated by Reference
10.40.7	Amendment (No. 7) to the Amended and Restated 401(k) Plan, dated as of August 23, 2005 *	
10.40.8	Amendment (No. 8) to the Amended and Restated 401(k) Plan, dated as of February 27, 2006 *	
10.41	Cash Account Pension Plan (amending and restating the Company Pension Plan) effective as of January 1, 1997 *	Exhibit 10.49 to the 1996 Form 10-K
10.42	Description of Non-Employee Directors' Compensation Program, dated as of April 1, 2006 *	
10.43	Stock Credit Plan for 2006 – 2007 of Federated Department Stores, Inc. *	
21	Subsidiaries	
22	Consent of KPMG LLP	
23	Powers of Attorney	
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)	
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)	
32.1	Certifications by Chief Executive Officer and Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act	

* Constitutes a compensatory plan or arrangement.

** Confidential portions of this Exhibit were omitted and filed separately with the SEC pursuant to Rule 24b-2 under the Exchange Act.

SIGNATURES

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

FEDERATED DEPARTMENT STORES, INC.

By: /s/ Dennis J. Broderick

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

Date: April 13, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on April 13, 2006.

Signature	Title
*	Chairman of the Board, President and Chief Executive Officer (principal executive officer) and Director
Terry J. Lundgren	
*	Executive Vice President and Chief Financial Officer
Karen M. Hoguet	
*	Vice President and Controller (principal accounting officer)
Joel A. Belsky	
*	Director
Meyer Feldberg	
*	Director
Sara Levinson	
*	Director
Joseph Neubauer	
*	Director
Joseph A. Pichler	
*	Director
Joyce M. Roché	
*	Director
William P. Stiritz	
*	Director
Karl M. von der Heyden	
*	Director
Craig E. Weatherup	
*	Director
Marna C. Whittington	

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

By: /s/ Dennis J. Broderick

Dennis J. Broderick
Attorney-in-Fact

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF MANAGEMENT

To the Shareholders of
Federated Department Stores, Inc.:

The integrity and consistency of the consolidated financial statements of Federated Department Stores, Inc. and subsidiaries, which were prepared in accordance with accounting principles generally accepted in the United States of America, are the responsibility of management and properly include some amounts that are based upon estimates and judgments.

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

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f) and has issued Management's Report on Internal Control over Financial Reporting. KPMG LLP has issued an attestation report on Management's Report on Internal Control over Financial Reporting.

The consolidated financial statements of the Company have been audited by KPMG LLP. Their report expresses their opinion as to the fair presentation, in all material respects, of the financial statements and is based upon their independent audits.

The Audit Committee, composed solely of outside directors, meets periodically with KPMG LLP, the internal auditors and representatives of management to discuss auditing and financial reporting matters. In addition, KPMG LLP and the Company's internal auditors meet periodically with the Audit Committee without management representatives present and have free access to the Audit Committee at any time. The Audit Committee is responsible for recommending to the Board of Directors the engagement of the independent registered public accounting firm, which is subject to shareholder approval, and the general oversight review of management's discharge of its responsibilities with respect to the matters referred to above.

Terry J. Lundgren
Chairman, President and Chief Executive Officer

Karen M. Hoguet
Executive Vice President and Chief Financial Officer

Joel A. Belsky
Vice President and Controller

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Federated Department Stores, Inc. as of January 28, 2006 and January 29, 2005, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three fiscal years in the period ended January 28, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Federated Department Stores, Inc. and subsidiaries as of January 28, 2006 and January 29, 2005, and the results of their operations and their cash flows for each of the three fiscal years in the period ended January 28, 2006, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Federated Department Stores, Inc.'s internal control over financial reporting as of January 28, 2006, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 24, 2006 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

KPMG LLP

Cincinnati, Ohio
March 24, 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited management's assessment, included in the accompanying Item 9A(b) Management's Report on Internal Control over Financial Reporting, that Federated Department Stores, Inc. maintained effective internal control over financial reporting as of January 28, 2006, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Federated Department Stores, Inc. management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Federated Department Stores, Inc. maintained effective internal control over financial reporting as of January 28, 2006 is fairly stated, in all material respects, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, Federated Department Stores, Inc. maintained, in all material respects, effective internal control over financial reporting as of January 28, 2006, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, the scope of management's assessment of the effectiveness of internal control over financial reporting includes all of the Company's consolidated operations except for the acquired May Department Stores Company operations, which the Company acquired on August 30, 2005. The Company's consolidated net sales for the year ended January 28, 2006 were $22,390 million, of which the acquired May Department Stores Company operations represented $6,473 million. The Company's consolidated total assets as of January 28, 2006 were $33,168 million, of which assets associated with the acquired May Department Stores Company operations represented approximately $22,750 million. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of the acquired May Department Stores Company operations.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Federated Department Stores, Inc. as of January 28, 2006 and January 29, 2005, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the years in the three fiscal years in the period ended January 28, 2006, and our report dated March 24, 2006 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Cincinnati, Ohio
March 24, 2006

FEDERATED DEPARTMENT STORES, INC.

CONSOLIDATED STATEMENTS OF INCOME

(millions, except per share data)

	2005	2004	2003
Net sales	$ 22,390	$ 15,776	$15,412
Cost of sales	(13,272)	(9,382)	(9,175)
Inventory valuation adjustments — May integration	(25)	–	–
Gross margin	9,093	6,394	6,237
Selling, general and administrative expenses	(6,980)	(4,994)	(4,896)
May integration costs	(169)	–	–
Gain on sale of accounts receivable	480	–	–
Operating income	2,424	1,400	1,341
Interest expense	(422)	(299)	(266)
Interest income	42	15	9
Income from continuing operations before income taxes	2,044	1,116	1,084
Federal, state and local income tax expense	(671)	(427)	(391)
Income from continuing operations	1,373	689	693
Discontinued operations, net of income taxes	33	–	–
Net income	$ 1,406	$ 689	$ 693
Basic earnings per share:			
Income from continuing operations	$ 6.44	$ 3.93	$ 3.76
Income from discontinued operations	.16	–	–
Net income	$ 6.60	$ 3.93	$ 3.76
Diluted earnings per share:			
Income from continuing operations	$ 6.32	$ 3.86	$ 3.71
Income from discontinued operations	.15	–	–
Net income	$ 6.47	$ 3.86	$ 3.71

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

FEDERATED DEPARTMENT STORES, INC.

CONSOLIDATED BALANCE SHEETS

(millions)

	January 28, 2006	January 29, 2005
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 248	$ 868
Accounts receivable	2,522	3,418
Merchandise inventories	5,459	3,120
Supplies and prepaid expenses	203	104
Assets of discontinued operations	1,713	–
Total Current Assets	10,145	7,510
Property and Equipment – net	12,034	6,018
Goodwill	9,520	260
Other Intangible Assets – net	1,080	378
Other Assets	389	719
Total Assets	$ 33,168	$ 14,885
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Short-term debt	$ 1,323	$ 1,242
Accounts payable and accrued liabilities	5,246	2,707
Income taxes	454	324
Deferred income taxes	103	28
Liabilities of discontinued operations	464	–
Total Current Liabilities	7,590	4,301
Long-Term Debt	8,860	2,637
Deferred Income Taxes	1,704	1,199
Other Liabilities	1,495	581
Shareholders' Equity:		
Common stock (273.4 and 167.1 shares outstanding)	3	2
Additional paid-in capital	9,241	3,124
Accumulated equity	5,654	4,405
Treasury stock	(1,091)	(1,322)
Unearned restricted stock	–	(2)
Accumulated other comprehensive loss	(288)	(40)
Total Shareholders' Equity	13,519	6,167
Total Liabilities and Shareholders' Equity	$ 33,168	$ 14,885

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

FEDERATED DEPARTMENT STORES, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(millions)

	Common Stock	Additional Paid-In Capital	Accumulated Equity	Treasury Stock	Unearned Restricted Stock	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at February 1, 2003	$ 3	$ 5,106	$ 3,185	$(2,252)	$ (7)	$ (273)	$ 5,762
Net income			693				693
Minimum pension liability adjustment, net of income tax effect						3	3
Total comprehensive income							696
Common stock dividends			(69)				(69)
Stock repurchases				(644)			(644)
Stock issued under stock plans		(28)		190	(1)		161
Retirement of common stock	(1)	(1,227)		1,228			–
Restricted stock plan amortization					4		4
Deferred compensation plan distributions				1			1
Income tax benefit related to stock plan activity		29					29
Balance at January 31, 2004	2	3,880	3,809	(1,477)	(4)	(270)	5,940
Net income			689				689
Minimum pension liability adjustment, net of income tax effect						230	230
Total comprehensive income							919
Common stock dividends			(93)				(93)
Stock repurchases				(899)			(899)
Stock issued under stock plans		(28)		276	(1)		247
Retirement of common stock		(777)		777			–
Restricted stock plan amortization					3		3
Deferred compensation plan distributions				1			1
Income tax benefit related to stock plan activity		49					49
Balance at January 29, 2005	2	3,124	4,405	(1,322)	(2)	(40)	6,167
Net income			1,406				1,406
Minimum pension liability adjustment, net of income tax effect						(257)	(257)
Unrealized gain on marketable securities, net of income tax effect						9	9
Total comprehensive income							1,158
Stock issued in acquisition	1	6,020					6,021
Common stock dividends			(157)				(157)
Stock issued under stock plans		36		229			265
Restricted stock plan amortization					2		2
Deferred compensation plan distributions				2			2
Income tax benefit related to stock plan activity		61					61
Balance at January 28, 2006	$ 3	$ 9,241	$ 5,654	$(1,091)	$ –	$ (288)	$ 13,519

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

FEDERATED DEPARTMENT STORES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions)

	2005	2004	2003
Cash flows from continuing operating activities:			
Net income	$ 1,406	$ 689	$ 693
Adjustments to reconcile net income to net cash provided by continuing operating activities:			
Income from discontinued operations	(33)	–	–
Gain on the sale of accounts receivable	(480)	–	–
May integration costs	194	–	–
Depreciation and amortization	943	734	706
Amortization of intangible assets	33	–	–
Amortization of financing costs and premium on acquired debt	(20)	6	3
Amortization of unearned restricted stock	2	3	4
Changes in assets and liabilities:			
(Increase) decrease in proprietary and other accounts receivable not separately identified	(147)	17	(71)
Decrease in merchandise inventories	495	95	143
(Increase) decrease in supplies and prepaid expenses	122	(5)	25
(Increase) decrease in other assets not separately identified	(2)	(1)	2
Increase (decrease) in accounts payable and accrued liabilities not separately identified	(444)	(24)	60
Increase (decrease) in current income taxes	49	(6)	284
Increase (decrease) in deferred income taxes	(36)	59	3
Decrease in other liabilities not separately identified	(132)	(60)	(76)
Net cash provided by continuing operating activities	1,950	1,507	1,776
Cash flows from continuing investing activities:			
Purchase of property and equipment	(568)	(467)	(508)
Capitalized software	(88)	(81)	(60)
Increase in non-proprietary accounts receivable	(131)	(236)	(186)
Acquisition of The May Department Stores Company, net of cash acquired	(5,321)	–	–
Proceeds from sale of accounts receivable	3,583	–	–
Collection of notes receivable	–	30	–
Disposition of property and equipment	19	27	6
Net cash used by continuing investing activities	(2,506)	(727)	(748)
Cash flows from continuing financing activities:			
Debt issued	4,580	186	164
Financing costs	(2)	–	–
Debt repaid	(4,755)	(365)	(457)
Dividends paid	(157)	(93)	(69)
Increase (decrease) in outstanding checks	(53)	38	(5)
Acquisition of treasury stock	(7)	(901)	(645)
Issuance of common stock	336	298	193
Net cash used by continuing financing activities	(58)	(837)	(819)
Net cash provided (used) by continuing operations	(614)	(57)	209
Net cash provided by discontinued operating activities	63	–	–
Net cash used by discontinued investing activities	(61)	–	–
Net cash used by discontinued financing activities	(8)	–	–
Net cash used by discontinued operations	(6)	–	–
Net increase (decrease) in cash and cash equivalents	(620)	(57)	209
Cash and cash equivalents beginning of period	868	925	716
Cash and cash equivalents end of period	$ 248	$ 868	$ 925
Supplemental cash flow information:			
Interest paid	$ 457	$ 300	$ 269
Interest received	42	16	8
Income taxes paid (net of refunds received)	481	322	60

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

1. Organization and Summary of Significant Accounting Policies

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

The Company's fiscal year ends on the Saturday closest to January 31. Fiscal years 2005, 2004 and 2003 ended on January 28, 2006, January 29, 2005 and January 31, 2004, respectively. References to years in the consolidated financial statements relate to fiscal years rather than calendar years.

The Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries. The Company from time to time invests in companies engaged in complementary businesses. Investments in companies in which the Company has the ability to exercise significant influence, but not control, are accounted for by the equity method. All marketable equity and debt securities held by the Company are accounted for under Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities," with unrealized gains and losses on available-for-sale securities being included as a separate component of accumulated other comprehensive income, net of income tax effect. All other investments are carried at cost. All significant intercompany transactions have been eliminated.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions are subject to inherent uncertainties, which may result in actual amounts differing from reported amounts.

Certain reclassifications were made to prior years' amounts to conform with the classifications of such amounts for the most recent year.

The Company operates in one segment as an operator of department stores.

Net sales include merchandise sales, leased department income and shipping and handling fees. Cost of sales consists of the cost of merchandise, including inbound freight, and shipping and handling costs.

Cash and cash equivalents include cash and liquid investments with original maturities of three months or less.

The Company offers proprietary credit to its customers under revolving accounts. Such revolving accounts are accepted on customary revolving credit terms and offer the customer the option of paying the entire balance on a 25-day basis without incurring finance charges. Alternatively, customers may make scheduled minimum payments and incur finance charges, which are competitive with other retailers and lenders. Minimum payments vary from 2.5% to 100.0% of the account balance, depending on the size of the balance. The Company also offers proprietary credit on deferred billing terms for periods not to exceed

one year. Such accounts are convertible to revolving credit, if unpaid, at the end of the deferral period. Finance charge income is treated as a reduction of selling, general and administrative expenses.

On October 24, 2005, the Company sold certain of its proprietary and all of its non-proprietary credit card accounts and related receivables to Citibank, N.A. (see Note 5). As of January 28, 2006, the proprietary accounts receivable in the Consolidated Balance Sheet relate to The May Department Stores Company ("May") account holders.

The Company evaluates the collectibility of its proprietary and non-proprietary accounts receivable based on a combination of factors, including analysis of historical trends, aging of accounts receivable, write-off experience and expectations of future performance. Proprietary and non-proprietary accounts receivable are considered delinquent if more than one scheduled minimum payment is missed. Delinquent proprietary accounts of Federated were generally written off automatically after the passage of 210 days without receiving a full scheduled monthly payment. Delinquent non-proprietary accounts and delinquent proprietary accounts of May are generally written off automatically after the passage of 180 days without receiving a full scheduled monthly payment. Accounts are written off sooner in the event of customer bankruptcy or other circumstances that make further collection unlikely. The Company currently reserves May doubtful proprietary accounts with a methodology based upon historical write-off performance in addition to factoring in a flow rate performance tied to the customer delinquency trend. The Company previously reserved for Federated's doubtful proprietary accounts based on a loss-to-collections rate and Federated's doubtful non-proprietary accounts based on a roll-reserve rate.

Merchandise inventories are valued at lower of cost or market using the last-in, first-out (LIFO) retail inventory method. Under the retail inventory method, inventory is segregated into departments of merchandise having similar characteristics, and is stated at its current retail selling value. Inventory retail values are converted to a cost basis by applying specific average cost factors for each merchandise department. Cost factors represent the average cost-to-retail ratio for each merchandise department based on beginning inventory and the fiscal year purchase activity. The retail inventory method inherently requires management judgments and estimates, such as the amount and timing of permanent markdowns to clear unproductive or slow-moving inventory, which may impact the ending inventory valuation as well as gross margins.

Permanent markdowns designated for clearance activity are recorded when the utility of the inventory has diminished. Factors considered in the determination of permanent markdowns include current and anticipated demand, customer preferences, age of the merchandise and fashion trends. When a decision is made to permanently mark down merchandise, the resulting gross margin reduction is recognized in the period the markdown is recorded.

Shrinkage is estimated as a percentage of sales for the period from the last inventory date to the end of the fiscal period. Such estimates are based on experience and the most recent physical inventory results. While it is not possible to quantify the impact from each cause of shrinkage, the Company has loss prevention programs and policies that are intended to minimize shrinkage. Physical inventories are generally taken within each merchandise department annually and inventory records are adjusted accordingly.

The Company receives cash or allowances from merchandise vendors as purchase price adjustments and in connection with cooperative advertising programs. Purchase price adjustments are generally credited to cost of sales and cooperative advertising allowances are generally credited against advertising expense in accordance with Emerging Issues Task Force ("EITF") Issue No. 02-16, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor."

Depreciation of owned properties is provided primarily on a straight-line basis over the estimated asset lives, which range from 15 to 50 years for buildings and building equipment and 3 to 15 years for fixtures and equipment. Real estate taxes and interest on construction in progress and land under development are capitalized. Amounts capitalized are amortized over the estimated lives of the related depreciable assets. The Company receives contributions from developers and merchandise vendors to fund building improvement and the construction of vendor shops. Such contributions are netted against the capital expenditures.

Buildings on leased land and leasehold improvements are amortized over the shorter of their economic lives or the lease term, beginning on the date the asset is put into use. The Company receives contributions from landlords to fund buildings and leasehold improvements. Such contributions are recorded as deferred rent and amortized as reductions to lease expense over the lease term.

The Company recognizes operating lease minimum rentals on a straight-line basis over the lease term. Executory costs such as real estate taxes and maintenance, and contingent rentals such as those based on a percentage of sales are recognized as incurred.

The lease term, which includes all renewal periods that are considered to be reasonably assured, begins on the date the Company has access to the leased property.

During 2004, the Company reviewed its accounting for leases in accordance with the accounting policies set out above. As a result of this review, certain errors were identified and were corrected in the fourth quarter of 2004. Depreciation expense was increased by $42 million and rent expense was decreased by approximately the same amount, resulting in an insignificant impact on selling, general and administrative expenses. Additionally, property and equipment, net was increased by $65 million and accounts payable and accrued liabilities were increased by approximately the same amount. The impact of these corrections on 2004 and prior year consolidated financial statements was not material.

The carrying value of long-lived assets is periodically reviewed by the Company whenever events or changes in circumstances indicate that a potential impairment has occurred. For long-lived assets held for use, a potential impairment has occurred if projected future undiscounted cash flows are less than the carrying value of the assets. The estimate of cash flows includes management's assumptions of cash inflows and outflows directly resulting from the use of those assets in operations. When a potential impairment has occurred, an impairment write-down is recorded if the carrying value of the long-lived asset exceeds its fair value. The Company believes its estimated cash flows are sufficient to support the carrying value of its long-lived assets. If estimated cash flows significantly differ in the future, the Company may be required to record asset impairment write-downs.

For long-lived assets held for disposal by sale, an impairment charge is recorded if the carrying amount of the asset exceeds its fair value less costs to sell. Such valuations include estimations of fair

values and incremental direct costs to transact a sale. For long-lived assets to be abandoned, the Company considers the asset to be disposed of when it ceases to be used. If the Company commits to a plan to abandon a long-lived asset before the end of its previously estimated useful life, depreciation estimates are revised accordingly.

In addition, liabilities arise such as severance, contractual obligations and other accruals associated with store closings from decisions to dispose of assets. The Company estimates these liabilities based on the facts and circumstances in existence for each restructuring decision. The amounts the Company will ultimately realize or disburse could differ from the amounts assumed in arriving at the asset impairment and restructuring charge recorded.

Goodwill and intangible assets having indefinite lives are not being amortized to earnings, but instead are subject to periodic testing for impairment. Goodwill and other intangible assets of a reporting unit are tested for impairment on an annual basis and more frequently if certain indicators are encountered. Intangible assets with determinable useful lives are amortized over their estimated useful lives.

The Company capitalizes purchased and internally developed software and amortizes such costs to expense on a straight-line basis over 2-5 years. Capitalized software is included in other assets.

The Company is self-insured for workers compensation and public liability claims up to certain maximum liability amounts. Although the amounts accrued are actuarially determined based on analysis of historical trends of losses, settlements, litigation costs and other factors, the amounts the Company will ultimately disburse could differ from such accrued amounts.

The Company, through its actuaries, utilizes assumptions when estimating the liabilities for pension and other employee benefit plans. These assumptions, where applicable, include the discount rates used to determine the actuarial present value of projected benefit obligations, the rate of increase in future compensation levels, the long-term rate of return on assets and the growth in health care costs. The cost of these benefits is recognized in the consolidated financial statements over an employee’s term of service with the Company, and the benefits are reported in other liabilities.

Sales of merchandise are recorded at the time of delivery and reported net of merchandise returns. An estimated allowance for future sales returns is recorded and cost of sales is adjusted accordingly.

Advertising and promotional costs, net of cooperative advertising allowances, amounted to $1,076 million for 2005, $716 million for 2004 and $700 million for 2003. Department store non-direct response advertising and promotional costs are either expensed as incurred or the first time the advertising occurs. Direct response advertising and promotional costs are deferred and expensed over the period during which the sales are expected to occur, generally one to four months.

Financing costs are amortized using the effective interest method over the life of the related debt.

Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and net operating loss and tax credit carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences

are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the consolidated statement of income in the period that includes the enactment date. Deferred income tax assets are reduced by a valuation allowance when it is more likely than not that some portion of the deferred income tax assets will not be realized.

The Company records derivative transactions according to the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, which establishes accounting and reporting standards for derivative instruments and hedging activities and requires recognition of all derivatives as either assets or liabilities and measurement of those instruments at fair value. The Company makes limited use of derivative financial instruments. On the date that the Company enters into a derivative contract, the Company designates the derivative instrument as either a fair value hedge, cash flow hedge or as a free-standing derivative instrument, each of which would receive different accounting treatment. Prior to entering into a hedge transaction, the Company formally documents the relationship between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking various hedge transactions. Derivative instruments that the Company may use as part of its interest rate risk management strategy include interest rate swap and interest rate cap agreements. At January 28, 2006, the Company was not a party to any derivative financial instruments.

The Company accounts for its stock-based employee compensation plan in accordance with Accounting Principles Board ("APB") Opinion No. 25 and related interpretations (see Note 15). No stock-based employee compensation cost related to stock options is currently reflected in net income, as all options granted under the plan have an exercise price at least equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," for stock options granted.

	2005	2004	2003
	(millions, except per share data)		
Net income, as reported	$ 1,406	$ 689	$ 693
Add stock-based employee compensation cost included in reported net income, net of related tax benefit	7	7	2
Deduct stock-based employee compensation cost determined under the fair value method for all awards, net of related tax benefit	(39)	(41)	(48)
Pro forma net income	$ 1,374	$ 655	$ 647
Earnings per share:			
Basic – as reported	$ 6.60	$ 3.93	$ 3.76
Basic – pro forma	$ 6.45	$ 3.74	$ 3.51
Diluted – as reported	$ 6.47	$ 3.86	$ 3.71
Diluted – pro forma	$ 6.30	$ 3.65	$ 3.48

Stock-based employee compensation cost included in reported net income consists of compensation expense for restricted stock grants and a stock credit plan. Beginning in 2004, key management personnel became eligible to earn a stock credit grant over a two-year performance period ended January 28, 2006. In general, each stock credit is intended to represent the right to receive the value associated with one share of the Company's common stock. The value of one-half of the stock credits held by participants will be paid in cash in early 2008 and the value of the other half of such stock credits will be paid in cash in early 2009. Compensation cost related to the stock credit plan amounting to $9 million in each of 2005 and 2004 is included in selling, general and administrative expenses.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs – An Amendment of ARB No. 43, Chapter 4." This statement amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) and is effective for fiscal years beginning after June 15, 2005. The Company does not anticipate that the adoption of this statement will have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets – An Amendment of APB Opinion No. 29, "Accounting for Nonmonetary Transactions." This statement eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21(b) of APB Opinion No. 29, and replaces it with an exception for exchanges that do not have commercial substance. The provisions of the statement are effective for fiscal periods beginning after June 15, 2005. The Company does not anticipate that the adoption of this statement will have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"). This statement is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. Under the provisions of this statement, the Company must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at the date of adoption. The transition alternatives include retrospective and prospective adoption methods. Under the retrospective method, prior periods may be restated based on the amounts previously recognized under SFAS 123 for purposes of pro forma disclosures either for all periods presented or as of the beginning of the year of adoption. The prospective method requires that compensation expense be recognized beginning with the effective date, based on the requirements of this statement, for all share-based payments granted after the effective date, and based on the requirements of SFAS 123, for all awards granted to employees prior to the effective date of this statement that remain unvested on the effective date.

The Company has decided to adopt SFAS 123R for its fiscal year beginning January 29, 2006 using the prospective method. The impact of adopting SFAS 123R cannot be accurately estimated since it will depend on levels of share-based awards granted in the future, the stock price at the date of grant and other factors used in the Black-Scholes option pricing model. However, had the Company adopted SFAS 123R

in prior periods, the impact of this statement would have approximated the impact of the fair value recognition provisions of SFAS 123 as previously disclosed by the Company on a pro forma basis.

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments" ("SFAS 155"), which amended certain provisions of SFAS No. 133 and SFAS No. 140. SFAS 155 is effective for all financial instruments acquired, issued or subject to a remeasurement (new basis) event after the beginning of a company's first fiscal year that begins after September 15, 2006. The Company does not anticipate that the adoption of this statement will have a material impact on the Company's consolidated financial position, results of operations or cash flows.

2. Acquisition

On August 30, 2005, the Company completed the acquisition of The May Department Stores Company ("May"). The results of May's operations have been included in the consolidated financial statements since that date. The acquired May operations include approximately 500 regional department stores and approximately 700 bridal and formalwear stores nationwide. As a result of the acquisition and the planned integration of the acquired May operations, the Company will operate approximately 900 department stores in 45 states, the District of Columbia, Guam and Puerto Rico. Most of the acquired May department stores will be converted to the Macy's nameplate in September 2006, resulting in a national retailer with stores in almost all major markets. The Company expects to realize cost synergies resulting from the consolidation of central functions, division integrations and the adoption of best practices across the combined company.

The Company has announced its intention to divest approximately 80 of the combined Company's stores (including approximately 40 acquired May locations) and certain duplicate facilities, including distribution centers, call centers and corporate offices. The 80 stores accounted for approximately $2.2 billion of 2005 sales on a pro forma basis. On September 20, 2005 and January 12, 2006, the Company announced its intention to dispose of the acquired May Bridal Group division, which includes the operations of David's Bridal, After Hours Formalwear and Priscilla of Boston, and the acquired Lord & Taylor division of May, respectively. Accordingly, the operations of these acquired businesses are presented as discontinued operations (see Note 4). Pursuant to the Purchase, Sale and Servicing Transfer Agreement (see Note 5), the acquired May credit card accounts and related receivables will be sold to Citigroup prior to August 30, 2006.

The aggregate purchase price for the merger with May (the "Merger") was approximately $11.7 billion, including approximately $5.7 billion of cash and approximately 100 million shares of Company common stock and options to purchase an additional 9.4 million shares of Company common stock valued at approximately $6.0 billion in the aggregate. The value of the approximately 100 million shares of Company common stock was determined based on the average market price of the Company's stock from February 24, 2005 to March 2, 2005. In connection with the Merger, the Company also assumed approximately $6.0 billion of May debt.

The May purchase price has been allocated to the assets acquired and liabilities assumed based on their fair values, and is subject to the final fair value determination of certain assets and liabilities. The following table summarizes the preliminary purchase price allocation at the date of acquisition:

	(millions)
Current assets, excluding assets of discontinued operations	$ 5,376
Assets of discontinued operations	1,689
Property and equipment	6,456
Goodwill	9,260
Intangible assets	735
Other assets	32
Total assets acquired	23,548
Current liabilities, excluding short-term debt and liabilities of discontinued operations	(3,150)
Liabilities of discontinued operations	(440)
Short-term debt	(248)
Long-term debt	(6,255)
Other liabilities	(1,706)
Total liabilities assumed	(11,799)
Total purchase price	$ 11,749

The following pro forma information presents the Company's net sales, income from continuing operations, net income and diluted earnings per share as if the Company's acquisition of May and May's acquisition of the Marshall Field's department store group on July 31, 2004 had occurred on February 1, 2004:

	2005	2004
	(millions, except per share data)	
Net sales	$ 28,989	$ 29,222
Income from continuing operations	1,398	963
Net income	1,455	1,032
Diluted earnings per share:		
Income from continuing operations	$ 5.08	$ 3.46
Income from discontinued operations	.21	.25
Net income	$ 5.29	$ 3.71

Pro forma adjustments have been made to reflect depreciation and amortization using asset values recognized after applying purchase accounting adjustments and interest expense on borrowings used to finance the acquisition. Certain non-recurring charges of $194 million recorded by May prior to August 30, 2005 directly related to the acquisition, including $114 million of accelerated stock compensation expense

triggered by the approval of the acquisition by May's stockholders and the subsequent completion of the acquisition, and approximately $66 million of direct transaction costs, have been excluded from the pro forma information presented above.

The pro forma information for 2005 includes a $480 million pre-tax gain recognized on the sale of the FDS Credit Assets and $194 million of May integration costs and related inventory valuation adjustments. The pro forma information for 2004 includes costs incurred in connection with the Macy's home store centralization, the Burdines-Macy's consolidation and other store closings of $99 million. The pro forma information for 2004 also includes $59 million of interest expense associated with the repurchase of $274 million of Federated's 8.5% senior notes due 2010.

This pro forma information is presented for informational purposes only and is not necessarily indicative of actual results had the acquisitions been effected at February 1, 2004, is not necessarily indicative of future results, and does not reflect potential synergies, integration costs, or other such costs or savings.

3. May Integration Costs

May integration costs represent the costs associated with the integration of the acquired May businesses with the Company's pre-existing businesses and the consolidation of certain operations of the Company. The Company has announced that it plans to divest approximately 80 locations (including approximately 40 Macy's stores) as a result of the acquisition of May.

During 2005, the Company recorded $194 million of integration costs associated with the acquisition of May, including $25 million of inventory valuation adjustments associated with the combination and integration of the Company's and May's merchandise assortments. $125 million of these costs relate to impairment charges of certain Macy's locations planned to be disposed of. The fair values of the locations planned to be disposed of were determined based on prices of similar assets. The Company is continuing to study its store portfolio in light of the acquisition of May and some plans may change as conversion dates approach. The remaining $44 million of May integration costs incurred in 2005 represents expenses associated with the preliminary planning activities in connection with the consolidation and integration of May's businesses with the Company's pre-existing businesses and includes consulting fees, EDP system integration costs, travel and other costs.

4. Discontinued Operations

On September 20, 2005 and January 12, 2006, the Company announced its intention to dispose of the acquired May Bridal Group division, which includes the operations of David's Bridal, After Hours Formalwear and Priscilla of Boston, and the acquired Lord & Taylor division of May, respectively. Accordingly, for financial statement purposes, the assets, liabilities, results of operations and cash flows of these businesses have been segregated from those of continuing operations for all periods presented.

Discontinued operations include sales of approximately $957 million for 2005. No consolidated interest expense has been allocated to discontinued operations. For 2005, income from discontinued operations totaled $55 million before income taxes, with related income tax expense of $22 million.

The assets and liabilities of discontinued operations are as follows:

	January 28, 2006
	(millions)
Accounts receivable	$ 156
Merchandise inventories	419
Property and Equipment – net	627
Goodwill and other intangible assets – net	446
Other assets	65
	$ 1,713
Accounts payable and accrued liabilities	$ 317
Income taxes	131
Other liabilities	16
	$ 464

5. Sale of Credit Card Accounts and Receivables

On June 1, 2005, the Company entered into a Purchase, Sale and Servicing Transfer Agreement (the "Purchase Agreement") with Citibank, N.A. pursuant to which the Company agreed to sell to Citibank (i) the proprietary and non-proprietary credit card accounts owned by the Company, together with related receivables balances, and the capital stock of Prime Receivables Corporation, a wholly owned subsidiary of the Company, which owns all of the Company's interest in the Prime Credit Card Master Trust (the "FDS Credit Assets"), (ii) the "Macy's" credit card accounts owned by GE Money Bank and Monogram Credit Services, LLC (collectively, "GE Bank"), together with related receivables balances (the "GE/Macy's Credit Assets"), upon the termination of the Company's credit card program agreement with GE Bank, and (iii) the proprietary credit card accounts owned by May, together with related receivables balances (the "May Credit Assets") prior to August 30, 2006.

On October 24, 2005, the Company completed the sale of the FDS Credit Assets for a cash purchase price of approximately $3.6 billion, resulting in a pre-tax gain of $480 million. The net proceeds received, after eliminating related receivables backed financings, were used to repay debt associated with the acquisition of May.

The pre-tax gain on sale of the FDS Credit Assets is as follows:

	(millions)
Total cash proceeds	$ 3,583
Net receivables sold	(3,091)
Transaction costs	(12)
	$ 480

As a result of the sale of the FDS Credit Assets, the Company's Federal, State and Local income tax was benefited by approximately $85 million to reduce the valuation allowance associated with capital loss carryforwards.

In connection with the Purchase Agreement, the Company and Citibank entered into a long-term marketing and servicing alliance pursuant to the terms of a Credit Card Program Agreement (the "Program Agreement") with an initial term of 10 years commencing from the date of the last closing under the Purchase Agreement and, unless terminated by either party as of the expiration of the initial term, an additional renewal term of three years. The Program Agreement provides for, among other things, (i) the ownership by Citibank of the accounts purchased by Citibank pursuant to the Purchase Agreement, (ii) the ownership by Citibank of new accounts opened by the Company's customers, (iii) the provision of credit by Citibank to the holders of the credit cards associated with the foregoing accounts, (iv) the servicing of the foregoing accounts, and (v) the allocation between Citibank and the Company of the economic benefits and burdens associated with the foregoing and other aspects of the alliance.

6. Accounts Receivable

	January 28, 2006	January 29, 2005
	(millions)	
Due from proprietary credit card holders	$ 1,863	$ 2,208
Less allowance for doubtful accounts	43	67
	1,820	2,141
Estimated premium on acquired May Credit Assets	229	–
Due from non-proprietary credit card holders	–	1,115
Less allowance for doubtful accounts	–	46
	–	1,069
Other receivables	473	208
	$ 2,522	$ 3,418

Sales through the Company's proprietary credit plans were $5,421 million for 2005, $4,401 million for 2004 and $4,225 million for 2003. Finance charge income related to proprietary credit card holders amounted to $359 million for 2005, $354 million for 2004 and $351 million for 2003. Finance charge income related to non-proprietary credit card holders amounted to $98 million for 2005, $100 million for 2004 and $67 million for 2003. The amounts for 2005 include the impact from the FDS Credit Assets up to October 24, 2005 and the May Credit Assets since August 30, 2005.

The credit plans relating to certain operations of the Company are owned by GE Bank. However, the Company participates with GE Bank in the net operating results of such plans. As of January 28, 2006, the net balance of receivables owned by GE Bank amounted to $1,217 million. Various arrangements between the Company and GE Bank are set forth in a credit card program agreement. The Company has provided GE Bank with a notice of its election to terminate the Company's credit card program agreement

with GE Bank effective as of May 1, 2006. The Company has entered into a Sale and Purchase Agreement with GE Bank pursuant to which, subject to the receipt of all required regulatory approvals, the Company shall purchase from GE Bank all of the GE/ Macy's Credit Assets owned by GE Bank as of 11:59 p.m. on the day immediately preceding the closing date. Pursuant to the credit card program agreement, the purchase price for the GE/ Macy's Credit Assets will be equal to the "net book value" (as such term is defined in the credit card program agreement) of the assets to be purchased as of the purchase date.

Changes in the allowance for doubtful accounts related to proprietary credit card holders are as follows:

	2005	2004	2003
		(millions)	
Balance, beginning of year	$ 67	$ 81	$ 85
Acquisition	45	–	–
Charged to costs and expenses	100	117	137
Net uncollectible balances written-off	(112)	(131)	(141)
Sale of FDS Credit Assets	(57)	–	–
Balance, end of year	$ 43	$ 67	$ 81

Changes in the allowance for doubtful accounts related to non-proprietary credit card holders are as follows:

	2005	2004	2003
		(millions)	
Balance, beginning of year	$ 46	$ 35	$ 20
Charged to costs and expenses	43	60	45
Net uncollectible balances written-off	(40)	(49)	(30)
Sale of FDS Credit Assets	(49)	–	–
Balance, end of year	$ –	$ 46	$ 35

7. Inventories

Merchandise inventories were $5,459 million at January 28, 2006, compared to $3,120 million at January 29, 2005. At these dates, the cost of inventories using the LIFO method approximated the cost of such inventories using the FIFO method. The application of the LIFO method did not impact cost of sales for 2005, 2004 or 2003.

8. Properties and Leases

	January 28, 2006	January 29, 2005
	(millions)	
Land	$ 1,893	$ 966
Buildings on owned land	5,241	2,428
Buildings on leased land and leasehold improvements	2,728	1,749
Fixtures and equipment	6,261	4,581
Leased properties under capitalized leases	127	74
	16,250	9,798
Less accumulated depreciation and amortization	4,216	3,780
	$ 12,034	$ 6,018

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

The Company leases a portion of the real estate and personal property used in its operations. Most leases require the Company to pay real estate taxes, maintenance and other executory costs; some also require additional payments based on percentages of sales and some contain purchase options. Certain of the Company's real estate leases have terms that extend for significant numbers of years and provide for rental rates that increase or decrease over time. In addition, certain of these leases contain covenants that restrict the ability of the tenant (typically a subsidiary of the Company) to take specified actions (including the payment of dividends or other amounts on account of its capital stock) unless the tenant satisfies certain financial tests.

Minimum rental commitments (excluding executory costs) at January 28, 2006, for noncancellable leases are:

	Capitalized Leases	Operating Leases	Total
		(millions)	
Fiscal year:			
2006	$ 16	$ 229	$ 245
2007	16	222	238
2008	15	209	224
2009	15	194	209
2010	15	181	196
After 2010	94	2,380	2,474
Total minimum lease payments	171	$ 3,415	$3,586
Less amount representing interest	64		
Present value of net minimum capitalized lease payments	$ 107		

Capitalized leases are included in the Consolidated Balance Sheets as property and equipment while the related obligation is included in short-term ($8 million) and long-term ($99 million) debt. Amortization of assets subject to capitalized leases is included in depreciation and amortization expense. Total minimum lease payments shown above have not been reduced by minimum sublease rentals of approximately $2 million on capitalized leases and $53 million on operating leases.

The Company is a guarantor with respect to certain lease obligations associated with businesses divested by May prior to the merger. The leases, one of which includes potential extensions to 2087, have future minimum lease payments aggregating approximately $759 million and are offset by payments from existing tenants and subtenants. In addition, the Company is liable for other expenses related to the above leases, such as property taxes and common area maintenance, which are also payable by existing tenants and subtenants. Potential liabilities related to these guarantees are subject to certain defenses by the Company. The Company believes that the risk of significant loss from the guarantees of these lease obligations is remote.

Rental expense consists of:

	2005	2004	2003
		(millions)	
Real estate (excluding executory costs)			
Capitalized leases –			
Contingent rentals	$ 1	$ 1	$ 1
Operating leases –			
Minimum rentals	189	133	173
Contingent rentals	21	17	19
	211	151	193
Less income from subleases –			
Capitalized leases	1	1	1
Operating leases	21	19	20
	22	20	21
	$ 189	$ 131	$ 172
Personal property – Operating leases	$ 12	$ 13	$ 14

Minimum rental expense for operating leases for 2004 reflects a $42 million reduction for lease accounting policy changes, including $24 million of deferred rent income amortization.

9. Goodwill and Other Intangible Assets

Goodwill during 2005 increased as a result of the acquisition of May (see Note 2). Goodwill during 2004 was reduced by $2 million related to tax benefits recorded by the Company (see Note 12).

The following summarizes the Company's goodwill and other intangible assets:

	January 28, 2006	January 29, 2005
	(millions)	
Non-amortizing intangible assets:		
Goodwill	$ 9,520	$ 260
Tradenames	487	377
	$ 10,007	$ 637
Amortizing intangible assets:		
Favorable leases	$ 411	$ –
Customer relationships	188	–
Tradenames	24	–
Customer lists	4	2
	627	2
Accumulated amortization:		
Favorable leases	(14)	–
Customer relationships	(8)	–
Tradenames	(10)	–
Customer lists	(2)	(1)
	(34)	(1)
	$ 593	$ 1

Intangible amortization expense amounted to $33 million for 2005 and less than $1 million for 2004 and 2003.

Future estimated intangible amortization expense is shown below:

	(millions)
Fiscal year:	
2006	$ 68
2007	52
2008	52
2009	51
2010	50

As a result of the acquisition of May (see Note 2), the Company established intangible assets related to favorable leases, customer lists, customer relationships and both definite and indefinite lived tradenames. Favorable lease intangible assets are being amortized over their respective lease terms (weighted average life of approximately twelve years), customer relationship intangible assets are being amortized over their estimated useful lives of ten years and customer list intangible assets and certain tradename intangible assets are being amortized over their estimated useful lives of one year. The weighted average life of all customer list intangible assets, including previously acquired customer lists, is approximately two years.

10. Financing

The Company's debt is as follows:

	January 28, 2006	January 29, 2005
	(millions)	
Short-term debt:		
Commercial paper	$ 1,199	$ –
8.85% Senior debentures due 2006	100	–
Receivables backed financings	–	1,236
Capital lease and current portion of long-term obligations	24	6
	$ 1,323	$ 1,242

	January 28, 2006	January 29, 2005
	(millions)	
Long-term debt:		
4.8% Senior notes due 2009	$ 600	$ –
6.625% Senior notes due 2008	500	500
6.625% Senior notes due 2011	500	500
5.75% Senior notes due 2014	500	–
3.95% Senior notes due 2007	400	–
6.9% Senior debentures due 2029	400	400
6.7% Senior debentures due 2034	400	–
6.3% Senior notes due 2009	350	350
7.45% Senior debentures due 2017	300	300
6.65% Senior debentures due 2024	300	–
7.0% Senior debentures due 2028	300	300
8.75% Senior debentures due 2029	250	–
6.9% Senior debentures due 2032	250	–
7.9% Senior debentures due 2007	225	–
8.0% Senior debentures due 2012	200	–
8.5% Senior debentures due 2019	200	–
8.3% Senior debentures due 2026	200	–
6.7% Senior debentures due 2028	200	–
7.875% Senior debentures due 2030	200	–
7.875% Senior debentures due 2036	200	–
6.79% Senior debentures due 2027	165	165
5.95% Senior notes due 2008	150	–
10.625% Senior debentures due 2010	150	–
7.45% Senior debentures due 2011	150	–
8.125% Senior debentures due 2035	150	–
7.625% Senior debentures due 2013	125	–
7.45% Senior debentures due 2016	125	–
7.5% Senior debentures due 2015	100	–
10.25% Senior debentures due 2021	100	–
7.6% Senior debentures due 2025	100	–
8.5% Senior notes due 2010	76	76
9.5% amortizing debentures due 2021	109	–
9.75% amortizing debentures due 2021	91	–
9.93% medium term notes due 2007	6	–
Premium on acquired debt, using an effective interest yield of 4.015% to 6.165%	681	–
Capital lease and other long-term obligations	107	46
	$ 8,860	$ 2,637

Interest expense is as follows:

	2005	2004	2003
		(millions)	
Interest on debt	$ 438	$ 231	$ 257
Amortization of debt premium	(24)	–	–
Amortization of financing costs	4	4	3
Interest on capitalized leases	5	5	6
Loss on early retirement of long-term debt	–	59	–
	423	299	266
Less interest capitalized on construction	1	–	–
	$ 422	$ 299	$ 266

Future maturities of long-term debt, other than capitalized leases and premium on acquired debt, are shown below:

	(millions)
Fiscal year:	
2007	$ 647
2008	665
2009	964
2010	240
2011	664
After 2011	4,900

During 2005, the Company issued $4,580 million of short-term debt in connection with the Merger and repaid approximately $4,755 million of debt, including $1.2 billion of receivables backed financings and approximately $3.4 billion of acquisition-related borrowings. The repayments in 2005 were primarily funded from the net proceeds received from the sale of the FDS Credit Assets.

The Company funded the cash consideration payable in the Merger originally through cash on hand and borrowings under its 364-day bridge credit agreement. The Company subsequently issued commercial paper and utilized the proceeds thereof and additional cash on hand to pay down the borrowings under the 364-day bridge credit agreement.

The following summarizes certain components of the Company's debt:

Bank Credit Agreements

The Company is a party to a five-year credit agreement with certain financial institutions providing for revolving credit borrowings and letters of credit in an aggregate amount not to exceed $2.0 billion (which amount may be increased to $2.5 billion at the option of the Company) outstanding at any

particular time. This agreement expires August 30, 2010 and replaces the previous $1.2 billion five-year credit agreement which was set to expire June 29, 2006.

In connection with the Merger, the Company entered into a 364-day bridge credit agreement with certain financial institutions providing for revolving credit borrowings in an aggregate amount initially not to exceed $5.0 billion outstanding at any particular time. The aggregate amount of the facility will be reduced upon the receipt by the Company of net cash proceeds from certain events, including certain sales or other dispositions of assets aggregating $100 million or more, the issuance of certain equity interests and the incurrence of certain long term indebtedness. The aggregate amount of the facility has been reduced to $2.25 billion as a result of the proceeds received from the sale of the FDS Credit Assets.

As of January 28, 2006 and January 29, 2005, there were no revolving credit loans outstanding under any of these agreements. However, there were $35 million and $44 million of standby letters of credit outstanding at January 28, 2006 and January 29, 2005, respectively. Revolving loans under these agreements bear interest based on various published rates.

These agreements, which are obligations of a wholly-owned subsidiary of the Company, are not secured and Federated Department Stores, Inc. ("Parent") has fully and unconditionally guaranteed these obligations (see Note 20).

The Company's bank credit agreements require the Company to maintain a specified interest coverage ratio of no less than 3.25 and a specified leverage ratio of no more than .62. The interest coverage ratio for 2005 was 7.80 and at January 28, 2006 the leverage ratio was .41.

Commercial Paper

The Company entered into a new unsecured commercial paper program in 2005 which replaced the previous $1.2 billion program. The Company may issue and sell commercial paper in an aggregate amount outstanding at any particular time not to exceed its then-current combined borrowing availability under the Bank Credit Agreements described above. The issuance of commercial paper will have the effect, while such commercial paper is outstanding, of reducing the Company's borrowing capacity under the Bank Credit Agreements by an amount equal to the principal amount of such commercial paper. As of January 28, 2006, the Company had $1,199 million of commercial paper outstanding under its commercial paper program. There were no borrowings under the commercial paper program in 2004 and as of January 29, 2005 there was no such commercial paper outstanding.

This program, which is an obligation of a wholly-owned subsidiary of the Company, is not secured and Parent has fully and unconditionally guaranteed the obligations (see Note 20).

Senior Notes and Debentures

The senior notes and the senior debentures are unsecured obligations of a wholly-owned subsidiary of the Company and Parent has fully and unconditionally guaranteed these obligations (see Note 20).

Receivables Backed Financings

Prior to the October 24, 2005 sale of the FDS Credit Assets, the Company financed its proprietary credit card receivables, which arise solely from sales originated in the conduct of the Company's retail operations, using on-balance sheet financing arrangements, including term receivables-backed certificates issued by a consolidated subsidiary of the Company together with receivables-backed commercial paper issued by another consolidated subsidiary of the Company.

At January 29, 2005 and prior to October 3, 2005, these arrangements included a $375 million asset-backed commercial paper program. Under the $375 million commercial paper program, a consolidated special purpose subsidiary of the Company issued commercial paper backed by a Class A Variable Funding Certificate issued out of the Prime Credit Card Master Trust (the "Trust") which held the proprietary receivables. If the subsidiary was unable to issue commercial paper to fund maturities of outstanding commercial paper, it had the ability to borrow under a liquidity facility with a number of banks in order to repay the commercial paper. The commercial paper investors had no recourse back to the Company. As of January 29, 2005, there were no such commercial paper or liquidity borrowings outstanding.

At January 29, 2005, these arrangements also included $400 million of receivables-backed certificates representing undivided interests in the Trust. Investors in this debt had no recourse back to the Company. This debt was classified as short-term debt at January 29, 2005, had a stated interest rate of 6.7% and was scheduled to mature in November 2005.

Prior to the October 24, 2005 sale of the FDS Credit Assets, the Company financed its non-proprietary credit card receivables, which arise from transactions originated by merchants that accept third-party credit cards issued by the Company's FDS Bank subsidiary, using on-balance sheet financing arrangements. Under these arrangements, a consolidated special purpose subsidiary of the Company sold Class A and Class B Variable Funding Certificates issued out of the Prime Credit Card Master Trust II ("Trust II"), which held the non-proprietary receivables, to three unrelated bank commercial paper conduit programs. The commercial paper conduit programs had agreed to purchase certificates of up to $850 million in the aggregate. As of January 29, 2005, classified as short-term debt were $836 million of receivables-backed borrowings outstanding under these arrangements with an average interest rate of 2.4%.

The Company used its entire proprietary and non-proprietary accounts receivable portfolios included in the FDS Credit Assets to secure the applicable receivables-backed financing programs.

Other Financing Arrangements

There were $1 million of trade letters of credit and $24 million of standby letters of credit outstanding at January 28, 2006 and $2 million of trade letters of credit outstanding at January 29, 2005.

11. Accounts Payable and Accrued Liabilities

	January 28, 2006	January 29, 2005
	(millions)	
Merchandise and expense accounts payable	$ 2,522	$ 1,301
Liabilities to customers	643	435
Lease related liabilities	268	206
Workers' compensation and general liability reserves	474	201
Severance – May integration	289	–
Accrued wages and vacation	259	165
Taxes other than income taxes	321	117
Accrued interest	130	56
Other	340	226
	$ 5,246	$ 2,707

Liabilities to customers include an estimated allowance for future sales returns of $78 million and $42 million at January 28, 2006 and January 29, 2005, respectively. The acquisition of May resulted in an increase in the estimated allowance for sales returns of $40 million in 2005. Adjustments to the allowance for future sales returns, which amounted to a credit of $4 million for 2005, a charge of $1 million for 2004 and a credit of $1 million for 2003, are reflected in cost of sales.

Changes in workers' compensation and general liability reserves are as follows:

	2005	2004	2003
		(millions)	
Balance, beginning of year	$ 201	$ 173	$ 172
Acquisition	248	–	–
Charged to costs and expenses	133	112	87
Payments, net of recoveries	(108)	(84)	(86)
Balance, end of year	$ 474	$ 201	$ 173

In connection with the allocation of the May purchase price, the Company recorded a liability for termination of May employees in the amount of $358 million, of which $69 million had been paid as of January 28, 2006.

12. Taxes

Income tax expense is as follows:

	2005			2004			2003		
	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total
					(millions)				
Federal	$ 520	$ 61	$581	$ 310	$ 70	$380	$ 285	$ 89	$374
State and local	77	13	90	31	16	47	46	(29)	17
	$ 597	$ 74	$671	$ 341	$ 86	$427	$ 331	$ 60	$391

The income tax expense reported differs from the expected tax computed by applying the federal income tax statutory rate of 35% for 2005, 2004 and 2003 to income from continuing operations before income taxes. The reasons for this difference and their tax effects are as follows:

	2005	2004	2003
		(millions)	
Expected tax	$ 715	$ 391	$ 379
State and local income taxes, net of federal income tax benefit	59	31	49
Reduction of valuation allowance	(89)	–	–
Favorable settlement of tax examinations	(10)	–	–
Impact of reduced effective income tax rate on deferred taxes	–	–	(38)
Other	(4)	5	1
	$ 671	$ 427	$ 391

For 2005, income tax expense benefited from approximately $89 million related to the reduction in the valuation allowance associated with the capital loss carryforwards realized primarily as a result of the sale of the FDS Credit Assets and $10 million related to the settlement of various tax examinations. For 2003, income tax expense was reduced by $38 million due to a change in estimate of the effective tax rate at which existing deferred tax assets and liabilities will ultimately be settled.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	January 28, 2006	January 29, 2005
	(millions)	
Deferred tax assets:		
Post employment and postretirement benefits	$ 560	$ 197
Accrued liabilities accounted for on a cash basis for tax purposes	482	172
Long-term debt	314	19
Federal operating loss carryforwards	52	128
State operating loss carryforwards	38	21
Capital loss carryforwards	–	89
Accounts receivable	–	14
Other	52	54
Valuation allowance	(22)	(98)
Total deferred tax assets	1,476	596
Deferred tax liabilities:		
Excess of book basis over tax basis of property and equipment	(2,198)	(1,260)
Merchandise inventories	(433)	(204)
Intangible assets	(423)	(122)
Accounts receivable	(137)	–
Prepaid pension expense	–	(170)
Other	(92)	(67)
Total deferred tax liabilities	(3,283)	(1,823)
Net deferred tax liability	$ (1,807)	$ (1,227)

The valuation allowance of $22 million at January 28, 2006 relates to net deferred tax assets for state net operating loss carryforwards.

During 2004, the Company recorded an additional $2 million of tax benefits related to an acquired enterprise's net operating loss carryforwards ("NOLs") and reduced goodwill accordingly. As of January 28, 2006, the Company had federal NOLs of approximately $150 million which will expire between 2008 and 2024.

13. Retirement Plans

The Company has defined benefit plans ("Pension Plans") and defined contribution plans ("Savings Plans") which cover substantially all employees who work 1,000 hours or more in a year. In addition, the Company has defined benefit supplementary retirement plans which include benefits, for certain employees, in excess of qualified plan limitations. For 2005, 2004 and 2003 retirement expense for these plans totaled $185 million, $86 million and $52 million, respectively.

Measurement of plan assets and obligations for the Pension Plans and the defined benefit supplementary retirement plans are calculated as of December 31 of each year.

Pension Plans

The following provides a reconciliation of benefit obligations, plan assets and funded status of the Pension Plans as of December 31, 2005 and 2004:

	2005	2004
	(millions)	
Change in projected benefit obligation		
Projected benefit obligation, beginning of year	$ 1,701	$ 1,608
Acquisition	1,095	–
Service cost	84	45
Interest cost	120	98
Actuarial (gain) loss	(40)	72
Benefits paid	(153)	(122)
Projected benefit obligation, end of year	$ 2,807	$ 1,701
Changes in plan assets (primarily stocks, bonds and U.S. government securities)		
Fair value of plan assets, beginning of year	$ 1,636	$ 1,483
Acquisition	629	–
Actual return on plan assets	150	175
Company contributions	136	100
Benefits paid	(153)	(122)
Fair value of plan assets, end of year	$ 2,398	$ 1,636
Funded status	$ (409)	$ (65)
Unrecognized net loss	437	506
Unrecognized prior service cost	–	1
Prepaid pension expense	$ 28	$ 442
Amounts recognized in the statement of financial position consist of:		
Prepaid benefit cost	$ –	$ 442
Accrued benefit cost	(367)	–
Accrued benefit cost (minimum liability)	(14)	–
Accumulated other comprehensive loss	409	–
Net amount recognized	$ 28	$ 442

The accumulated benefit obligation for the Pension Plans was $2,564 million and $1,586 million as of December 31, 2005 and December 31, 2004, respectively.

Net pension expense (income) for the Company's Pension Plans included the following actuarially determined components:

	2005	2004	2003
		(millions)	
Service cost	$ 84	$ 45	$ 41
Interest cost	120	98	99
Expected return on assets	(165)	(142)	(146)
Recognition of net actuarial loss	45	20	–
	$ 84	$ 21	$ (6)
Increase (decrease) in minimum liability included in other comprehensive income	$ 409	$ (380)	$ (32)

As permitted under SFAS No. 87, "Employers' Accounting for Pensions," the amortization of any prior service cost is determined using a straight-line amortization of the cost over the average remaining service period of employees expected to receive benefits under the Pension Plans.

The following weighted average assumptions were used to determine benefit obligations for the Pension Plans at December 31, 2005 and 2004:

	2005	2004
Discount rate	5.70%	5.75%
Rate of compensation increases	5.40%	5.40%

The following weighted average assumptions were used to determine net pension expense (income) for the Company's Pension Plans:

	2005	2004	2003
Discount rate	5.75%	6.25%	6.75%
Discount rate on acquired plan at acquisition date	5.25%	–	–
Expected long-term return on plan assets	8.75%	8.75%	9.00%
Rate of compensation increases	5.40%	5.80%	5.80%

The Pension Plans' assumptions are evaluated annually and updated as necessary. The Company determines the appropriate discount rate with reference to the current yield earned on an index of investment-grade long-term bonds and the impact of a yield curve analysis to account for the difference in duration between the long-term bonds and the Pension Plans' estimated payments. The Company develops its long-term rate of return assumption by evaluating input from several professional advisors taking into account the asset allocation of the portfolio and long-term asset class return expectations, as well as long-term inflation assumptions.

The following provides the weighted average asset allocations, by asset category, of the assets of the Company's Pension Plans as of December 31, 2005 and 2004 and the policy targets:

	Targets	2005	2004
Equity securities	60%	62%	61%
Debt securities	25	27	26
Real estate	10	8	9
Other	5	3	4
	100%	100%	100%

The assets of the Pension Plans are managed by investment specialists with the primary objectives of payment of benefit obligations to the Plan participants and an ultimate realization of investment returns over longer periods in excess of inflation. The Company employs a total return investment approach whereby a mix of domestic and foreign equity securities, fixed income securities and other investments is used to maximize the long-term return of the assets of the Pension Plans for a prudent level of risk. Risks are mitigated through the asset diversification and the use of multiple investment managers.

The Company made a $136 million voluntary funding contribution to the Pension Plans in 2005 and made a $100 million voluntary funding contribution to the Pension Plans in 2004. The Company currently anticipates that it will not be required to make any contributions to the Pension Plans until 2008. The Company has not yet determined whether a voluntary contribution will be made to the Pension Plans prior to this date.

The following benefit payments are estimated to be paid from the Pension Plans:

	(millions)
Fiscal year:	
2006	$ 239
2007	235
2008	238
2009	238
2010	236
2011-2015	1,315

Supplementary Retirement Plans

The following provides a reconciliation of benefit obligations, plan assets and funded status of the supplementary retirement plans as of December 31, 2005 and 2004:

	2005	2004
	(millions)	
Change in projected benefit obligation		
Projected benefit obligation, beginning of year	$ 266	$ 261
Acquisition	386	–
Service cost	9	8
Interest cost	24	17
Plan amendments	–	(8)
Actuarial (gain) loss	(1)	5
Benefits paid	(13)	(17)
Projected benefit obligation, end of year	$ 671	$ 266
Change in plan assets		
Fair value of plan assets, beginning of year	$ –	$ –
Company contributions	13	17
Benefits paid	(13)	(17)
Fair value of plan assets, end of year	$ –	$ –
Funded status	$ (671)	$ (266)
Unrecognized net loss	92	106
Unrecognized prior service cost	(5)	(5)
Accrued benefit cost	$ (584)	$ (165)
Amounts recognized in the statement of financial position consist of:		
Accrued benefit cost	$ (392)	$ –
Accrued benefit cost (minimum liability)	(265)	(230)
Accumulated other comprehensive loss	73	65
Net amount recognized	$ (584)	$ (165)

The accumulated benefit obligation for the supplementary retirement plans was $624 million and $230 million as of December 31, 2005 and December 31, 2004, respectively.

Net pension costs for the supplementary retirement plans included the following actuarially determined components:

	2005	2004	2003
		(millions)	
Service cost	$ 9	$ 8	$ 7
Interest cost	24	17	15
Recognition of net actuarial loss	13	14	10
Amortization of prior service cost	(1)	1	1
	$ 45	$ 40	$ 33
Increase in minimum liability included in other comprehensive income	$ 8	$ 5	$ 17

As permitted under SFAS No. 87, "Employers' Accounting for Pensions," the amortization of any prior service cost is determined using a straight-line amortization of the cost over the average remaining service period of employees expected to receive benefits under the plans.

The following weighted average assumptions were used to determine benefit obligations for the supplementary retirement plans at December 31, 2005 and 2004:

	2005	2004
Discount rate	5.70%	5.75%
Rate of compensation increases	7.20%	7.20%

The following weighted average assumptions were used to determine net pension costs for the supplementary retirement plans:

	2005	2004	2003
Discount rate	5.75%	6.25%	6.75%
Discount rate on acquired plan at acquisition date	5.25%	–	–
Rate of compensation increases	7.20%	7.70%	7.70%

The supplementary retirement plans' assumptions are evaluated annually and updated as necessary. The Company determines the appropriate discount rate with reference to the current yield earned on an index of investment-grade long-term bonds and the impact of a yield curve analysis to account for the difference in duration between the long-term bonds and the supplementary retirement plans' estimated payments.

The following benefit payments are estimated to be funded by the Company and paid from the supplementary retirement plans:

	(millions)
Fiscal year:	
2006	$ 41
2007	42
2008	45
2009	47
2010	49
2011-2015	252

Savings Plans

The Savings Plans include a voluntary savings feature for eligible employees. The Company's contribution is based on the Company's annual earnings and the minimum contribution is 33 1/3 % of an employee's eligible savings. Expense for the Savings Plans amounted to $56 million for 2005, $25 million for 2004 and $25 million for 2003.

Deferred Compensation Plan

The Company has a deferred compensation plan wherein eligible executives may elect to defer a portion of their compensation each year as either stock credits or cash credits. The Company transfers shares to a trust to cover the number management estimates will be needed for distribution on account of stock credits currently outstanding. At January 28, 2006 and January 29, 2005, the liability under the plan, which is reflected in other liabilities, was $45 million and $42 million, respectively. Expense for 2005, 2004 and 2003 was immaterial.

14. Postretirement Health Care and Life Insurance Benefits

In addition to pension and other supplemental benefits, certain retired employees currently are provided with specified health care and life insurance benefits. Eligibility requirements for such benefits vary by division and subsidiary, but generally state that benefits are available to eligible employees who were hired prior to a certain date and retire after a certain age with specified years of service. Certain employees are subject to having such benefits modified or terminated.

Measurement of obligations for the postretirement obligations are calculated as of December 31 of each year.

In May 2004, the FASB issued Staff Position 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" ("FSP 106-2"). On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") was signed into law. The Act introduced both a Medicare prescription drug benefit and a federal subsidy to sponsors of retiree healthcare plans. During 2004, the Company adopted FSP 106-2 to

reflect the impact of the Act. The effect of the adoption of this position was to reduce the accumulated postretirement benefit obligation by approximately $14 million and reduce the 2004 postretirement benefit cost by approximately $4 million, primarily through the amortization of the related net actuarial gain. The impact of the adoption of this position on service cost and interest cost was not material.

The following provides a reconciliation of benefit obligations, plan assets and funded status of the postretirement obligations as of December 31, 2005 and 2004:

	2005	2004
	(millions)	
Change in accumulated postretirement benefit obligation		
Accumulated postretirement benefit obligation, beginning of year	$ 293	$ 283
Acquisition	90	–
Service cost	1	1
Interest cost	18	16
Actuarial (gain) loss	(15)	17
Benefits paid	(28)	(24)
Accumulated postretirement benefit obligation, end of year	$ 359	$ 293
Change in plan assets		
Fair value of plan assets, beginning of year	$ –	$ –
Company contributions	28	24
Benefits paid	(28)	(24)
Fair value of plan assets, end of year	$ –	$ –
Funded status	$ (359)	$ (293)
Unrecognized net loss	6	22
Unrecognized prior service cost	(4)	(8)
Accrued benefit cost	$ (357)	$ (279)

Net postretirement benefit costs included the following actuarially determined components:

	2005	2004	2003
		(millions)	
Service cost	$ 1	$ 1	$ 1
Interest cost	18	16	18
Recognition of net actuarial (gain) loss	2	(2)	(2)
Amortization of prior service cost	(5)	(6)	(7)
	$ 16	$ 9	$ 10

As permitted under SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," the amortization of any prior service cost is determined using a straight-line amortization of the cost over the average remaining service period of employees expected to receive benefits under the plan.

The following weighted average assumption was used to determine benefit obligations for the postretirement obligations at December 31, 2005 and 2004:

	2005	2004
Discount rate	5.70%	5.75%

The following weighted average assumptions were used to determine net postretirement benefit expense for the postretirement obligations:

	2005	2004	2003
Discount rate	5.75%	6.25%	6.75%
Discount rate on acquired plan at acquisition date	5.25%	–	–

The postretirement obligation assumptions are evaluated annually and updated as necessary. The Company determines the appropriate discount rate with reference to the current yield earned on an index of investment-grade long-term bonds and the impact of a yield curve analysis to account for the difference in duration between the long-term bonds and the postretirement obligation's estimated payments.

The future medical benefits provided by the Company for certain employees are based on a fixed amount per year of service, and the accumulated postretirement benefit obligation is not affected by increases in health care costs. However, the future medical benefits provided by the Company for certain other employees are affected by increases in health care costs.

The following provides the assumed health care cost trend rates related to the Company's postretirement obligations at December 31, 2005 and 2004:

	2005	2004
Health care cost trend rates assumed for next year	9.0%- 12.5%	12.0%- 14.0%
Rates to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0%	5.0%
Year that the rate reaches the ultimate trend rate	2016	2016

The assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement obligations. A one-percentage-point change in the assumed health care cost trend rates would have the following effects:

	1-Percentage Point Increase	1-Percentage Point Decrease
	(millions)	
Effect on total of service and interest cost	$ 1	$ (1)
Effect on postretirement benefit obligation	$ 17	$ (15)

The following benefit payments are estimated to be funded by the Company and paid from the postretirement obligations:

	(millions)
Fiscal year:	
2006	$ 33
2007	33
2008	32
2009	32
2010	32
2011-2015	144

The estimated benefit payments reflect estimated federal subsidies expected to be received under the Act of $2 million in each of 2006, 2007, 2008, 2009 and 2010 and $9 million for the period 2011 to 2015.

15. Equity Plans

The Company has adopted an equity plan intended to provide an equity interest in the Company to key management personnel and thereby provide additional incentives for such persons to devote themselves to the maximum extent practicable to the businesses of the Company and its subsidiaries. The equity plan is administered by the Compensation and Management Development Committee of the Board of Directors (the "Compensation Committee"). The Compensation Committee is authorized to grant options, stock appreciation rights and restricted stock to officers and key employees of the Company and its subsidiaries. The equity plan also provides for the award of options to non-employee directors. Option grants have an exercise price at least equal to the market value of the underlying common stock on the date of grant, have ten year terms and typically vest ratably over four years of continued employment.

Stock option transactions are as follows:

	2005		2004		2003	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
	(shares in thousands)					
Outstanding, beginning of year	19,580.0	$ 40.93	24,743.1	$ 38.58	27,695.1	$ 38.40
Granted	2,176.5	61.32	2,121.5	50.21	3,474.4	28.43
Canceled	(230.6)	41.32	(398.3)	38.19	(1,182.5)	39.39
Exercised	(5,254.4)	40.40	(6,886.3)	35.52	(5,243.9)	30.71
Outstanding, end of year	16,271.5	$ 43.82	19,580.0	$ 40.93	24,743.1	$ 38.58
Exercisable, end of year	9,434.2	$ 41.76	10,754.8	$ 41.58	13,499.1	$ 40.79
Weighted average fair value of options granted during the year		$ 21.08		$ 20.28		$ 10.82

The following summarizes information about stock options which remain outstanding as of January 28, 2006:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
	(thousands)			(thousands)	
$25.00 - 35.00	4,467.1	5.6 years	$ 29.62	2,774.4	$ 30.37
35.01 - 45.00	5,570.5	5.4 years	42.22	4,090.4	42.05
45.01 - 55.00	3,724.2	5.4 years	50.45	2,208.2	50.60
55.01 - 79.44	2,509.7	8.2 years	62.82	361.2	71.71

As of January 28, 2006, 4.4 million shares of Common Stock were available for additional grants pursuant to the Company's equity plan, of which 54,300 shares were available for grant in the form of restricted stock. No shares of Common Stock were granted in the form of restricted stock during 2005. During 2004, 1,000 shares of Common Stock were granted in the form of restricted stock at a market value of $50.50 vesting ratably over a four-year period. During 2003, 50,000 shares of Common Stock were granted in the form of restricted stock at a market value of $25.58 fully vesting after four years. Compensation expense is recorded for all restricted stock grants based on the amortization of the fair market value at the time of grant of the restricted stock over the period the restrictions lapse. There have been no grants of stock appreciation rights under the equity plan.

The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used:

	2005	2004	2003
Dividend yield	1.8%	1.0%	1.7%
Expected volatility	37.5%	41.5%	41.8%
Risk-free interest rate	4.3%	3.1%	3.3%
Expected life	5.3 years	6 years	6 years

The Company has assumed May's equity plan which is intended to provide an equity interest to key management personnel and thereby provide additional incentives for such persons to devote themselves to the maximum extent practicable to the businesses of the Company and its subsidiaries. The May equity plan is administered by the Compensation Committee and the Compensation Committee is authorized to grant options, stock appreciation rights and restricted stock to officers and key employees of the Company and its subsidiaries who were not employees of the Company and its subsidiaries prior to the Merger. Option grants have an exercise price at least equal to the market value of the underlying common stock on the date of grant, have ten year terms and typically vest ratably over four years of continued employment.

As of the date of the Merger, all outstanding May options were fully vested and were converted into options to acquire Common Stock in accordance with the Merger agreement. Stock option transactions for the May equity plan are as follows:

	2005	
	Shares	Weighted Average Exercise Price
	(thousands)	
Outstanding, at acquisition	9,400.5	$ 64.76
Granted	–	–
Canceled	(397.8)	70.22
Exercised	(1,091.9)	55.23
Outstanding, end of year	7,910.8	$ 65.80
Exercisable, end of year	7,910.8	$ 65.80

The following summarizes information about stock options of the May equity plan which remain outstanding as of January 28, 2006:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
	(thousands)			(thousands)	
$38.00 - 50.00	1,402.1	7.0 years	$ 45.51	1,402.1	$ 45.51
50.01 - 60.00	241.4	1.7 years	55.24	241.4	55.24
60.01 - 70.00	3,654.0	7.4 years	64.90	3,654.0	64.90
70.01 - 80.53	2,613.3	3.0 years	78.93	2,613.3	78.93

As of January 28, 2006, 5.9 million shares of Common Stock were available for additional grants pursuant to the May equity plan, of which 1.1 million shares were available for grant in the form of restricted stock. Compensation expense is recorded for all restricted stock grants based on the amortization of the fair market value at the time of grant of the restricted stock over the period the restrictions lapse. There have been no grants of stock appreciation rights under the May equity plan.

16. Shareholders' Equity

The authorized shares of the Company consist of 125.0 million shares of preferred stock ("Preferred Stock"), par value of $.01 per share, with no shares issued, and 500.0 million shares of Common Stock, par value of $.01 per share, with 299.2 million shares of Common Stock issued and 273.4 million shares of Common Stock outstanding at January 28, 2006 and 198.4 million shares of Common Stock issued and

167.1 million shares of Common Stock outstanding at January 29, 2005 (with shares held in the Company's treasury or by subsidiaries of the Company being treated as issued, but not outstanding).

During 2005, in connection with the Merger, the Company issued approximately 100 million shares of Company common stock and options to purchase an additional 9.4 million shares of Company common stock valued at approximately $6.0 billion in the aggregate. During 2004, the Company retired 19 million shares of its common stock. During 2003, the Company retired approximately 48 million shares of its Common Stock, including shares issued to wholly owned subsidiaries of the Company in connection with an acquisition.

The Company's board of directors approved additional $750 million authorizations to the Company's existing share repurchase program on February 27, 2004 and July 20, 2004. As of January 28, 2006, the share repurchase program had approximately $670 million of authorization remaining. Under its share repurchase program, the Company purchased no shares of Common Stock in 2005, 18.3 million shares of Common Stock at a cost of approximately $900 million in 2004 and 16.5 million shares of Common Stock at an approximate cost of $645 million in 2003. In connection with the Merger, the Company had suspended repurchases under the Company's share repurchase program.

Common Stock

The holders of the Common Stock are entitled to one vote for each share held of record on all matters submitted to a vote of shareholders. Subject to preferential rights that may be applicable to any Preferred Stock, holders of Common Stock are entitled to receive ratably such dividends as may be declared by the Board of Directors in its discretion, out of funds legally available therefor.

Treasury Stock

Treasury stock contains shares repurchased under the stock repurchase program, shares issued to wholly owned subsidiaries of the Company in connection with an acquisition (prior to retirement), shares maintained in a trust related to the deferred compensation plans and shares repurchased to cover employee tax liabilities related to other stock plan activity.

Changes in the number of shares held in the treasury are as follows:

	2005	2004	2003
		(thousands)	
Balance, beginning of year	30,633.7	38,305.8	45,049.4
Additions:			
Repurchase program	–	18,348.1	16,477.4
Restricted stock	95.1	17.1	30.4
Deferred compensation plans	16.9	30.7	8.5
Distribution through stock plans	(5,540.2)	(7,068.0)	(5,227.2)
Retirement of common stock	–	(19,000.0)	(18,032.7)
Balance, end of year	25,205.5	30,633.7	38,305.8

Additions to treasury stock for restricted stock and the deferred compensation plans represent shares accepted in lieu of cash to cover employee tax liabilities upon lapse of restrictions for restricted stock and upon distribution of Common Stock under the deferred compensation plans.

Under the deferred compensation plans, shares are maintained in a trust to cover the number estimated to be needed for distribution on account of stock credits currently outstanding. Changes in the number of shares held in the trust are as follows:

	2005	2004	2003
		(thousands)	
Balance, beginning of year	609.1	598.9	581.6
Additions	34.4	39.2	45.9
Distribution	(37.8)	(29.0)	(28.6)
Balance, end of year	605.7	609.1	598.9

17. Financial Instruments and Concentrations of Credit Risk

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents and short-term investments

The carrying amount approximates fair value because of the short maturity of these instruments.

Accounts receivable

The carrying amount approximates fair value because of the short average maturity of the instruments, and because the carrying amount reflects a reasonable estimate of losses from doubtful accounts.

Long-term debt

The fair values of the Company's long-term debt, excluding capitalized leases, are estimated based on the quoted market prices for publicly traded debt or by using discounted cash flow analysis, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

The estimated fair values of certain financial instruments of the Company are as follows:

	January 28, 2006			January 29, 2005		
	Notional Amount	Carrying Amount	Fair Value	Notional Amount	Carrying Amount	Fair Value
			(millions)			
Long-term debt	$ 8,080	$ 8,761	$8,777	$ 2,593	$ 2,593	$2,884

Commitments to extend credit under revolving agreements relate primarily to the aggregate unused credit limits and unused lines of credit extended under the Company's credit plans. These commitments generally can be terminated at the option of the Company. It is unlikely that the total commitment

amount will represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and accounts receivable. The Company places its temporary cash investments in what it believes to be high credit quality financial instruments. Credit risk with respect to accounts receivable is concentrated in the geographic regions in which the Company operates stores. Such concentrations, however, are considered to be limited because of the Company's large number of customers and their dispersion across many regions.

18. Earnings Per Share

The reconciliation of basic earnings per share to diluted earnings per share based on income from continuing operations is as follows:

	2005		2004		2003	
	Income	Shares	Income	Shares	Income	Shares
	(millions, except per share data)					
Income from continuing operations and average number of shares outstanding	$ 1,373	212.6	$ 689	174.5	$ 693	183.8
Shares to be issued under deferred compensation plans		.4		.6		.6
	$ 1,373	213.0	$ 689	175.1	$ 693	184.4
Basic earnings per share	$6.44		$3.93		$3.76	
Effect of dilutive securities – Stock options		4.3		3.1		2.2
	$ 1,373	217.3	$ 689	178.2	$ 693	186.6
Diluted earnings per share	$6.32		$3.86		$3.71	

In addition to the stock options reflected in the foregoing table, stock options to purchase 2.9 million shares of common stock at prices ranging from $69.68 to $80.53 per share were outstanding at January 28, 2006, stock options to purchase 0.4 million shares of common stock at prices ranging from $64.06 to $79.44 per share were outstanding at January 29, 2005 and stock options to purchase 3.7 million shares of common stock at prices ranging from $47.75 to $79.44 per share were outstanding at January 31, 2004 but were not included in the computation of diluted earnings per share because the exercise price thereof exceeded the average market price and their inclusion would have been antidilutive.

19. Quarterly Results (unaudited)

Unaudited quarterly results for last two years were as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(millions, except per share data)			
2005:				
Net sales	$ 3,641	$ 3,623	$ 5,555	$ 9,571
Cost of sales	(2,176)	(2,126)	(3,312)	(5,658)
Inventory valuation adjustments – May integration	–	–	–	(25)
Gross margin	1,465	1,497	2,243	3,888
Selling, general and administrative expenses	(1,213)	(1,206)	(1,973)	(2,588)
May integration costs	–	–	(63)	(106)
Gain on sale of accounts receivable	–	–	480	–
Income from continuing operations	123	148	424	678
Discontinued operations	–	–	12	21
Net income	123	148	436	699
Basic earnings per share:				
Income from continuing operations	.73	.87	1.77	2.48
Net income	.73	.87	1.82	2.56
Diluted earnings per share:				
Income from continuing operations	.71	.84	1.74	2.45
Net income	.71	.84	1.79	2.52
2004:				
Net sales	$ 3,550	$ 3,581	$ 3,525	$ 5,120
Cost of sales	(2,123)	(2,111)	(2,121)	(3,027)
Gross margin	1,427	1,470	1,404	2,093
Selling, general and administrative expenses	(1,210)	(1,225)	(1,229)	(1,330)
Net income	97	78	74	440
Basic earnings per share	.54	.44	.43	2.61
Diluted earnings per share	.53	.43	.42	2.55

20. Condensed Consolidating Financial Information

Parent has fully and unconditionally guaranteed certain long-term debt obligations of its wholly-owned subsidiary, Federated Retail Holdings, Inc. ("Subsidiary Issuer"). "Other Subsidiaries" includes subsidiaries of Parent, including FDS Bank, FDS Insurance, Leadville Insurance Company, Snowdin Insurance Company, Priscilla of Boston, and David's Bridal, Inc. and its subsidiaries, including After Hours Formalwear, Inc. "Subsidiary Issuer" includes all other operating divisions and subsidiaries of Parent including non-guarantor subsidiaries of the Subsidiary Issuer on an equity basis. The assets and liabilities and results of operations of the non-guarantor subsidiaries of the Subsidiary Issuer are also reflected in "Other Subsidiaries."

Condensed consolidating balance sheets as of January 28, 2006 and January 29, 2005, the related condensed consolidating statements of income for 2005, 2004 and 2003, and the related condensed consolidating statements of cash flows for 2005, 2004, and 2003 are presented below.

FEDERATED DEPARTMENT STORES, INC.

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF JANUARY 28, 2006
(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS:					
Current Assets:					
Cash and cash equivalents	$ 17	$ 33	$ 342	$ (144)	$ 248
Accounts receivable	–	94	2,584	(156)	2,522
Merchandise inventories	–	3,049	2,829	(419)	5,459
Supplies and prepaid expenses	–	105	133	(35)	203
Income taxes	99	–	–	(99)	–
Deferred income tax assets	3	46	–	(49)	–
Assets of discontinued operations	–	–	–	1,713	1,713
Total Current Assets	119	3,327	5,888	811	10,145
Property and Equipment – net	2	6,979	5,680	(627)	12,034
Goodwill	–	5,565	4,244	(289)	9,520
Other Intangible Assets – net	–	527	710	(157)	1,080
Other Assets	4	129	282	(26)	389
Intercompany Receivable	1,805	–	4,755	(6,560)	–
Investment in Subsidiaries	11,754	11,177	–	(22,931)	–
Total Assets	$13,684	$ 27,704	$ 21,559	$ (29,779)	$ 33,168
LIABILITIES AND SHAREHOLDERS' EQUITY:					
Current Liabilities:					
Short-term debt	$ –	$ 1,319	$ 5	$ (1)	$ 1,323
Accounts payable and accrued liabilities	114	2,804	2,785	(457)	5,246
Income taxes	–	170	383	(99)	454
Deferred income taxes	–	–	225	(122)	103
Liabilities of discontinued operations	–	–	–	464	464
Total Current Liabilities	114	4,293	3,398	(215)	7,590
Long-Term Debt	–	8,781	81	(2)	8,860
Intercompany Payable	–	6,560	–	(6,560)	–
Deferred Income Taxes	45	415	1,302	(58)	1,704
Other Liabilities	6	867	635	(13)	1,495
Minority Interest *	–	–	518	(518)	–
Shareholders' Equity	13,519	6,788	15,625	(22,413)	13,519
Total Liabilities and Shareholders' Equity	$13,684	$ 27,704	$ 21,559	$ (29,779)	$ 33,168

* Parent's minority interest in a subsidiary which is wholly-owned on a consolidated basis.

FEDERATED DEPARTMENT STORES, INC.

CONDENSED CONSOLIDATING STATEMENT OF INCOME

FOR 2005

(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
Net Sales	$ –	$ 7,001	$ 17,193	$ (1,804)	$ 22,390
Cost of sales	–	(4,250)	(10,075)	1,053	(13,272)
Inventory valuation adjustments – May integration	–	(21)	(4)	–	(25)
Gross margin	–	2,730	7,114	(751)	9,093
Selling, general and administrative expenses	(7)	(2,295)	(5,373)	695	(6,980)
May integration costs	–	(34)	(135)	–	(169)
Gain on the sale of accounts receivable	–	94	386	–	480
Operating income (loss)	(7)	495	1,992	(56)	2,424
Interest (expense) income, net:					
External	(88)	(268)	(24)	–	(380)
Intercompany	149	(72)	(77)	–	–
Equity in earnings of subsidiaries	1,297	477	–	(1,774)	–
Income from continuing operations before income taxes	1,351	632	1,891	(1,830)	2,044
Federal, state and local income taxes	55	(91)	(657)	22	(671)
Income from continuing operations	1,406	541	1,234	(1,808)	1,373
Discontinued operations, net of income taxes	–	–	–	33	33
Net income	$1,406	$ 541	$ 1,234	$ (1,775)	$ 1,406

FEDERATED DEPARTMENT STORES, INC.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR 2005

(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
Cash flows from continuing operating activities:					
Net income	$ 1,406	$ 541	$ 1,234	$ (1,775)	$ 1,406
Income from discontinued operations	–	–	–	(33)	(33)
Gain on the sale of accounts receivable	–	(94)	(386)	–	(480)
May integration costs	–	55	139	–	194
Equity in earnings of subsidiaries	(1,297)	(477)	–	1,774	–
Dividends received from subsidiaries	889	–	–	(889)	–
Depreciation and amortization	4	211	770	(27)	958
(Increase) decrease in working capital	(82)	299	(160)	18	75
Other, net	149	(515)	217	(21)	(170)
Net cash provided (used) by continuing operating activities	1,069	20	1,814	(953)	1,950
Cash flows from continuing investing activities:					
Purchase of property and equipment and capitalized software, net	(1)	(93)	(604)	61	(637)
Acquisition of The May Department Stores Company, net of cash acquired	(5,321)	–	–	–	(5,321)
Proceeds from sale of accounts receivable	–	94	3,489	–	3,583
Increase in non-proprietary accounts receivable	–	–	(131)	–	(131)
Net cash provided (used) by continuing investing activities	(5,322)	1	2,754	61	(2,506)
Cash flows from continuing financing activities:					
Debt issued, net of repayments	4,579	(3,514)	(1,240)	–	(175)
Dividends paid	(157)	(280)	(609)	889	(157)
Issuance of common stock, net	329	–	–	–	329
Intercompany activity, net	(1,129)	3,840	(2,546)	(165)	–
Other, net	(38)	(34)	(15)	32	(55)
Net cash provided (used) by continuing financing activities	3,584	12	(4,410)	756	(58)
Net cash provided (used) by continuing operations	(669)	33	158	(136)	(614)
Net cash used by discontinued operations	–	–	–	(6)	(6)
Net increase (decrease) in cash and cash equivalents	(669)	33	158	(142)	(620)
Cash and cash equivalents at beginning of period	686	–	184	(2)	868
Cash and cash equivalents at end of period	$ 17	$ 33	$ 342	$ (144)	$ 248

FEDERATED DEPARTMENT STORES, INC.

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF JANUARY 29, 2005
(millions)

	Parent	Other Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS:				
Current Assets:				
Cash and cash equivalents	$ 686	$ 184	$ (2)	$ 868
Accounts receivable	1	3,417	–	3,418
Merchandise inventories	–	3,120	–	3,120
Supplies and prepaid expenses	–	104	–	104
Income taxes	132	–	(132)	–
Total Current Assets	819	6,825	(134)	7,510
Property and Equipment – net	2	6,016	–	6,018
Goodwill	–	260	–	260
Other Intangible Assets – net	–	378	–	378
Other Assets	23	696	–	719
Deferred Income Tax Assets	87	–	(87)	–
Intercompany Receivable	2,765	–	(2,765)	–
Investment in Subsidiaries	5,262	–	(5,262)	–
Total Assets	$8,958	$ 14,175	$ (8,248)	$ 14,885
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities:				
Short-term debt	$ 1	$ 1,241	$ –	$ 1,242
Accounts payable and accrued liabilities	192	2,517	(2)	2,707
Income taxes	–	456	(132)	324
Deferred income taxes	–	28	–	28
Total Current Liabilities	193	4,242	(134)	4,301
Long-Term Debt	2,593	44	–	2,637
Intercompany Payable	–	2,765	(2,765)	–
Deferred Income Taxes	–	1,286	(87)	1,199
Other Liabilities	5	576	–	581
Shareholders' Equity	6,167	5,262	(5,262)	6,167
Total Liabilities and Shareholders' Equity	$8,958	$ 14,175	$ (8,248)	$ 14,885

FEDERATED DEPARTMENT STORES, INC.

CONDENSED CONSOLIDATING STATEMENT OF INCOME
FOR 2004
(millions)

	Parent	Other Subsidiaries	Consolidating Adjustments	Consolidated
Net Sales	$ –	$ 15,776	$ –	$ 15,776
Cost of sales	–	(9,382)	–	(9,382)
Gross margin	–	6,394	–	6,394
Selling, general and administrative expenses	10	(5,004)	–	(4,994)
Operating income	10	1,390	–	1,400
Interest (expense) income, net:				
External	(245)	(39)	–	(284)
Intercompany	288	(288)	–	–
Equity in earnings of subsidiaries	658	–	(658)	–
Income before income taxes	711	1,063	(658)	1,116
Federal, state and local income tax expense	(22)	(405)	–	(427)
Net income	$ 689	$ 658	$ (658)	$ 689

FEDERATED DEPARTMENT STORES, INC.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR 2004
(millions)

	Parent	Other Subsidiaries	Consolidating Adjustments	Consolidated
Cash flows from operating activities:				
Net income	$ 689	$ 658	$ (658)	$ 689
Equity in earnings of subsidiaries	(658)	–	658	–
Dividends received from subsidiaries	449	–	(449)	–
Depreciation and amortization	12	731	–	743
(Increase) decrease in working capital	(57)	134	–	77
Other, net	7	(9)	–	(2)
Net cash provided (used) by operating activities	442	1,514	(449)	1,507
Cash flows from investing activities:				
Purchase of property and equipment and capitalized software, net	(1)	(520)	–	(521)
Other, net	24	(230)	–	(206)
Net cash provided (used) by investing activities	23	(750)	–	(727)
Cash flows from financing activities:				
Debt issued, net of repayments	(360)	181	–	(179)
Dividends paid	(93)	(449)	449	(93)
Issuance of common stock, net	(603)	–	–	(603)
Intercompany activity, net	522	(522)	–	–
Other, net	39	(1)	–	38
Net cash provided (used) by financing activities	(495)	(791)	449	(837)
Net increase (decrease) in cash and cash equivalents	(30)	(27)	–	(57)
Cash and cash equivalents at beginning of period	716	211	(2)	925
Cash and cash equivalents at end of period	$ 685	$ 184	$ (2)	$ 868

FEDERATED DEPARTMENT STORES, INC.

CONDENSED CONSOLIDATING STATEMENT OF INCOME
FOR 2003
(millions)

	Parent	Other Subsidiaries	Consolidating Adjustments	Consolidated
Net Sales	$ –	$ 15,412	$ –	$ 15,412
Cost of sales	–	(9,175)	–	(9,175)
Gross margin	–	6,237	–	6,237
Selling, general and administrative expenses	–	(4,896)	–	(4,896)
Operating income	–	1,341	–	1,341
Interest (expense) income, net:				
External	(216)	(41)	–	(257)
Intercompany	289	(289)	–	–
Equity in earnings of subsidiaries	647	–	(647)	–
Income before income taxes	720	1,011	(647)	1,084
Federal, state and local income tax expense	(27)	(364)	–	(391)
Net income	$ 693	$ 647	$ (647)	$ 693

FEDERATED DEPARTMENT STORES, INC.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR 2003
(millions)

	Parent	Other Subsidiaries	Consolidating Adjustments	Consolidated
Cash flows from operating activities:				
Net income	$ 693	$ 647	$ (647)	$ 693
Equity in earnings of subsidiaries	(647)	–	647	–
Dividends received from subsidiaries	438	–	(438)	–
Depreciation and amortization	9	704	–	713
(Increase) decrease in working capital	250	193	(2)	441
Other, net	(41)	(30)	–	(71)
Net cash used by operating activities	702	1,514	(440)	1,776
Cash flows from investing activities:				
Purchase of property and equipment and capitalized software, net	(2)	(560)	–	(562)
Other, net	–	(186)	–	(186)
Net cash used by investing activities	(2)	(746)	–	(748)
Cash flows from financing activities:				
Debt issued, net of repayments	(451)	158	–	(293)
Dividends paid	(69)	(438)	438	(69)
Issuance of common stock, net	(452)	–	–	(452)
Intercompany activity, net	504	(504)	–	–
Other, net	–	(5)	–	(5)
Net cash provided (used) by financing activities	(468)	(789)	438	(819)
Net increase (decrease) in cash and cash equivalents	232	(21)	(2)	209
Cash and cash equivalents at beginning of period	484	232	–	716
Cash and cash equivalents at end of period	$ 716	$ 211	$ (2)	$ 925

Exhibit 10.17.1

Federated

DEPARTMENT STORES, INC. 7 West Seventh Street - Cincinnati, Ohio 45202

August 22, 2005

Citibank, N.A.
701 E. 60th North
Sioux Falls, South Dakota 57104
Attention David Zimbeck

Ladies and Gentlemen:

Reference is made to the Purchase, Sale and Servicing Transfer Agreement, dated as of June 1, 2005 (as amended, supplemented or otherwise modified from time to time, the "Purchase Agreement"), among Citibank, N.A., Federated Department Stores, Inc., FDS Bank and Prime II Receivables Corporation. Unless otherwise defined herein, capitalized terms used herein are used as defined in the Purchase Agreement.

In connection with the closing of the transactions to be effected in connection with the May Merger, FDS wishes to effect a transfer of the Prime Stock pursuant to which, following completion of the May Merger, the Prime Stock would be owned by Federated Retail Holdings Inc., a New York corporation and a wholly-owned Subsidiary of FDS ("Federated Retail Holdings"). In accordance with Section 6.2(a)(vi) of the Purchase Agreement, the Sellers hereby request that the Purchaser consent to the foregoing transfer. In consideration for such consent, the Sellers agree that, FDS shall cause Federated Retail Holdings (i) to remain as a direct wholly-owned subsidiary of FDS at all times during the period from the effective date of this consent and amendment through the First Closing and (ii) to sell, convey and assign the Prime Stock to the Purchaser at the First Closing in accordance with Section 2.1 of the Purchase Agreement.

The undersigned parties hereby agree to delete the definition of Sellers in the Purchase Agreement in its entirety and replace it with the following:

> "'*Sellers*' means the collective reference to FDS, FDS Bank, Federated Retail Holdings Inc. and Prime II; *provided* that with respect to the Second Purchase and Assumption (and the obligations and conditions to be satisfied in connection therewith) and the Third Purchase and Assumption (and the obligations and conditions to be satisfied in connection therewith), the 'Sellers' shall mean FDS and FDS Bank."

The undersigned parties hereby further agree to delete the second sentence of Section 5.1(a) of the Purchase Agreement in its entirety and replace it with the following:

"Each of FDS, Prime, Prime II and Federated Retail Holdings Inc. is duly organized, validly existing and in good standing under its jurisdiction of organization."

The undersigned parties hereby further agree to delete the second sentence of Section 5.1(q) of the Purchase Agreement in its entirety and replace it with the following:

"All of the issued and outstanding shares of Prime Common Stock are beneficially and legally owned as of the date hereof by FDS, free and clear of all Liens, and will be beneficially and legally owned on the date of the First Closing by Federated Retail Holdings Inc., free and clear of all Liens."

This consent and amendment shall become effective at the time of the closing of the May Merger. This consent and amendment shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts made and performed within such State, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws. This consent and amendment may be executed in multiple counterparts.

Please acknowledge your agreement with the foregoing by executing this consent and amendment as indicated below.

Very truly yours,

FEDERATED DEPARTMENT STORES, INC.

By: /s/ Dennis J. Broderick
Name: Dennis J. Broderick
Title: Senior Vice President, General Counsel and Secretary

FDS BANK

By: /s/ Susan R. Robinson
Name: Susan R. Robinson
Title: Treasurer

PRIME II RECEIVABLES CORPORATION

By: /s/ Susan P. Storer
Name: Susan P. Storer
Title: President

Agreed and Consented to by:

CITIBANK, N.A.

By: /s/ Ray Quinlan
Name: Ray Quinlan
Title: Executive Vice President

cc: Citigroup, Inc.
399 Park Avenue
New York, New York 10043
Attention: Andrew Felner

Shearman & Sterling
599 Lexington Avenue
New York, New York 10022-6069

Exhibit 10.33.1

NONQUALIFIED STOCK OPTION AGREEMENT

This AGREEMENT (the "Agreement") is made as of <<**GRANT DATE**>> (the "Date of Grant") by and between FEDERATED DEPARTMENT STORES, INC., a Delaware corporation (the "Company"), and **«NAME»** (the "Optionee").

1. **Grant of Stock Option**. The execution of this Agreement has been duly authorized by a resolution of the Board that is incorporated herein by reference. Subject to and upon the terms, conditions, and restrictions set forth in this Agreement and in the Company's 1995 Executive Equity Incentive Plan (the "Plan"), as amended from time to time, the Company hereby grants to the Optionee as of the Date of Grant a stock option (the "Option") to purchase **«SHARES»** Common Shares (the "Optioned Shares"). The Option may be exercised from time to time in accordance with the terms of this Agreement. The price at which the Optioned Shares may be purchased pursuant to this Option shall be <<**GRANT PRICE**>> per share subject to adjustment as hereinafter provided (the "Option Price"). The Option is intended to be a nonqualified stock option and shall not be treated as an "incentive stock option" within the meaning of that term under Section 422 of the Code, or any successor provision thereto.

2. **Term of Option**. The term of the Option (the "Term") shall commence on the Date of Grant and, unless earlier terminated in accordance with Section 6 hereof, shall expire ten (10) years from the Date of Grant.

3. **Right to Exercise**. Subject to the expiration or earlier termination of the Option as provided herein, on <<GRANT DATE>> and on each of the first, second and third anniversary of such date, the number of Optioned Shares equal to twenty-five percent (25%) multiplied by the initial number of Optioned Shares specified in this Agreement shall become exercisable on a cumulative basis until the Option is fully exercisable. To the extent the Option is exercisable, it may be exercised in whole or in part. In no event shall the Optionee be entitled to acquire a fraction of an Optioned Share pursuant to this Option.

4. **Limitations on Transfer of Option**.

(a) The Option granted hereby shall be neither transferable nor assignable by the Optionee other than by will or by the laws of descent and distribution, pursuant to a qualified domestic relations order, or to a fully revocable trust of which the Optionee is treated as the owner for federal income tax purposes, and may be exercised, during the lifetime of the Optionee, only by the Optionee, or in the event of his or her legal incapacity, by his or her guardian or legal representative acting on behalf of the Optionee in a fiduciary capacity under state law and court supervision.

(b) Notwithstanding Section 4(a), the Option or any interest therein may be transferred by the Optionee, without payment of consideration therefor by the transferee, to any one or more members of the immediate family of the Optionee (as defined in Rule 16a-1(e) under the Securities Exchange Act of 1934), or to one or more trusts established solely for the benefit of one or more members of the immediate family of the Optionee or to one or more partnerships in which the only partners are such members of the immediate family of the Optionee. No transfer under this Section 4(b) will be effective until notice of such transfer is delivered to the Company describing the terms and conditions of the proposed transfer, and the Company determines that the proposed transfer complies with the terms of the Plan and this Agreement and with any terms and conditions made applicable to the transfer by the

Company or Board at the time of the proposed transfer. Any transferee under this Section 4(b) shall be subject to the same terms and conditions hereunder as would apply to the Optionee and to such other terms and conditions made applicable to the transferee pursuant to this Agreement or by the Board. Any purported transfer that does not comply with the requirements of this Section 4(b) shall be void and unenforceable against the Company and the purported transferee shall not obtain any rights to or interest in the Option.

(c) Notwithstanding anything to the contrary contained in any Non-Qualified Stock Option Agreement previously entered into between the Company and the Optionee covering the grant of stock options by the Company to the Optionee, all such stock options previously granted to Optionee by the Company shall be transferable consistent with the terms and conditions applicable to the transfer of the Option as contained herein.

5. **Notice of Exercise; Payment**. To the extent then exercisable, the Option may be exercised by written notice to the Company stating the number of Optioned Shares for which the Option is being exercised and the intended manner of payment. Payment equal to the aggregate Option Price of the Optioned Shares being exercised shall be tendered in full with the notice of exercise to the Company in cash in the form of currency or check or other cash equivalent acceptable to the Company. As soon as practicable after receipt of such notice, but in any event no later than thirty (30) days after receipt, the Company shall direct the due issuance of the Optioned Shares so purchased. With the agreement of the Company, the requirement of payment in cash shall be deemed satisfied if the Optionee makes arrangements that are satisfactory to the Company with a broker that is a member of the National Association of Securities Dealers, Inc. to sell a sufficient number of Optioned Shares which are being purchased pursuant to the exercise, so that the net proceeds of the sale transaction will at least equal the amount of the aggregate Option Price, plus interest at the "applicable Federal rate" within the meaning of that term under Section 1274 of the Code, or any successor provision thereto, for the period from the date of exercise to the date of payment, and pursuant to which the broker undertakes to deliver to the Company the amount of the aggregate Option Price, plus such interest, not later than the date on which the sale transaction will settle in the ordinary course of business (this payment mechanism is referred to as the "Cashless Exercise Program"). In the event that the Company does not have a Cashless Exercise Program in effect at the time the Company receives notice of exercise from the Optionee, the Optionee may also tender the Option Price by (a) the actual or constructive transfer to the Company of nonforfeitable, non-restricted Common Shares that have been owned by the Optionee for more than six (6) months prior to the date of exercise, or (b) by any combination of the foregoing methods of payment, including a partial tender in cash and a partial tender in nonforfeitable, nonrestricted Common Shares. Nonforfeitable, nonrestricted Common Shares that are transferred by the Optionee in payment of all or any part of the Option Price shall be valued on the basis of their Market Value per Share. As a further condition precedent to the exercise of this Option, the Optionee shall comply with all regulations and the requirements of any regulatory authority having control of, or supervision over, the issuance of Common Shares and in connection therewith shall execute any documents which the Board shall in its sole discretion deem necessary or advisable.

6. **Termination of Agreement**. The Agreement and the Option granted hereby shall terminate automatically and without further notice, and, accordingly, any and all rights granted to Optionee and any and all obligations undertaken by the Company hereunder with regard to any vested but unexercised Optioned Shares and any unvested Optioned Shares shall terminate, on the earliest of the following dates:

(a) Except as otherwise provided in Sections 6(b) and Section 6(c) hereof, three (3) years after the Optionee's death if the Optionee dies while in the employ of the Company or three (3)

years following termination of employment if the Optionee dies within ninety (90) days after termination of employment; provided, however, that if the Optionee's death shall occur within one (1) year of the Date of Grant, the Option shall terminate upon such date of death unless the Optionee has been continuously employed by the Company from the Date of Grant until the date of the Optionee's death;

(b) Ten (10) years from the Date of Grant if the Optionee is permanently and totally disabled while an employee of the Company;

(c) The earlier of (i) ten (10) years from the Date of Grant after the Optionee's retirement under a Company sponsored IRS qualified retirement plan at or after attaining the age of 55 and with a minimum of ten (10) years of vesting service, or (ii) in the event of such retirement and the Optionee is a party to an employment agreement with the Company immediately prior to retirement and renders personal service to a Competing Business (as hereafter defined) in any manner, including, without limitation, as owner, partner, director, trustee, officer, employee, consultant or adviser thereto within one year at any time following such retirement, the first date on which such engagement commenced;

(d) Except as provided on a case-by-case basis by the Board, ninety (90) calendar days after the Optionee ceases to be an employee of the Company for any reason other than as described Section 6(a), 6(b) or 6(c) hereof;

(e) In the event that Optionee's employment is terminated for cause (as hereinafter defined), on the effective date of such termination; or

(f) Except as otherwise provided in Section 6(a) through 6(e) hereof, ten (10) years from the Date of Grant.

For purposes of this provision, "cause" shall mean the Optionee shall have committed prior to termination of employment any of the following acts:

(i) an intentional act of fraud, embezzlement, theft, or any other material violation of law in connection with the performance of the Optionee's duties of or in the course of the Optionee's employment;

(ii) intentional wrongful damage to material assets of the Company;

(iii) intentional wrongful disclosure of material confidential information of the Company;

(iv) intentional wrongful engagement in any competitive activity that would constitute a material breach of the duty of loyalty; or

(v) intentional breach of any stated material employment policy of the Company.

None of the Optional Shares under this Agreement shall be exercisable in excess of the number of Optioned Shares then exercisable, pursuant to Sections 3 and 7 hereof, on the date of termination of employment. For the purposes of this Agreement, the continuous employment of the Optionee with the Company shall not be deemed to have been interrupted, and the Optionee shall not be deemed to have ceased to be an employee of the Company, by reason of the transfer of his employment among the Company, its Subsidiaries, divisions and affiliates, or a leave of absence approved by the Company.

As used in this Agreement, the term "Competing Business" shall mean any business which:

(i) at the time of determination, is substantially similar to the whole or a substantial part of the business conducted by the Company;

(ii) at the time of determination, is operating a store or stores which, during its or their fiscal year preceding the determination, had aggregate net sales, including sales in leased and licensed departments, in excess of $10,000,000, if such store or any such stores is or are located in a city or within a radius of 25 miles from the outer limits of a city where the Company, or any of its divisions or affiliates, is operating a store or stores which, during its or their fiscal year preceding the determination, had aggregate net sales, including sales in leased and licensed departments, in excess of $10,000,000; and

(iii) had aggregate net sales at all its locations, including sales in leased and licensed departments and sales by its divisions and affiliates, during its fiscal year preceding that in which the Optionee made such an investment therein, or first rendered personal services thereto, in excess of $25,000,000.

7. **Acceleration and Continuous Vesting of Option**. The Option granted hereby shall become immediately exercisable in full in the event of (i) a Change of Control, (ii) the Optionee's permanent and total disability if the Optionee becomes permanently and totally disabled while an employee of the Company, (iii) the death of the Optionee if such death occurs while the Optionee is employed by the Company, or (iv) the death of the Optionee if the Optionee retires under a Company sponsored IRS qualified retirement plan at or after attaining the age of 62 with a minimum of ten (10) years of vesting service and dies at any time following retirement and prior to the expiration of the Term. Notwithstanding anything to the contrary contained in this Agreement, and subject to subsections (i), (ii) and (iv) above and Section 6(c)(ii) hereof, the Optioned Shares shall continue to become exercisable as set out in Section 3 hereof following the retirement of the Optionee if the Optionee retires under a Company sponsored IRS qualified retirement plan at or after attaining the age of 62 with a minimum of ten (10) years of vesting service.

8. **No Employment Contract**. Nothing contained in this Agreement shall confer upon the Optionee any right with respect to continuance of employment by the Company, nor limit or affect in any manner the right of the Company to terminate the employment or adjust the compensation of the Optionee.

9. **Taxes and Withholding**. If the Company shall be required to withhold any federal, state, local or foreign tax in connection with the exercise of the Option, and the amounts available to the Company for such withholding are insufficient, it shall be a condition to such exercise that the Optionee pay the tax or make provisions that are satisfactory to the Company for the payment thereof. In the case of the exercise of an Option that has been transferred pursuant to Section 4(b), no Optional Shares shall be issued by the Company unless the exercise of the Option is accompanied by sufficient payment, as determined by the Company, to satisfy any applicable withholding tax obligations or by other arrangements satisfactory to the Company to provide for such payment.

10. **Compliance with Law.** The Company shall make reasonable efforts to comply with all applicable federal and state securities laws; provided, however, notwithstanding any other provision of this Agreement, the Option shall not be exercisable if the exercise thereof would result in a violation of any such law.

11. **Adjustments**. The Board may make or provide for such adjustments in the number of Optioned Shares covered by this Option, in the Option Price applicable to such Option, and in the kind of shares covered thereby, as the Board may determine is equitably required to prevent dilution or enlargement of the Optionee's rights that otherwise would result from a) any stock dividend, stock split, combination of shares, recapitalization, or other change in the capital structure of the Company, b) any merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation, or other distribution of assets or issuance of rights or warrants to purchase securities, or c) any other corporate transaction or event having an effect similar to any of the foregoing; provided however, that no such adjustment in the number of Optioned Shares will be made unless such adjustment would change by more than 5% the number of Optioned Shares issuable upon exercise of this Option; provided, further, however, that any adjustment which by reason of this Section 11 is not required to be made currently will be carried forward and taken into account in any subsequent adjustment. In the event of any such transaction or event, the Board may provide in substitution for this Option such alternative consideration as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of this Option.

12. **Availability of Common Shares**. The Company shall at all times until the expiration of the Option reserve and keep available, either in its treasury or out of its authorized but unissued Common Shares, the full number of Optioned Shares deliverable upon the exercise of this Option.

13. **Relation to Other Benefits**. Any economic or other benefit to the Optionee under this Agreement shall not be taken into account in determining any benefits to which the Optionee may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by the Company and shall not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of the Company.

14. **Amendments**. Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that no amendment shall adversely affect the rights of the Optionee under this Agreement without the Optionee's consent.

15. **Severability**. In the event that one or more of the provisions of this Agreement shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

16. **Relation to Plan; Miscellaneous**. This Agreement is subject to the terms and conditions of the Plan. In the event of any inconsistent provisions between this Agreement and the Plan, the Plan shall govern. Capitalized terms used herein without definition shall have the meanings assigned to them in the Plan. The Board acting pursuant to the Plan shall, except as expressly provided otherwise herein, have the right to determine the response to any questions which arise in connection with this Option or its exercise. All references in this Agreement to the "Company" shall be deemed to include, unless the context in which it is used suggests otherwise, its subsidiaries, divisions and affiliates.

17. **Successors and Assigns**. Subject to Section 4 hereof, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of the Optionee including any transferee pursuant to Section 4(b), and the successors and assigns of the Company; provided, however, that a transferee pursuant to Section 4(b) shall not transfer the Option other than by will or by the laws of descent and distribution unless the Company consents in writing to such transfer.

18. **Governing Law**. The interpretation, performance, and enforcement of this Agreement shall be governed by the laws of the State of Delaware, without giving effect to the principles of conflict of laws thereof.

19. **Notices**. Any notice to the Company provided for herein shall be in writing to the Company, marked to the attention of the Corporate Controller at 7 West Seventh Street, Cincinnati, Ohio 45202 and any notice to the Optionee shall be addressed to said Optionee at his or her address currently on file with the Company. Except as otherwise provided herein, any written notice shall be deemed to be duly given if and when delivered personally or deposited in the United States mail, first class registered mail, postage and fees prepaid, and addressed as aforesaid. Any party may change the address to which notices are to be given hereunder by written notice to the other party as herein specified (provided that for this purpose any mailed notice shall be deemed given on the third business day following deposit of the same in the United States mail).

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on its behalf by its duly authorized officer, and Optionee has also executed this Agreement in duplicate, as of the day and year first above written.

FEDERATED DEPARTMENT STORES, INC.

By: _____

_____

Optionee

Name: [_____]
Title: [_____]

EXHIBIT 10.40

FEDERATED DEPARTMENT STORES, INC.

PROFIT SHARING 401(k) INVESTMENT PLAN

(Amending and restating the Federated Department Stores, Inc.
Retirement Income and Thrift Incentive Plan effective as of April 1, 1997)

FEDERATED DEPARTMENT STORES, INC.
PROFIT SHARING 401(k) INVESTMENT PLAN
(Amending and restating the Federated Department Stores, Inc.
Retirement Income and Thrift Incentive Plan effective as of April 1, 1997)

This plan shall be known as the Federated Department Stores, Inc. Profit Sharing 401(k) Investment Plan (the "Plan").

The Plan provides additional retirement income to persons who participate in the Plan. In this regard, it is intended that the Plan (together with the trust used in conjunction with the Plan) qualify as a tax-favored plan and trust under Sections 401(a) and 501(a) of the Code. The Plan shall be interpreted in a manner consistent with Sections 401(a) and 501(a) of the Code wherever possible.

The Plan was adopted by Federated Department Stores, Inc. ("Federated") effective as of January 25, 1953 and has been amended many times since then. Prior to April 1, 1997, its name was the Federated Department Stores, Inc. Retirement Income and Thrift Incentive Plan. Further, effective as of April 1, 1997, Federated amended and restated the Plan and renamed it as the Federated Department Stores, Inc. Profit Sharing 401(k) Investment Plan.

By this document, Federated is again amending and restating the Plan effective as of April 1, 1997 in order to clarify certain provisions of the Plan and to collect into one document certain amendments that had been made to the Plan after the initial April 1, 1997 amendment and restatement of the Plan. This document supersedes such initial April 1, 1997 amendment and restatement of the Plan and all amendments that had been made to the Plan after such initial April 1, 1997 amendment and restatement and prior to the date that this document is signed.

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SECTION 1

DEFINITIONS

As used in this Plan, the following general terms shall have the meanings indicated below unless it is clear from the context that another meaning is intended:

1.1 Accounts — means, with respect to any Participant, the bookkeeping accounts established by the Committee for the Participant in accordance with the provisions of this Plan, and as to which contributions, forfeitures, and Trust income and losses may be allocable under the Plan. The specific types and names of Accounts provided for a Participant under the Plan are set forth in the subsequent provisions of the Plan. Any reference to an Account (or to a portion of an Account) in this Plan shall also be deemed a reference to all amounts allocated to such Account (or to such Account portion) under this Plan.

1.2 Affiliated Employer — means each corporation which is a member of a controlled group of corporations (within the meaning of Section 414(b) of the Code as modified when applicable by Section 415(h) of the Code) of which the Employer is a member, each other corporation, partnership, or other organization which is part of a group of trades or businesses under common control (within the meaning of Section 414(c) of the Code as modified when applicable by Section 415(h) of the Code) with the Employer, each other corporation, partnership, or other organization which is a member of an affiliated service group (within the meaning of Section 414(m) of the Code) which includes the Employer, and each other corporation, partnership, or other organization required to be aggregated with the Employer under Section 414(o) of the Code; except that any corporation, partnership, or other organization which is considered a part of the Employer as defined in Section 1.10 below shall not also be considered an Affiliated Employer for purposes of the Plan.

1.3 Annuity — means a form of benefit without life insurance which provides for equal payments at regular installments over more than a one-year period.

1.4 Associated Employer — means each and any corporation, partnership, or other organization which is either part of the Employer or an Affiliated Employer.

1.5 Board — means the Board of Directors of Federated.

1.6 Code — means the Internal Revenue Code of 1986 and the sections thereof, as such law and sections exist as of the Effective Amendment Date or may thereafter be amended or renumbered.

1.7 Committee — means the committee appointed by Federated to serve as the administrative and investment committee described in Section 12 below. Federated may appoint the

same committee to perform the duties and responsibilities of the committee under this Plan and the committee under any other tax-qualified retirement or savings plan maintained by any Associated Employer.

1.8 Compensation — means, with respect to an Employee and for any period, the amount determined as follows:

1.8.1 Subject to Sections 1.8.2, 1.8.3, and 1.8.4 below, the Employee's "Compensation" for any period shall mean his or her wages (within the meaning of Section 3401(a) of the Code) and all other compensation paid to the Employee by each Associated Employer (in the course of the Associated Employer's trade or business) for his or her services as an Employee and for which the Associated Employer is required to furnish the Employee a written statement under Section 6051(a)(3) of the Code (e.g., compensation reported in Box 1 on a Form W-2). Such Compensation shall be determined without regard to any rules under Section 3401(a) of the Code that limit the remuneration included in wages based on the nature or location of the employment or the services performed. In addition, the Employee's Compensation shall not be aggregated for Plan purposes with the Compensation of any other Employee, including any other Employee who is a family member of the subject Employee.

1.8.2 In addition to the amounts included in the Employee's "Compensation" for any specified period under Section 1.8.1 above, and notwithstanding the provisions of such section, the Employee's "Compensation" for any period shall also include any amounts which are not treated as the Employee's Compensation for such specified period under Section 1.8.1 above solely because such amounts are considered elective contributions that are made by an Associated Employer on behalf of the Employee and are not includable in the Employee's gross income for Federal income tax purposes by reason of Section 125, 402(e)(3), 402(h), and/or 132(f)(4) of the Code (i.e., elective contributions under a cafeteria plan, a cash or deferred arrangement in a profit sharing plan, a simplified employee pension plan, or an arrangement under which qualified transportation fringes can be chosen) or any other types of deferred compensation or contributions described in Code Section 414(s)(2) or Treas. Reg. Section 1.414(s)-1(c)(4); except that the treating of elective contributions that are not includable in gross income under Code Section 132(f)(4) as part of the Employee's Compensation shall only apply when the specified period begins on or after January 1, 2001.

1.8.3 Notwithstanding the foregoing provisions of this Section 1.8, the Employee's "Compensation" for such specified period shall not include any reimbursements or other expense allowances, fringe benefits (cash and noncash), moving expenses, deferred compensation, and welfare benefits (even if included in the Employee's income for Federal income tax purposes), except that the items described in this Section 1.8.3 shall not cause any amounts described in Section 1.8.2 above to be excluded from his or her "Compensation."

1.8.4 Finally, notwithstanding any of the of the foregoing provisions of this Section 1.8, the "Compensation" of the Employee for any twelve consecutive month period

which is taken into account under any other provision of the Plan shall not exceed $160,000 (or any higher amount to which this figure is adjusted under Section 401(a)(17) of the Code by the Secretary of the Treasury or his or her delegate for the calendar year in which such twelve consecutive month period begins).

1.9 Covered Compensation — means, with respect to an Employee and for any period, the amount that would be considered the Employee's Compensation for such specified period under the provisions of Section 1.8 above if: (1) each reference to "Employee," "Associated Employer," or "Associated Employer's" that is contained in Section 1.8 above were instead a reference to "Covered Employee," "Employer," and "Employer's," respectively; and (2) if the Employee's Compensation for such specified period did not include any of the following types of irregular or additional compensation: director's fees; contributions made to or payments received from a plan of deferred compensation; amounts realized from or recognized by reason of a restricted stock award; amounts realized from or recognized by reason of stock appreciation rights; amounts realized from or recognized by reason of the exercise of a stock option or the disposition of stock acquired under a stock option; long-term cash bonuses based on meeting performance goals which are measured over more than a one year period; moving expense reimbursements or payments made to cover mortgage interest differentials resulting from a move; merchandise or savings bond awards; reimbursements for tuition or educational expenses; cost of living allowances; amounts resulting from a forgiveness of a loan; retention bonuses that either are paid under an Employer policy which states that such bonuses shall not be considered as compensation under the Plan or under the Employer's retirement plans in general or are paid by reason of or in accordance with the approval of an order of a court; severance pay (unless an Employer policy under which such severance pay is paid states that such bonuses or pay shall be considered as compensation under the Plan or under the Employer's retirement plans in general), including but not limited to severance pay paid by reason of or in accordance with the approval of an order of a court; amounts which represent a sign-on bonus for agreeing to be employed by the Employer; sick pay or disability payments made under a third-party payor arrangement; any imputed income or the like arising under welfare or other fringe benefit plans or programs (including but not limited to group term life insurance, use of employer cars, financial counseling, and employee discounts); any payments made to cover any personal income taxes resulting from the imputing of income by reason of welfare or other fringe benefits; and any lump sum severance payments, or any lump sum payments in settlement of disputes involving termination of employment, which are not otherwise described in this Section 1.9.

1.10 Covered Employee — is used herein only to refer to an individual who is eligible to be a Participant in the Plan if and after he or she meets all of the participation requirements set forth in Section 3 below (including certain minimum age and minimum service requirements set forth in Section 3 below) and means an individual who qualifies as a "Covered Employee" under the following provisions:

1.10.1 Subject to the following provisions of this Section 1.10, a person shall be considered a "Covered Employee" for any period only if he or she is or was during such period an Employee of the Employer.

1.10.2 Notwithstanding the provisions of Section 1.10.1 above, a person shall not in any event be considered a "Covered Employee" for any period during which he or she is not or was not on the employee payroll of the Employer or during which he or she is or was a Leased Employee (unless Federated has expressly agreed to his or her being considered a Covered Employee for purposes of this Plan). In particular, unless Federated has expressly agreed to his or her being considered a Covered Employee for purposes of this Plan, it is expressly intended that any person not treated as an employee by the Employer on its employee payroll records (for example, when the Employer treats the person as an independent contractor and/or reports his or her compensation from the Employer on any type of Form 1099 or any successor form thereto) shall not be considered a Covered Employee for purposes of this Plan even if a court or administrative agency determines that such individual is a common law employee of the Employer.

1.10.3 Also notwithstanding the provisions of Section 1.10.1 above, none of the following individuals shall be considered a "Covered Employee" for purposes of the Plan: (1) a director of the Employer who is not employed by the Employer in any other capacity; (2) except where Federated has otherwise agreed, any person whose compensation is paid by the Employer for the lessee of a leased department in a store operated by the Employer; (3) any person who is stationed outside the United States from the time he or she first becomes employed by the Employer or who receives his or her Compensation in foreign currency; (4) any person whose compensation consists solely of a retainer or fee; or (5) any person who is represented by a collective bargaining unit unless a collective bargaining agreement between the authorized representatives of such collective bargaining unit and the Employer approves such person's eligibility to participate in plans both (x) which are qualified as tax-favored plans under Section 401(a) of the Code and (y) the sponsor (as such term is defined in ERISA) of which is the Employer.

1.10.4 Also, subject to the following provisions of this Section 1.10.4 but notwithstanding the provisions of Section 1.10.1 above, unless included in the Plan by action of the Board or pursuant to an applicable collective bargaining agreement, a "Covered Employee" for purposes of the Plan shall not include any person who is a participant, eligible for participation, or in the process of qualifying for participation in any other defined contribution plan (within the meaning of Section 414(i) of the Code) which qualifies under Section 401(a) of the Code and the cost of which is borne, in whole or in part, by any Associated Employer. However, a person who otherwise qualifies as a "Covered Employee" under the other provisions of this Section 1.10 shall not be considered other than a "Covered Employee" merely because of his or her participation in another plan if such participation relates solely to employment which preceded the date on which he or she would otherwise become a Participant under the Plan and the person's benefits under such other plan relate solely to contributions made with respect to such past service.

1.10.5 Further, when any corporation which is part of the Employer at any point in time later loses its status as being part of the Employer (because it no longer is part of a controlled group of corporations which includes Federated or because of any other reason), all persons who are

considered “Covered Employees” under this Plan solely by reason of their employment by such corporation immediately prior to such corporation losing its status as part of the Employer shall no longer be considered “Covered Employees” under this Plan upon such corporation’s loss of Employer status.

1.11 Effective Amendment Date — means the effective date of this amendment and restatement of the Plan, which is April 1, 1997.

1.12 Employee — means any person who either (1) is employed as a common law employee of an Associated Employer (i.e., a person whose work procedures are subject to control by an Associated Employer), including any such person who is absent from active service with an Associated Employer by reason of a leave of absence approved by the Associated Employer, or (2) is a Leased Employee. An individual who is otherwise considered an Employee under the foregoing provisions of this Section 1.12 shall not be considered to have ceased to be an Employee merely because his or her active services for the Employer have been limited or ended where the individual continues to receive ongoing, systematic pay from the Employer (including when such pay is given by reason of accrued vacation pay, pay for his or her final pay periods, payments required by an employment contract for a specific term, or a similar factor) or because he or she is on a Leave of Absence.

1.13 Employer — means, except as is otherwise provided in this Section 1.13, each corporation which is a member of a controlled group of corporations (within the meaning of Section 414(b) of the Code) which includes Federated and each other corporation, partnership, or other organization which is part of a group of trades or businesses under common control (within the meaning of Section 414(c) of the Code) with Federated. Except where the context otherwise is clear, any reference to the Employer in this Plan shall be deemed to be referring collectively to all of the corporations, partnerships, and other organizations which comprise the Employer. Notwithstanding the foregoing, the following provisions of this Section 1.13 apply in determining the corporations, partnerships, and other organizations that comprise the Employer for purposes of the Plan:

1.13.1 Any corporation, partnership, or other organization (for purposes of this Section 1.12.1, an “acquired company”) that first becomes a member of a controlled group of corporations (within the meaning of Section 414(b) of the Code) which includes Federated or a part of a group of trades or businesses under common control (within the meaning of Section 414(c) of the Code) with Federated after the Effective Amendment Date as a result of the acquisition by Federated and/or another member of the Employer of the stock or interests of the acquired company or substantially all of the assets of a trade or business previously operated by another organization shall not be considered a part of the Employer unless and until the first date as of which both (1) the agreements by which such stock, interests, or assets were acquired by Federated and/or another member of the Employer do not require that the employees of the acquired company be eligible to actively participate in another defined contribution plan (within the meaning of Section 414(i) of the Code) maintained by the acquired company or another

Affiliated Employer (and do not otherwise prohibit the employees of the acquired company from participating in the Plan) and (2) Federated has taken such actions (such as, but not necessarily limited to, the providing of enrollment forms and notices) so as to permit employees of the acquired company to begin participating in the Plan as of such date.

1.13.2 Consistent with the provisions of Section 1.13.1 above, Fingerhut Companies, Inc. (for purposes of this Section 1.13.2 and together with any corporate successor thereto, "Fingerhut"), the stock of which was acquired by Federated as of March 18, 1999, and Fingerhut's subsidiaries shall not, for any date that occurs on or after March 18, 1999 and prior to the first date as of which both of the conditions set forth in clauses (1) and (2) of Section 1.13.1 above are met, be considered a part of the Employer for purposes of the Plan. For purposes hereof, a "subsidiary" of Fingerhut means any corporation, partnership, or other organization other than Fingerhut which is in a chain of corporations, partnerships, and/or other organizations that begins with Fingerhut and in which at least 80% of the voting interests in such corporation, partnership, or other organization in such chain (other than Fingerhut) is owned by Fingerhut or another corporation, partnership, or other organization in such chain.

1.14 ERISA — means the Employee Retirement Income Security Act of 1974 and the sections thereof, as such law and sections exist as of the Effective Amendment Date or may thereafter be amended or renumbered.

1.15 Federated — means Federated Department Stores, Inc., or any corporate successor thereto. Federated is the sponsor of this Plan.

1.16 Highly Compensated Employee — means, with respect to any Plan Year (for purposes of this Section 1.16, the "subject Plan Year"), any person who is a highly compensated employee (within the meaning of Section 414(q) of the Code) for the subject Plan Year, in accordance with the following rules:

1.16.1 Under the provisions of Code Section 414(q) as in effect on the Effective Amendment Date, subject to any subsequent changes to such Code Section, a person shall be considered as a highly compensated employee for the subject Plan Year if he or she an Employee during at least part of such Plan Year and (1) was at any time a 5% owner (as defined in Section 416(i)(1) of the Code) of any Associated Employer during the subject Plan Year or the immediately preceding Plan Year (for purposes of this Section 1.16, the "look-back Plan Year") or (2) received Compensation in excess of $80,000 in the look-back Plan Year (except that, if the look-back Plan Year begins before January 1, 1998, a person's "Compensation" for such look-back Plan Year shall for purposes of this Section 1.16 be deemed to exclude all of the items described in clause (2) of Section 1.9 above).

1.16.2 The $80,000 amount set forth in Section 1.16.1 above shall be adjusted for each Plan Year beginning after the Effective Amendment Date in accordance with the adjustment to

such amount made by the Secretary of the Treasury or his or her delegate under Section 414(q)(1) of the Code.

1.16.3 Finally, a person shall be considered a highly compensated employee for the subject Plan Year under the provisions of Code Section 414(q) as in effect on the Effective Amendment Date if he or she separated from service (or was deemed to have separated from service under Treasury regulations issued under Section 414(q) of the Code) prior to the subject Plan Year, if he or she performs no services for the Employer during the subject Plan Year, and if he or she was considered a highly compensated employee under the provisions of Code Section 414(q) for either the Plan Year in which he or she separated from service (or was deemed to have separated from service) or any Plan Year ending on or after the person's 55th birthday.

1.17 Investment Fund — means one of the separate commingled investment funds established under the Trust which are used for the investment of assets of the Plan. The specific Investment Funds used for the Plan are described in the subsequent provisions of the Plan.

1.18 Leased Employee — means any person who is a leased employee (within the meaning of Section 414(n) of the Code) of an Associated Employer. Under Code Section 414(n), subject to any subsequent changes to such Code Section, a leased employee is an individual who provides services to a recipient, in a capacity other than as a common law employee of the recipient, in accordance with each of the following three requirements: (1) the services are provided pursuant to an agreement between the recipient and one or more leasing organizations; (2) the individual has performed such services for the recipient on a substantially full-time basis for a period of at least one year; and (3) such services are performed under the primary direction or control by the recipient. The determination of who is a Leased Employee shall be consistent with any regulations issued under Section 414(n) of the Code.

1.19 Leave of Absence — means, with respect to an Employee, any period of the Employee's absence from service with an Associated Employer which does not constitute a quit, retirement, or discharge under any uniform and nondiscriminatory personnel policy of the Associated Employer which applies to the class of Employees to which such Employee belongs. A Leave of Absence shall in any event include an absence of the Employee from service for maternity or paternity reasons. An absence for "maternity or paternity reasons" means an absence from service (1) by reason of the pregnancy of the Employee, (2) by reason of the birth of a child of the Employee, (3) by reason of the placement of a child with the Employee in connection with the adoption of such child by the Employee, or (4) for purposes of caring for such child for a period immediately following such birth or placement. An Employee shall be treated as still being an Employee for purposes of the Plan while on a Leave of Absence, but he or she shall be treated as having terminated his or her employment with the Employer at the end of any Leave of Absence unless at such time he or she returns to service with an Associated Employer or is granted by an Associated Employer an extension of the approved leave of absence period.

1.20 Non-Highly Compensated Employee — means, with respect to any Plan Year, any person who is an Employee during at least part of such Plan Year and who is not a Highly Compensated Employee with respect to such Plan Year.

1.21 Normal Retirement Age — means, with respect to any Participant, the later of: (1) the date the Participant first reaches age 65; or (2) the fifth annual anniversary of the date the Participant first becomes a Participant in the Plan. A Participant shall be fully vested in his or her Accounts if, while an Employee, he or she attains the date which would be his or her Normal Retirement Age under this Section 1.20.

1.22 Participant — means, at any relevant time, any person who at such time either is eligible to actively participate in the Plan or still has accrued benefits held under the Plan. Except as may otherwise be provided in Section 4.6 below, the provisions of Section 3 below determine when a person is a Participant on or after the Effective Amendment Date.

1.23 Plan — means the Federated Department Stores, Inc. Profit Sharing 401(k) Investment Plan, as currently set forth in this document and as may be amended hereinafter. In addition, any reference to the "Plan" contained in this document also refers to all defined contribution plans which preceded and were continued by this current version of the Plan or any such other preceding plan, and any defined contribution plans which are or were merged into or have or had assets and liabilities directly transferred to this Plan as currently constituted or any of such other preceding plans, with all such other preceding and merged or transferred plans being referred to herein as the "Prior Plans." The provisions of the Prior Plans are hereby incorporated by reference in this document to the extent necessary to apply any provision of this document. In this regard, the Prior Plans include, but are not limited to, the Federated Department Stores, Inc. Retirement Income and Thrift Incentive Plan as in effect prior to the Effective Amendment Date (for purposes of this Section 1.23, the "prior Federated Savings Plan"), the Broadway Stores Inc. 401(k) Savings and Investment Plan (which was merged into the prior Federated Savings Plan as of March 31, 1997), the R.H. Macy & Co., Inc. Savings Plan (which was merged into the prior Federated Savings Plan as of March 31, 1997), and the Federated Savings Plan for Employees of Lazarus PA, Inc. (which was merged into the prior Federated Savings Plan as of March 31, 1997).

1.24 Plan Administrator — means Federated.

1.25 Plan Year — means the calendar year.

1.26 Savings Agreement — means, with respect to a Participant and for any specified period that the agreement is in effect, any agreement enrolled in (or deemed enrolled in under the provisions of the Plan) by the Participant and under which the Participant elects (or is deemed to elect) that his or her Covered Compensation for the specified period is to be reduced on a pre-tax basis and/or after-tax basis (in 1% increments up to 15%) or that no part (0%) of his or her Covered Compensation is to be reduced on either a pre-tax or after-tax basis. Any Savings Agreement is subject to the following provisions:

1.26.1 In no event may a Participant's Covered Compensation for any specified period be reduced on either a pre-tax or after-tax basis or on an aggregate basis by more than 15% pursuant to a Savings Agreement. The Committee may, in order to make it easier for the Plan to meet the limits set forth in Sections 4A and 5A below, further restrict the amount by which any Participant who is then believed to be a Highly Compensated Employee may have his or her Covered Compensation reduced on either a pre-tax or after-tax basis or on an aggregate basis for a specified period pursuant to a Savings Agreement to some lower percent.

1.26.2 Also, in no event may a Participant's Covered Compensation be reduced on a pre-tax basis for any calendar year by more than $9,500 (or any higher amount to which this figure is adjusted by the Secretary of the Treasury or his or her delegate for such calendar year pursuant to Section 402(g) of the Code).

1.26.3 Except as is otherwise provided in Sections 1.26.4, 1.26.5, and 1.26.6 below, a Savings Agreement or amended Savings Agreement must be affirmatively enrolled in by a Participant on a form prepared or approved for this purpose by the Committee and filed with a Plan representative, by a communication to a Plan representative under a telephonic system approved by the Committee, or under any other method approved by the Committee, with the specific method or methods to be used to be chosen in its discretion by the Committee. The Committee may choose different methods to apply to Participants in different situations (e.g., requiring a form to be used for new Participant but a telephonic system to be used for other Participants). Regardless of what method is to be used for a Participant, if the Participant properly enrolls in a Savings Agreement or amends such an agreement under the method for doing so which applies to him or her and the type of election he or she is making, for all other provisions of the Plan he or she will be deemed to have "filed" with a Plan representative such agreement or amendment on the day he or she completes all steps required by such method to enter into such agreement or amendment. Any Savings Agreement or amendment of a Savings Agreement which is made by a Participant pursuant to the provisions of this Section 1.26.3 shall become effective as of the first date after such agreement or amendment is filed with a Plan representative on which the Committee can reasonably put such agreement or amendment into effect.

1.26.4 Any election made by a Participant who first becomes a Participant in the Plan prior to January 1, 1999, and who does not otherwise affirmatively enroll in a Savings Agreement that becomes effective pursuant to the provisions of Section 1.26.3 above by the first date on which he or she is entitled to receive Compensation from the Employer (for purposes of this Section 1.26.4, the Participant's "first pay day"), shall be deemed to have automatically enrolled in a Savings Agreement under which no part (0%) of the Participant's Covered Compensation is to be reduced on a pre-tax or after-tax basis. Such initially deemed Savings Agreement shall become effective on the Participant's first pay day.

1.26.5 Any Participant who first becomes a Participant in the Plan on or after January 1, 1999, and who does not otherwise affirmatively enroll in a Savings Agreement that

becomes effective pursuant to the provisions of Section 1.26.3 above by the first date on which he or she is entitled to receive Compensation from the Employer (for purposes of this Section 1.26.5, the Participant's "first pay day"), shall be deemed to have automatically enrolled in a Savings Agreement under which 3% of the Participant's Covered Compensation is reduced on a pre-tax basis and under which 0% of his or her Covered Compensation is reduced on an after-tax basis, with such initially deemed Savings Agreement becoming effective on the Participant's first pay day, provided that (1) he or she receives a notice from the Employer explaining his or her rights to elect to have no or a different percent of his or her Covered Compensation reduced on a pre-tax basis under the Plan by affirmatively enrolling in a Savings Agreement pursuant to the provisions of Section 1.26.3 above and, after receiving such notice, (2) he or she is given a reasonable period before the Participant's first pay day to make such an election. If such conditions are not met, then such Participant shall be deemed to have automatically enrolled in a Savings Agreement, to be effective as of the Participant's first pay day, under which no part (0%) of the Participant's Covered Compensation is to be reduced on a pre-tax or after-tax basis.

1.26.6 Any Participant who is reinstated as an active Participant in the Plan (pursuant to Section 3.4 below) after having previously been an active Participant in the Plan, and when the Savings Agreement that had been in effect for the Participant on the latest date he or she last previously had been an active Participant no longer is in effect, and who does not otherwise affirmatively enroll in a Savings Agreement that becomes effective pursuant to the provisions of Section 1.26.3 above by the first date after such reinstatement that the Participant is entitled to receive Compensation from the Employer (for purposes of the Section 1.26.6, the Participant's "first post-reinstatement pay day"), shall be deemed to have automatically enrolled in a Savings Agreement under which no part (0%) of the Participant's Covered Compensation is to be reduced on a pre-tax or after-tax basis. Such deemed Savings Agreement shall become effective on the Participant's first post-reinstatement pay day.

1.26.7 Any Savings Agreement or amended Savings Agreement that becomes effective for a Participant under any of the foregoing provisions of this Section 1.26 shall remain in effect until the earlier of (1) the date the next amended Savings Agreement enrolled in by the Participant pursuant to the provisions of Section 1.26.3 above becomes effective or (2) the expiration of a reasonable administrative period after the Participant ceases to be an Employee. The reasonable administrative period referred to in clause (2) of the immediately preceding sentence shall be set by the Committee in order to permit the Plan a reasonable period of time to render the applicable Savings Agreement ineffective and generally will last for no more than 60 days after the Participant ceases to be an Employee.

1.27 Spouse — means, with respect to an Employee and at any relevant time, the Employee's husband or wife who is recognized as such under the laws of the State in which the Employee resides at such time.

1.28 Total Disability or Totally Disabled — means or refers, with respect to any Participant, to the Participant's permanent and continuous mental or physical inability by reason of injury,

disease, or condition to meet the requirements of any employment for wage or profit. A Participant shall be deemed to be disabled for purposes of this Plan only when both of the following two requirements are met. First, a licensed physician or psychiatrist must provide to the Plan a written opinion that the Participant is totally disabled as that term is defined above. Second, the Participant must be eligible for and receive total disability benefits under Section 223 of the Federal Social Security Act, as amended, or any similar or subsequent section or act of like intent or purpose (unless the Committee determines, based on the written opinion of a licensed physician or psychiatrist provided the Committee pursuant to the immediately preceding sentence, that the Participant would be likely to qualify for such total disability benefits if he or she survived a sufficient amount of time to be processed for and receive such benefits but that he or she is also likely to die before he or she would otherwise be determined by the Social Security Administration or other applicable government agency to qualify for or to receive such benefits).

1.29 Trust — means the trust agreement used from time to time as the funding media for the Plan. The Trust is hereby deemed a part of this Plan.

1.30 Trustee — means the person or entity serving from time to time as the Trustee under the Trust.

1.31 Trust Fund — means the trust fund established in accordance with the Trust.

SECTION 2

SERVICE DEFINITIONS AND RULES

2.1 Service Definitions. For purposes of the Plan, the following terms related to service shall have the meanings hereinafter set forth unless the context otherwise requires:

2.1.1 Break-in-Service — means, with respect to an Employee, any period which meets the following conditions:

(a) The Employee shall be considered to have incurred a Break-in-Service for any Plan Year which ends after the Effective Amendment Date and for which the Employee is credited with not more than 500 Hours of Service.

(b) If the Employee participated in a Prior Plan before the Effective Amendment Date, the Employee shall also be considered to have incurred a Break-in-Service for any twelve month period which occurs prior to January 1, 1997 to the extent that the provisions of the Prior Plan in which he or she last actively participated prior to January 1, 1997 treated such period as a break-in-service of the Employee as of December 31, 1996.

2.1.2 Eligibility Service — means, with respect to an Employee, the Employee's period of service with the Associated Employers to be taken into account for purposes of determining his or her eligibility to become a Participant in the Plan, computed as follows:

(a) An Employee who completes at least 1,000 Hours of Service during the twelve consecutive month period commencing on his or her Employment Date shall be credited with one year of Eligibility Service at the end of such twelve consecutive month period.

(b) Further, an Employee who fails to complete at least 1,000 Hours of Service during the twelve consecutive month period commencing on his or her Employment Date shall be credited with one year of Eligibility Service at the end of the first Plan Year commencing after such Employment Date during which he or she completes at least 1,000 Hours of Service.

(c) For an Employee who both (1) ceases to be an Employee prior to completing at least 1,000 Hours of Service in a computation period described in paragraph (a) or (b) above, and (2) suffers a Break-in-Service before being subsequently reemployed by an Associated Employer, his or her service with the Associated Employers prior to his or her reemployment shall be disregarded in determining the Eligibility Service he or she needs under the Plan to become a Participant (and his or her Reemployment Date shall be treated as if it were his or her Employment Date for such purposes).

2.1.3 Employment Date — means, with respect to an Employee, the date on which the Employee first performs an Hour of Service.

2.1.4 Hour of Service — means, with respect to an Employee, each hour for which the Employee: (1) is paid, or is entitled to payment, for the performance of duties as an Employee; (2) is directly or indirectly paid, or is entitled to payment, for a period of time (without regard to whether the employment relationship is terminated) when he or she performs no duties as an Employee due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty, or leave of absence; or (3) is paid for any reason in connection with his or her employment as an Employee an amount as "back pay," irrespective of mitigation of damages. The crediting of Hours of Service to an Employee under the Plan shall also be subject to the following provisions:

(a) Notwithstanding the foregoing provisions of this Section 2.1.4, an Hour of Service shall not be credited to an Employee on account of a payment which solely reimburses such Employee for medical, or medically related, expenses incurred by or on behalf of the Employee.

(b) Also, subject to the other provisions of this Section 2.1.4, Hour of Service credit shall be calculated in accordance with paragraphs (b) and (c) of 29 C.F.R. Section 2530.200b-2 of the Department of Labor Hour of Service Regulations, which paragraphs are hereby incorporated by reference into this Plan.

(c) Any Employee who is exempt from the minimum wage and overtime pay requirements of the Federal Fair Labor Standards Act, and as to whom records of actual hours worked are thereby not needed to be kept for such purposes, shall be credited with: (1) if the period on which such Employee is paid is a week (or a multiple of a week), 45 Hours of Service for each week included in each such period for which he or she would be credited with at least one Hour of Service under the other provisions of this Section 2.1.4; (2) if the period on which such Employee is paid is a semi-monthly period, 95 Hours of Service for each such semi-monthly payroll period for which he or she would be credited with at least one Hour of Service under the other provisions of this Section 2.1.4; or (3) if the period on which such Employee is paid is a month (or a multiple of a month), 190 Hours of Service for each month included in each such period for which he or she would be credited with at least one Hour of Service under the other provisions of this Section 2.1.4.

(d) Hours of Service to be credited to an Employee in connection with each period (1) which is of no more than 31 days, (2) which begins on the first day of a pay period for the Employee (for purposes of this paragraph (d), the "initial pay period"), (3) which ends on the last day of the Employee's pay period which includes the pay day for the initial pay period, and (4) which overlaps two computation periods or occurs in a month which overlaps two computation periods shall be credited on behalf of the Employee to the computation period in which falls the first day of the month during which the pay day for the initial pay period occurs.

2.1.5 Reemployment Date — means, with respect to an Employee who has previously incurred a Break-in-Service, the first day after the Employee's most recent Break-in-Service on which the Employee performs an Hour of Service.

2.1.6 Six-Year Break-in-Service — means, with respect to an Employee who has ceased to be an Employee of the Employer, a period of six or more Breaks-in-Service which is not interrupted by any period which is not included in a period of a Break-in-Service.

2.1.7 Vesting Service — means, with respect to a Participant, the Participant's service with the Associated Employers which is taken into account under the Plan for vesting purposes (i.e., for purposes of determining the Participant's nonforfeitable percentage of the Participant's Accounts under the Plan), computed as follows:

(a) The Participant shall be credited with one year of Vesting Service for each Plan Year which ends after the Effective Amendment Date and for which the Participant is credited with at least 1,000 Hours of Service.

(b) The Participant shall also be credited with years of Vesting Service equal to the number of years of vesting service he or she was credited with as of March 31, 1997 under the terms (as then in effect) of the Prior Plans in which he or she participated prior to the Effective Amendment Date (taking into account the provisions of each such Prior Plan for determining vesting service, including each such plan's provisions concerning breaks-in-service). In no event, however, shall any period which occurs prior to the Effective Amendment Date be counted more than once in determining the Participant's years of Vesting Service.

(c) Notwithstanding the foregoing, any Vesting Service completed by the Participant prior to a Six-Year Break-in-Service of the Participant which ends after the Effective Amendment Date shall be disregarded under the Plan if the Participant did not have a nonforfeitable interest in any retirement benefit under the Plan at the time such Break-in-Service began.

(d) As a special rule, if on March 31, 1997 the Participant was a participant in a Prior Plan which generally determined vesting service under the "elapsed time" approach described in Treas. Reg. Section 1.410(a)-7, then the Participant shall, in determining whether he or she is credited with a year of Vesting Service for the Plan Year which ends on December 31, 1997, be credited with Hours of Service for the period of the first calendar quarter of 1997 in accordance with the provisions of Section 2.1.4 above (whether or not the Participant is exempt from the minimum wage and overtime pay requirements of the Federal Fair Labor Standards Act).

2.2 Special Credited Employment.

2.2.1 For purposes of the Plan and except as is otherwise provided in the following provisions of this Section 2.2.1, if at any time (for purposes of this Section 2.2.1, the "acquisition time") that occurs after the Effective Amendment Date a corporation, partnership, or other organization (for purposes of this Section 2.2.1, the "selling company") either (1) becomes an Associated Employer by reason of its stock or interests being purchased by one or more Associated Employers, (2) has substantially all of the assets of one or more of its trades or businesses acquired by one or more Associated Employers, or (3) has a facility, leased department, or other specific function it previously operated acquired or otherwise assumed by one or more Associated Employers (with, for purposes of this Section 2.2.1, each of the events described in clauses (1), (2), and (3) herein referred to as an "acquisition"), then any person who is classified by the selling company as an employee of the selling company immediately prior to the acquisition time (for purposes of this Section 2.2.1, an "acquisition employee") and who at the acquisition time becomes an employee of an Associated Employer in connection with the acquisition shall have his or her years of service with the selling company prior to the acquisition time (for purposes of this Section 2.2.1, "pre-acquisition years") be considered years of Eligibility Service and Vesting Service of the acquisition employee under this Plan if they would have been so considered under Section 2.1.2 or 2.1.7 above (as appropriate) had such pre-acquisition years been completed with an Associated Employer and if (but only if) either (1) Federated provides, by appropriate corporate action exercised in a uniform and nondiscriminatory manner, that any such pre-acquisition years of the acquisition employee will be credited as Eligibility Service and/or Vesting Service of the acquisition employee under this Plan or (2) the agreements by which the acquisition is effected by one or more Associated Employers indicate that any such pre-acquisition years of the acquisition employee will be credited as Eligibility Service and/or Vesting Service of the acquisition employee.

2.2.2 In addition, any period of service of an Employee with the armed forces of the United States shall be credited as Eligibility Service and/or Vesting Service to the extent required by Federal law.

2.3 Associated Employment. As is indicated throughout this Plan and in any event notwithstanding any other provision of the Plan to the contrary:

2.3.1 Any period of a person as an Employee (regardless of whether or not he or she is a Covered Employee) shall, regardless of whether occurring prior to or after employment as a Covered Employee, be considered for purposes of crediting years of Eligibility Service and Vesting Service under this Plan to such person, determining if and when such person has incurred a Break-in-Service, and otherwise determining if and when such person has a vested right to a benefit under the Plan (but not for purposes of determining the amount of such benefit).

2.3.2 Further, a transfer of status from that of being a Covered Employee to that of being an Employee who is not a Covered Employee shall not be considered a termination of

employment from the Associated Employers for purposes of determining when the benefit of this Plan due a Participant, if any, is to be or begin to be distributed, when elections as to the form in which the Participant's benefit under the Plan are to be filed, or whether the lump sum value of such benefit is low enough so that such benefit is automatically to be paid in a lump sum form; rather, such termination of employment shall be deemed to occur only upon the Participant's later termination of status as an Employee.

2.3.3 In addition, any person who during any Plan Year is an Employee (regardless of whether or not he or she is a Covered Employee) shall be considered, and any compensation received in any such capacity during such Plan Year shall (if determined under the same principles as are set forth at Section 1.8 above) be considered as Compensation, for purposes of determining the persons who are the Highly Compensated Employees for such or any other Plan Year.

2.3.4 Also, any compensation received during a period by a person in the capacity of being an Employee (regardless of whether or not he or she is a Covered Employee) shall (if determined in accordance with the definition of compensation that is used under any of the below-named Plan Sections when being considered under such Plan Section) be considered as compensation of his or hers for such period for purposes of Section 4A below (which provides Average Actual Deferral Percentage Limits), Section 5A below (which provides Average Actual Contribution Percentage limits), Section 6A below (which provides maximum annual addition limits), and Section 14 below (which provides top heavy plan rules).

2.3.5 Finally, except as is otherwise expressly provided in this Plan or by Federated pursuant to express authorization provided in this Plan (including but not limited to Sections 4A, 5A, 6A, and 14 below), any period during which a person is an Employee but not a Covered Employee, and any compensation or remuneration received for any such period, shall not be used in any manner in calculating the amount of any benefit or contributions to which the person is entitled under this Plan.

SECTION 3

ELIGIBILITY AND PARTICIPATION

3.1 Eligibility for Participation. Persons shall remain or become Participants in the Plan only in accordance with the following provisions:

3.1.1 Any person who was a Participant in the Plan prior to the Effective Amendment Date shall be a Participant in this Plan as of the first date that is on or after the Effective Amendment Date and on which he or she is a Covered Employee.

3.1.2 Further, each other person who, as of any Entry Date which occurs on or after the Effective Amendment Date, (1) has completed at least one year of Eligibility Service, (2) has attained at least age 21, and (3) is a Covered Employee shall become a Participant as of such Entry Date. Notwithstanding the foregoing, if a person would become a Participant as of any Entry Date under the foregoing provisions of this Section 3.1.2 but for the fact he or she is not a Covered Employee, and he or she subsequently becomes a Covered Employee, such person shall be deemed a Participant in the Plan on the date he or she so subsequently becomes a Covered Employee.

3.2 Entry Date. For purposes of the Plan and Section 3.1 above in particular, an "Entry Date" means the first day of any calendar month.

3.3 Duration of Participation.

3.3.1 Each Participant in the Plan shall continue to be a Participant until he or she is no longer entitled to receive Covered Compensation and the entire balance in his or her Accounts under the Plan has been distributed or forfeited hereunder.

3.3.2 However, notwithstanding the foregoing, a Participant shall be eligible to enter into or continue a Savings Agreement to the extent allowed under Section 4 below only while he or she is considered an active Participant. For this purpose and all other purposes of the Plan (and in particular for purposes of Sections 3.4 and 4 below), a person is an "active Participant" for any period only if both he or she is a Participant during such period and the person is entitled to receive Covered Compensation for such period.

3.4 Reinstatement of Participation. Any person who ceases to be an active Participant, but who is thereafter reemployed as a Covered Employee by the Employer, shall be reinstated as an active Participant as of the date on which he or she next completes an Hour of Service on or after such reemployment.

SECTION 4

SAVINGS AND ROLLOVER CONTRIBUTIONS

4.1 Effective Date of Savings Agreement.

4.1.1 Any person who continues as an active Participant in the Plan as of the Effective Amendment Date pursuant to Section 3.1.1 above shall have the Savings Agreement that was in effect for him or her as of the date immediately preceding the Effective Amendment Date still be effective as of the Effective Amendment Date, unless he or she amends or suspends such Savings Agreement under the provisions of Section 4.2 below effective as of such date.

4.1.2 In addition, any person who becomes an active Participant in the Plan on or after the Effective Amendment Date pursuant to Section 3.1.2 above shall have a Savings Agreement take effect as of the first date that occurs on or after the date he or she first becomes a Participant and on which he or she is entitled to receive Covered Compensation from the Employer. Such Savings Agreement shall be determined under the provisions of Section 1.26 above.

4.1.3 Also, any person who is reinstated as an active Participant pursuant to Section 3.4 above after his or her Savings Agreement that was in effect as of the latest date on which he or she was an active Participant is no longer effective shall have a Savings Agreement take effect as of the first date that occurs on or after the date he or she is so reinstated as an active Participant and on which he or she is entitled to receive Covered Compensation from the Employer. Such Savings Agreement shall be determined under the provisions of Section 1.26 above.

4.2 Amendment and Termination of Savings Agreement.

4.2.1 An active Participant may amend his or her then effective Savings Agreement in any manner (e.g., by amending the percent of future Covered Compensation subject to such agreement, changing the portion of his or her Savings Contributions which are to be made on a pre-tax basis and/or an after-tax basis, or suspending altogether his or her Savings Contributions) and at any time by filing an amended Savings Agreement with a Plan representative pursuant to the provisions of Section 1.26.3 above. As is indicated in Section 1.26.3 above, such amended Savings Agreement shall become effective as of the first date after such amended Savings Agreement is so filed on which the Committee can reasonably put such amended agreement into effect.

4.2.2 As is also indicated in Section 1.26.7 above, any Savings Agreement or amended Savings Agreement that becomes effective as to a Participant under the Plan shall no longer be effective as to the Participant as of the earlier of (1) the date the next amended Savings Agreement enrolled in by the Participant pursuant to the provisions of Section 1.26.3 above becomes effective or (2) the expiration of a reasonable administrative period after the Participant ceases to be a Covered Employee. As is also provided in Section 1.26.7 above, the reasonable administrative

period referred to in clause (2) of the immediately preceding sentence shall be set by the Committee in order to permit the Plan a reasonable period of time to render the applicable Savings Agreement ineffective and generally will last for no more than 60 days after the Participant ceases to be a Covered Employee.

4.3 Savings Contributions. Subject to the other provisions of the Plan, the Employer shall contribute to the Trust, on behalf of each active Participant who has a Savings Agreement in effect, those contributions called for under such Savings Agreement, if any. Such contributions are described in this Plan as "Savings Contributions." Savings Contributions applicable to any Participant shall be remitted by the Employer to the Trust, and allocated to the Participant's Accounts, as soon as administratively practical. For purposes of allocating Matching Contributions under the subsequent provisions of the Plan, any Savings Contributions shall be deemed to be made for the pay day to which such contributions relate and for the Plan Year during which such pay day occurs. Savings Contributions shall be made in cash and shall not be dependent on net or accumulated profits of the Employer.

4.4 Pre- and After-Tax Nature of Savings Contributions.

4.4.1 Any active Participant who enters into a Savings Agreement or amended Savings Agreement under the Plan shall specify in such agreement the portion of the Savings Contributions resulting from such agreement which shall be considered under this Plan as "Pre-Tax Savings Contributions" and the portion of such Savings Contributions which shall be considered "After-Tax Savings Contributions." (The Committee may, in order to make it easier for the Plan to meet the limits set forth in Sections 4A and 5A below, restrict the maximum amount of the Savings Contributions applicable to an active Participant who is then believed to be a Highly Compensated Employee which may be specified by the Participant as Pre-Tax Savings Contributions, as After-Tax Savings Contributions, or as Pre-Tax and After-Tax Savings Contributions in the aggregate for any period to some percent of his or her Covered Compensation for such period which is less than the maximum percent of Covered Compensation he or she is otherwise permitted to elect to have contributed as Savings Contributions on his or her behalf for such period.)

4.4.2 For purposes of the Plan, any Savings Contributions applicable to an active Participant which are designated by the Participant as Pre-Tax Savings Contributions shall be contributed to the Plan prior to the Participant being deemed in receipt of such amounts for Federal income tax purposes and shall thereby be considered to have been contributed on a "pre-tax" basis.

4.4.3 Further, for purposes of the Plan, any Savings Contributions applicable to an active Participant which are designated by the Participant as After-Tax Savings Contributions shall be contributed to the Plan after the Participant is deemed in receipt of such amounts for Federal income tax purposes and shall thereby be considered to have been contributed on an "after-tax" basis.

4.5 Savings Contributions Eligible for Match. For purposes of determining the extent to which the Employer shall make Matching Contributions under Section 5 below, certain Savings Contributions made on behalf of an active Participant for any Plan Year are deemed to be "Basic Savings Contributions" which are used to help determine the amount of Matching Contributions for such Plan Year, and certain of such Savings Contributions are deemed to be "Additional Savings Contributions" which are not used to determine the amount of Matching Contributions for such Plan Year. For this purpose, the portion of the Savings Contributions made on behalf of an active Participant for any Plan Year are deemed to be Basic Savings Contributions or Additional Savings Contributions in accordance with the following rules:

4.5.1 Any such Savings Contributions which are made for a pay day which occurs on or after the Effective Amendment Date and designated by the Participant as Pre-Tax Savings Contributions shall be deemed to be Basic Savings Contributions for the Plan Year in which such pay day occurs (for purposes of this Section 4.5.1, the "subject Plan Year") to the extent they do not exceed 5% of the Participant's Covered Compensation for the subject Plan Year (or, if the subject Plan Year is the Plan Year in which the Effective Amendment Date occurs, for the portion of such Plan Year that begins on the first day of the fourth calendar month of such Plan Year and ends on the last day of such Plan Year) and shall be deemed to be Additional Savings Contributions for the subject Plan Year to the extent they do exceed 5% of the Participant's Covered Compensation for the subject Plan Year (or, if the subject Plan Year is the Plan Year in which the Effective Amendment Date occurs, for the portion of such Plan Year that begins on the first day of the fourth calendar month of such Plan Year and ends on the last day of such Plan Year).

4.5.2 Any such Savings Contributions which are made for a pay day which occurs on or after the Effective Amendment Date and designated by the Participant as After-Tax Savings Contributions shall be deemed to be Additional Savings Contributions.

4.5.3 In addition, any savings contributions made on behalf of the Participant with respect to any pay day which occurs on or after January 1, 1997 and prior to the Effective Amendment Date shall be deemed to be Basic Savings Contributions for the Plan Year which ends December 31, 1997 to the extent such contributions would have been used to determine matching contributions for such Plan Year under the Prior Plan in which the Participant was participating on such pay day (if such Prior Plan had continued in effect and if for this purpose such Plan Year had ended on the day immediately preceding the Effective Amendment Date) and shall be deemed to be Additional Savings Contributions for the Plan Year which ends December 31, 1997 to the extent they would not have been used to determine matching contributions for such Plan Year under such Prior Plan (if such Prior Plan had continued in effect and if for this purpose such Plan Year had ended on the day immediately preceding the Effective Amendment Date).

4.6 Rollover Contributions. A Covered Employee may, whether or not he or she is yet a Participant in the Plan under the provisions of Section 3 above, cause any distribution applicable to him or her from another plan which he or she certifies is an eligible rollover distribution (within the meaning of Section 402(c) of the Code) to be paid directly from such other plan to this Plan pursuant

to the terms of Section 401(a)(31) of the Code, (1) provided that the Committee receives a written notice from the plan administrator of such other plan that the other plan has received a determination letter from the Internal Revenue Service concluding that the other plan is qualified as a tax-favored plan under Section 401(a) of the Code or that the other plan is intended to be such a tax-favored plan and either is intending to obtain such determination letter or is not required under applicable Internal Revenue Service rules to obtain such a determination letter, and (2) provided that the Committee has no information which shows that such payment is other than an eligible rollover contribution under Section 402(c) of the Code. Any such payment to the Plan shall be referred to as a "Rollover Contribution" under the Plan. If a Covered Employee makes a Rollover Contribution to the Plan but is not a Participant in the Plan under the provisions of Section 3 above, he or she shall still be considered a Participant under the other provisions of the Plan to the extent such other provisions concern the establishment of an Account to reflect such contribution, the investment, crediting of Plan earnings and losses, loaning, withdrawing, and distribution of such Account, and the administration of the Plan with respect to such Account, but he or she shall not be considered a Participant for any other purposes of the Plan until he or she qualifies as a Participant under the provisions of Section 3 above.

4.7 Mistake of Fact.

4.7.1 Any After-Tax Savings Contributions contributed to the Plan for a Participant which has been made in an amount in excess of the amount of the After-Tax Savings Contributions elected by the Participant or which have been taken from Covered Compensation of the Participant paid when he or she was not a Participant in the Plan may be paid by the Trustee to the Participant (unless repayment is not administratively possible) as a correction of the mistake which led it to be contributed to the Plan, upon the receipt by the Trustee of a written notice of a Plan representative describing such mistake and requesting the payment of such contribution to the Participant. Plan income attributable to such contributions shall not be paid to the Participant in connection with such payment, and Plan losses attributable to such contributions shall not reduce the amount which is otherwise to be paid. (The Employer in its discretion may pay to the Participant an additional amount, determined in any manner the Employer chooses, to reflect interest which may have been earned by the Participant had the returned Savings Contributions never been made to the Plan, but any such payment shall only be made outside the Plan and shall not be paid by the Plan itself.)

4.7.2 Any other Savings Contributions made upon the basis of a mistaken factual assumption shall be repaid by the Trustee to the Employer (unless repayment is not administratively possible) as a correction of such mistaken factual assumption, upon the receipt by the Trustee within one year from the date of such contribution of a written notice of the Employer describing such mistaken factual assumption and requesting the return of such contributions. Plan income attributable to such contributions shall not be paid to the Employer, but Plan losses attributable to such contributions shall reduce the amount which is otherwise to be paid.

4.7.3 Any Rollover Contribution of a Participant which the Committee later determines was not an eligible rollover contribution under Section 402(c) of the Code shall be distributed (after being adjusted by Plan income and losses which the Committee reasonably determines were attributable to such contribution) to the Participant within a reasonable administrative period after the Committee makes such determination.

4.7.4 Nothing in the foregoing provisions of this Section 4.7 shall be read so as to limit in any manner the ability of the Committee to correct any errors it discovers were made in the administration or operation of the Plan by any correction method that is permitted under the provisions of Section 12.2.4 below.

SECTION 4A

AVERAGE ACTUAL DEFERRAL PERCENTAGE RESTRICTIONS

4A.1 Average Actual Deferral Percentage Limits. The Average Actual Deferral Percentage of the Highly Compensated Employees for any Plan Year which ends after the Effective Amendment Date (for purposes of this Section 4A.1, the "subject Plan Year") must satisfy one of the following limits:

4A.1.1 Limitation 1: The Average Actual Deferral Percentage of the Highly Compensated Employees for the subject Plan Year may not exceed the Average Actual Deferral Percentage of the Non-Highly Compensated Employees for the subject Plan Year multiplied by 1.25; or

4A.1.2 Limitation 2: The Average Actual Deferral Percentage of the Highly Compensated Employees for the subject Plan Year both may not exceed the Average Actual Deferral Percentage of the Non-Highly Compensated Employees for the subject Plan Year multiplied by 2.0 and may not exceed the Average Actual Deferral Percentage of the Non-Highly Compensated Employees for the subject Plan Year by more than two percentage points.

Notwithstanding the foregoing, the Employer may, if permitted under and if following such procedures as are set forth in guidance issued by the Secretary of the Treasury or his or her delegate or the Internal Revenue Service (in regulations, revenue rulings, notices, or other similar guidance), amend the Plan, for any subject Plan Year which begins on or after January 1, 1998, so that the Average Actual Deferral Percentage of the Non-Highly Compensated Employees for the Plan Year which immediately precedes such subject Plan Year shall be used, instead of such percentage for such subject Plan Year, in determining whether the above limitations are met for such subject Plan Year. Until the Employer so amends the Plan, however, the Average Actual Deferral Percentage of the Non-Highly Compensated Employees for any subject Plan Year shall be used in determining whether the above limitations are met for such subject Plan Year.

4A.2 Special Rules for Average Actual Deferral Percentage Limits. For purposes of the limits set forth in Section 4A.1 above, the following special rules apply:

4A.2.1 If, with respect to any Plan Year (for purposes of this Section 4A.2.1, the "subject Plan Year"), an Eligible Participant who is a Highly Compensated Employee for the subject Plan Year is or was eligible to participate in a cash or deferred arrangement, which qualifies under Section 401(k) of the Code and is contained in an aggregatable plan, during at least a part of such aggregatable plan's plan year which ends in the same calendar year in which the subject Plan Year ends (for purposes of this Section 4A.2.1, the "aggregatable plan's subject plan year"), then, for the purpose of determining the Actual Deferral Percentage of the Eligible Participant for the subject Plan Year under this Plan, any contributions made to such aggregatable plan for the aggregatable

plan's subject plan year which would be treated as Pre-Tax Savings Contributions of the Eligible Participant for the subject Plan Year had they been allowed and made under this Plan for the subject Plan Year shall be treated as if they were Pre-Tax Savings Contributions of the Eligible Participant under this Plan for the subject Plan Year. For purposes hereof, an "aggregatable plan" is a plan other than this Plan which is qualified under Section 401(a) of the Code, is maintained by an Associated Employer, and is not prohibited from being aggregated with this Plan for purposes of Section 410(b) of the Code under Treas. Reg. Section 1.410(b)-7.

4A.2.2 To be counted in determining whether the Average Actual Deferral Percentage limits are met for any Plan Year, any Pre-Tax Savings Contributions must be paid to the Trust before the end of the Plan Year which next follows the Plan Year to which such contributions relate.

4A.2.3 For purposes of this Section 4A and the other provisions of the Plan, Pre-Tax Savings Contributions are treated as being "made on behalf of an Eligible Participant" for a Plan Year if such contributions relate to pay days of the Eligible Participant which occur during such Plan Year.

4A.2.4 For purposes of this Section 4A, the Prior Plans shall be considered as if they had been part of the "Plan" with respect to the Plan Year which ends December 31, 1997, persons who were participants in the Prior Plans between January 1, 1997 and the Effective Amendment Date shall be considered as Participants in this Plan for the Plan Year which ends December 31, 1997, and contributions which are made under such Prior Plans with respect to pay days occurring between January 1, 1997 and the Effective Amendment Date and which would be considered as Pre-Tax Savings Contributions for the Plan Year which ends December 31, 1997 if they had been made under this Plan shall be treated as Pre-Tax Savings Contributions under this Plan for the Plan Year which ends December 31, 1997.

4A.3 Distribution of Excess Contributions. Subject to the provisions of this Section 4A.3 but notwithstanding any other provision of the Plan to the contrary, any Excess Contributions applicable to any Plan Year which ends after the Effective Amendment Date (for purposes of this Section 4A.3, the "subject Plan Year") shall be distributed during (but no later than the last day of) the immediately following Plan Year to Eligible Participants who were Highly Compensated Employees for the subject Plan Year. (Such Excess Contributions, even if distributed, shall still be treated as part of the annual addition, as defined in Section 6A below, for the subject Plan Year.) The following provisions apply to this distribution requirement:

4A.3.1(a) For purposes of the Plan, "Excess Contributions" for any subject Plan Year means the amount (if any) by which the aggregate sum of Pre-Tax Savings Contributions paid to the Trust for such Plan Year on behalf of Eligible Participants who are Highly Compensated Employees for such Plan Year exceeds the maximum amount of such Pre-Tax Savings Contributions which could have been made and still have satisfied one of the limitations set forth in Section 4A.1 above. The Excess Contributions for any subject Plan Year shall be determined, and

applied to Eligible Participants who are Highly Compensated Employees for the subject Plan Year for distribution purposes, in accordance with the methods described in paragraphs (b) and (c) below.

(b) The total amount of Excess Contributions for any subject Plan Year shall be deemed to be the sum of the Excess Contributions which are determined to apply to each Eligible Participant who is a Highly Compensated Employee for the subject Plan Year under the leveling method which is described in this paragraph (b). Under this leveling method, the Actual Deferral Percentage of the Highly Compensated Employee(s) with the highest Actual Deferral Percentage for the subject Plan Year is reduced to the extent required to enable one of the applicable limitations set forth in Section 4A.1 above to be satisfied for the subject Plan Year or to cause such Actual Deferral Percentage to equal the Actual Deferral Percentage of the Highly Compensated Employee(s) with the next highest Actual Deferral Percentage for the subject Plan Year, whichever comes first. This process is repeated as necessary until one of the applicable limitations set forth in Section 4A.1 above is satisfied for the subject Plan Year. For each Highly Compensated Employee, his or her amount of Excess Contributions for the subject Plan Year under this leveling method is equal to: (1) the total of the Pre-Tax Savings Contributions paid to the Trust for the subject Plan Year on his or her behalf (determined before the application of this leveling method), less (2) the amount determined by multiplying the Highly Compensated Employee's Actual Deferral Percentage for the subject Plan Year (determined after the application of this leveling method) by his or her ADP Test Compensation for the subject Plan Year. In no event shall the Excess Contributions which are determined to apply to a Highly Compensated Employee for the subject Plan Year under this leveling method exceed the total of the Pre-Tax Savings Contributions paid to the Trust on his or her behalf for the subject Plan Year (determined before application of this leveling method). However, the leveling method described in this paragraph (b) is used only to determine the total sum of Excess Contributions for the subject Plan Year and is not used to determine the portion of such total sum of Excess Contributions which will be distributed to any Eligible Participant who is a Highly Compensated Employee for the subject Plan Year; instead, the method for determining the portion of such Excess Contributions which will be distributed to each such Highly Compensated Employee is described in paragraph (c) below.

(c) The portion of the total sum of Excess Contributions for any subject Plan Year which will be distributed to any Eligible Participant who is a Highly Compensated Employee for the subject Plan Year shall be determined under the dollar amount reduction method described in this paragraph (c). Under this dollar amount reduction method, the dollar amount of the Pre-Tax Savings Contributions made to the Trust for the subject Plan Year on behalf of the Highly Compensated Employee(s) with the highest dollar amount of Pre-Tax Savings Contributions for the subject Plan Year is reduced to the extent required to equal the dollar amount of the Pre-Tax Savings Contributions made to the Trust for the subject Plan Year on behalf of the Highly Compensated Employee(s) with the next highest dollar amount of Pre-Tax Savings Contributions for the subject Plan Year or to cause the total dollar amount of the reductions in Pre-Tax Savings Contributions for the subject Plan Year under this dollar amount reduction method to equal the total sum of the Excess Contributions for the subject Plan Year (as determined under paragraph (b) above), whichever comes first. This process is repeated as necessary until the total dollar amount of the reductions in

Pre-Tax Savings Contributions for the subject Plan Year equals the total sum of the Excess Contributions for the subject Plan Year (as determined under paragraph (b) above). For each Highly Compensated Employee, his or her portion of the total amount of the Excess Contributions for the subject Plan Year which will be distributed to him or her is equal to the total dollar amount of the reductions made in his or her Pre-Tax Savings Contributions for the subject Plan Year under this dollar amount reduction method.

4A.3.2 The distribution of any portion of the Excess Contributions for a subject Plan Year to an Eligible Participant under the provisions of this Section 4A.3 shall be adjusted upward for the Trust's income allocable thereto (or downward for the Trust's loss allocable thereto) for the subject Plan Year and for the gap period that applies to the subject Plan Year, as determined under this Section

4A.3.2. For purposes of this Section 4A.3, the "gap period" that applies to any subject Plan Year refers to the period from the end of the subject Plan Year through the last date for which investment returns of the Investment Funds have been completed and the results of which are reasonably available to the Committee prior to the date the Excess Contributions are being distributed. For purposes hereof, the Trust's income (or loss) allocable to any Excess Contributions applicable to a subject Plan Year and applied to an Eligible Participant for distribution purposes shall be determined under any reasonable method that is adopted by the Committee for this purpose. Such method shall be used consistently for all Participants and for all corrective distributions made under the Plan for the subject Plan Year and shall be a method that is reasonably consistent with the method used by the Plan for allocating income and losses to Participants' Accounts for the subject Plan Year.

4A.3.3 If any Excess Contributions applicable to an Eligible Participant and for a subject Plan Year are distributed to the Eligible Participant under the provisions of this Section 4A.3, then, pursuant to Section 411(a)(3)(G) of the Code and Treas. Reg. Section 1.411(a)-4(b)(7), any Matching Contributions which are allocated to the Eligible Participant's Matching Account for such Plan Year by reason of such Excess Contributions (and not yet distributed or forfeited under the Plan by the date the Excess Contributions are distributed) shall, together with the Trust's income allocable thereto (or less the Trust's loss allocable thereto) for the subject Plan Year and for the gap period that applies to the subject Plan Year, be forfeited as of the day such Excess Contributions are distributed to the Eligible Participant (and such forfeited amounts shall be reallocated to Accounts of Participants in accordance with later provisions of the Plan). For these purposes, the Trust's income (or loss) allocable to any such forfeited Matching Contributions shall, for the subject Plan Year and for the gap period that applies to the subject Plan Year, be determined under any reasonable method that is adopted by the Committee for this purpose. Such method shall be used consistently for all Participants and for all corrective distributions made under the Plan for the subject Plan Year and shall be a method that is reasonably consistent with the method used by the Plan for allocating income and losses to Participants' Accounts for the subject Plan Year.

4A.3.4 Any distribution of Excess Contributions (and any Trust income or loss allocable thereto) to an Eligible Participant under the foregoing provisions of this Section 4A shall be made from the portion of the Eligible Participant's Savings Account which is attributable to Pre-

Tax Savings Contributions. If the entire balance of the portion of an Eligible Participant's Savings Account which is attributable to Pre-Tax Savings Contributions is distributed to the Eligible Participant during a subject Plan Year (and no balance remains in that portion of his or her Savings Account at the end of such Plan Year), then such distribution shall be deemed for all purposes of this Plan as a distribution under this Section 4A.3 of the Excess Contributions applicable for distributions purposes to the Eligible Participant for the subject Plan Year (and Trust income or loss allocable thereto) to the extent Excess Contributions (and allocable Trust income or losses) would otherwise have been required to be distributed to the Eligible Participant under this Section 4A.3.

4A.3.5 Notwithstanding any other provision of the Plan to the contrary, the limitations set forth in Section 4A.1 above shall be deemed met for any subject Plan Year if the Excess Contributions for such Plan Year are distributed in accordance with and to the extent required by the foregoing provisions of this Section 4A.3.

4A.3.6 If any Excess Contributions applicable to a subject Plan Year are not distributed to the appropriate Eligible Participants within 2-1/2 months after the last day of the subject Plan Year, an excise tax shall be imposed under Code Section 4979 on the Employer in an amount generally equal to 10% of such Excess Contributions (unadjusted for income or loss allocable thereto).

4A.4 Definitions for Average Actual Deferral Percentage Limits. Except as is otherwise provided in the Plan, for purposes of the limits set forth in this Section 4A, the following definitions shall apply:

4A.4.1 "Average Actual Deferral Percentage" for any Plan Year means: (1) with respect to the Highly Compensated Employees, the average (to the nearest one-hundredth of a percent) of the Actual Deferral Percentages of the Eligible Participants who are Highly Compensated Employees for such Plan Year; and (2) with respect to the Non-Highly Compensated Employees, the average (to the nearest one-hundredth of a percent) of the Actual Deferral Percentages of the Eligible Participants who are Non-Highly Compensated Employees for such Plan Year.

4A.4.2 "Actual Deferral Percentage" for any Plan Year means, with respect to any person who is an Eligible Participant for such Plan Year, the ratio (expressed as a percentage to the nearest one-hundredth of a percent) of the Pre-Tax Savings Contributions made on behalf of the Eligible Participant for such Plan Year to the ADP Test Compensation of the Eligible Participant for the entire Plan Year (regardless of whether he or she is a Participant for the entire Plan Year or for only part but not all of such Plan Year). The Actual Deferral Percentage of a person who is an Eligible Participant for such Plan Year but who does not have any Pre-Tax Savings Contributions made on his or her behalf for such Plan Year is 0%.

4A.4.3 "ADP Compensation" means, with respect to any person who is an Eligible Participant and for any Plan Year, the Eligible Participant's Compensation received during such Plan

Year for services as a Covered Employee (except that, for the Plan Year which began on the Effective Amendment Date, such term means the Eligible Participant's Covered Compensation for such Plan Year).

4A.4.4 "Eligible Participant" means, for any Plan Year, each person who is both a Participant under the Plan and an Employee during at least part of such Plan Year.

4A.5 Disaggregating Portions of Plan. The provisions of Sections 4A.1 through 4A.4 above shall be applied separately for the portion of this Plan which covers Participants who are not collectively bargained employees and the portion of the Plan which covers Participants who are collectively bargained employees and as if each such portion were a separate plan. For purposes hereof, a "collectively bargained employee" is an Employee who is included in a unit of employees covered by a collective bargaining agreement between employee representatives and the Employer, provided retirement benefits were the subject of good faith bargaining between such employee representatives and the Employer.

SECTION 4B

EXCESS DEFERRAL DISTRIBUTIONS

4B.1 Distribution of Excess Deferral. If any Participant certifies in writing to a Plan representative (1) that his or her tax year for Federal income tax purposes is the same period as constitutes a Plan Year, (2) that a specific amount of the Pre-Tax Savings Contributions he or she has made under the Plan for any Plan Year (for purposes of this Section 4B, the "subject Plan Year"), which amount is set forth in such certification, when added to all other Elective Contributions made by or on behalf of the Participant for the subject Plan Year under other plans, contracts, and accounts, exceeds the Applicable Limit for the subject Plan Year (with such excess amount referred to in this Section 4B as the Participant's "excess deferral" for the subject Plan Year), then the Participant's excess deferral for the subject Plan Year shall be distributed to the Participant by the first April 15 following the end of the subject Plan Year. For purposes hereof, the Participant shall automatically be deemed to provide such certification on a timely basis for the subject Plan Year with respect to an excess deferral that is no less than the amount of the Pre-Tax Savings Contributions made by the Participant for the subject Plan Year that, when added only to all other Elective Contributions made by or on behalf of the Participant for the subject Plan Year under other plans maintained by the Employer, exceeds the Applicable Limit for the subject Plan Year. The distribution of the Participant's excess deferral for the subject Plan Year shall also be subject to the rules specified in Section 4B.2 below.

4B.2 Special Rules Applicable to Distribution of Excess Deferral.

4B.2.1 Notwithstanding any provision of Section 4B.1 above that may be read to the contrary, the distribution of a Participant's excess deferral for any Plan Year (for purposes of this Section 4B.2.1, the "subject Plan Year") that is required under the provisions of Section 4B.1 above may be made during the subject Plan Year (and not just after the end of such year) only if the Participant's certification (or deemed certification) that is described in Section 4B.1 above occurs during the subject Plan Year, if the distribution is made after the date on which the Plan receives the excess deferral, and if the Plan designates the distribution as a distribution of an excess deferral.

4B.2.2 In addition, and also notwithstanding any provision of Section 4B.1 above that may be read to the contrary, the distribution of a Participant's excess deferral for any Plan Year (for purposes of this Section 4B.2.2, the "subject Plan Year") that is required under the provisions of Section 4B.1 above shall be adjusted upward for the Trust's income allocable thereto (or downward for the Trust's loss allocable thereto) for the subject Plan Year (and, if the distribution is made after the end of the subject Plan Year, for the gap period that applies to the subject Plan Year), as determined under this Section 4B.2.2. For purposes of this Section 4B.2, the "gap period" that applies to any subject Plan Year refers to the period from the end of the subject Plan Year through the last date for which investment returns of the Investment Funds have been completed and the results of which are reasonably available to the Committee prior to the date the excess deferral is

being distributed. For purposes hereof, the Trust's income (or loss) allocable to a Participant's excess deferral for any subject Plan Year shall be determined under any reasonable method that is adopted by the Committee for this purpose. Such method shall be used consistently for all Participants and for all corrective distributions made under the subject Plan Year and shall be a method that is reasonably consistent with the method used by the Plan for allocating income and losses to Participants' Accounts for the subject Plan Year.

4B.2.3 If any excess deferral applicable to a Participant and for any Plan Year (for purposes of this Section 4B.2.3, the "subject Plan Year") is distributed to the Participant under the provisions of this Section 4B, then, pursuant to Section 411(a)(3)(G) of the Code and Treas. Reg. Section 1.411(a)-4(b)(7), any Matching Contributions which are allocated to the Participant's Matching Account for such Plan Year by reason of such excess deferral (and not yet distributed or forfeited under the Plan by the date the excess deferral is distributed) shall, together with the Trust's income allocable thereto (or less the Trust's loss allocable thereto) for the subject Plan Year and for the gap period that applies to the subject Plan Year, be forfeited as of the day such excess deferral is distributed to the Participant (and such forfeited amounts shall be reallocated to Accounts of Participants in accordance with later provisions of the Plan). For these purposes, the Trust's income (or loss) allocable to any such forfeited Matching Contributions shall, for the subject Plan Year and for the gap period that applies to the subject Plan Year, be determined under any reasonable method that is adopted by the Committee for this purpose. Such method shall be used consistently for all Participant and for all corrective distributions made under the Plan for the subject Plan Year and shall be a method that is reasonably consistent with the method used by the Plan for allocating income and losses to Participants' Accounts for the subject Plan Year.

4B.2.4 The amount of any excess deferral of a Participant that is applicable to a subject Plan Year and otherwise distributable under the foregoing provisions of this Section 4B shall be reduced by any prior distribution of Excess Contributions (as defined in Section 4A.3 above) applicable to the subject Plan Year that are made to the Participant under the provisions of Section 4A above. For reporting purposes, to the extent the distribution of Excess Contributions reduces the distribution of an excess deferral hereunder, such distribution shall be treated as a distribution of the excess deferral instead of a distribution of Excess Contributions.

4B.2.5 Any distribution of an excess deferral (and any Trust income or loss allocable thereto) to a Participant under the foregoing provisions of this Section 4B shall be made from the portion of the Participant's Savings Account which is attributable to Pre-Tax Savings Contributions.

4B.2.6 Notwithstanding any other provision of the Plan to the contrary, any excess deferral that is applicable to a Participant for a subject Plan Year shall, if distributed, not be treated as part of the annual addition, as defined in Section 6A below, for the subject Plan Year. Further, notwithstanding any provision of Section 4A above to the contrary, to the extent an excess deferral for a subject Plan Year that is applicable to a Participant who is a Non-Highly Compensated Employee for such Plan Year would still be considered an excess deferral if only Elective Contributions under this Plan were taken into account, it shall not be taken into account as a Pre-Tax

Savings Contributions for purposes of determining the Participant's Actual Deferral Percentage for such Plan Year under the provisions of Section 4A above.

4B.3 Definitions for Excess Deferral Requirements. For purposes of the limits set forth in this Section 4B, the following definitions shall apply:

4B.3.1 "Elective Contributions" means, with respect to a Participant and any Plan Year, any contributions made by or on behalf of the Participant to plans, contracts, or accounts that are treated as elective deferrals for purposes of Section 402(g) of the Code. Such contributions generally include employer contributions made under a qualified cash or deferred arrangement (as defined in Code Section 401(k)) to the extent not includable in income under Code Section 402(e)(3), employer contributions to a simplified employee pension to the extent not includable in income under Code Section 402(h)(1)(B), employer contributions to purchase an annuity contract under Code Section 403(b) pursuant to a salary reduction agreement, and elective employer contributions to a simple retirement plan under Code Section 408(p)(2)(A)(I).

4B.3.2 "Applicable Limit" means, with respect to any Participant and any Plan Year, the maximum amount of Elective Contributions made by or on behalf of the Participant for such Plan Year that can be excluded from the Participant's income for Federal income tax purposes under the provisions of Section 402(g) of the Code.

SECTION 5

MATCHING CONTRIBUTIONS

5.1 Annual Amount of Matching Contributions. For each Plan Year which ends after the Effective Amendment Date, the Employer shall contribute amounts to the Trust in addition to the Savings Contributions elected by Participants for such Plan Year. Such additional contributions shall be referred to in the Plan as "Matching Contributions." Subject to the other provisions of the Plan, the amount of Matching Contributions which shall be made by the Employer for any Plan Year which ends after the Effective Amendment Date (for purposes of this Section 5.1, the "subject Plan Year") shall be the amount determined under the following provisions of this Section 5.1:

5.1.1 Subject to the provisions of Sections 5.1.2, 5.1.3, and 5.1.4 below, the amount of Matching Contributions which shall be made by the Employer for the subject Plan Year shall be the lesser of the amounts set forth in paragraphs (a) and (b) below:

(a) An amount equal to 100% of the aggregate Basic Savings Contributions which are made for the subject Plan Year to the Plan on behalf of those Participants who are employed by the Employer as a Covered Employee on the last day of the subject Plan Year and who did not make any withdrawal during the subject Plan Year from the portion of their Accounts which reflect Basic Savings Contributions; or

(b) An amount equal to 3.5% of the Employer's Net Income, as determined for the tax year of the Employer which begins in the subject Plan Year (before deduction of any Matching Contributions to this Plan and only after excluding the amount of any extraordinary items) by Federated's chief accounting officer in accordance with the standard accounting procedures of Federated and as so categorized in the financial statements of the Employer.

5.1.2 In addition to the amount determined under Section 5.1.1 above, the Employer shall, subject to the provisions of Sections 5.1.3 and 5.1.4 below, also make a further amount of Matching Contributions for the subject Plan Year to the extent necessary (and only to the extent necessary) so that each Participant who is employed by the Employer as a Covered Employee on the last day of the subject Plan Year and who did not make any withdrawal during the subject Plan Year from the portion of his or her Accounts which reflects his or her Basic Savings Contributions shall have his or her Matching Account allocated under Section 6.2 below a total share of the Matching Contributions made pursuant to Section 5.1.1 above and this Section 5.1.2 which is no less than 33-1/3% of the Basic Savings Contributions made by or for him or her for the subject Plan Year.

5.1.3 In addition to the amounts determined under Sections 5.1.1 and 5.1.2 above, the Employer may, in its discretion and by resolution or other written action taken by the

Board (or any committee of the Board or group of officers of Federated to which or whom the powers described in this Section 5.1.3 are delegated by the Board) and also subject to the provisions of Section 5.1.4 below, make a further amount of Matching Contributions for the subject Plan Year in any amount it determines when the subject Plan Year begins on or after January 1, 2000.

5.1.4 To the extent permitted by Section 8.6 below, any forfeitures arising during the subject Plan Year shall be used to reduce and be substituted in place of those Matching Contributions which both are otherwise required or determined under Sections 5.1.1 and 5.1.2 above for the subject Plan Year and exceed the amount of Matching Contributions which would be made for the subject Plan Year if such amount were limited to the amount described in paragraph (b) of Section 5.1.1 above. For purposes of the foregoing provisions of this Section 5.1 and also for purposes of the provisions of Section 6.2 below (which concerns the allocation of Matching Contributions), any forfeitures (or other amounts) which are used to reduce and substitute for any amount of Matching Contributions for the subject Plan Year shall be considered as if they were such Matching Contributions for the subject Plan Year.

5.2 Time and Form of Matching Contributions.

5.2.1 Subject to the provisions of Section 5.2.2 below, the Matching Contributions for any Plan Year may be paid in one or more installments, but the total amount to be contributed must be paid to the Trust on or before the last date permitted by applicable law for deduction of such contributions for the tax year of the Employer in which such Plan Year ends. Any such Matching Contributions shall be allocated among Participants' Accounts as of the last day of the Plan Year for which such contributions are made or as soon as administratively practical after such contributions are paid to the Trust, whichever is later.

5.2.2 The actual amount paid as Matching Contributions for any Plan Year may initially, to the extent determined with respect to the amount set forth in Section 5.1.1(b) above, be based upon the Federated's Net Income as estimated by Federated's chief accounting officer in accordance with data available to him or her at the time the estimate is made. In the event that, after Federated's chief accounting officer subsequently determines the final calculation of the amount set forth in Section 5.1.1(b) above, an additional amount is required to be contributed to the Plan by the Employer to meet the required Matching Contribution provisions of Section 5.1 above, then the Employer will make such additional contribution as soon as possible after such final calculation is completed. In the event that the final calculation of the amount set forth in Section 5.1.1(b) above shows that the Employer made Matching Contributions for the subject Plan Year in excess of the amount required under Section 5.1 above, the amount by which the actual amount of Matching Contributions which were made exceeds the required Matching Contributions for such Plan Year shall be deemed not to have been made for such Plan Year but instead shall be deemed made in the next following Plan Year and shall be used as soon as possible to reduce (and to substitute for) the next required Matching Contributions to be made to the Plan.

5.2.3 The Matching Contributions made for any Plan Year shall be made in cash or, in the discretion of the Employer, in common stock of Federated.

5.3 Mistake of Fact. Any Matching Contributions made upon the basis of a mistaken factual assumption shall be repaid by the Plan to the Employer (unless repayment is not administratively possible) as a correction of such mistaken factual assumption, upon the receipt by the Trustee within one year from the date of such contributions of a written notice of the Employer describing such mistaken factual assumption and requesting the return of such contributions. Plan income attributable to such contributions may not be paid to the Employer, but Plan losses attributable to such contributions shall reduce the amount which is otherwise to be paid. Nothing in the foregoing provisions of this Section 5.3 shall be read so as to limit in any manner the ability of the Committee to correct any errors it discovers were made in the administration or operation of the Plan by any corrective method that is permitted under the provisions of Section 12.2.4 below.

SECTION 5A

AVERAGE ACTUAL CONTRIBUTION PERCENTAGE RESTRICTIONS

5A.1 Average Actual Contribution Percentage Limits.

5A.1.1 The Average Actual Contribution Percentage for Highly Compensated Employees for any Plan Year which ends after the Effective Amendment Date (for purposes of this Section 5A.1, the "subject Plan Year") must satisfy one of the following limits:

(a) Limitation 1: The Average Actual Contribution Percentage of the Highly Compensated Employees for the subject Plan Year may not exceed the Average Actual Contribution Percentage of the Non-Highly Compensated Employees for the subject Plan Year multiplied by 1.25; or

(b) Limitation 2: The Average Actual Contribution Percentage of the Highly Compensated Employees for the subject Plan Year both may not exceed the Average Actual Contribution Percentage of the Non-Highly Compensated Employees for the subject Plan Year multiplied by 2.0 and may not exceed the Average Actual Contribution Percentage of the Non-Highly Compensated Employees for the subject Plan Year by more than two percentage points.

Notwithstanding the foregoing, the Employer may, if permitted under and if following such procedures as are set forth in guidance issued by the Secretary of the Treasury or his or her delegate or the Internal Revenue Service (in regulations, revenue rulings, notices, or other similar guidance), amend the Plan, for any subject Plan Year which begins on or after January 1, 1998, so that the Average Actual Contribution Percentage of the Non-Highly Compensated Employees for the Plan Year which immediately precedes such subject Plan Year shall be used, instead of such percentage for such subject Plan Year, in determining whether the above limitations are met for such subject Plan Year. Until the Employer so amends the Plan, however, the Average Actual Contribution Percentage of the Non-Highly Compensated Employees for any subject Plan Year shall be used in determining whether the above limitations are met for such subject Plan Year.

5A.1.2 In addition, the Average Actual Contribution Percentage of the Highly Compensated Employees for any subject Plan Year may not, when added to the Average Actual Deferral Percentage of the Highly Compensated Employees for the same Plan Year, exceed the Aggregate Limit. For purposes of the limitation set forth in this Section 5A.1.2, such Average Actual Deferral Percentage and Average Actual Contribution Percentage shall be determined as if all Excess Contributions attributable to the limits set forth in Section 4A.1 above had previously been determined and distributed and as if all Excess Aggregate Contributions attributable to the limits set forth in Section 5A.1.1 above had previously been determined and distributed or forfeited (and hence as if such Average Actual Deferral Percentage and Average Actual Contribution Percentage had been calculated without considering the contributions reflected in such Excess Contributions

and Excess Aggregate Contributions, respectively). Also, notwithstanding the foregoing, the limitation set forth in this Section 5A.1.2 shall automatically be deemed met for a subject Plan Year if either the Average Actual Deferral Percentage of the Highly Compensated Employees for the subject Plan Year is not in excess of the Average Actual Deferral Percentage of the Non-Highly Compensated Employees for the subject Plan Year multiplied by 1.25 or the Average Actual Contribution Percentage of the Highly Compensated Employees for the subject Plan Year is not in excess of the Average Actual Contribution Percentage of the Non-Highly Compensated Employees for the subject Plan Year multiplied by 1.25. Notwithstanding the foregoing, the Employer may, if permitted under and if following such procedures as are set forth in guidance issued by the Secretary of the Treasury or his or her delegate or the Internal Revenue Service (in regulations, revenue rulings, notices, or other similar guidance), amend the Plan, for any subject Plan Year which begins on or after January 1, 1998, so that the Average Actual Deferral Percentage and the Average Actual Contribution Percentage of the Non-Highly Compensated Employees for the Plan Year which immediately precedes such subject Plan Year shall be used, instead of such percentages for such subject Plan Year, in determining whether the conditions set forth in the immediately preceding sentence are met for such subject Plan Year. Until the Employer so amends the Plan, however, the Average Actual Deferral Percentage and Average Actual Contribution Percentage of the Non-Highly Compensated Employees for any subject Plan Year shall be used in determining whether the above limitations are met for such subject Plan Year.

5A.1.3 As is provided in Section 5A.3 below, the Plan shall correct any violation of the limitations of either Section 5A.1.1 above or Section 5A.1.2 above for any subject Plan Year by reducing (in the manner set forth in Section 5A.3 below) the Average Actual Contribution Percentage of the Highly Compensated Employees for such subject Plan Year.

5A.2 Special Rules for Average Actual Contribution Percentage Limits. For purposes of the limits set forth in Section 5A.1 above, the following special rules apply:

5A.2.1 If, with respect to any Plan Year (for purposes of this Section 5A.2.1, the "subject Plan Year"), an Eligible Participant who is a Highly Compensated Employee for the subject Plan Year is or was eligible to participate in an aggregatable plan, of which a part is subject to the provisions of Section 401(m) of the Code, during at least a part of such aggregatable plan's plan year which ends in the same calendar year in which the subject Plan Year ends (for purposes of this Section 5A.2.1, the "aggregatable plan's subject plan year"), then, for the purpose of determining the Actual Contribution Percentage of the Eligible Participant for the subject Plan Year under this Plan, any contributions made to such aggregatable plan for the aggregatable plan's subject plan year which would be treated as After-Tax Savings Contributions or Matching Contributions of the Eligible Participant for the subject Plan Year had they been allowed and made under this Plan for the subject Plan Year shall be treated as if they were After-Tax Savings Contributions or Matching Contributions of the Eligible Participant under this Plan for the subject Plan Year. For purposes hereof, an "aggregatable plan" is a plan other than this Plan which is qualified under Section 401(a) of the Code, is maintained by an Associated Employer, and is not prohibited from being aggregated with this Plan for purposes of Section 410(b) of the Code under Treas. Reg. Section 1.410(b)-7.

5A.2.2 For purposes of determining if the Average Actual Contribution Percentage limits of Section 5A.1 above are met for any Plan Year (for purposes of this Section 5A.2.2, the "subject Plan Year"), the Plan may treat any Pre-Tax Savings Contributions (as provided for in Section 4 above) which are made on behalf of an Eligible Participant who is treated as a Non-Highly Compensated Employee for purposes of determining the Average Actual Deferral Percentage of the Non-Highly Compensated Employees for the subject Plan Year or the immediately preceding Plan Year (whichever of such Plan Years is used to determine such percentage for purposes of the limits of Section 5A.1 which apply to the subject Plan Year) as being Matching Contributions of such Eligible Participant for such Plan Year to the extent the treatment of such Pre-Tax Savings Contributions as Matching Contributions is helpful in meeting the limits of Section 5A.1 above for the subject Plan Year, provided that the limits of Section 4A.1 above are still met for the subject Plan Year even if the Pre-Tax Savings Contributions being treated as Matching Contributions hereunder are disregarded for purposes of meeting such limits.

5A.2.3 To be counted in determining whether the Average Actual Contribution Percentage limits are met for any Plan Year, any Matching Contributions, After-Tax Savings Contributions, or Pre-Tax Savings Contributions must be paid to the Trust before the end of the Plan Year which next follows the Plan Year to which such contributions relate.

5A.2.4 Notwithstanding any other provisions herein to the contrary, any Matching Contributions which are forfeited under Section 4A.3.2(c) above (or Section 4B.2.3(c) above) by reason of relating to Excess Contributions described in Section 4A above (or an excess deferral described in Section 4B above) which are (or is) distributed to an Eligible Participant shall not be taken into account in determining the Eligible Participant's Actual Contribution Percentage for any Plan Year or considered as Matching Contributions for any other purpose under this Section 5A.

5A.2.5 For purposes of this Section 5A and the other provisions of the Plan, Matching Contributions or After-Tax Savings Contributions are treated as being "made on behalf of an Eligible Participant" for a Plan Year if such contributions are allocated to an Account of the Eligible Participant by reason of Basic Savings Contributions which relate to pay days of the Eligible Participant which occur during such Plan Year.

5A.3 Distribution or Forfeiture of Excess Aggregate Contributions. Subject to the provisions of this Section 5A.3 but notwithstanding any other provision of the Plan to the contrary, any Excess Aggregate Contributions applicable to any Plan Year which ends after the Effective Amendment Date (for purposes of this Section 5A.3, the "subject Plan Year") shall be distributed no later than the last day of the immediately following Plan Year to Eligible Participants who were Highly Compensated Employees for the subject Plan Year or forfeited no later than as of the last day of such immediately following Plan Year, in accordance with the following provisions of this Section 5A. (Such Excess Aggregate Contributions shall still be treated as part of the Annual Addition, as defined in Section 6A below, for the subject Plan Year.) The following provisions apply to this distribution or forfeiture requirement:

5A.3.1(a) For purposes of the Plan, "Excess Aggregate Contributions" for any subject Plan Year means the amount (if any) by which the aggregate sum of Matching Contributions and After-Tax Savings Contributions paid to the Trust for such Plan Year on behalf of Eligible Participants who are Highly Compensated Employees for such Plan Year exceeds the maximum amount of such Matching Contributions and After-Tax Savings Contributions which could have been made and still have satisfied one of the limitations set forth in Section 5A.1.1 above and the limitation set forth in Section 5A.1.2 above. The Excess Aggregate Contributions for any subject Plan Year shall be determined, and applied to Eligible Participants who are Highly Compensated Employees for the subject Plan Year for distribution purposes, in accordance with the methods described in paragraphs (b) and (c) below.

(b) The total amount of Excess Aggregate Contributions for any Plan Year shall be deemed to be the sum of the Excess Aggregate Contributions which are determined to apply to each Eligible Participant who is a Highly Compensated Employee for the subject Plan Year under the leveling method which is described in this paragraph (b). Under this leveling method, the Actual Contribution Percentage of the Highly Compensated Employee(s) with the highest Actual Contribution Percentage for the subject Plan Year is reduced to the extent required to enable one of the applicable limitations set forth in Section 5A.1.1 above and the limitation set forth in Section 5A.1.2 above to be satisfied for the subject Plan Year or to cause such Actual Contribution Percentage to equal the Actual Contribution Percentage of the Highly Compensated Employee(s) with the next highest Actual Contribution Percentage for the subject Plan Year, whichever comes first. This process is repeated as necessary until one of the applicable limitations set forth in Section 5A.1.1 above and the limitation set forth in Section 5A.1.2 above are satisfied for the subject Plan Year. For each Highly Compensated Employee, his or her amount of Excess Aggregate Contributions for the subject Plan Year under this leveling method is equal to: (1) the total of the After-Tax Savings Contributions and Matching Contributions paid to the Trust for the subject Plan Year on his or her behalf (determined before the application of this leveling method), less (2) the amount determined by multiplying the Highly Compensated Employee's Actual Contribution Percentage for the subject Plan Year (determined after the application of this leveling method) by his or her ACP Test Compensation for the subject Plan Year. In no event shall the Excess Aggregate Contributions which is determined to apply to a Highly Compensated Employee for the subject Plan Year under this leveling method exceed the total of the After-Tax Savings Contributions and Matching Contributions paid to the Trust on his or her behalf for the subject Plan Year (determined before application of this leveling method). However, the leveling method described in this paragraph (b) is used only to determine the total sum of Excess Aggregate Contributions for the subject Plan Year and is not used to determine the portion of such total sum of Excess Aggregate Contributions which will be distributed to any Eligible Participant who is a Highly Compensated Employee for the subject Plan Year or forfeited from such Highly Compensated Employee's Accounts; instead, the method for determining the portion of such Excess Aggregate Contributions which will be distributed to each such Highly Compensated Employee or forfeited from such Highly Compensated Employee's Accounts is described in paragraph (c) below.

(c) The portion of the total sum of Excess Aggregate Contributions for any subject Plan Year which will be distributed to any Eligible Participant who is a Highly Compensated Employee for the subject Plan Year or forfeited from such Highly Compensated Employee's Accounts shall be determined under the dollar amount reduction method described in this paragraph (c). Under this dollar amount reduction method, the dollar amount of the After-Tax Savings Contributions and Matching Contributions made to the Trust for the subject Plan Year on behalf of the Highly Compensated Employee(s) with the highest dollar amount of After-Tax Savings Contributions and Matching Contributions for the subject Plan Year is reduced to the extent required to equal the dollar amount of the After-Tax Savings Contributions and Matching Contributions made to the Trust for the subject Plan Year on behalf of the Highly Compensated Employee(s) with the next highest dollar amount of After-Tax Savings Contributions and Matching Contributions for the subject Plan Year or to cause the total dollar amount of the reductions in After-Tax Savings Contributions and Matching Contributions for the subject Plan Year under this dollar amount reduction method to equal the total sum of the Excess Aggregate Contributions for the subject Plan Year (as determined under the leveling method described in paragraph (b) above), whichever comes first. This process is repeated as necessary until the total dollar amount of the reductions in After-Tax Savings Contributions and Matching Contributions for the subject Plan Year equals the total sum of the Excess Aggregate Contributions for the subject Plan Year (as determined under the leveling method described in paragraph (b) above). For each Highly Compensated Employee, his or her portion of the total sum of the Excess Aggregate Contributions for the subject Plan Year which will be distributed to him or her or forfeited from his or her Accounts is equal to the total dollar sum of the reductions made in his or her After-Tax Savings Contributions and Matching Contributions for the subject Plan Year under this dollar amount reduction method.

5A.3.2 Excess Aggregate Contributions applicable to an Eligible Participant for any subject Plan Year under the dollar amount reduction method described in Section 5A.3.1(c) above shall be deemed composed of certain types of contributions made to the Plan on behalf of such Eligible Participant for the subject Plan Year and shall be, together with Trust income (or loss) allocable thereto in accordance with Section 5A.3.3 below, distributed or forfeited in the following order of steps:

(a) Step 1: First, such Excess Aggregate Contributions shall be deemed composed of After-Tax Savings Contributions which are treated as Additional Savings Contributions for the subject Plan Year. The Excess Aggregate Contributions described in this first step shall be distributed to the Eligible Participant;

(b) Step 2: Second, only to the extent still necessary after the above step, such Excess Aggregate Contributions shall be deemed composed of After-Tax Savings Contributions which are treated as Basic Savings Contributions for the subject Plan Year and the corresponding amount of Matching Contributions for such Plan Year which are made or allocated by reason of or with respect to such After-Tax Savings Contributions. The Excess Aggregate Contributions described in this second step which are deemed to be composed of After-Tax Savings Contributions shall be distributed to the Eligible Participant. A portion of the Excess Aggregate

Contributions described in this second step which are deemed to be composed of Matching Contributions, which portion is equal to the amount of such Excess Aggregate Contributions multiplied by the vested percentage which applies under this Plan to the portion of the Participant's Matching Account to which such Excess Aggregate Contributions would otherwise be allocated but for the provisions of this Section 5A, shall be distributed to the Eligible Participant. The remaining portion of the Excess Aggregate Contributions described in this second step which are deemed to be composed of Matching Contributions shall be forfeited as of the day the Committee takes the steps outlined in this Section 5A.3.2. This second step shall not apply to any subject Plan Year which begins on or after January 1, 1998, however; and

(c) Step 3: Third, only to the extent still necessary after the above two steps, such Excess Aggregate Contributions shall be deemed composed of Matching Contributions for the subject Plan Year which were made or allocated by reason of or with respect to Pre-Tax Savings Contributions which are treated as Basic Savings Contributions for such Plan Year. A portion of the Excess Aggregate Contributions described in this third step, which portion is equal to the amount of such Excess Aggregate Contributions multiplied by the vested percentage which applies under this Plan to the portion of the Participant's Matching Account to which such Excess Aggregate Contributions would otherwise be allocated but for the provisions of this Section 5A, shall be distributed to the Eligible Participant. The remaining portion of the Excess Aggregate Contributions described in this third step shall be forfeited as of the day the Committee takes the steps outlined in this Section 5A.3.2.

5A.3.3(a) Any distribution or forfeiture of Excess Aggregate Contributions which apply to a subject Plan Year and to an Eligible Participant under the provisions of Sections 5A.3.1(c) and 5A.3.2 above shall be adjusted upward for the Trust's income allocable thereto (or downward for the Trust's loss allocable thereto) for the subject Plan Year and for the gap period that applies to the subject Plan Year, as determined under paragraph (b) below. For purposes of this Section 5A.3.3, the "gap period" that applies to any subject Plan Year refers to the period from the end of the subject Plan Year through the last date for which investment returns for the Investment Funds have been completed and the results of which are available to the Committee prior to the date the applicable Excess Aggregate Contributions are being distributed or forfeited.

(b) For purposes hereof, the Trust's income (or loss) allocable to any portion of the Excess Aggregate Contributions applicable to a subject Plan Year and applied to an Eligible Participant for distribution or forfeiture purposes which is composed of a certain type of contribution (e.g., After-Tax Savings Contributions or Matching Contributions) shall be determined under any reasonable method that is adopted by the Committee for this purpose. Such method shall be used consistently for all Participants and for all corrective distributions or forfeitures made under the Plan for the subject Plan Year and shall be a method that is reasonably consistent with the method used by the Plan for allocating income and losses to the portion of the Participants' Accounts that reflects such portion of the Excess Aggregate Contributions for the subject Plan Year.

(c) In this regard, if the Matching Contributions that apply to any Plan Year are not made to the Plan until after the end of such Plan Year, then the method of allocating Trust income (or loss) to the portion of any Excess Aggregate Contributions for such Plan Year which reflects Matching Contributions that is adopted by the Committee does not have to allocate any Trust income (or loss) to such Excess Aggregate Contribution portion for such Plan Year. Such method shall, however, generally allocate some Trust income (or loss) to such Excess Aggregate Contribution portion for the gap period that applies to such Plan Year.

5A.3.4 If the entire balance of the portion of an Eligible Participant's Accounts which is attributable to a certain type of contribution (e.g., After-Tax Savings Contributions or Matching Contributions) is distributed to the Eligible Participant or forfeited during a subject Plan Year (and no balance remains in that portion of his or her Accounts at the end of such Plan Year), then such distribution or forfeiture shall be deemed for all purposes of this Plan as a distribution or forfeiture under this Section 5A.3 of Excess Aggregate Contributions applicable to the Eligible Participant for the subject Plan Year (and Trust income or loss allocable thereto) to the extent Excess Aggregate Contributions composed of such type of contribution (and allocable Trust income or losses) would otherwise have been required to be distributed to the Eligible Participant or forfeited under this Section 5A.3.

5A.3.5 Notwithstanding any other provision of the Plan to the contrary, the limitations set forth in Section 5A.1 above shall be deemed met for any Plan Year if the Excess Aggregate Contributions for such Plan Year are distributed or forfeited in accordance with the foregoing provisions of this Section 5A.3.

5A.3.6 If any Excess Aggregate Contributions are distributed to the appropriate Eligible Participants or forfeited more than 2-1/2 months after the last day of the subject Plan Year, an excise tax shall be imposed under Code Section 4979 on the Employer in an amount generally equal to 10% of such Excess Aggregate Contributions (unadjusted for income or loss allocable thereto).

5A.4 Definitions for Average Actual Contribution Percentage Limits. For purposes of the limits set forth in this Section 5A, the following definitions shall apply:

5A.4.1 "ACP Compensation" means, with respect to any person who is an Eligible Participant and for any Plan Year, the Eligible Participant's Compensation received during such Plan Year for services as a Covered Employee (except that, for the Plan Year which began on the Effective Amendment Date, such term means the Eligible Participant's Covered Compensation for such Plan Year).

5A.4.2 "Average Actual Contribution Percentage" for any Plan Year means: (1) with respect to the Highly Compensated Employees, the average (to the nearest one-hundredth of a percent) of the Actual Contribution Percentages of the Eligible Participants who are Highly Compensated Employees for such Plan Year; and (2) with respect to the Non-Highly Compensated

Employees, the average (to the nearest one-hundredth of a percent) of the Actual Contribution Percentages of the Eligible Participants who are Non-Highly Compensated Employees for such Plan Year.

5A.4.3 "Actual Contribution Percentage" for any Plan Year means, with respect to any person who is an Eligible Participant for such Plan Year, the ratio, expressed as a percentage to the nearest one-hundredth of a percent, of the Matching Contributions and After-Tax Savings Contributions made on behalf of the Eligible Participant for such Plan Year to the ACP Test Compensation of the Eligible Participant for the entire Plan Year (regardless of whether he or she is a Participant for the entire Plan Year or for only part but not all of such Plan Year). The Actual Contribution Percentage of a person who is an Eligible Participant for such Plan Year but who does not have any Matching Contributions or After-Tax Savings Contributions made on his or her behalf for such Plan Year is 0%.

5A.4.4 The "Aggregate Limit" for any Plan Year (for purposes of this Section 5A.4.4, the "subject Plan Year") means the greater of the sums set forth in paragraphs (a) and (b) below:

(a) The sum of: (1) 125% of the greater of the Average Actual Deferral Percentage of the Non-Highly Compensated Employees for the subject Plan Year or the Average Actual Contribution Percentage of the Non-Highly Compensated Employees for the subject Plan Year; and (2) the lesser of (i) 200% of the lesser of the Average Actual Deferral Percentage of the Non-Highly Compensated Employees for the subject Plan Year or the Average Actual Contribution Percentage of the Non-Highly Compensated Employees for the subject Plan Year or (ii) 2% plus the lesser of the Average Actual Deferral Percentage of the Non-Highly Compensated Employees for the subject Plan Year or the Average Actual Contribution Percentage of the Non-Highly Compensated Employees for the subject Plan Year.

(b) The sum of: (1) 125% of the lesser of the Average Actual Deferral Percentage of the Non-Highly Compensated Employees for the subject Plan Year or the Average Actual Contribution Percentage of the Non-Highly Compensated Employees for the subject Plan Year; and (2) the lesser of (i) 200% of the greater of the Average Actual Deferral Percentage of the Non-Highly Compensated Employees for the subject Plan Year or the Average Actual Contribution Percentage of the Non-Highly Compensated Employees for the subject Plan Year or (ii) 2% plus the greater of the Average Actual Deferral Percentage of the Non-Highly Compensated Employees for the subject Plan Year or the Average Actual Contribution Percentage of the Non-Highly Compensated Employees for the subject Plan Year.

Notwithstanding the foregoing, the Employer may, if permitted under and if following such procedures as are set forth in guidance issued by the Secretary of the Treasury or his or her delegate or the Internal Revenue Service (in regulations, rulings, notices, or other similar guidance), amend the Plan, for any subject Plan Year which begins on or after January 1, 1998, so that the Average Actual Deferral Percentage and the Average Actual Contribution Percentage of the Non-Highly

Compensated Employees for the Plan Year which immediately precedes such subject Plan Year shall be used, instead of such percentages for such subject Plan Year, in determining the Aggregate Limit for such subject Plan Year. Until the Employer so amends the Plan, however, the Average Actual Deferral Percentage and Average Actual Contribution Percentage of the Non-Highly Compensated Employees for any subject Plan Year shall be used in determining the Aggregate Limit for such subject Plan Year.

5A.4.5 "Average Actual Deferral Percentage," "Actual Deferral Percentage," and "Eligible Participant" shall have the same meanings as are set forth in Section 4A.4 above, and "Excess Contributions" shall have the same meaning as is set forth in Section 4A.3 above.

5A.5 Disaggregating Portions of Plan. The provisions of Sections 5A.1 through 5A.4 above shall be applied only for the portion of this Plan which covers Participants who are not collectively bargained employees and as if such portion were a separate plan. For purposes hereof, a "collectively bargained employee" is an Employee who is included in a unit of employees covered by a collective bargaining agreement between employee representatives and the Employer, provided retirement benefits were the subject of good faith bargaining between such employee representatives and the Employer.

SECTION 6

ACCOUNTS AND THEIR ALLOCATIONS AND VESTING

6.1 Savings Accounts and Allocation of Savings Contributions Thereto.

6.1.1 The Committee shall establish and maintain a separate bookkeeping account, called herein a "Savings Account," for each Participant. Except as otherwise provided in the Plan, the Committee shall allocate to a Participant's Savings Account all Savings Contributions made on or after the Effective Amendment Date to the Trust on behalf of the Participant as soon as administratively practical after they are contributed to the Trust.

6.1.2 In addition, any and all amounts which were (1) attributable to contributions made under any Prior Plan by or at the election of a Participant prior to the Effective Amendment Date and (2) credited to the Participant's account under such Prior Plan before the Effective Amendment Date shall be deemed to have been allocated to the Participant's Savings Account at the time they were actually credited to the Participant's account under such Prior Plan. Further, any and all amounts transferred to this Plan on behalf of a Participant from another plan qualified under Section 401(a) of the Code on or after the Effective Amendment Date shall, to the extent such amounts reflect amounts which were contributed to such other plan by or at the election of the Participant (not including matching-type contributions), be deemed to be allocated to the Participant's Savings Account as of the date of such transfer.

6.1.3 The Committee shall keep records, to the extent necessary to administer this Plan properly under the other provisions of the Plan and under the applicable provisions of the Code, showing the portion of a Participant's Savings Account which is attributable to each different type of contribution reflected in it, e.g., Pre-Tax Savings Contributions or After-Tax Savings Contributions. In this regard, to the extent any amounts allocated to a Participant's Savings Account under this Plan reflect contributions made under a Prior Plan or any other plan at the election of the Participant, such amounts shall be deemed to reflect Pre-Tax Savings Contributions for purposes of this Plan to the extent such amounts were made under such Prior Plan or other plan on a "pre-tax" basis (i.e., prior to the Participant being deemed in receipt of such amounts for Federal income tax purposes) and shall be deemed to reflect After-Tax Savings Contributions for purposes of this Plan to the extent such amounts were made under such other plan on an "after-tax" basis (i.e., after the Participant was deemed in receipt of such amounts for Federal income tax purposes). Further, to the extent any amounts allocated to a Participant's Savings Account under this Plan reflect contributions made under any Prior Plan or other plan at the election of the Participant (not including matching-type contributions), such amounts shall be deemed to reflect Basic Savings Contributions for purposes of this Plan to the extent employer matching contributions were made by reason of such amounts under such Prior Plan or other plan and shall be deemed to reflect Additional Savings Contributions for purposes of this Plan to the extent no such employer matching contributions were made by reason of such amounts under such Prior Plan or other plan.

6.2 Matching Accounts and Allocation of Matching Contributions Thereto.

6.2.1 The Committee shall establish and maintain a separate bookkeeping account, called herein a "Matching Account," for each Participant. Except as otherwise provided in the Plan, the Committee shall allocate all Matching Contributions made to the Trust for any Plan Year which ends after the Effective Amendment Date among the Matching Accounts of all Participants who both are employed on the last day of such Plan Year and made no withdrawal of Basic Savings Contributions from their Savings Accounts during such Plan Year, in accordance with the allocation method described in Section 6.2.2 below, as of the last day of such Plan Year or as soon as administratively practical after such contributions are made to the Trust, whichever is later.

6.2.2 The Matching Contributions made to the Trust for any Plan Year which ends after the Effective Amendment Date (for purposes of this Section 6.2.2, the "subject Plan Year") shall be allocated among the Matching Accounts of the Participants who both are employed as Covered Employees on the last day of the subject Plan Year and made no withdrawal of Basic Savings Contributions from their Savings Accounts during the subject Plan Year (for purposes of this Section 6.2.2, the "Eligible Participants") in accordance with the following provisions:

(a) The Matching Contributions made for the subject Plan Year by reason of Section 5.1.1 above (for purposes of this Section 6.2.2, the "first-level contributions"), if any, shall be allocated among the Matching Accounts of the Eligible Participants, with the share of such first-level contributions to be allocated to each such Eligible Participant's Matching Account to be equal to the product obtained by multiplying the total of the first-level contributions by a fraction having a numerator equal to the Adjusted Basic Savings Contributions made for the subject Plan Year by or for such Eligible Participant and a denominator equal to the total Adjusted Basic Savings Contributions made for the subject Plan Year by or for all Eligible Participants.

(i) Notwithstanding the foregoing provisions of this paragraph (a), no Eligible Participant's Matching Account shall be allocated under this paragraph (a) an amount for the subject Plan Year which is more than 100% of the Basic Savings Contributions made for the subject Plan Year by or for such Eligible Participant.

(ii) To the extent the amounts otherwise to be allocated to Eligible Participants' Matching Accounts under this paragraph (a) are limited by reason of subparagraph (i) above, the sum by which such amounts are so limited (for purposes of this subparagraph (ii), the "reallocable sum") shall be allocated among the Matching Accounts of the remaining Eligible Participants, with the share of the reallocable sum to be allocated to each such remaining Eligible Participant's Matching Account to be equal to the product obtained by multiplying the total reallocable sum by a fraction having a numerator equal to the Basic Savings Contributions made for the subject Plan Year by or for such remaining Eligible Participant and a

denominator equal to the total Basic Savings Contributions made for the subject Plan Year by or for all such remaining Eligible Participants.

(b) The Matching Contributions made for the subject Plan Year by reason of Section 5.1.2 above (for purposes of this Section 6.2.2, the "second-level contributions"), if any, shall be allocated among the Matching Accounts of the Eligible Participants in such a manner that each Eligible Participant's Matching Account is allocated a share of the first-level contributions and second-level contributions (considered in the aggregate) which is no less than 33-1/3% of the Basic Savings Contributions made by or for such Eligible Participant for the subject Plan Year.

(c) The Matching Contributions made for the subject Plan Year by reason of Section 5.1.3 above (for purposes of this Section 6.2.2, the "third-level contributions"), if any, shall be allocated among the Matching Accounts of the Eligible Participants, with the share of such third-level contributions to be allocated to each such Eligible Participant's Matching Account to be equal to the sum by which (1) the product obtained by multiplying the total of the first-level contributions, second-level contributions, and third-level contributions (considered in the aggregate) by a fraction having a numerator equal to the Adjusted Basic Savings Contributions made for the subject Plan Year by or for such Eligible Participant and a denominator equal to the total Adjusted Basic Savings Contributions made for the subject Plan Year by or for all Eligible Participants exceeds (2) the sum of the amounts allocated to such Eligible Participant's Matching Account for the subject Plan Year under paragraphs (a) and (b) above.

(d) For all purposes of this Section 6.2.2, an Eligible Participant's "Adjusted Basic Savings Contributions" for the subject Plan Year means: (1) 100% of the Basic Savings Contributions made for the subject Plan Year by or for the Eligible Participant if he or she has completed less than 15 years of Vesting Service by the start of the subject Plan Year; or (2) 150% of the Basic Savings Contributions made for the subject Plan Year by or for the Eligible Participant if he or she has completed 15 or more years of Vesting Service by the start of the subject Plan Year.

6.2.3 In addition, any and all amounts which were (1) attributable to contributions made by the Employer under the prior matching contribution or employee stock ownership portions of a Prior Plan for a Participant prior to the Effective Amendment Date and (2) credited to the Participant's account under such Prior Plan immediately before the Effective Amendment Date shall be deemed to have been allocated to the Participant's Matching Account at the time they were actually credited to the Participant's account under such Prior Plan. Further, any and all amounts transferred to this Plan on behalf of a Participant from another plan qualified under Section 401(a) of the Code on or after the Effective Amendment Date shall, to the extent such amounts reflect amounts which were contributed under the matching contribution portion of such other plan, be deemed to be allocated to the Participant's Matching Account as of the date of such transfer.

6.2.4 The Committee shall keep records, to the extent necessary to administer this Plan properly under the other provisions of the Plan and under the applicable provisions of the Code, showing the portion of a Participant's Matching Account which is attributable to each different type of contribution reflected in it.

6.3 Rollover Accounts and Allocation of Rollover Contribution Thereto. The Committee shall establish and maintain a separate bookkeeping account, called herein a "Rollover Account," for each Participant who makes a Rollover Contribution to the Plan. Except as otherwise provided in the Plan, the Committee shall allocate to a Participant's Rollover Account any Rollover Contribution made on or after the Effective Amendment Date to the Trust on behalf of the Participant as soon as administratively practical after it is contributed to the Trust.

6.4 Retirement Income Accounts. The Committee shall establish and maintain a separate bookkeeping account, called herein a "Retirement Income Account," for each Participant for whom amounts are allocable to such account under the provisions of this Section 6.4. Any and all amounts which were (1) attributable to contributions made by the Employer under the regular profit sharing contribution portion of a Prior Plan prior to the Effective Amendment Date and (2) credited to the Participant's account under such Prior Plan immediately prior to the Effective Amendment Date shall be deemed to have been allocated to the Participant's Retirement Income Account at the time they were actually credited to the Participant's account under such Prior Plan. Further, any and all amounts transferred to this Plan on behalf of a Participant from another plan qualified under Section 401(a) of the Code on or after the Effective Amendment Date shall, to the extent such amounts reflect amounts which were contributed under a regular profit sharing portion of such other plan, be deemed to be allocated to the Participant's Retirement Income Account as of the date of such transfer. For purposes hereof, a "regular profit sharing portion" of a Prior Plan or other plan refers to the part of any profit sharing plan which is not attributable to contributions made by or at the election of a participant or to matching contributions made with respect to such participant-elected contributions. The Committee shall keep records, to the extent necessary to administer this Plan properly under the other provisions of the Plan and under the applicable provisions of the Code, showing the portion of a Participant's Retirement Income Account which is attributable to contributions of each different plan reflected in it.

6.5 Allocation of Forfeitures. Any forfeitures from Accounts arising under any of the provisions of the Plan during any Plan Year shall be allocated to other Accounts pursuant to and in accordance with the provisions of Section 8.6 below.

6.6 Maximum Annual Addition to Accounts. A Participant's Accounts held under the Plan shall be subject to the maximum annual addition limits of Section 6A below.

6.7 Investment of Accounts. A Participant's Accounts held under the Plan shall be invested in accordance with the provisions of Section 6B below.

6.8 Allocation of Income and Losses of Investment Funds to Accounts.

6.8.1 Each Investment Fund shall be valued at its fair market value on a daily basis by the Trustee (or any other party designated for this purpose by the Committee). Each Account which has amounts allocable thereto invested at least in part in any such Investment Fund shall be credited with the income of such Investment Fund, and charged with its losses, by any reasonable accounting method approved by the Committee for this purpose. For purposes of the Plan, any income of any such Investment Fund is deemed to include all income and realized and unrealized gains of such Investment Fund; similarly, for purposes of this Plan, any losses of an Investment Fund are deemed to include all expenses and realized and unrealized losses of the Investment Fund.

6.8.2 As is indicated before in the Plan, the Committee shall keep records, to the extent necessary to administer this Plan properly under the other provisions of this Plan and under the applicable provisions of the Code, showing the portion of each Account which is attributable to each different type of contribution or to contributions under each different plan applicable to such Account. In general, a pro rata portion of any income or losses of an Investment Fund which is allocated under the foregoing provisions of this Section 6.8 to an Account shall, when appropriate, be further allocated to any portion of such Account for which a separate record is being maintained by the Committee. As a result, any reference in the provisions of the Plan to a portion of a Participant's Account which is attributable to a specific type of contribution or to contributions previously made under a specific plan shall be deemed to be referring to the balance of the portion of such Account which reflects not only such specific type of contribution or contributions previously made under such specific plan allocated to such Account but also the income or losses allocated to such Account by reason of such specific type of contribution or contributions previously made under such specific plan.

6.8.3 Further, when the investment of two or more Accounts in the available Investment Funds is determined on an aggregate basis by a Participant under later provisions of the Plan, the Committee shall keep records, to the extent necessary to administer this Plan under the applicable provisions of this Plan and under the applicable provisions of the Code, showing the interest of each such Account in each such Investment Fund. In general, when the investment of two or more Accounts in the available Investment Funds is determined on an aggregate basis, each such Account will be considered to be invested in a pro rata portion of each different Investment Fund investment made on such aggregate basis.

6.9 Loans to Participants. Notwithstanding any other provision of the Plan to the contrary, beginning effective July 1, 1997, loans shall be made to Participants in accordance with the following provisions:

6.9.1 Beginning as of July 1, 1997, subject to the following provisions of this Section 6.9, a Participant may request a loan be made to him or her from the Plan in accordance with the provisions of this Section 6.9. The Committee shall approve or deny any request for a loan under the following provisions of this Section 6.9. The Trust shall provide any requested loan approved by the Committee.

6.9.2 Only one loan made under the Plan to a Participant may be outstanding at any point in time. As a result, no loan shall be granted to a Participant under the Plan unless any prior loan made by the Plan to the Participant has been fully paid by the Participant prior to the date that the new loan is made. In this regard, any loan made by the Plan to a Participant may not be used to pay off a prior outstanding loan made by the Plan to such a Participant.

6.9.3 The amount of any loan made under the Plan to a Participant may not be less than $500 and may not exceed the lesser of: (1) $50,000 (reduced by the highest outstanding balance of loans made from the Plan to the Participant during the one year period ending on the day before the date of the loan); or (2) 50% of the portions of the Participant's Accounts in which the Participant is then vested under the other provisions of the Plan.

6.9.4 Each loan made to a Participant from the Plan shall bear a rate of interest for the entire term of the loan equal to a rate or rates to be determined by the Committee and to be generally based on the interest rate or rates used on commercial loans which are comparable in risk and return to the subject loan at the time the loan is made.

6.9.5 Each loan made to a Participant from the Plan shall be adequately secured by a portion of the Participant's Accounts under the Plan, up to but not in excess of 50% of the vested portion of the Participant's Accounts under the Plan, with such specific portion being determined by the Committee. Also, the Committee may require that the loan be paid by means of payroll deductions to the extent feasible and that the Participant agree to give the Employer the right to deduct from the Participant's salary or wages as payable the amounts necessary to make payments to the Plan on such loan and the right to forward such amounts to the Trust on behalf of the Participant as payments on such loan are due.

6.9.6 The term of any loan made to a Participant from the Plan shall not extend beyond five years. Further, the term of any loan made to a Participant from the Plan on or after January 1, 1999 shall not be less than one year. In this regard, when a loan made to a Participant from the Plan prior to January 1, 1999 has a term of less than one year (or, for any loan made to a Participant from the Plan on or after January 1, 1999, in other limited situations permitted under procedures adopted by the Committee when the term of the loan is short enough that each required loan payment is very small), the Committee shall permit the term of such loan to be extended at the request of the Participant and the required loan payments for the remainder of the loan's amended term shall be reamortized accordingly, provided that the term of such loan may not extend beyond five years from the original date on which the loan is made. Such extension of the loan's term shall not be deemed to constitute a new loan for purposes of the Plan.

6.9.7 Payments of principal and interest on any loan made to a Participant from the Plan shall be made according to a definite payment schedule, which generally shall call for payments each payroll period but in no event shall call for payments to be made on a basis slower than on a quarterly basis.

6.9.8 The entire unpaid balance of any loan made to a Participant under the Plan and all accrued interest under the loan shall become immediately due and payable without notice or demand, and in default, upon the occurrence of either of the following: (1) the failure to make any payment of principal or interest on the loan or any other payment required under the loan by the date it is due (and within any grace period permitted under the written loan policy of the Committee referred in the following provisions of this Section 6.9); or (2) the date on which the Plan pursuant to its terms otherwise begins distributing any part of the Participant's vested Accounts under the Plan (or, if earlier, the expiration of any grace period set forth in the written loan policy of the Committee referred to in the following provisions of this Section 6.9 which begins on the first date by which the Plan pursuant to its terms could otherwise begin distributing the Participant's entire vested Accounts under the Plan if applicable requests and consents were given for such distribution).

6.9.9 In the event of a default on any loan made to a Participant from the Plan, foreclosure on the loan and the attachment of the security under the loan by the Plan shall be made when, but not until, an event occurs which, under the other terms of the Plan, would otherwise allow the complete distribution of the Participant's vested Accounts under the Plan (if all applicable requests and consents were given for such distribution). A foreclosure on the portion of the Participant's vested Accounts which are being used as security for the loan shall be deemed to be an actual distribution of such portion of the Participant's Accounts at the time of such foreclosure. However, any outstanding loan balance plus accrued interest may be taxable upon such default if required under the provisions of Section 72(p) of the Code, regardless of whether or not the loan has been foreclosed and the security as to the loan has been attached by the Plan. Interest shall continue to accrue for Plan purposes (but not necessarily for purposes of Section 72(p) of the Code) until a loan is paid in full or until a distributable event occurs under the foregoing provisions, regardless of the taxability of the loan.

6.9.10 Notwithstanding any of the foregoing provisions of this Section 6.9, no loans may be made: (1) to a Participant who is not an Employee, except for a Participant who is a party in interest (within the meaning of Section 3(14) of ERISA) with respect to the Plan; (2) to a beneficiary of a Participant under the Plan; or (3) to an alternate payee (as defined in ERISA Section 206(d) and Code Section 414(p)) who has an interest in the Plan pursuant to a qualified domestic relations order (also as defined in ERISA Section 206(d) and Code Section 414(p)). In the event a Participant who is not an Employee but who is a party in interest with respect to the Plan requests a loan, the provisions of this Section 6.9 shall apply to such loan, except that: (1) the Participant shall be allowed to make each required payment under the loan in cash or by check; and (2) the loan shall not be in default merely because the Participant has terminated employment with the Employer (when he or she has not yet received his or her entire vested Accounts under the Plan).

6.9.11 The expenses of originating and processing any loan, as determined by the Committee, shall be charged to the Participant and shall have to be paid by him or her to the Trust in order for the loan to be made.

6.9.12 A Participant shall be required to sign a promissory note and security agreement and any other documents deemed necessary by the Committee to carry out the terms of any loan made to the Participant from the Plan.

6.9.13 Unless otherwise provided by agreement between the Participant and the Committee, the principal amount of any loan made by the Plan to the Participant shall be charged, and the value of any payments made to the Plan on such loan credited, (1) first to the portion of the Participant's Savings Account which is attributable to his or her Pre-Tax Savings Contributions made under the Plan; (2) second, to the extent still necessary, to the Participant's Matching Account; (3) third, to the extent still necessary, to the Participant's Retirement Income Account; (4) fourth, to the extent still necessary, to the Participant's Rollover Account; and (5) fifth, to the extent still necessary, to the portion of the Participant's Savings Account which is attributable to his or her After-Tax Savings Contributions made under the Plan. Further, any payment on the loan shall, to the extent it is credited to an Account of the Participant, be invested in the Investment Fund or Funds in the same manner as new contributions to such Account are being invested. Notwithstanding any other provision of the Plan to the contrary, any Account of a Participant shall not share in the other income and losses of the Trust to the extent that the Account has been charged by reason of a loan made pursuant to this Section 6.9; and no loan made to a Participant under the Plan or payments thereon shall be charged or credited to the Accounts of any other Participants. Instead, for purposes of the Plan, any loan made to a Participant shall be considered as a separate Investment Fund in which a portion of the Participant's Accounts is invested (and in which no other Accounts are invested).

6.9.14 If any Participant who is requesting a loan from the Plan is married at the time of the loan, then, to the extent such loan is being charged under Section 6.9.13 above to his or her Retirement Income Account, a written consent of his or her Spouse to the loan shall be required to be made within the 90 day period ending on the effective date of the loan. Such written consent of his or her Spouse must acknowledge the effect on the Participant's benefits under the Plan of such loan and be witnessed by a notary public.

6.9.15 The Committee shall be the party responsible for administering the loan program provided for under this Section 6.9. The Committee shall provide for a written loan policy which sets forth further and more detailed rules concerning loans made to Participants under the Plan, provided that such written loan policy is not inconsistent with any of the other provisions set forth in this Section 6.9. Such written loan policy shall include but not be limited to rules concerning procedures for requesting and repaying loans, times when loans may be paid, and any other matters required to be in such loan policy pursuant to the provisions of Department of Labor Regulations Section 2550.408b-1. Such loan policy may also provide, but not be limited to, rules for granting a suspension of required loan payments under the loan or any adjustment in the installments as to the loan when a Participant is on a Leave of Absence without pay or at a rate of pay (after income and employment tax withholding) that is less than the amount of the installment payments otherwise required on the loan. Any such written loan policy shall be deemed a part of this Plan and incorporated by reference herein.

6.10 Deduction of Benefit Payments, Forfeitures, and Withdrawals. Any benefit payment, forfeiture, or withdrawal made from the balance of an Account of a Participant under the provisions of the Plan shall be deducted, as of the date of such payment, forfeiture, or withdrawal, from such Account. If such Account is invested in more than one Investment Fund and such payment, forfeiture, or withdrawal is of less than the entire balance in such Account, then, except to the extent otherwise provided by accounting rules adopted by the Committee, the value of the investment of such Account among the Investment Funds will be reduced on a pro-rata basis (i.e., in the proportion that the balance of such Account then invested in each Investment Fund bears to the total balance of such Account then invested in all such Investment Funds) to reflect the amount of such payment, forfeiture, or withdrawal.

6.11 Account Balances. For purposes of the Plan, the balance or value of any Account as of any specific date shall be deemed to be the net sum of amounts allocated or credited to, or charged or deducted from, such Account on such date under the provisions of the Plan. No Participant, however, shall acquire any right or interest in a specific asset of the Trust merely as a result of any allocation provided for in the Plan, other than as expressly set forth in the Plan.

6.12 Vested Rights. A Participant shall be deemed vested in (i.e., have a nonforfeitable right to) his or her Accounts (and the balances therein) only in accordance with the following provisions:

6.12.1 A Participant shall be fully vested at all times in his or her Savings Account and any Rollover Account of his or hers.

6.12.2 Except as is otherwise provided in Section 6.12.5 below, a Participant who was a participant in a Prior Plan on or before March 31, 1997 shall be fully vested at all times in any Matching Account of his or hers.

6.12.3 A Participant who was not a participant in any Prior Plan on or before March 31, 1997 shall have a vested interest in any Matching Account of his or hers as of any specific date equal to a percentage (for purposes of this Section 6.12.3, the "vested percentage") of such Account, determined in accordance with the following schedule (based upon his or her years of Vesting Service completed to the subject date):

Years of Vesting Service	Vested Percentage
Less than 3	0%
3 but less than 4	20%
4 but less than 5	40%
5 but less than 6	60%
6 but less than 7	80%
7 or more	100%

(a) Notwithstanding the foregoing provisions of this Section 6.12.3, a Participant who was not a participant in any Prior Plan on or before March 31, 1997 shall be fully vested in any Matching Account of his or hers if he or she attains his or her Normal Retirement Age, incurs a Total Disability, or dies while, in any such case, still an Employee.

(b) In addition, and also notwithstanding the foregoing provisions of this Section 6.12.3, a Participant who was not a Participant in any Prior Plan on or before March 31, 1997 shall be fully vested in any Matching Account of his or hers if he or she ceases to be an Employee by reason of the closing or sale (not including the merger into any Associated Employer or into any division or facility of an Associated Employer) of any Associated Employer (or any division or facility of an Associated Employer) while he or she is employed by such Associated Employer (or division or facility of such Associated Employer).

(c) Further, and also notwithstanding the foregoing provisions of this Section 6.12.3, a Participant who was not a Participant in any Prior Plan on or before March 31, 1997 shall be fully vested in any Matching Account of his or hers if he or she ceases to be an Employee by reason of (and in accordance and in a manner consistent with) the Employer taking actions (including a written notification) to terminate his or her employment with the Employer at some point during the period that begins on July 1, 1999 and ends on December 31, 2000 because of the Employer's outsourcing to a corporation or other organization (that is not part of an Associated Employer) of certain facility management functions which generally involve the non-retailing operations of the Employer's facilities.

6.12.4 Except as is otherwise provided in Section 6.12.5 below, a Participant shall be fully vested at all times in any Retirement Income Account of his or hers.

6.12.5 Notwithstanding any of the provisions of Section 6.12.3 or 6.12.4 above, any Participant who fails to complete at least one Hour of Service on or after the Effective Amendment Date shall have a vested interest in any Matching Account and/or Retirement Income Account of his or hers to the extent, and only to the extent, provided under each and any Prior Plan in which the amounts reflected in such Account or Accounts were credited (in accordance with the provisions of

the Prior Plan as in effect at the time the Participant ceased to be an employee for purposes of such Prior Plan).

6.13 Voting of Federated Common Shares Held in Investment Fund.

6.13.1 Any common shares of Federated which are held in the Investment Fund described in Section 6B below as Fund F (for purposes of this Section 6.13.1, "Fund F") shall be voted, on any matter on which such common shares have a vote, in the manner directed by the Participants pursuant to this Section 6.13.

6.13.2 Specifically, each Participant who has any portion of his or her Account invested in Fund F as of the record date used by Federated to determine the Federated common shares eligible to vote on any matter may direct the Plan as to how a number of the Federated common shares held in Fund F as of such record date are to be voted on such matter. The number of shares subject to the Participant's direction shall be equal to the product produced by multiplying the total number of Federated common shares held in Fund F as of such record date by a fraction. Such fraction shall have a numerator equal to the value of the portion of the Participant's Accounts which are invested in Fund F determined as of such record date and a denominator equal to the total value of Fund F as of such record date. If a Participant fails to instruct the Plan on how to vote on any matter the number of Federated common shares held in Fund F he or she is entitled to direct, such shares will not be voted on such matter.

6.13.3 Before any annual or special meeting of Federated shareholders, the Committee or a Committee representative will send each Participant who is entitled to direct the vote of any Federated common shares held in Fund F on a matter being voted on at such meeting a form allowing the Participant to instruct the Plan as to how to vote such shares on such matter.

SECTION 6A

MAXIMUM ANNUAL ADDITION LIMITS

6A.1 Maximum Annual Addition Limit—Separate Limitation as to This Plan.

6A.1.1 General Rules. Subject to the other provisions of this Section 6A.1 but notwithstanding any other provision of the Plan to the contrary, in no event shall the annual addition to a Participant's accounts for any limitation year exceed the lesser of:

(a) $30,000 (or, if greater, (as adjusted by the Secretary of the Treasury or his or her delegate for such limitation year); or

(b) 25% of the Participant's compensation for such limitation year.

The part of the annual addition attributable to contributions to a defined benefit plan for medical benefits under Code Section 401(h) or to contributions to a welfare benefit fund for funding for post-retirement medical benefits under Code Section 419A(d) shall not be applied against the limit set forth in paragraph (b) above, however.

6A.1.2 Necessary Terms. For purposes of the rules set forth in this Section 6A.1, the following terms shall apply:

(a) The "annual addition" to a Participant's accounts for a limitation year for purposes of this Plan shall be determined under the provisions of the Code (and mainly Code Section 415(c)(2)) in effect for such limitation year. In general, for any limitation year beginning after December 31, 1986, the annual addition is generally the sum of employer contributions, employee contributions, and forfeitures allocated to the Participant's accounts for such limitation year under all defined contribution plans (as defined in Code Section 414(i)) maintained by the Associated Employers, plus any contributions made on behalf of the Participant for such limitation year under Code Section 415(1) or Code Section 419A(d) (e.g., contributions to a defined benefit plan for medical benefits or contributions on behalf of a key employee to a welfare benefit fund for funding for post-retirement medical benefits) under defined benefit plans or welfare benefit funds maintained by the Associated Employers. (It is noted that for any limitation year beginning before January 1, 1987, not all employee contributions were included in the annual addition; instead, only the lesser of the amount of the employee contributions made for such limitation year in excess of 6% of the Participant's annual compensation for such limitation year or one-half of the employee contributions made for such limitation year were counted as part of the annual addition. This determination need not be recalculated for any such pre-1987 limitation year. In addition, it is also noted that any Rollover Contributions of a Participant or any restoration of a Participant's accounts under Section 8.4, 10.2, or 15.4 below shall not be considered part of an annual addition for the limitation year in which the restoral occurs.)

(b) A Participant's "compensation" shall, for purposes of the restrictions of Section 6A.1 hereof, refer to his or her Compensation as defined in Section 1.8 above; except that, for purposes of this Section 6A.1, Section 1.8.2 above shall not apply for any limitation year which begins prior to January 1, 1998.

(c) The "limitation year" for purposes of the restrictions under Section 6A.1 above shall be the Plan Year.

6A.1.3 Excess Annual Additions. If, as a result of the allocation of forfeitures, a reasonable error in estimating a Participant's compensation for a limitation year, a reasonable error in determining the amount of any Pre-Tax Savings Contributions that may be made with respect to a Participant under the limits of Section 415 of the Code, or under other limited facts and circumstances which the Commissioner of Internal Revenue finds justify the availability of the rules described in this Section 6A.1.3, the annual addition for a Participant with respect to any limitation year would otherwise cause the limits of Section 6A.1.1 above to be exceeded, such excess amount shall not be deemed an annual addition in such limitation year for such Participant and shall instead be adjusted under this Plan as follows:

(a) First, to the extent necessary to eliminate the excess portion of the annual addition, the amount of the Matching Contributions made for the Participant for the applicable limitation year and the forfeitures allocated to the Participant's Matching Account for such limitation year (and Plan earnings attributable to such Matching Contributions and forfeitures, which shall be determined by the same method, or by a substantially similar method to the method, used to determine Plan earnings attributable to Excess Aggregate Contributions under Section 5A.3.3 above for the applicable limitation year) shall be allocated to Accounts of other Participants in such a manner that they are used to reduce the Matching Contributions to the Plan (and as if they were the Matching Contributions which they replace) at the next earliest opportunity in succeeding limitation years. Such reallocated Matching Contributions shall not, notwithstanding any other provision of the Plan to the contrary, be taken into account as Matching Contributions of the Participant for whose Account they constituted an excess allocation in determining if the average actual contribution percentage limits set forth in Section 5A.1 above (and Section 401(m)(2) of the Code) are met as to such Participant.

(b) Second, to the extent still necessary to eliminate the excess portion of the annual addition, the amount of the Participant's After-Tax Savings Contributions for the applicable limitation year which are Additional Savings Contributions (and Plan earnings attributable thereto, which shall be determined by the same method, or by a substantially similar method to the method, used to determine Plan earnings attributable to Excess Aggregate Contributions under Section 5A.3.3 above for the applicable limitation year) shall be returned to the Participant. Such returned After-Tax Savings Contributions shall not, notwithstanding any other provision of the Plan to the contrary, be taken into account as After-Tax Savings Contributions of the Participant in

determining if the average actual contribution percentage limits set forth in Section 5A.1 above (and Section 401(m)(2) of the Code) are met as to such Participant.

(c) Third, to the extent still necessary to eliminate the excess portion of the annual addition, the amount of the Participant's Pre-Tax Savings Contributions for the applicable limitation year which were Additional Savings Contributions (and Plan earnings attributable thereto, which shall be determined by the same method, or a substantially similar method to the method, used to determine Plan earnings attributable to Excess Contributions under Section 4A.3.2 above for the applicable limitation year) shall be returned to the Participant. Such returned Pre-Tax Savings Contributions shall not, notwithstanding any other provision of the Plan to the contrary, be taken into account as Pre-Tax Savings Contributions of the Participant in determining if the average actual deferral percentage limits set forth in Section 4A.1 above (and Section 401(k)(3) of the Code), and the dollar limit on Pre-Tax Savings Contributions set forth in Section 1.26 above (and Section 402(g) of the Code), are met as to such Participant.

(d) Fourth, to the extent still necessary to eliminate the excess portion of the annual addition, the amount of After-Tax Savings Contributions for the applicable limitation year which are Basic Savings Contributions (and Plan earnings attributable thereto, which shall be determined by the same method, or by a substantially similar method to the method, used to determine Plan earnings attributable to Excess Aggregate Contributions under Section 5A.3.3 above for the applicable limitation year) shall be returned to the Participant. Such returned After-Tax Savings Contributions shall not, notwithstanding any other provision of the Plan to the contrary, be taken into account as After-Tax Savings Contributions of the Participant in determining if the average actual contribution percentage limits set forth in Section 5A.1 above (and Section 401(m)(2) of the Code) are met as to such Participant. This paragraph (d) shall not apply to any Plan Year which begins on or after January 1, 1998, however.

(e) Finally, to the extent still necessary to eliminate the excess portion of the annual addition, the Participant's Pre-Tax Savings Contributions for the applicable limitation year which are Basic Savings Contributions (and Plan earnings attributable thereto, which shall be determined by the same method, or by a substantially similar method to the method, used to determine Plan earnings attributable to Excess Contributions under Section 4A.3.2 above for the applicable limitation year) shall be returned to the Participant. Such returned Pre-Tax Savings Contributions shall not, notwithstanding any other provision of the Plan to the contrary, be taken into account as Pre-Tax Savings Contributions of the Participant in determining if the average actual deferral percentage limits set forth in Section 4A.1 above (and Section 401(k)(3) of the Code), and the dollar limit on Pre-Tax Savings Contributions set forth in Section 1.26 above (and Section 402(g) of the Code), are met as to such Participant.

Any contributions which are to be used in place of and to reduce future Matching Contributions to the Plan shall be held in a suspense account until being able to be so used. No Plan income or losses shall be allocated to such suspense account. Also, while any suspense account exists, the Employer shall make further contributions to the Plan for any succeeding limitation year only if the amounts

held in such suspense account shall be able to be allocated to Participants' Accounts for such limitation year.

6A.1.4 Combining of Plans. If any other defined contribution plans (as defined in Section 414(i) of the Code) in addition to this Plan are maintained by the Associated Employers, then the limitations set forth in this Section 6A.1 shall be applied as if this Plan and such other defined contribution plans are a single plan. If any reduction or adjustment in a Participant's annual addition is required by this Section 6A.1, such reduction or adjustment shall when necessary be made to the extent possible under any of such other defined contribution plans in which a portion of the annual addition was allocated to the Participant's account as of a date in the applicable limitation year which is later than the latest date in such year as of which any portion of the annual addition was allocated to the Participant's account under this Plan (provided such other plan or plans provide for such reduction or adjustment in such situation). To the extent still necessary, such reduction or adjustment shall be made under this Plan.

6A.2 Maximum Annual Addition Limit—Combined Limitation for This Plan and Other Defined Benefit Plans.

6A.2.1 General Rule. Subject to the other provisions of this Section 6A.2 but notwithstanding any other provision of this Plan to the contrary, if a Participant in this Plan also participates in one or more defined benefit plans (as defined in Section 414(j) of the Code) which are maintained by the Employer or the Affiliated Employers, then in no event shall the sum of such Participant's defined benefit plan fraction and defined contribution plan fraction for any limitation year exceed 1.0. If and to the extent necessary, the Participant's retirement benefits that are projected or payable under the defined benefit plan or plans shall be reduced or frozen so that this limitation is not exceeded (provided such defined benefit plan or plans provide for such reduction or freezing of his or her retirement benefits in such situation). If this limitation is still exceeded even after such reduction or freezing of the Participant's retirement benefits, then the annual addition to the Participant's Accounts under this Plan shall be reduced to the additional extent necessary so that the limitation is not exceeded. Such reduction shall, to the extent necessary, be made in the same manner as is described in Section 6A.1.3 above.

6A.2.2 Defined Benefit Plan Fraction. For purposes of this Section 6A.2, a Participant's "defined benefit plan fraction" for any limitation year is a fraction:

(a) The numerator of which is the Participant's projected annual benefit under all of the defined benefit plans maintained by the Associated Employers (determined as of the close of the subject limitation year and including any such plans whether or not terminated); and

(b) The denominator of which is the lesser of (1) 1.25 multiplied by the dollar limitation in effect under Code Section 415(b)(1)(A) for such limitation year or (2) 1.4 multiplied by the amount which may be taken into account for the Participant under Code Section 415(b)(1)(B) by the close of such limitation year (i.e., 1.4 multiplied by 100% of his or her average

annual compensation for his or her high three years). If a Participant's current accrued benefit as of the first day of the limitation year beginning on January 1, 1987 exceeds the dollar limitation in effect under Code Section 415(b)(1)(A) for any limitation year, however, then the dollar limitation referred to in clause (1) above shall be deemed to be not less than such current accrued benefit. For purposes hereof, the Participant's "current accrued benefit" means his or her accrued benefit when expressed as an annual benefit and as determined under such defined benefit plans as of the close of the last limitation year beginning before January 1, 1987 (but disregarding any change in the terms and conditions of such plans after May 5, 1986 and any cost of living adjustment occurring after May 5, 1986).

6A.2.3 Defined Contribution Plan Fraction. For purposes of this Section 6A.2, a Participant's "defined contribution plan fraction" for any limitation year is a fraction:

(a) The numerator of which is the sum of all of the annual additions to the Participant's accounts under this Plan and all other defined contribution plans (and, to the extent annual additions are made thereto, defined benefit plans and welfare benefit funds) maintained by the Associated Employers (whether or not terminated) which have been made as of the close of the subject limitation year (including annual additions made in prior limitation years); and

(b) The denominator of which is the sum of the lesser of the following amounts determined for the subject limitation year and for each prior limitation year in which the Participant performed service for the Employer or an Affiliated Employer: (1) 1.25 multiplied by the dollar limitation in effect under Code Section 415(c)(1)(A) for the applicable limitation year (determined without regard to Code Section 415(c)(6)), or (2) 1.4 multiplied by the amount which may be taken into account for the Participant under Code Section 415(c)(1)(B) for the applicable limitation year. (In general, for limitation years beginning after December 31, 1986, the dollar limitation in effect under Code Section 415(c)(1)(A) for a limitation year is the greater of $30,000, as adjusted by the Secretary of the Treasury or his or her delegate for such limitation year, and the amount which may be taken into account under Code Section 415(c)(1)(B) for a limitation year is 25% of the Participant's compensation for such limitation year.)

6A.2.4 Other Necessary Terms. For purposes of the rules set forth in this Section 6A.2, the following terms shall apply:

(a) A Participant's "projected annual benefit" as of the close of any limitation year means the annual benefit that the Participant would be entitled to under all of the defined benefit plans maintained by the Associated Employers if (1) the Participant continued in employment with his or her current employer on the same basis as exists as of the close of the subject limitation year until attaining his or her Normal Retirement Age (or, if he or she has already attained such age by the close of the subject limitation year, he or she immediately terminated his or her employment), (2) the Participant's annual compensation for the subject limitation year remains the same each later limitation year until he or she terminates employment, and (3) all other relevant

factors used to determine benefits under such plans for the subject limitation year remain constant for all future limitation years.

(b) A Participant's "annual benefit" means a benefit payable in the form of a single life annuity.

(c) A Participant's "annual addition," his or her "compensation," and the "limitation year" shall all have the same meanings as are given to those terms in Section 6A.1 above.

6A.2.5 Adjustment of Defined Contribution Plan Fraction. If necessary, an amount shall be subtracted from the numerator of the defined contribution plan fraction applicable to a Participant in accordance with regulations prescribed by the Secretary of the Treasury or his or her delegate so that the sum of the Participant's defined benefit plan fraction and defined contribution plan fraction computed as of the end of the last limitation year beginning before January 1, 1987 does not exceed 1.0 for such limitation year.

6A.2.6 Combining of Plans. If any other defined contribution plans (as defined in Section 414(i) of the Code) in addition to this Plan are maintained by the Associated Employers, then the limitation set forth in this Section 6A.2 shall be applied as if this Plan and such other defined contribution plans are a single plan. If any reduction or adjustment in a Participant's annual addition is required by this Section 6A.2, such reduction or adjustment shall be made to the extent possible under any of such other defined contribution plan or plans in which a portion of the annual addition was allocated to the Participant's account as of a date in the applicable limitation year which is later than the latest date in such year as of which any portion of the annual addition was allocated to the Participant's account under this Plan (provided such other plan or plans provide for such reduction or adjustment in such situation). To the extent still necessary, such reduction or adjustment shall be made under this Plan.

6A.2.7 Termination of Limitation. Notwithstanding any other provision of the Plan to the contrary, the provisions set forth in this Section 6A.2 shall not apply, and shall no longer be effective, for any limitation year which begins after December 31, 1999.

SECTION 6B

INVESTMENT OF ACCOUNTS

6B.1 General Rules for Investment of Accounts. All of a Participant's Accounts shall be invested on and after the Effective Amendment Date in the manner provided under and in accordance with the following provisions of this Section 6B.1.

6B.1.1 Each Participant may elect, to be effective as of the next pay day of the Participant by which the Committee can reasonably put such election into effect, to invest, as soon as practical after they are made, the Participant's Savings Contributions and Rollover Contributions made to the Plan (his or her "future Savings and Rollover Contributions") in 1% increments among any or all of Funds A, B, C, D, E, and F. Notwithstanding the foregoing, the Participant may not elect that more than 50% of his or her future Savings and Rollover Contributions will be invested in Fund F. Further, if a Participant who first becomes a Participant in the Plan prior to January 1, 1999 never makes any election as to the investment of his or her future Savings and Rollover Contributions, then he or she shall be deemed to have elected to invest his or her future Savings and Rollover Contributions in Fund A until he or she changes such election under this Section 6B.1.1. In addition, if a Participant who first becomes a Participant in the Plan on or after January 1, 1999 never makes any election as to the investment of his or her future Savings and Rollover Contributions, then he or she shall be deemed to have elected to invest his or her future Savings and Rollover Contributions in Fund B until he or she changes such election under this Section 6B.1.1.

6B.1.2 Any Matching Contributions made to the Plan which are allocable to a Participant's Accounts shall be invested, as soon as practical after they are made, in Fund F.

6B.1.3 Further, each Participant may at any time elect, to be effective as of the next day by which the Committee can reasonably put such election into effect, to change the investment of the then balance of his or her Accounts (including for this purpose the portion of his or her Accounts attributable to his or her Savings Contributions and Rollover Contributions, and to Matching Contributions allocable to his or her Accounts, which were made prior to such election) in 1% increments among any or all of Funds A, B, C, D, E, and F. Notwithstanding the foregoing, such election may not result in more than 50% of the then balance of his or her Accounts to be invested in Fund F.

6B.1.4 Unless a Participant changes the investment of the balance of his or her Accounts as of any date under Section 6B.1.3 above, any net income arising under Fund A, B, C, D, E, or F and allocable to the Participant's Accounts shall be reinvested in such Fund.

6B.1.5 Any election made by a Participant under Section 6B.1.1 or 6B.1.3 above must be made by a communication to a Plan representative under a telephonic system approved by the Committee or by any other method approved by the Committee. If such election is made by a

telephonic communication, it shall be confirmed in writing by the Plan representative to the Participant.

6B.1.6 If a Participant fails at any time to make an election as to the investment of his or her future Savings and Rollover Contributions or the then balance of his or her Accounts, then his or her future Savings and Rollover Contributions or the then balance of his or her Accounts, as the case may be, shall continue to be invested in the same manner as applied immediately prior to such time without change until the Participant subsequently does elect a change under this Section 6B.1 (except that, if no election as to the investment of his or her future Savings and Rollover Contributions or the then balance of his or her Accounts, as the case may be, had ever previously been made as to such contributions or balance, then the Participant shall be deemed to have elected to invest such contributions or balance in Fund A.)

6B.2 Investment Funds. Several Funds shall be maintained in the Trust Fund for the investment of Plan funds. For purposes hereof, a "Fund" means a separate commingled investment fund established under the Trust Fund which is used for the investment of assets of the Plan. Each of such Funds has a specific investment focus and party or parties directing its investments, which in both cases is chosen by the Committee or an investment committee appointed under the provisions of the Trust. Each Fund is subject to all of the terms of the Trust Fund. For purposes of the Plan, the funds listed below are Funds used for the Plan, have the investment focus described below, and are the Funds referred to in the other provisions of the Plan:

6B.2.1 "Fund A" invests in a variety of short-term fixed income corporate and government securities, mortgage securities, investment contracts with selected insurance or other companies, intermediate-term fixed-income securities, and cash equivalents.

6B.2.2 "Fund B" invests in a variety of corporate and government fixed-income securities, mortgage securities, equity securities, and cash equivalents, as selected by the Committee or by one or more investment managers appointed under the Trust Fund.

6B.2.3 "Fund C" invests in common stocks of well established companies which are generally reflected in the Standard & Poor's 500 stock equity index fund.

6B.2.4 "Fund D" invests in the common stocks of smaller, less recognized companies than the companies reflected in Fund C.

6B.2.5 "Fund E" invests in the stocks of companies not based in the United States.

6B.2.6 "Fund F" invests primarily in common stock of Federated, except that a portion of such Fund may invest in certain cash equivalents.

SECTION 7

WITHDRAWALS DURING EMPLOYMENT

7.1 Withdrawals of After-Tax Savings and Rollover Contributions.

7.1.1 Upon written notice filed with a Plan representative, a Participant may elect to withdraw from his or her Savings Account any portion of the then value of such Account which is attributable to his or her After-Tax Savings Contributions which are treated under other provisions of the Plan as Additional Savings Contributions (for purposes of this Section 7.1, the "After-Tax Additional Savings Contributions"), and/or to withdraw any portion of the then value of his or her Rollover Account, and which he or she designates in the notice.

7.1.2 Also upon written notice filed with a Plan representative, any Participant may, provided he or she elects at the same time to withdraw the maximum amount of After-Tax Additional Savings Contributions he or she is permitted to withdraw under Section 7.1.1 above (if any), elect to withdraw from his or her Savings Account any portion of the then value of such Account which is attributable to his or her After-Tax Savings Contributions which are treated under other provisions of the Plan as Basic Savings Contributions and which he or she designates in the notice.

7.1.3 If a withdrawal under Section 7.1.1 above and/or Section 7.1.2 above is elected, the actual withdrawal payment shall be distributed in cash to the Participant as soon as administratively practical after such election.

7.2 Withdrawals of Pre-Tax Savings Contributions.

7.2.1 Upon written notice filed with a Plan representative, a Participant may, provided he or she elects at the same time to withdraw the maximum amount he or she is permitted to withdraw under Section 7.1 above (if any), request a withdrawal from his or her Savings Account of any portion of the then value of such Account which is attributable to his or her Pre-Tax Savings Contributions and which he or she designates in the notice, so long as, if the Participant has not yet attained age 59-1/2, the requested amount is not greater than the difference between the dollar amount of the Pre-Tax Savings Contributions previously made on his or her behalf to the Plan and the amount of Pre-Tax Savings Contributions he or she has previously withdrawn from the Plan. In particular, no Trust income allocated to the Participant's Savings Account by reason of his or her Pre-Tax Savings Contributions made to the Plan may be withdrawn pursuant to the provisions of this Section 7.2 when the withdrawal is made before the Participant has attained age 59-1/2. Further, no withdrawal may be allowed under this Section 7.2 unless the withdrawal is requested (1) after the Participant has attained age 59-1/2 or (2) because of a hardship.

7.2.2 If such a withdrawal is requested, the actual withdrawal payment shall be distributed in cash to the Participant as soon as administratively practical after such election, provided the Committee or a Committee representative determines such request is to be granted under the rules set forth in this Section 7.2 (and, if applicable, Section 7.3 below).

7.2.3 Also, any withdrawal made by a Participant shall be deemed for Plan purposes to consist first of those Pre-Tax Savings Contributions which are treated under other provisions of the Plan as Additional Savings Contributions and second (only to the extent still necessary) of those Pre-Tax Savings Contributions which are treated under other provisions of the Plan as Basic Savings Contributions.

7.2.4 Any withdrawal requested under this Section 7.2 because of a hardship shall be granted by the Committee or a Committee representative if (and only if) the Committee or the Committee representative determines that the requested hardship withdrawal meets the requirements set forth in Section 7.3 below.

7.3 Requirements for Hardship Withdrawals. Any withdrawal which is requested by a Participant under Section 7.2 above because of a hardship must meet the following requirements in order to be granted by the Committee or a Committee representative:

7.3.1 Any such hardship withdrawal must be requested by the Participant and certified to be on account of an immediate and heavy financial need of the Participant. Also, written documentation of the reason for requesting the withdrawal may be required by the Committee or a Committee representative. Whether a withdrawal is requested on account of an immediate and heavy financial need of the Participant shall be determined by the Committee or a Committee representative on the basis of all facts and circumstances. In this regard, a withdrawal shall be considered to be requested on account of an immediate and heavy financial need of the Participant if the request is on account of:

(a) Expenses for medical care (described in Section 213(d) of the Code) previously incurred by the Participant, his or her spouse, or any dependents of his or hers (as defined in Section 152 of the Code) or necessary for these persons to obtain medical care (described in Section 213(d) of the Code);

(b) Costs directly related to the purchase (excluding mortgage payments) of a principal residence of the Participant;

(c) The payment of tuition and related educational fees for the next twelve months of post-secondary education for the Participant or his or her spouse, children, or dependents (as defined in Section 152 of the Code);

(d) The need to prevent the eviction of the Participant from his or her principal residence or the foreclosure on the mortgage of the Participant’s principal residence;

(e) The need to pay funeral expenses of a family member of the Participant;

(f) The need to pay expenses resulting from sudden or unexpected damage to the Participant's principal residence or personal property;

(g) To the extent not described in paragraph (a) above, the need to pay expenses resulting from a sudden and unexpected illness or accident of the Participant or a family member of the Participant; or

(h) To the extent not included in any of the foregoing paragraphs, the need to pay expenses to alleviate the Participant's severe financial hardship resulting from extraordinary and unforeseeable circumstances beyond the control of the Participant.

7.3.2 Any such hardship withdrawal must also be necessary to satisfy the need for the withdrawal. A withdrawal shall be deemed necessary to satisfy such need if, and only if, all of the following conditions are certified to by the Participant:

(a) The withdrawal is not in excess of the amount of the immediate and heavy financial need of the applicable Participant which has caused the Participant to request the withdrawal. The amount of an immediate and heavy financial need of the Participant may include an amount permitted by the Committee under uniform rules to cover Federal income taxes or penalties which can reasonably be anticipated to result to the Participant from the distribution;

(b) The Participant has obtained or is obtaining by the date of the withdrawal all withdrawals (other than hardship withdrawals) and all nontaxable (at the time of the loans) loans then available under the Plan and all other plans of the Associated Employers, including any loans then available under Section 6.9 above and any withdrawal then available under Section 7.1 above;

(c) The Participant shall be suspended from making employee contributions or having contributions made by reason of his or her election pursuant to an arrangement described in Section 401(k) of the Code under the Plan, or any other plan of the Associated Employer which is qualified under Section 401(a) of the Code, for a one year period beginning on the date on which the withdrawal payment is made;

(d) The Participant shall be suspended from making employee contributions or having contributions made by reason of his or her election under any plan of deferred compensation of an Associated Employer which is not qualified under Section 401(a) of the Code, including for purposes hereof a stock option or stock purchase plan, for at least one year after the date on which the withdrawal payment is made; and

(e) The Participant cannot relieve such need through any other resources.

7.4 Suspension of Savings Contributions. Notwithstanding any other provision in the Plan to the contrary, the ability of any Participant who makes a withdrawal under Sections 7.2 and 7.3 above because of a hardship shall automatically be suspended from making Savings Contributions under this Plan for the one year period beginning on the date on which the withdrawal payment is made. The Participant may elect to have Savings Contributions resume being made on his or her behalf as of any pay day which occurs at least one year after such withdrawal date (or any subsequent day) only by filing a new Savings Agreement with a Plan representative an administratively reasonable number of days prior to such pay day.

7.5 Reduction of Post-Withdrawal Pre-Tax Savings Contributions. Notwithstanding any other provision in the Plan to the contrary, any Participant who makes a withdrawal under Sections 7.2 and 7.3 above because of a hardship may not elect to have Pre-Tax Savings Contributions made to this Plan, and/or to have any contributions made to any other plans of the Associated Employers by reason of an election pursuant to any arrangement described in Section 401(k) of the Code, for the Participant's tax year next following his or her tax year in which he or she receives such withdrawal which are in the aggregate in excess of an amount equal to: (1) the applicable limit under Section 402(g) of the Code for such next tax year (e.g., $9,500, as increased by the Secretary of the Treasury or his or her delegate for such next tax year); less (2) the aggregate sum of the Pre-Tax Savings Contributions made on behalf of the Participant to this Plan, and the contributions made on his or her behalf to any other plans of the Associated Employers by reason of any arrangement described in Section 401(k) of the Code, for the Participant's tax year in which such withdrawal is made.

SECTION 8

DISTRIBUTIONS ON ACCOUNT OF TERMINATION
OF EMPLOYMENT FOR REASONS OTHER THAN DEATH

8.1 Distribution of Retirement Benefit. Each Participant who is vested in any Account under the Plan shall be entitled to a retirement benefit under the Plan, which is payable in accordance with the following provisions:

8.1.1 The form of such benefit shall be determined under Sections 8A and 8B below.

8.1.2 Further, subject to the other provisions of the Plan, such benefit shall be paid or commence to be paid within a reasonable administrative period after the date the Participant provides a Plan representative with a written direction (on a form prepared or approved by the Committee) to pay the benefit, except that in no event shall such benefit be paid or commence to be paid prior to the earlier of the date the Participant ceases to be an Employee or the Participant's Required Commencement Date or later than the Participant's Required Commencement Date.

8.1.3 Notwithstanding the provisions of Section 8.1.2 above, such benefit shall automatically be paid, with no direction or consent of the Participant being required, within a reasonable administrative period after the date the Participant ceases to be an Employee if the lump sum amount of such benefit is then determined to be $3,500 or less and if the Participant's ceasing to be an Employee occurs prior to his or her Required Commencement Date; except that such benefit shall in no event be paid later than the Participant's Required Commencement Date. The reference to "$3,500" contained in the immediately preceding sentence shall be deemed to be a reference to "$5,000" with respect to any Participant who ceases to be an Employee on or after January 1, 1998 and whose benefit under the Plan does not begin to be paid as of any date prior to January 1, 1998. In addition, and also notwithstanding the provisions of Section 8.1.2 above, if the retirement benefit payable under the provisions of this Section 8.1 to a Participant who ceases to be an Employee before January 1, 1998 is not required to be distributed under the first sentence of this Section 8.1.3 but the lump sum amount of such benefit is determined to be $5,000 or less as of January 1, 2001, and if such Participant has not previously started to receive such retirement benefit, then such benefit shall automatically be paid, with no direction or consent of the Participant being required, within a reasonable administration period after such date (except that such benefit shall in no event be paid later than the Participant's Required Commencement Date).

8.1.4 Also, in no event shall distribution of any benefit under the Plan to a Participant under this Section 8.1 be made or commence, provided the Participant has filed a written direction to pay the benefit (when such direction is required) and the amount of the benefit can be determined, later than 60 days after the end of the later of the Plan Year during which the Participant

attains his or her Normal Retirement Age or the Plan Year in which he or she ceases to be an Employee.

8.1.5 If a Participant dies before the full distribution of the retirement benefit to which he or she is entitled, his or her beneficiary under the Plan shall be entitled to a benefit under Section 9 below and the provisions of this Section 8.1 shall no longer apply.

8.2 Required Commencement Date. For purposes of the Plan and Section 8.1 above in particular, a Participant's "Required Commencement Date" means a date determined by the Committee for administrative reasons to be the date on which the Participant's vested Plan benefit (if any such benefit would then exist and not yet have been distributed) is to commence in order to meet the requirements of Section 401(a)(9) of the Code (or, for any Participant who attains age 70-1/2 prior to January 1, 1999, in order to meet the requirements of Code Section 401(a)(9) as in effect before the effect of the Small Business Job Protection Act of 1996 is taken into account), which date, subject to any subsequent changes to Code Section 401(a)(9), shall be in accordance with the following parameters:

8.2.1 Subject to Section 8.2.5 below, for a Participant who attains age 70-1/2 after December 31, 1987 but prior to January 1, 1999, his or her Required Commencement Date must be no later than, and no earlier than seven months prior to, the April 1 of the calendar year next following the calendar year in which he or she attains age 70-1/2.

8.2.2 Subject to Section 8.2.5 below, for a Participant who attains age 70-1/2 either before January 1, 1988 or after December 31, 1998 and who is not a 5% owner of the Employer, his or her Required Commencement Date must be no later than, and no earlier than seven months prior to, the April 1 of the calendar year next following the later of: (1) the calendar year in which he or she attains age 70-1/2; or (2) the calendar year in which he or she ceases to be an Employee.

8.2.3 Subject to Section 8.2.5 below, for a Participant who attains age 70-1/2 either before January 1, 1988 or after December 31, 1998 and who is a 5% owner of an Associated Employer, his or her Required Commencement Date must be no later than, and no earlier than seven months prior to, the April 1 of the calendar year next following the later of: (1) the calendar year in which he or she attains age 70-1/2; or (2) the earlier of the calendar year with or within which ends the Plan Year in which he or she becomes a 5% owner of the Associated Employer or the calendar year in which he or she ceases to be an Employee.

8.2.4 A Participant is deemed to be a 5% owner of an Associated Employer for purposes hereof if he or she is a 5% owner of the Associated Employer (as determined under Section 416(i)(1)(B) of the Code) at any time during the Plan Year ending with or within the calendar year in which he or she attains age 66-1/2 or any subsequent Plan Year. Once a Participant meets the criteria, he or she shall be deemed a 5% owner of the Associated Employer even if he or she ceases to own 5% of the Associated Employer in a later Plan Year.

8.2.5 Notwithstanding the foregoing, for any Participant who has no amount at all allocated to any Account of his or hers under the Plan (or who is not yet even a Participant) on the date which otherwise would be his or her Required Commencement Date under the foregoing provisions of this Section 8.2, then his or her Required Commencement Date shall not be subject to such foregoing provisions but rather must be a date which falls in, and is no later than the December 31 of, the calendar year next following the first calendar year in which falls a date as of which an amount is allocated to any Account of his or hers under the Plan.

8.3 Forfeiture of Nonvested Accounts on Termination of Employment. If a Participant ceases to be an Employee for any reason prior to a time when his or her Accounts are fully vested, the Participant will forfeit from his or her Accounts the nonvested balance therein (i.e., the total balance of such Accounts less the vested portion, if any, of such balance), on and as determined as of the earlier of (1) the date on which he or she receives distribution of the full vested portion of his or her Accounts or (2) the end of the Plan Year in which he or she first incurs a Six-Year Break-in-Service which ends after the Participant ceases to be an Employee. The forfeited amount shall be allocated to Accounts of other Participants in accordance with Section 8.6 below. For purposes hereof, a Participant who terminates employment with the Associated Employers at a time when he or she has no vested balance in his or her Accounts at all shall be deemed to have received a complete distribution of the vested portion of his or her Accounts on the date of such termination of employment.

8.4 Special Rules as to Effect of Rehirings on Accounts.

8.4.1 If a former Participant who ceased to be an Employee and thereby forfeited all of his or her Accounts is rehired as a Covered Employee prior to incurring a Six-Year Break-in-Service, the dollar amount which was previously forfeited from such Accounts shall be restored, as of the last day of the Plan Year in which he or she is rehired, to new Accounts (of the same types as the ones from which he or she suffered the forfeiture) established for him or her under the Plan. In addition, if a former Participant who ceased to be an Employee, thereby forfeited a portion of but not all of his or her Accounts, and received a distribution of the vested balance of such Accounts is rehired as a Covered Employee prior to incurring a Six-Year Break-in-Service, he or she may repay to the Trust the dollar amount previously distributed to him or her which was attributable to the vested portion of such prior Accounts. Such repayment must be made prior to the earlier of the end of a Six-Year Break-in-Service or the sixth annual anniversary of his or her reemployment as an Employee. If he or she makes such repayment, the dollar amount previously forfeited from such prior Accounts, together with the dollar amount of the repayment, shall be restored, as of the last day of the Plan Year in which he or she makes the repayment, to new Accounts (of the same types as the ones from which he or she suffered the forfeiture and received the distribution) established for him or her under the Plan.

8.4.2 If a former Participant who ceased to be an Employee and forfeited a portion but not all of his or her Matching Account is rehired as a Covered Employee after incurring a Six-Year Break-in-Service but before receiving the full vested portion of all of his or her Accounts, his

or her Matching Account shall be renamed as the "Prior Matching Account," shall at all future times only reflect the then remaining vested balance therein and Trust earnings and income which become allocable thereto, and shall be fully vested at all subsequent times. A new Matching Account, to which future Matching Contributions can be allocated and which shall be subject to the general vesting provisions of the Plan, shall be established for the rehired Participant.

8.5 Source of Restorals. The restorals required under Section 8.4 above for any Plan Year shall, to the extent indicated in Section 8.6 below, be made from forfeitures arising in such Plan Year. If the amount of such forfeitures are insufficient to make all such required restorals, then the amount of such required restorals shall be made from a special contribution paid by the Employer to the Trust. Such contribution shall not be considered an Employer contribution for purposes of Section 6.1 or 6.2 above or a part of an annual addition (as defined in Section 6A.1.2(a) above) to the Plan.

8.6 Application of Forfeitures. Any amount of forfeitures arising under the Plan during a Plan Year: (1) shall first be allocated to make all restorals of Accounts required under the provisions of Section 8.4 above; (2) shall second, to the extent any such forfeitures still remain after such first step, be allocated to correct any inadvertent errors made in crediting amounts to Accounts and to make all restorals of Accounts required under the provisions of Section 10.2 below; (3) shall third, to the extent any such forfeitures still remain after such two steps, be used to reduce and be substituted in place of the amount of Matching Contributions otherwise required for the subject Plan Year under the provisions of Section 5.1.3 above; and (4) shall fourth, to the extent any such forfeitures still remain after such three steps, be allocated among the Matching Accounts of those Participants who are otherwise entitled to receive an allocation of Matching Contributions for the subject Plan Year in the same manner as the Matching Contributions of the Employer are allocated for such Plan Year and in addition to such Matching Contributions.

SECTION 8A

FORM OF DISTRIBUTION OF SAVINGS, ROLLOVER, AND MATCHING ACCOUNTS

8A.1 Section Applies Only to Savings, Rollover, and Matching Accounts. This Section 8A provides rules as to the form (except for the time of payout, which is provided for in Section 8 above) of a Participant's retirement benefit under the Plan with respect to the part of such benefit attributable to the Savings Account, Rollover Account, and Matching Account of the Participant (which part of such benefit is referred to in this Section 8A as the Participant's "Savings Benefit"). Section 8B below provides the rules as to such form with respect to the part of the retirement benefit attributable to any Retirement Income Account of the Participant.

8A.2 Normal Form of Savings Benefit — Lump Sum Payment. Subject to the other provisions of the Plan, a Participant's Savings Benefit shall be distributed in the form of a lump sum payment. The amount of the lump sum payment shall be equal to the vested balances in the Participant's Savings, Rollover, and Matching Accounts, determined as of the date which is reasonably chosen by the Committee or a Committee representative to be sufficiently in advance of the distribution so as to allow the Committee time to process the distribution (for purposes of this Section 8A.2, the "subject valuation date"). Such lump sum payment shall be made in cash, except that the Participant may elect, on a form or writing prepared or approved by the Committee and filed with a Plan representative prior to the date the payment is processed, that the payment is to be made partly in the form of common shares of Federated if a portion of his or her Savings and Matching Accounts then is invested in the Investment Fund described in Section 6B above as Fund F (for purposes of this Section 8A.2, "Fund F"). If such election is made, then such lump sum payment will consist of: (1) to the extent sufficient Federated common shares are available under Fund F, Federated common shares equal to the quotient produced by dividing the vested balances of the portion of the Participant's Savings, Rollover, and Matching Accounts which is invested in Fund F as of the subject valuation date by the closing price (for purposes of this Section 8A.2, the "subject closing price") of a Federated common share on the latest trading day of the largest securities market in which Federated common shares are traded which occurs on or before the subject valuation date; and (2) cash equal to the difference between the total vested balances of the Participant's Savings and Matching Accounts as of the subject valuation date and the value of the Federated common shares being distributed in the payment (as determined on the basis of the subject closing price of a Federated common share).

8A.3 Optional Annuity Form of Benefit Rules. Subject to the other provisions of the Plan, a Participant may elect to receive his or her Savings Benefit in an Annuity form instead of the normal form set forth in Section 8A.2 above (or to have part of his or her Savings Benefit paid in an Annuity form and the remainder paid in the normal form set forth in Section 8A.2 above). Such an election must be made on a form or writing prepared or approved by the Committee and filed with a Plan representative prior to the date the benefit is payable under the provisions of Section 8.1 above.

If the Participant elects to receive his or her Savings Benefit (or part of such benefit) in an Annuity form, the specific type of Annuity in which such benefit shall be paid is determined under the provisions of Sections 8A.4, 8A.5, and 8A.6 below. In addition, the election to pay a Savings Benefit (or part of such benefit) in an Annuity form is subject to the following provisions:

8A.3.1 The distribution of any Annuity shall be effected by the application of an amount equal to the vested balances in the Participant's Savings, Rollover, and Matching Accounts (determined as of a date which is reasonably chosen by the Committee or a Committee representative to be sufficiently in advance of the distribution so as to allow the Committee time to process the distribution), or the part of such vested balances which the Participant elects to have distributed in an Annuity form, to the purchase of a nontransferable Annuity contract providing the applicable type of Annuity form from an insurance company selected by the Committee and the subsequent forwarding of such contract to the Participant. The purchase of such Annuity shall be made on behalf of the Participant as a part of the Plan's administrative procedures. If the Participant receives a benefit under Section 8B below in the same Annuity form as he or she receives his or her Savings Benefit (or any part thereof), the Committee may choose to purchase one Annuity contract to provide both such benefits.

8A.3.2 Any Annuity contract shall be purchased and distributed on an immediate basis (i.e., payments under the contract shall begin as of a date which coincides with or is within a reasonable administrative period after the date as of which such purchase is made). As a result, the vested balances of the Participant's Savings, Rollover, and Matching Accounts shall be maintained in the Plan until just before the Annuity contract is to begin payments, at which time the contract shall be purchased.

8A.3.3 The distribution of an Annuity contract hereunder shall, for all purposes of the Plan, be deemed to constitute the full distribution of the benefit attributable to the part of the Participant's Savings, Rollover, and Matching Accounts which is due the Participant and is being paid in the form of an Annuity.

8A.3.4 Notwithstanding any other provision of the Plan to the contrary, the applicable Participant may not elect to receive his or her Savings Benefit (or any part of such benefit) in an Annuity form if the value of such benefit (or such part) at the time it is determined for distribution purposes, when added to the value of any benefit under Section 8B below which the Participant also is to receive in an Annuity form, is $3,500 or less. Instead, in such case such benefit shall be distributed in a lump sum payment in accordance with the provisions of Section 8A.2 above. The reference to "$3,500" contained in the first sentence of this Section 8A.3.4 shall be deemed to be a reference to "$5,000" with respect to (1) any Participant who ceases to be an Employee on or after January 1, 1998 and whose Savings Benefit does not begin to be paid as of any date prior to January 1, 1998 or (2) any other Participant whose entire retirement benefit under the Plan is required to be paid pursuant to the provisions of the last sentence of Section 8.1.3 above.

8A.3.5 If a Participant elects to receive part but not all of his or her Savings Benefit in the form of an Annuity, then, for purposes of the provisions of Sections 8A.4, 8A.5, and 8A.6 below, any reference in such sections to a Participant's Savings Benefit shall be read to refer only to the part of such benefit which the Participant elects to receive in the form of an Annuity.

8A.4 Normal Form of Annuity Benefit.

8A.4.1 Subject to the other terms of the Plan, if a Participant elects to receive his or her Savings Benefit in an Annuity form under the provisions of Section 8A.3 above and he or she is not married as of the date payments under the Annuity are to begin being paid, then such benefit shall be paid in the form of a Single Life Annuity.

8A.4.2 Subject to the other terms of the Plan, if a Participant elects to receive his or her Savings Benefit in an Annuity form under the provisions of Section 8A.3 above and he or she is married as of the date payments under the Annuity are to begin being paid, then such benefit shall be paid in the form of a Qualified Joint and Survivor Annuity.

8A.5 Election Out of Normal Annuity Form.

8A.5.1 A Participant who elects to receive his or her Savings Benefit in an Annuity form under the provisions of Section 8A.3 above may elect to waive the normal Annuity form in which such benefit shall otherwise be paid under Section 8A.4 above and instead to have such benefit paid in any specific optional Annuity form permitted him or her under Section 8A.6 below, provided: (1) such election is made in writing to a Plan representative (on a form or writing prepared or approved by the Committee) both prior to the date on which the Savings Benefit is otherwise distributed in the absence of this election and within the 90 day period ending on the date on which his or her Savings Benefit is distributed; and (2) for a Participant who is married on the date as of which his or her Savings Benefit commences under the Annuity form, the person who is the Spouse of the Participant on such date consents, in writing to a Plan representative, to such election within the same 90 day period, with the Spouse's consent acknowledging the effect of such consent and being witnessed by a notary public. Any such Spouse's consent shall be irrevocable once received by a Plan representative.

8A.5.2 Notwithstanding the provisions of clause (2) in Section 8A.5.1 above, a consent of a Spouse shall not be required for purposes of Section 8A.5.1 above if it is established to the satisfaction of a Plan representative that the otherwise required consent cannot be obtained because the Plan representative reasonably determines no Spouse exists, because the Spouse cannot reasonably be located, or because of such other circumstances as the Secretary of the Treasury or his or her delegate allows in regulations.

8A.5.3 The Participant may amend or revoke his or her election of an optional Annuity form under this Section 8A.5 by written notice filed with a Plan representative at any time before his or her Savings Benefit is processed for distribution to him or her under the Plan; provided

that if the Participant attempts upon such an amendment to elect another Annuity form of payment different than the normal Annuity form applicable to him or her, the conditions of Sections 8A.5.1 and 8A.5.2 above must be satisfied as if such amendment were a new election.

8A.6 Optional Annuity Forms. A Participant who elects to receive his or her Savings Benefit in an Annuity form may elect to receive such benefit, in lieu of the normal Annuity form otherwise payable under Section 8A.4 above and provided all of the election provisions of Section 8A.5 above are met, in any of the following Annuity forms: (1) a Single Life Annuity (which is an optional Annuity form only for a Participant who is married on the date as of which his or her Savings Benefit is distributed to him); (2) a Life and Ten Year Certain Annuity; (3) a Full Cash Refund Annuity; or (4) a Period Certain Annuity.

8A.7 Annuity Definitions. For purposes of this Section 8A, the following Annuity definitions apply:

8A.7.1 "Single Life Annuity" means an Annuity payable as follows. Monthly payments are made to a Participant for his or her life and end with the last monthly payment due for the month in which the Participant dies.

8A.7.2 "Qualified Joint and Survivor Annuity" means an Annuity payable as follows. Monthly payments are made to a Participant for his or her life, and after his or her death monthly survivor payments continue to the person who is the Spouse of the Participant on the date as of which payments under the Annuity begin being paid to the Participant (provided such person survives the Participant) for such person's life. Each monthly survivor payment to such person is equal in amount to 50% (or, if the Participant so elects in writing to the applicable Plan representative within the 90 day period ending on the date on which payments under the Annuity begin being paid, 66-2/3%, 75%, or 100%) of the monthly payment amount made during the life of the Participant under the same Annuity.

8A.7.3 "Life and Ten Year Certain Annuity" means an Annuity payable as follows. Monthly payments are made to a Participant for his or her life, and such payments end with the payment due for the month in which the Participant dies if at least 120 monthly payments have been made on behalf of the Participant. If not, the monthly payments continue after the Participant's death to a contingent beneficiary until 120 monthly payments have been made, when aggregated, to the Participant and the contingent beneficiary. The Participant shall name the contingent beneficiary in his or her election of this form.

8A.7.4 "Full Cash Refund Annuity" means an Annuity payable as follows. Monthly payments are made to a Participant for his or her life and end with the last payment due for the month in which the Participant dies. Further, if the cost of such Annuity exceeds the total of all monthly payments made under the Annuity through the month in which the Participant dies, then the amount of such excess shall be paid to a contingent beneficiary. The Participant shall name the contingent beneficiary for purposes of such Annuity in his or her election of this form.

8A.7.5 “Period Certain Annuity” means an Annuity payable as follows. Monthly payments are made to a Participant for a certain number of months (the “period certain”) and end with the payment for the last month in such period certain. If the Participant dies before the end of the period certain, then the monthly payments due for the remaining months in the period certain after the month of the Participant’s death shall be paid to a contingent beneficiary. The Participant shall specify the period certain to be used and name the contingent beneficiary in his or her election of this form. The period certain may be of any number of months, provided it is not less than 36 months and not more than 180 months.

8A.8 Minimum Required Installment/Lump Sum Form of Benefit. Subject to the other provisions of the Plan, a Participant who is required to receive a retirement benefit under Section 8.1 above on his or her Required Commencement Date and prior to his or her having ceased to be an Employee shall receive his or her Savings Benefit in a special installment form (for purposes of this Section 8A.8, the “Installment/Lump Sum Form”), unless and until the Participant elects in a writing filed with a Plan representative prior to the date of any payment otherwise required under the Installment/Lump Sum Form to receive his or her Savings Benefit in the normal form set forth in Section 8A.2 above (in which case his or her then remaining Savings Benefit shall be paid in such normal form) or in an optional Annuity form (in which case such election shall be subject to the rules of Sections 8A.3.1 through 8A.3.5 above and of Sections 8A.4 through 8A.6 above and, subject to such rules, his or her then remaining Savings Benefit shall be paid in such optional Annuity form). The Committee may require for administrative reasons that such election must be filed a reasonable number of days or months prior to the date of any payment otherwise required under the Installment/Lump Sum form for it to be considered effective as of the date of such payment. The Installment/Lump Sum Form is subject to the following provisions:

8A.8.1 Under the Installment/Lump Sum Form, a part of the vested balances of the Participant’s Savings, Rollover, and Matching Accounts is paid in cash to the Participant (or, if he or she dies before payment of such part, to the beneficiary of the Participant designated under the provisions of Section 9.6 below) for each Distribution Year. For any Distribution Year, the amount of the distribution shall be equal to the lesser of: (1) an amount equal to the total vested balances of all of the Participant’s Accounts (determined as of the last day of the latest calendar year which ends prior to the subject Distribution Year) divided by the Life Expectancy of the Participant for such Distribution Year; or (2) an amount equal to the vested balances of the Participant’s Savings, Rollover, and Matching Accounts (determined as of the latest valuations of the Investment Funds which have been completed prior to the distribution and the results of which are available on such date to the Committee). Any distribution which is made hereunder for a Distribution Year shall be deemed for Plan purposes to be taken first from the Participant’s Savings Account, second (only to the extent still necessary) from his or her Rollover Account, and third (only to the extent still necessary) from his or her Matching Account.

8A.8.2 Further, under the Installment/Lump Sum Form, any then remaining vested balance in the Participant’s Savings, Rollover, and Matching Accounts shall be paid in a lump sum

cash payment to the Participant (or, if he or she dies before such payment, to the beneficiary of the Participant designated under the provisions of Section 9.6 below) within a reasonable administrative period after the Participant ceases to be an Employee for any reason. For purposes of this distribution, the remaining vested balances of the Participant's Savings, Rollover, and Matching Accounts shall be based on the latest valuations of the Investment Funds which have been completed prior to the date of the distribution and the results of which are available on such date to the Committee.

8A.8.3 The distribution to be made under the Installment/Lump Sum Form for the Participant's first Distribution Year shall be made on the Participant's Required Commencement Date. The distribution to be made under the Installment/Lump Sum Form for any later Distribution Year shall be made on a date which falls in such Distribution Year and which the Committee determines for administrative reasons to be the date on which such distribution is to be made; except that, instead of a separate payment, the distribution to be made for any Distribution Year in which the Participant ceases to be an Employee may be paid as part of the final lump sum cash payment provided for in Section 8A.8.2 above (whenever it is paid) if (and only if) such final payment is made in such Distribution Year. If the Participant affirmatively elects in writing to have his or her Savings Benefit paid in the Installment/Lump Sum form, then such form, once it commences, shall continue in accordance with the terms of this Section 8A.8 which apply to such form and shall not be subject to change.

8A.8.4 For purposes of this Section 8A.8, a "Distribution Year" means, with respect to any Participant, the latest calendar year which ends prior to or with the latest date which could serve as the Participant's Required Commencement Date and each later calendar year to and including the calendar year in which the Participant ceases to be an Employee.

8A.8.5 Also for purposes of this Section 8A.8, the "Life Expectancy" of the Participant shall be, for each and any Distribution Year which ends after the Effective Amendment Date, the Participant's life expectancy divisor for such Distribution Year. For purposes hereof, the Participant's "life expectancy divisor" for any such Distribution Year shall be deemed to be the applicable multiple set forth in the latest table adopted on or before the first day of the subject Distribution Year under Treas. Reg. Section 1.72-9 to reflect expected return multiples for ordinary life annuities, one life, which applies to the age of the Participant on his or her birthday in the subject Distribution Year. (As of the Effective Amendment Date, the table contained in Treas. Reg. Section 1.72-9 from which a Participant's life expectancy divisor is derived is Table V.)

8A.8.6 Notwithstanding the foregoing provisions of this Section 8A.8, if the value of the Participant's Savings Benefit as of his or her Required Commencement Date, when added to the value of any benefit under Section 8B below which the Participant also is to receive, is $3,500 or less, his or her Savings Benefit shall be distributed in the normal form set forth in Section 8A.2 above instead of the Installment/Lump Sum Form. The reference to "$3,500" contained in the immediately preceding sentence shall be deemed to be a reference to "$5,000" with respect to any

Participant whose Required Commencement Date occurs on or after January 1, 1998 and whose Savings Benefit does not begin to be paid as of any date prior to January 1, 1998.

SECTION 8B

FORM OF DISTRIBUTION OF
RETIREMENT INCOME ACCOUNTS

8B.1 Section Applies Only to Retirement Income Accounts. This Section 8B provides rules as to the form (except for the time of payout, which is set forth in Section 8 above) of a Participant's retirement benefit under the Plan with respect to the part of such benefit attributable to any Retirement Income Account of the Participant (which part of such benefit is referred to in this Section 8B as the Participant's "Profit Sharing Benefit"), if any. Section 8A above provides the rules as to such form with respect to the part of the retirement benefit attributable to any Savings, Rollover, and Matching Accounts of the Participant (which part of such benefit is referred to in this Section 8B as the Participant's "Savings Benefit").

8B.2 Normal Form of Profit Sharing Benefit — Qualified Annuity Forms.

8B.2.1 Subject to the other terms of the Plan, if a Participant is not married as of the date payment of his or her Profit Sharing Benefit is to commence, then such benefit shall be paid in the form of a Single Life Annuity.

8B.2.2 Subject to the other terms of the Plan, if a Participant is married as of the date payment of his or her Profit Sharing Benefit is to commence, then such benefit shall be paid in the form of a Qualified Joint and Survivor Annuity.

8B.3 Election Out of Normal Form.

8B.3.1 A Participant may elect to waive the normal form in which his or her Profit Sharing Benefit shall otherwise be paid under Section 8B.2 above and instead to have such benefit (or any part of such benefit) paid in any specific optional form permitted him or her under Section 8B.4 below, provided: (1) such election is made in writing to a Plan representative (on a form or writing prepared or approved by the Committee) both prior to the date on which the Profit Sharing Benefit is distributed in the absence of this election and within the 90 day period ending on the date on which his or her Profit Sharing Benefit is distributed or paid; and (2) for a Participant who is married on the date as of which his or her Profit Sharing Benefit commences or is paid, the person who is the Spouse of the Participant on such date consents, in writing to a Plan representative, to such election within the same 90 day period, with the Spouse's consent acknowledging the effect of such consent and being witnessed by a notary public. Any such Spouse's consent shall be irrevocable once received by a Plan representative.

8B.3.2 Notwithstanding the provisions of clause (2) in Section 8B.3.1 above, a consent of a Spouse shall not be required for purposes of Section 8B.3.1 above if it is established to the satisfaction of a Plan representative that the otherwise required consent cannot be obtained

because the Plan representative reasonably determines no Spouse exists, because the Spouse cannot reasonably be located, or because of such other circumstances as the Secretary of the Treasury or his or her delegate allows in regulations.

8B.3.3 The Participant may amend or revoke his or her election of an optional form under this Section 8B.3 by written notice filed with a Plan representative at any time before his or her Profit Sharing Benefit is processed for distribution to him or her under the Plan; provided that if the Participant attempts upon such an amendment to elect another form of payment different than the normal form applicable to him or her, the conditions of Sections 8B.3.1 and 8B.3.2 above must be satisfied as if such amendment were a new election.

8B.4 Regular Optional Forms.

8B.4.1 Provided all of the election provisions of Section 8B.3 above are met, a Participant may elect to receive his or her Profit Sharing Benefit in any of the following forms instead of the normal form otherwise payable under Section 8B.2 above (or to have part of his or her Profit Sharing Benefit paid in any of the following forms and the remainder paid in the normal form otherwise payable under Section 8B.2 above):

(a) A Single Life Annuity (which is an optional form only for a Participant who is married on the date as of which his or her Profit Sharing Benefit commences to be paid to him);

(b) A Life and Ten Year Certain Annuity;

(c) A Full Cash Refund Annuity;

(d) A Period Certain Annuity; or

(e) A lump sum payment. The amount of the lump sum payment shall be equal to the vested balance of the Participant's Retirement Income Account, determined as of a date which is reasonably chosen by the Committee or a Committee representative to be sufficiently in advance of the distribution so as to allow the Committee time to process the distribution (for purposes of this paragraph (e), the "subject valuation date"), or the part of such vested balance which the Participant elects to have distributed in a lump sum payment form, as the case may be. Such lump sum payment shall be made in cash, except that the Participant may elect, on a form or writing prepared or approved by the Committee and filed with a Plan representative prior to the date the payment is processed, that the payment is to be made partly in the form of common shares of Federated if a portion of his or her Retirement Income Account then is invested in the Investment Fund described in Section 6B above as Fund F (for purposes of this paragraph (e), "Fund F"). If such election is made, then such lump sum payment will consist of: (1) to the extent sufficient Federated common shares are available under Fund F, Federated common shares equal to the quotient produced by dividing the vested balance of the portion of the Participant's Retirement

Income Account which is invested in Fund F as of the subject valuation date by the closing price (for purposes of this paragraph (e), the "subject closing price") of a Federated common share on the latest trading day of the largest securities market in which Federated common shares are traded which occurs on or before the subject valuation date; and (2) cash equal to the difference between the total vested balance of the Participant's Retirement Income Account as of the subject valuation date and the value of the Federated common shares being distributed in the payment (as determined on the basis of the subject closing price of a Federated common share).

8B.5 Annuity Form of Benefit Rules. If a Participant's Profit Sharing Benefit is paid in any Annuity form under the provisions of this Section 8B, such Annuity form shall be subject to the following provisions:

8B.5.1 The distribution of any Annuity shall be effected by the application of an amount equal to the vested balance in the Participant's Retirement Income Account (determined as of a date which is reasonably chosen by the Committee or a Committee representative to be sufficiently in advance of the distribution so as to allow the Committee time to process the distribution), or the part of such vested balance which is to be distributed in an Annuity form, to the purchase of a nontransferable Annuity contract providing the applicable type of Annuity form from an insurance company selected by the Committee and the subsequent forwarding of such contract to the Participant. The purchase of such Annuity shall be made on behalf of the Participant as a part of the Plan's administrative procedures. If the Participant receives his or her Savings Benefit (or any part thereof) under Section 8A above in the same Annuity form as he or she receives his or her Profit Sharing Benefit (or any part thereof), the Committee may choose to purchase just one Annuity contract to provide both such benefits.

8B.5.2 Any Annuity contract shall be purchased and distributed on an immediate basis (i.e., payments under the contract shall begin as of a date which coincides with or is within a reasonable administrative period after the date as of which such purchase is made). As a result, the vested portion of the Participant's Retirement Income Account shall be maintained in the Plan until just before the Annuity contract is to begin payments, at which time the contract shall be purchased.

8B.5.3 The distribution of an Annuity contract hereunder shall, for all purposes of the Plan, be deemed to constitute the full distribution of the benefit attributable to the part of the Participant's Retirement Income Account which is due the Participant and is being paid in the form of an Annuity.

8B.6 Annuity Definitions. For purposes of this Section 8B, a "Single Life Annuity," "Qualified Joint and Survivor Annuity," "Life and Ten Year Certain Annuity," "Full Cash Refund Annuity," and "Period Certain Annuity" shall have the same meanings as are set forth for such terms in Section 8A.7 above.

8B.7 Required Lump Sum Form for Small Profit Sharing Benefit.

8B.7.1 Notwithstanding any other provision of the Plan to the contrary, a Participant shall automatically receive his or her Profit Sharing Benefit in the form of a lump sum payment (and not in any Annuity form) unless the value of such benefit at the time it is processed for distribution, when added to the value of any benefit under Section 8A above which the Participant elects to receive in an Annuity form, is in excess of $3,500. The reference to "$3,500" contained in the immediately preceding sentence shall be deemed to be a reference to "$5,000" with respect to (1) any Participant who ceases to be an Employee on or after January 1, 1998 and whose Profit Sharing Benefit does not begin to be paid as of any date prior to January 1, 1998 or (2) any other Participant whose entire retirement benefit under the Plan is required to be paid pursuant to the provisions of the last sentence of Section 8.1.3 above.

8B.7.2 The amount of any lump sum payment that is payable pursuant to the provisions of Section 8B.7.1 above shall be equal to the vested balance in the Participant's Retirement Income Account determined as of a date which is reasonably chosen by the Committee or a Committee representative to be sufficiently in advance of the distribution so as to allow the Committee time to process the distribution (for purposes of this Section 8B.7, the "subject valuation date"). Such lump sum payment shall be made in cash, except that the Participant may elect, on a form or writing prepared or approved by the Committee and filed with a Plan representative prior to the date the payment is processed, that the payment is to be made partly in the form of common shares of Federated if a portion of his or her Retirement Income Account then is invested in the Investment Fund described in Section 6B above as Fund F (for purposes of this Section 8B.7, "Fund F"). If such election is made, then such lump sum payment will consist of: (1) to the extent sufficient Federated common shares are available under Fund F, Federated common shares equal to the quotient produced by dividing the vested balance of the portion of the Participant's Retirement Income Account which is invested in Fund F as of the subject valuation date by the closing price (for purposes of this Section 8B.7, the "subject closing price") of a Federated common share on the latest trading day of the largest securities market in which Federated common shares are traded which occurs on or before the subject valuation date; and (2) cash equal to the difference between the total vested balance of the Participant's Retirement Income Account as of the subject valuation date and the value of the Federated common shares being distributed in the payment (as determined on the basis of the subject closing price of a Federated common share).

8B.8 Optional Minimum Required Installment/Lump Sum Form of Benefit. As a special option, subject to the other provisions of the Plan, a Participant who is required to receive a retirement benefit under Section 8.1 above on his or her Required Commencement Date and prior to his or her having ceased to be an Employee may elect to receive his or her Profit Sharing Benefit, in lieu of the form otherwise payable under Section 8B.2 above and provided all of the election provisions of Section 8B.3 above are met, in a special installment form (for purposes of this Section 8B.8, the "Installment/Lump Sum Form"). Such an election must, in addition to the requirements set forth in Section 8B.3 above, be filed with a Plan representative prior to his or her Required Commencement Date. The Committee may require for administrative reasons that such

election must be filed a reasonable number of days or months prior to his or her Required Commencement Date for it to be considered effective. The Installment/Lump Sum Form is subject to the following provisions:

8B.8.1 Under the Installment/Lump Sum Form, a part of the vested balance of the Participant's Retirement Income Account is paid in cash to the Participant (or, if he or she dies before payment of such part, to the beneficiary of the Participant designated under the provisions of Section 9A.9 below) for each Distribution Year. For any Distribution Year, the amount of the distribution shall be equal to the difference between: (1) an amount equal to the total vested balances of all of the Participant's Accounts (determined as of the last day of the calendar year which ends prior to the subject Distribution Year) divided by the Life Expectancy of the Participant for such Distribution Year; and (2) the amount distributed to the Participant for such Distribution Year from his or her Savings, Rollover, and Matching Accounts under Section 8A.8 above.

8B.8.2 Further, under the Installment/Lump Sum Form, any then remaining vested balance in the Participant's Retirement Income Account shall be paid in a lump sum cash payment to the Participant (or, if he or she dies before such payment, to the beneficiary of the Participant designated under the provisions of Section 9A.9 below) within a reasonable administrative period after the Participant ceases to be an Employee for any reason. For purposes of this distribution, the remaining vested balance of the Participant's Retirement Income Account shall be based on the latest valuations of the Investment Funds which have been completed prior to the date of the distribution and the results of which are available on such date to the Committee.

8B.8.3 The distribution to be made under the Installment/Lump Sum Form for the Participant's first Distribution Year shall be made on the Participant's Required Commencement Date. The distribution to be made under the Installment/Lump Sum Form for any later Distribution Year shall be made on a date which falls in such Distribution Year and which the Committee determines for administrative reasons to be the date on which such distribution is to be made; except that, instead of a separate payment, the distribution to be made for any Distribution Year in which the Participant ceases to be an Employee may be paid as part of the final lump sum cash payment provided for in Section 8B.8.2 above (whenever it is paid) if (and only if) such final payment is made in such Distribution Year. If the Participant affirmatively elects in writing to have his or her Profit Sharing Benefit paid in the Installment/Lump Sum form, then such form, once it commences, shall continue in accordance with the terms of this Section 8B.8 which apply to such form and shall not be subject to change.

8B.8.4 For purposes of this Section 8B.8, a "Distribution Year" means, with respect to any Participant, the latest calendar year which ends prior to or with the latest date which could serve as the Participant's Required Commencement Date and each later calendar year to and including the calendar year in which the Participant ceases to be an Employee.

8B.8.5 Also for purposes of this Section 8B.8, the "Life Expectancy" of the Participant shall be, for each and any Distribution Year which ends after the Effective Amendment

Date, the Participant's life expectancy divisor for such Distribution Year. For purposes hereof, the Participant's "life expectancy divisor" for any such Distribution Year shall be deemed to be the applicable multiple set forth in the latest table adopted on or before the first day of the subject Distribution Year under Treas. Reg. Section 1.72-9 which applies to the age of the Participant on his or her birthday in the subject Distribution Year. (As of the Effective Amendment Date, the table contained in Treas. Reg. Section 1.72-9 from which a Participant's life expectancy divisor is derived is Table V.)

8B.8.6 Notwithstanding the foregoing provisions of this Section 8B, if the Participant has any Savings Benefit which is also being distributed under Section 8A above on his or her Required Commencement Date and prior to his or her having ceased to be an Employee, then he or she may elect that his or her Profit Sharing Benefit is to be distributed in the Installment/Lump Sum Form only if he or she also elects in writing to have his or her Savings Benefit distributed in the Installment/Lump Sum Form described in Section 8A.8 above.

8B.8.7 Also notwithstanding the foregoing provisions of this Section 8B, if (1) the Participant has any Savings Benefit which is also being distributed under Section 8A above on his or her Required Commencement Date solely because he or she has reached such date and prior to his or her having ceased to be an Employee, (2) such Savings Benefit is distributed under the provisions of Section 8A above in the Installment/Lump Sum Form described in Section 8A.8 above, (3) the Participant fails to indicate in any writing to a Plan representative the form in which he or she wants his or her Profit Sharing Benefit distributed on his or her Required Commencement Date, and (4) no portion of his or her Profit Sharing Benefit would be required to be paid on his or her Required Commencement Date under the Installment/Lump Sum Form described in this Section 8B.8 even if such Installment/Lump Sum Form had been elected, then the Participant shall be deemed to have elected to receive his or her Profit Sharing Benefit in the form of the Installment/Lump Sum Form described in this Section 8B.8 until the first date on which some portion of his or her Profit Sharing Benefit would be required to be paid under the Installment/Lump Sum Form described in this Section 8B.8 (for purposes of this Section 8B.8.7, the "Required Profit Sharing Distribution Date"). At such time, the form of the Participant's Profit Sharing Benefit shall be redetermined under all of the provisions of this Section 8B (disregarding only this Section 8B.8.7) as if the Required Profit Sharing Distribution Date was the date on which the Participant's Profit Sharing Benefit was to commence.

SECTION 9

DISTRIBUTIONS ON ACCOUNT OF DEATH

9.1 Distribution of Death Benefit. If a Participant dies, whether while employed by an Associated Employer or after such employment has ceased, prior to having a retirement benefit paid (or at least commence to be paid) to him or her under the provisions of Sections 8, 8A, and/or 8B above, the Participant's beneficiary shall be entitled to receive a death benefit under the Plan. Such death benefit, regardless of the form of payment, is payable solely from and attributable to the vested portions of the Participant's Accounts.

9.2 Time of Death Benefit. Subject to the provisions of Section 9A below, any death benefit payable under Section 9.1 above on behalf of a Participant shall be distributed within a reasonable administrative period after the Employer or the Committee receives notice of the Participant's death (and in no event, subject only to the Employer or the Committee receiving notice of the death, shall such benefit be distributed later than December 31 of the calendar year next following the calendar year in which the Participant died).

9.3 Normal Form of Death Benefit — Lump Sum Payment. Subject to the provisions of Section 9A below and the other provisions of this Section 9, any death benefit payable under Section 9.1 above on behalf of a Participant shall be distributed in the form of a lump sum payment. The amount of the lump sum payment shall be equal to the vested balances of the Participant's Accounts determined as of a date which is reasonably chosen by the Committee or a Committee representative to be sufficiently in advance of the distribution so as to allow the Committee time to process the distribution (for purposes of this Section 9.3, the "subject valuation date"). Such lump sum payment shall be made in cash, except that the Participant's beneficiary may elect, on a form or writing prepared or approved by the Committee and filed with a Plan representative prior to the date the payment is processed, that the payment is to be made partly in the form of common shares of Federated if a portion of the Participant's Accounts then is invested in the Investment Fund described in Section 6B above as Fund F (for purposes of this Section 9.3, "Fund F"). If such election is made, then such lump sum payment will consist of: (1) to the extent sufficient Federated common shares are available under Fund F, Federated common shares equal to the quotient produced by dividing the vested balances of the portion of the Participant's Accounts which is invested in Fund F as of the subject valuation date by the closing price (for purposes of this Section 9.3, the "subject closing price") of a Federated common share on the latest trading day of the largest securities market in which Federated common shares are traded which occurs on or before the subject valuation date; and (2) cash equal to the difference between the total vested balances of the Participant's Accounts as of the subject valuation date and the value of the Federated common shares being distributed in the payment (as determined on the basis of the subject closing price of a Federated common share).

9.4 Optional Annuity Form of Death Benefit Rules. Subject to Section 9A below and the other provisions of this Section 9, a Participant's beneficiary who is entitled to a death benefit payable under Section 9.1 above on behalf of the Participant may elect to receive such death benefit in either a Single Life Annuity, a Life and Ten Year Certain Annuity, a Full Cash Refund Annuity, or a Period Certain Annuity, instead of the normal form set forth in Section 9.3 above. Such an election must be made on a form or writing prepared or approved by the Committee and filed with a Plan representative prior to the date the death benefit is processed for payment under the provisions of Section 9.2 above. In addition, the election to pay a death benefit in an optional Annuity form is subject to the following provisions:

9.4.1 The distribution of any Annuity shall be effected by the application of an amount equal to the vested balances of the Participant's Accounts (determined as of a date which is reasonably chosen by the Committee or a Committee representative to be sufficiently in advance of the distribution so as to allow the Committee time to process the distribution) to the purchase of a nontransferable Annuity contract providing the applicable type of Annuity form from an insurance company selected by the Committee and the subsequent forwarding of such contract to the Participant's beneficiary. The purchase of such Annuity shall be made on behalf of the Participant's beneficiary as a part of the Plan's administrative procedures.

9.4.2 Any Annuity contract shall be purchased and distributed on an immediate basis (i.e., payments under the contract shall begin as of a date which coincides with or is within a reasonable administrative period after the date as of which such purchase is made). As a result, the vested balances of the Participant's Accounts shall be maintained in the Plan until just before the Annuity contract is to begin payments, at which time the contract shall be purchased.

9.4.3 The distribution of an Annuity contract hereunder shall, for all purposes of the Plan, be deemed to constitute the full distribution of the death benefit which is due the Participant's beneficiary.

9.4.4 Notwithstanding any other provisions of the Plan to the contrary, the applicable beneficiary may not elect to receive the death benefit due to be paid hereunder in an optional Annuity form if the value of such death benefit at the time it is to be distributed is $3,500 or less. Instead, in such case such benefit shall be distributed in a lump sum payment in accordance with the provisions of Section 9.3 above. The reference to "$3,500" contained in the first sentence of this Section 9.4.4 shall be deemed to be a reference to "$5,000" when the applicable Participant dies on or after January 1, 1998.

9.5 Annuity Definitions. For purposes of this Section 9, the following Annuity definitions apply:

9.5.1 "Single Life Annuity" means an Annuity payable as follows. Monthly payments are made to a Participant's beneficiary for the beneficiary's life and end with the last monthly payment due for the month in which the beneficiary dies.

9.5.2 “Life and Ten Year Certain Annuity” means an Annuity payable as follows. Monthly payments are made to a Participant’s beneficiary for the beneficiary’s life, and such payments end with the last monthly payment due for the month in which the beneficiary dies if at least 120 monthly payments have been made on behalf of the beneficiary. If not, the monthly payments continue after the beneficiary’s death to a contingent beneficiary until 120 monthly payments have been made, when aggregated, to the beneficiary and the contingent beneficiary. The beneficiary shall name the contingent beneficiary in his or her election of this form.

9.5.3 “Full Cash Refund Annuity” means an Annuity payable as follows. Monthly payments are made to a Participant’s beneficiary for the beneficiary’s life and end with the last monthly payment due for the month in which the beneficiary dies. Further, if the cost of such Annuity exceeds the total of all monthly payments made under the Annuity through the month in which the beneficiary dies, then the amount of such excess shall be paid to a contingent beneficiary. The beneficiary shall name the contingent beneficiary for purposes of such Annuity in his or her election of this form.

9.5.4 “Period Certain Annuity” means an Annuity payable as follows. Monthly payments are made to a Participant’s beneficiary for a certain number of months (the “period certain”) and end with the payment for the last month in such period certain. If the beneficiary dies before the end of the period certain, then the monthly payments due for the remaining months in the period certain after the month of the beneficiary’s death shall be paid to a contingent beneficiary. The beneficiary shall specify the period certain to be used and name the contingent beneficiary in his or her election of this form. The period certain may be of any number of months, provided it is not less than 36 months and not more than 180 months.

9.6 Designation of Beneficiary. Subject to the provisions of Section 9A below, a Participant’s beneficiary for purposes of the Plan shall be deemed to be the surviving Spouse of the Participant. The Participant may designate a different beneficiary on a form or writing prepared or approved by the Committee and filed with a Plan representative. Such a designation is not effective, however, unless (1) no Spouse survives the death of the Participant (or it is established to the satisfaction of a Plan representative that no Spouse survives such death, the Spouse cannot reasonably be located, or there exist other circumstances prescribed by the Secretary of the Treasury or his or her delegate which warrant the disregarding of any need for spousal consent to the designated beneficiary) or the Spouse irrevocably consents to the different beneficiary before the Participant’s death, (2) the subject form is filed with a Plan representative prior to the Participant’s death, and (3) the designated beneficiary survives the death of the Participant. Such different beneficiary may consist of one or more persons, trusts, or estates. The Participant may amend or revoke such designation at any time prior to his or her death on a form or writing prepared or approved by the Committee and filed (prior to his or her death) with a Plan representative, provided that any designation of a beneficiary other than his or her Spouse shall only be effective if such designation meets all of the conditions of the second sentence of this Section 9.6. Any consent of a Spouse required hereunder must be made in writing, acknowledge the effect of such consent, and be

witnessed by a notary public. If the Committee determines that the Participant is not survived by a Spouse or other properly designated beneficiary, the Participant's beneficiary for purposes of the Plan shall be deemed to be the estate of the Participant.

SECTION 9A

SPECIAL SPOUSAL DEATH BENEFIT DISTRIBUTION RULES FOR RETIREMENT INCOME ACCOUNTS

9A.1 Section Applies Only to Retirement Income Accounts. This Section 9A provides special rules as to the form and time of payment and the designation of beneficiary with respect to the part (if any) of any death benefit payable under Section 9 above on behalf of a Participant which is attributable to the Participant's Retirement Income Account (which part of such benefit is referred to in this Section 9A as the Participant's "Profit Sharing Death Benefit") when (and only when) the Participant's beneficiary for purposes of such Profit Sharing Death Benefit is the Participant's Spouse. To the extent the provisions of this Section 9A apply, such provisions shall govern the payment of the Participant's Profit Sharing Death Benefit, and the provisions of Section 9 above shall apply only to the part of the death benefit otherwise described in Section 9 above which is attributable to the Participant's Savings, Rollover, and Matching Accounts (with such part being referred to in this Section 9A as the Participant's "Savings Death Benefit" and with any reference to the Accounts of the Participant contained in such Section 9 above being read to refer only to the Participant's Savings and Matching Accounts).

9A.2 Time of Profit Sharing Death Benefit. If the Participant's beneficiary for purposes of his or her Profit Sharing Death Benefit is his or her Spouse, then the Participant's Profit Sharing Death Benefit shall be distributed to his or her Spouse within a reasonable administrative period after the later of the date the Employer or the Committee receives notice of the Participant's death or the date the Spouse provides a written consent to payment of such benefit (except that in no event, subject only to the Employer or the Committee receiving notice of the death, shall such benefit be distributed later than December 31 of the later of the calendar year next following the calendar year in which the Participant died or the calendar year in which the Participant would have attained age 70-1/2 had he or she survived).

9A.3 Normal Form of Profit Sharing Death Benefit. If the Participant's beneficiary for purposes of his or her Profit Sharing Death Benefit is his or her Spouse, then, subject to the other terms of this Section 9A, such Profit Sharing Death Benefit shall be paid to the Spouse in the form of a Single Life Annuity.

9A.4 Election Out of Normal Form. If the Spouse of a Participant is entitled to receive the Participant's Profit Sharing Death Benefit in the form of a Single Life Annuity under Section 9A.3 above, the Spouse may instead elect to waive such Single Life Annuity form and have such benefit paid in any specific optional form permitted the Spouse under Section 9A.5 below, provided such election is made in writing to a Plan representative (on a form or writing prepared or approved by the Committee) both prior to the date on which the Profit Sharing Death Benefit is otherwise processed for distribution in the absence of this election and within the 90 day period ending on the date on which the Profit Sharing Death Benefit is distributed. The Spouse may amend or revoke his

or her election of an optional form under this Section 9A.4 by written notice filed with a Plan representative at any time before the Profit Sharing Death Benefit is processed for distribution to him or her under the Plan.

9A.5 Optional Forms. If the Spouse of a Participant is entitled to receive the Participant's Profit Sharing Death Benefit in the form of a Single Life Annuity under Section 9A.3 above, the Spouse may elect to receive such benefit, in lieu of the Single Life Annuity form and provided all of the election provisions of Section 9A.4 above are met, in any of the following forms:

9A.5.1 A Life and Ten Year Certain Annuity;

9A.5.2 A Full Cash Refund Annuity;

9A.5.3 A Period Certain Annuity; or

9A.5.4 A lump sum payment. The amount of the lump sum payment shall be equal to the vested balance in the Participant's Retirement Income Account determined as of a date which is reasonably chosen by the Committee or a Committee representative to be sufficiently in advance of the distribution so as to allow the Committee time to process the distribution (for purposes of this Section 9A.5.4, the "subject valuation date"). Such lump sum payment shall be made in cash, except that the Spouse may elect, on a form or writing prepared or approved by the Committee and filed with a Plan representative prior to the date the payment is processed, that the payment is to be made partly in the form of common shares of Federated if a portion of the Participant's Retirement Income Account then is invested in the Investment Fund described in Section 6B above as Fund F (for purposes of this Section 9A.5.4, "Fund F"). If such election is made, then such lump sum payment will consist of: (1) to the extent sufficient Federated common shares are available under Fund F, Federated common shares equal to the quotient produced by dividing the vested balance of the portion of the Participant's Retirement Income Account which is invested in Fund F as of the subject valuation date by the closing price (for purposes of this Section 9A.5.4, the "subject closing price") of a Federated common share on the latest trading day of the largest securities market in which Federated common shares are traded which occurs on or before the subject valuation date; and (2) cash equal to the difference between the total vested balance of the Participant's Retirement Income Account as of the subject valuation date and the value of the Federated common shares being distributed in the payment (as determined on the basis of the subject closing price of a Federated common share).

9A.6 Annuity Form of Benefit Rules. If a Participant's Profit Sharing Death Benefit is paid in any Annuity form to the Participant's Spouse under the provisions of this Section 9A, such Annuity form shall be subject to the following provisions:

9A.6.1 The distribution of any Annuity under the provisions of this Section 9A shall be effected by the application of an amount equal to the vested balance of the Participant's Retirement Income Account (determined as of a date which is reasonably chosen by the Committee

or a Committee representative to be sufficiently in advance of the distribution so as to allow the Committee time to process the distribution) to the purchase of a nontransferable Annuity contract providing the applicable type of Annuity form from an insurance company selected by the Committee and the subsequent forwarding of such contract to the Participant's Spouse. The purchase of such Annuity shall be made on behalf of the Participant's Spouse as a part of the Plan's administrative procedures. If the Spouse receives the Savings Death Benefit under Section 9 above in the same Annuity form as he or she receives the Participant's Profit Sharing Death Benefit, the Committee may choose to purchase just one Annuity contract to provide both such benefits.

9A.6.2 Any Annuity contract provided under this Section 9A shall be purchased and distributed on an immediate basis (i.e., payments under the contract shall begin as of a date which coincides with or is within a reasonable administrative period after the date as of which such purchase is made). As a result, the vested balance of the Participant's Retirement Income Account shall be maintained in the Plan until just before the Annuity contract is to begin payments, at which time the contract shall be purchased.

9A.6.3 The distribution of an Annuity contract under this Section 9A shall, for all purposes of the Plan, be deemed to constitute the full distribution of the benefit attributable to the Participant's Profit Sharing Death Benefit which is due the Participant's Spouse.

9A.7 Required Lump Sum Form for Small Profit Sharing Death Benefit.

9A.7.1 Notwithstanding any other provision of the Plan to the contrary, if the Spouse of a Participant is entitled to receive the Participant's Profit Sharing Death Benefit under the provisions of this Section 9A, then the Spouse shall automatically receive such benefit in the form of a lump sum payment (and not in any Annuity form) if the value of such benefit at the time it is processed for distribution, when added to the value of any portion of the Savings Death Benefit which is payable to the Spouse and which the Spouse elects to receive in an Annuity form, is $3,500 or less. The reference to "$3,500" contained in the immediately preceding sentence shall be deemed to be a reference to "$5,000" when the applicable Participant dies on or after January 1, 1998. In addition, and also notwithstanding any other provision of the Plan, if the entire death benefit payable under a Profit Sharing Death Benefit payable under the provisions of this Section 9A to the Spouse of a Participant who dies before January 1, 1998 is not required to be distributed under the first sentence of this Section 9A.7.1 but the lump sum amount of such benefit (when added to the Participant's Savings Death Benefit which is payable to the Spouse) is determined to be $5,000 or less as January 1, 2001, and if the Spouse has not previously started to receive such benefit, then such benefit shall automatically be paid in the form of a lump sum payment (and not in an Annuity form).

9A.7.2 The amount of any lump sum payment that is payable pursuant to the provisions of Section 9A.7.1 above shall be equal to the vested balance in the Participant's Retirement Income Account determined as of a date which is reasonably chosen by the Committee or a Committee representative to be sufficiently in advance of the distribution so as to allow the

Committee time to process the distribution (for purposes of this Section 9A.7, the "subject valuation date"). Such lump sum payment shall be made in cash, except that the Spouse may elect, on a form or writing prepared or approved by the Committee and filed with a Plan representative prior to the date the payment is made, that the payment is to be made partly in the form of common shares of Federated if a portion of the Participant's Retirement Income Account then is invested in the Investment Fund described in Section 6B above as Fund F (for purposes of this Section 9A.7, "Fund F"). If such election is made, then such lump sum payment will consist of: (1) to the extent sufficient Federated common shares are available under Fund F, Federated common shares equal to the quotient produced by dividing the vested balance of the portion of the Participant's Retirement Income Account which is invested in Fund F as of the subject valuation date by the closing price (for purposes of this Section 9A.7, the "subject closing price") of a Federated common share on the latest trading day of the largest securities market in which Federated common shares are traded which occurs on or before the subject valuation date; and (2) cash equal to the difference between the total vested balance of the Participant's Retirement Income Account as of the subject valuation date and the value of the Federated common shares being distributed in the payment (as determined on the basis of the subject closing price of a Federated common share).

9A.8 Annuity Definitions. For purposes of this Section 9A, a "Single Life Annuity," "Life and Ten Year Certain Annuity," "Full Cash Refund Annuity," and "Period Certain Annuity" shall have the same meanings as are set forth for such terms in Section 9.5 above; except that any reference to a "beneficiary" contained in each such section shall be read for purposes of this Section 9A to refer to a "Spouse."

9A.9 Designation of Beneficiary. The Spouse of a Participant shall automatically be deemed to be the beneficiary of the Participant's Profit Sharing Death Benefit, unless no Spouse survives the death of the Participant (or it is established to the satisfaction of a Plan representative that no Spouse survives such death, the Spouse cannot reasonably be located, or there exist other circumstances prescribed by the Secretary of the Treasury or his or her delegate which would warrant the disregarding of any need of a spousal consent to a different beneficiary if one had been attempted to be named by the Participant). If no Spouse survives the death of the Participant (or it is established to the satisfaction of a Plan representative that no Spouse survives such death, the Spouse cannot reasonably be located, or there exist other circumstances prescribed by the Secretary of the Treasury or his or her delegate which would warrant the disregarding of any need for a spousal consent to a different beneficiary if one had been attempted to be named by the Participant), the Participant's beneficiary for purposes of his or her Profit Sharing Death Benefit shall be deemed to be the same as his or her beneficiary determined under Section 9.6 above.

SECTION 10

ADDITIONAL DISTRIBUTION PROVISIONS

10.1 Allocation of Contributions After Distribution. Notwithstanding any provision of the Plan to the contrary, any contributions which are allocated to any Account of a Participant as of a date which is on or prior to the date of a complete distribution of the vested balance of such Account to the Participant (or his or her beneficiary) under Sections 8, 8A, 8B, 9, and/or 9A above but which are actually paid to the Trust after the date such distribution is processed and any contributions which both are allocated to such Account and actually paid to the Trust after the date such distribution is processed (such contributions being referred to under this Section 10.1 in either case as "late contributions") shall be disregarded in the determination of the amount of the vested balance of such Account to be distributed. Instead, subject to the other provisions of the Plan, any late contributions (to the extent the Participant is vested in such amounts under the other provisions of the Plan) shall be paid within a reasonable administrative period after they are actually paid to the Trust to the Participant (or, if the Participant dies before such payment, to the appropriate beneficiary of the Participant under the other provisions of the Plan) in the same type of Annuity form as is being paid to the Participant (or beneficiary) immediately prior to the payment of the late contributions (if the prior distribution was made in the form of an Annuity under the other provisions of the Plan) or in a form of benefit which is in accordance with the other provisions of the Plan concerning benefit forms and assuming for such purpose that such late contributions were the sole retirement benefit applicable to the Participant (if the prior distribution was not made in any type of Annuity form).

10.2 Determination of Proper Party For Distribution and Forfeiture When Proper Party Cannot Be Located.

10.2.1 The facts as shown by the records of the Committee at the time of any payment due under the Plan shall be conclusive as to the proper payee and of the amounts properly payable, and payment made in accordance with such state of facts shall constitute a complete discharge of any and all obligations under the Plan.

10.2.3 If a Participant (or a person, trust, or estate claiming through him or her) who is entitled to a benefit hereunder makes no timely claim for such benefit and the Committee cannot reasonably locate or know how to find the Participant (or such other person, trust, or estate), then such benefit may, in the discretion of the Committee, continue to be held for the Participant (or such other person, trust, or estate) or may be forfeited. If, however, such benefit is forfeited but the lost Participant (or person, trust, or estate claiming through him) thereafter makes a claim for the amount previously forfeited hereunder, such benefit shall be restored and paid to the proper party (without any interest credited on the previously forfeited benefit) within a reasonable administrative period thereafter. The restorals required under this Section 10.2 shall, to the extent provided in Section 8.6 above, be made from forfeitures arising in such Plan Year. If the amount of such forfeitures are

insufficient to make all such required restorals, then the amount of such required restorals shall be made from a special contribution paid by the Employer to the Trust. Such contribution shall not be considered an Employer contribution for purposes of Section 6.1 or 6.2 above or a part of an annual addition (as defined in Section 6A.1.2(a) above) to the Plan.

10.3 Reemployed Participant. Notwithstanding any other provision of the Plan to the contrary, if a Participant in this Plan who ceased to be an Employee and became thereby entitled to the distribution of all or any part of his or her Plan Accounts resumes employment as an Employee prior to his or her Required Commencement Date, the Committee shall then direct the Trustee to postpone or cease distribution of such Accounts, to the extent such action is administratively possible (e.g., no Annuity contract has been purchased or lump sum payment made), until the Participant's later termination of employment (or, if earlier, his or her Required Commencement Date).

10.4 Nonalienation of Benefits.

10.4.1 To the extent permitted by law, no benefit payable under the Plan shall be subject in any manner to alienation, sale, transfer, assignment, pledge, encumbrance, or charge, whether voluntary or involuntary, nor shall any such benefit be in any manner liable for or subject to the debts, contracts, liabilities, engagements, or torts of the person entitled to such benefit.

10.4.2 The Committee shall, however, adopt procedures to allow benefits to be assigned in connection with qualified domestic relations orders (as defined in and in accordance with the provisions of Section 206(d) of ERISA and Section 414(p) of the Code). In this regard, the Plan shall permit a lump sum cash payment to be made at any time to a Participant's alternate payee (as also is defined in ERISA Section 206(d) and Code Section 414(p)) if directed by a qualified domestic relations order, even if the Participant has not yet ceased to be an Employee and has not attained his or her earliest retirement date (again as defined in ERISA Section 206(d) and Section 414(p) of the Code). Further, the Plan shall permit any such alternate payee to have the same rights to direct the investment of any part of any Account which is held under the Plan on behalf of the alternate payee pursuant to a qualified domestic relations order as a Participant would have.

10.4.3 In addition, if a beneficiary of a Participant under the Plan who is otherwise entitled to a benefit under the Plan files a qualified disclaimer with a Plan representative that the beneficiary disclaims any interest in such benefit, then the Plan shall recognize such qualified disclaimer and distribute or otherwise deal with such benefit in accordance with the provisions of the Plan in a manner that assumes that the beneficiary making the qualified disclaimer never became a beneficiary of the Participant for purposes of the Plan. For purposes of the Plan, a "qualified disclaimer" of a beneficiary of a Participant under the Plan means an irrevocable and unqualified refusal by the beneficiary to accept any interest in Plan benefits, provided that all of the following requirements are met: (1) the purported disclaimer is in writing; (2) the purported disclaimer is received by a Plan representative within nine months after the date of the Participant's death; (3) the beneficiary has not accepted or been paid any benefits under the Plan; (4) as a result of the

disclaimer the benefits of the Plan will pass to a person other than the beneficiary making the disclaimer; (5) the purported disclaimer is determined by the Committee to meet any other requirements of Code Section 2518 in order to be considered a qualified disclaimer for purposes of such section and to meet any requirements of applicable state law.

10.5 Incompetency. Every person receiving or claiming benefits under the Plan shall be conclusively presumed to be mentally or legally competent and of age until the date on which the Committee receives written notice that such person is incompetent or a minor for whom a guardian or other person legally vested with the care of his or her person or estate has been appointed. If the Committee finds that any person to whom a benefit is payable under the Plan is unable to care for his or her affairs because he or she is incompetent or is a minor, any payment due (unless a prior claim therefor has been made by a duly appointed legal representative) may be paid to the spouse, a child, a parent, a brother, or a sister of such person, or to any person or institution deemed by the Committee to have incurred expense for such person. If a guardian of the estate of any person receiving or claiming benefits under the Plan is appointed by a court of competent jurisdiction, benefit payments may be made to such guardian provided that proper proof of appointment and continuing qualification is furnished in a form and manner acceptable to the Committee. Any payment made pursuant to this Section 10.5 shall be a complete discharge of liability therefor under the Plan.

10.6 Legal Distribution Limits. Notwithstanding any other provision of this Plan to the contrary, any payment of a retirement or death benefit in any form must meet and be in accordance with the distribution requirements of Section 401(a)(9) of the Code (as amended by the Federal Small Business Job Protection Act of 1996), including the incidental death benefit requirements which are referred to in such section, and such section is hereby incorporated by reference into this Plan.

10.7 Distribution Form Notices. The Plan shall provide a Participant (or a beneficiary) with notices as to the forms in which he or she may receive any retirement (or death) benefit to which he or she is entitled at such times as shall allow the person to make a choice among his or her options. In this regard, the Plan shall provide any written explanations to a Participant (or a beneficiary) under Code Section 417(a)(3) to the extent such explanations apply to the Participant. Further, if any distribution to a Participant made under the Plan is one to which Code Sections 401(a)(11) and 417 do not apply, such distribution may commence less than 30 days after the notice required under Treas. Reg. Section 1.411(a)-11(c) is given, provided that: (1) the Participant is clearly informed that he or she has a right to a period of at least 30 days after receiving the notice to consider the decision of whether or not to elect a distribution (and, if applicable, a particular distribution option); and (2) the Participant, after receiving the notice, affirmatively elects a distribution. In addition, to the extent any distribution to a Participant made under the Plan is one to which Code Sections 401(a)(11) and 417 apply, such distribution may commence less than 30 days after the notice required under Treas. Reg. Section 1.411(a)-11(c) is given, and the date as of which such distribution is made may be less than 30 days after any written explanation required by Code

Section 417(a)(3) to be given the Participant is so provided, if the requirements of Treas. Reg. Section 1.417(e)-1T(b)(3) are met.

10.8 Direct Rollover Distributions.

10.8.1 This Section 10.8 applies to distributions made on or after January 1, 1993. Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this Section 10.8, a distributee may elect, at the time and in the manner prescribed by the Committee, to have any portion of an eligible rollover distribution otherwise payable to him or her paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

10.8.2 For purposes of this Section 10.8, the following terms shall have the meanings indicated below:

(a) An "eligible rollover distribution" means, with respect to any distributee, any distribution of all or any portion of the entire benefit otherwise payable under the Plan to the distributee, except that an eligible rollover distribution does not include: (1) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; (2) any distribution to the extent such distribution is required to be made under Section 401(a)(9) of the Code; (3) any distribution that is made on or after January 1, 1999 and under the provisions of Sections 7.2 and 7.3 above because of a hardship; or (4) the portion of any distribution that is not includable in gross income of the distributee for purposes of Federal income tax.

(b) An "eligible retirement plan" means, with respect to any distributee's eligible rollover distribution, an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, or a qualified trust described in Section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to a distributee who is a distributee by reason of being the surviving spouse of a Participant, an "eligible retirement plan" means only an individual retirement account described in Section 408(a) of the Code or an individual retirement annuity described in Section 408(b) of the Code.

(c) A "distributee" means a Participant. In addition, a Participant's surviving spouse, or a Participant's spouse or former spouse who is the alternate payee under a qualified domestic relations order (as defined in Section 414(p) of the Code), is a distributee with regard to any interest of the Participant which becomes payable under the Plan to such spouse or former spouse.

(d) A “direct rollover” means, with respect to any distributee, a payment by the Plan to an eligible retirement plan specified by the distributee.

10.8.3 The Committee may prescribe reasonable rules in order to provide for the Plan to meet the provisions of this Section 10.8. Any such rules shall comply with the provisions of Code Section 401(a)(31) and any applicable Treasury regulations which are issued with respect to the direct rollover requirements. For example, subject to meeting the provisions of Code Section 401(a)(31) and applicable Treasury regulations, the Committee may: (1) prescribe the specific manner in which a direct rollover will be made by the Plan, whether by wire transfer to the eligible retirement plan, by mailing a check to the eligible retirement plan, by providing the distributee a check made payable to the eligible retirement plan and directing the distributee to deliver the check to the eligible retirement plan, and/or by some other method; (2) prohibit any direct rollover of any eligible rollover distributions payable during a calendar year to a distributee when the total of such distributions is less than $200; or (3) refuse to make a direct rollover of an eligible rollover distribution to more than one eligible retirement plan.

10.9 Distribution Restrictions. No withdrawal or distribution of any portion of a Participant’s Accounts may be distributed unless such withdrawal or distribution is authorized by another provision of this Plan. In addition, and notwithstanding any other provision of this Plan to the contrary, in no event may any amount held under the Plan which is attributable to the Participant’s Pre-Tax Savings Contributions under this Plan be distributed earlier than (1) the Participant’s separation from service from the Employer and the Affiliated Employers, death, or Total Disability, (2) the Participant’s attainment of age 59-1/2, (3) the hardship of the Participant (determined under the other provisions of the Plan), or (4) any event described in Section 401(k)(10) of the Code (e.g., a lump sum payment made by reason of the termination of the Plan without the establishment or maintenance of another defined contribution plan other than an employee stock ownership plan, the disposition by the Employer of substantially all of its assets used by it in a trade or business when the Participant continues employment with the corporation acquiring such assets, or the disposition by the Employer of its interest in a subsidiary when the Participant continues employment with such subsidiary).

10.10 Coverage of Pre-Effective Amendment Date Participants. Except as is otherwise specifically provided in this Plan, the provisions of this Plan only apply to persons who become Participants in this Plan under Section 3 above and to benefits which have not been paid prior to the Effective Amendment Date. However, any person who was a participant in one or more Prior Plans and, while never becoming a Participant in this Plan under Section 3 above, still had a nonforfeitable right to an unpaid benefit under the Prior Plans as of the date immediately preceding the Effective Amendment Date shall be considered a participant in this Plan to the extent of his or her interest in such benefit. The amount of such benefit, the form in which such benefit is to be paid, and the conditions (if any) which may cause such benefit not be paid shall, except as is otherwise specifically provided in this Plan or in the Prior Plans, be determined solely by the versions of the Prior Plans in effect at the time he or she retired or terminated employment with the Employer.

SECTION 11

NAMED FIDUCIARIES

Any person, committee, or entity which is designated or appointed under the Plan or the Trust (or under a procedure set forth in the Plan or the Trust) to have any responsibility for the control, management, or administration of this Plan or the assets thereof (each such fiduciary being hereinafter referred to individually as a "Named Fiduciary" and collectively as the "Named Fiduciaries") shall have only such powers and responsibilities as are expressed in the Plan or the Trust or are provided for in the procedure by which he or she or it is designated or appointed, and any power or responsibility for the control, management, or administration of the Plan or Trust Fund which is not expressly allocated to any Named Fiduciary, or with respect to which an allocation is in doubt, shall be deemed allocated to Federated. Each Named Fiduciary shall have no responsibility to inquire into the acts or omissions of any other Named Fiduciary in the exercise of powers or the discharge of responsibilities assigned to such other Named Fiduciary under the Plan.

Any Named Fiduciaries may, by agreement among themselves, allocate any responsibility or duty, other than the responsibility of the Trustee for the management and control of the Trust Fund within the meaning of Section 405(c) of ERISA, assigned to a Named Fiduciary hereunder to one or more other Named Fiduciaries, provided, however, that any agreement respecting such allocation must be in writing and filed with the Committee for placement with the records of the Plan. No such agreement shall be effective as to any Named Fiduciary which is not a party thereto until such Named Fiduciary has received written notice of such agreement from the Named Fiduciaries involved. Any Named Fiduciary may, by written instrument filed with the Committee for placement with the records of the Plan, designate a person who is not a Named Fiduciary to carry out any of its responsibilities under the Plan, other than the responsibility of the Trustee for the management and control of the Trust Fund within the meaning of Section 405(c) of ERISA, provided, however, that no such designation shall be effective as to any other Named Fiduciary until such other Named Fiduciary has received written notice thereof.

Any Named Fiduciary, or a person designated by a Named Fiduciary to perform any responsibility of a Named Fiduciary pursuant to the procedure described in the preceding paragraph, may employ one or more persons to render advice with respect to any responsibility such Named Fiduciary has under the Plan or such person has by reason of such designation. A person may serve the Plan in more than one fiduciary capacity and may be a Participant.

SECTION 12

ADMINISTRATIVE AND INVESTMENT COMMITTEE

12.1 Appointment of Committee. The Board shall appoint the Committee, the members of which may be officers or other employees of the Employer or any other persons. The Committee shall be composed of not less than three nor more than 15 members, each of whom shall serve at the pleasure of the Board, and vacancies in the Committee arising by reason of resignation, death, removal, or otherwise shall be filled by the Board. Any member may resign of his or her own accord by delivering his or her written resignation to the Board.

12.2 General Powers of Committee.

12.2.1 The Committee shall administer the Plan, is authorized to make such rules and regulations as it may deem necessary to carry out the provisions of the Plan, and is given complete discretionary authority to determine any person's eligibility for benefits under the Plan, to construe the terms of the Plan, and to decide any other matters pertaining to the Plan's administration. The Committee shall determine any question arising in the administration, interpretation, and application of the Plan, which determination shall be binding and conclusive on all persons. In the administration of the Plan, the Committee may: (1) employ or permit agents to carry out nonfiduciary and/or fiduciary responsibilities (other than trustee responsibilities as defined in Section 405(c)(3) of ERISA), (2) provide for the allocation of fiduciary responsibilities (other than trustee responsibilities as defined in Section 405(c)(3) of ERISA) among its members, and (3) limit to the extent it deems advisable the maximum percent of Compensation which a Participant who is then believed by the Committee to be a Highly Compensated Employee may elect to have contributed to the Plan as Pre-Tax Savings Contributions and/or After-Tax Savings Contributions for a specific Plan Year. Actions dealing with fiduciary responsibilities shall be taken in writing and the performance of agents, counsel, and fiduciaries to whom fiduciary responsibilities have been delegated shall be reviewed periodically.

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

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

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

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

12.2.3 Notwithstanding the foregoing provisions of this Section 12.2, if the Committee cannot reasonably and economically determine or verify, with respect to an Employee or a class of Employees, service, compensation, date of hire, date of termination, or any other pertinent factor in the administration of the Plan, the Committee shall adopt, with respect to such Employee or class of Employees, reasonable and uniform assumptions regarding the determination of such factor or factors, provided that no such assumption shall (1) discriminate in favor of Highly Compensated Employees, (2) reduce or eliminate a protected benefit (within the meaning of Treas. Reg. Section 1.411(d)-4), or (3) operate to the disadvantage of such Employee or class of Employees.

12.2.4 In addition, notwithstanding any other provision of the Plan to the contrary, the Committee may correct any actions or inactions made in the administration or operation of the Plan that it determines were made in error or in breach of the terms of the Plan, of applicable law, or of the duties of the Plan's fiduciaries (and, if necessary to the correction, cause the Employer or any of the Plan's fiduciaries to take actions with respect to the Plan that effect such corrections), provided that the corrective methods used by the Committee may not be inconsistent with any revenue procedures or other guidance issued by the Internal Revenue Service as to the manner in which corrections of actions or inactions made in the administration or operation of the Plan may be made. In this regard, but not in limitation of the general correction rights provided by the immediately preceding sentence, the following provisions that concern corrections taken in response to court decisions or settlement agreements that require corrective actions to be taken with respect to the Plan shall apply hereunder:

(a) If any action that alleges that actions or inactions made in the administration or operation of the Plan were made in error or in breach of the terms of the Plan, of applicable law, or of the duties of the Plan's fiduciaries is filed in a court of appropriate jurisdiction or is threatened to be so filed, either the applicable court issues a decision or the Committee (or the Plan Administrator) enters into a settlement agreement with the parties who filed or threatened to file such action, and such court decision or settlement agreement, as the case may be, calls for certain steps to be taken with respect to the Plan in order to correct such errors or breaches (which steps are not inconsistent with any revenue procedures or other guidance issued by the Internal Revenue Service as to the manner in which corrective actions involving the Plan may be made), then the Committee may cause such steps required by the court decision or settlement agreement to be effected.

(b) In the event corrective actions required by a court decision or settlement agreement described in paragraph (a) above are taken with respect to the Plan, the provisions of such court decision or settlement agreement shall be deemed incorporated herein by reference and deemed a part of the Plan.

12.2.5 Unless otherwise provided in the Trust, the Committee shall also establish guidelines with respect to the investment of all funds held by the Trustee under the Plan and to make or direct all investments pursuant thereto.

12.2.6 For purposes hereof, any party which has been authorized by the Plan or under a procedure authorized under the Plan to perform fiduciary and/or nonfiduciary administrative duties hereunder, whether such party is the Committee, Federated, an agent appointed or permitted by the Committee to carry out its duties, or otherwise, shall, when properly acting within the scope of his or her or its authority, sometimes be referred to in the Plan as a "Plan representative" or, if appointed by the Committee directly to be an agent thereof, a "Committee representative."

12.3 Records of Plan. The Committee shall maintain or cause to be maintained records showing the fiscal transactions of the Plan, and shall keep or cause to be kept in convenient form such data as may be necessary for valuations of assets and liabilities of the Plan. The Committee shall prepare or have prepared annually a report showing in reasonable detail the assets and liabilities of the Plan and giving a brief account of the operation of the Plan for the past Plan Year. In preparing this report, the Committee may rely on advice received from the Trustee or other persons or firms selected by it or may adopt a report on such matters prepared by the Trustee.

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

12.5 Compensation of Committee and Payment of Plan Administrative and Investment Charges. Unless otherwise determined by the Board, the members of the Committee shall serve without compensation for services as such. All expenses of administration of the Plan (excluding brokerage fees, expenses related to securities transactions, and any taxes on the assets held in the Trust Fund, which expenses shall only be payable out of the Trust Fund), including, without limitation, the fees and charges of the Trustee, any investment manager, any attorney, any accountant, any specialist, or any other person employed by the Committee or the Employer in the administration of the Plan, shall be paid out of the Trust Fund (or, if the Employer so elects, by the Employer directly). In this regard, the Plan administrative and investment expenses which shall be paid out of the Trust Fund (unless the Employer elects to pay them itself) shall also include compensation payable to any employees of the Employer or any Affiliated Employer who perform administrative or investment services for the Plan to the extent such compensation would not have been sustained had such services not been provided, to the extent such compensation can be fairly allocated to such services, to the extent such compensation does not represent an allocable portion of overhead costs or compensation for performing "settlor" functions (such as services incurred in

establishing or designing the Plan), and to the extent such compensation does not fail for some other reason to constitute a "direct expense" within the meaning of 29 C.F.R. 2550.408c-2(b)(3).

12.6 Limits on Liability. Federated and each other Employer shall hold each member of the Committee harmless from any loss, damage, or depreciation which may result in connection with the execution of his or her duties or the exercise of his or her discretion or from any other act or omission hereunder, except when due to his or her own gross negligence or willful misconduct. Federated and each other Employer shall indemnify and hold harmless each member of the Committee from any and all claims, losses, damages, expenses (including counsel fees approved by the Committee), and liabilities (including any amounts paid in settlement with the Committee's approval) arising from any act or omission of such member, except when the same is judicially determined to be due to the gross negligence or willful misconduct of such member.

12.7 Claims Procedure.

12.7.1 In general, benefits due under this Plan will be paid only if the applicable Participant (or beneficiary of a deceased Participant) files a written notice with a Plan representative electing to receive such benefits, except to the extent otherwise required under the Plan. Further, if a Participant (or a person claiming through a Participant) has a dispute as to the failure of the Plan to pay or provide a benefit, as to the amount of benefit paid, or as to any other matter involving the Plan, the Participant (or such person) may file a claim for the benefit or relief believed by the Participant (or such person) to be due. Such claim must be provided by written notice to the Committee or any Committee representative designated by the Committee for this purpose. The Committee or any Committee representative designated by the Committee for this purpose will decide any claims made pursuant to this Section 12.7.

12.7.2 If a claim made pursuant to Section 12.7.1 above is denied, in whole or in part, notice of the denial in writing will be furnished by the Committee or a Committee representative to the claimant within 90 days after receipt of the claim by the Committee or the Committee representative; except that if special circumstances require an extension of time for processing the claim, the period in which the Committee or the Committee representative is to furnish the claimant written notice of the denial will be extended for up to an additional 90 days (and the Committee or the Committee representative will provide the claimant within the initial 90-day period a written notice indicating the reasons for the extension and the date by which the Committee or the Committee representative expects to render the final decision). The final notice of denial will be written in a manner designed to be understood by the claimant and set forth: (1) the specific reasons for the denial, (2) specific reference to pertinent Plan provisions on which the denial is based, (3) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary, and (4) information as to the steps to be taken if the claimant wishes to appeal such denial of his or her claim (including, when the claim is made on or after January 1, 2002, the time limits applicable to making a request for an appeal and a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on appeal). If no

written notice is provided the claimant within the applicable 90-day period or 180-day period, as the case may be, the claimant may assume his or her claim has been denied and go immediately to the appeal process set forth in Section 12.7.3 below.

12.7.3 Any claimant who has a claim denied under Sections 12.7.1 and 12.7.2 above may appeal the denied claim to the Committee (or any Committee representative designated by the Committee to perform this review).

(a) Such an appeal must, in order to be considered, be filed by written notice to the Committee (or such Committee representative) within 60 days of the receipt by the claimant of a written notice of the denial of his or her initial claim (unless it was not reasonably possible for the claimant to make such appeal within such 60-day period, in which case the claimant must file his or her appeal within 60 days after the time it becomes reasonable for him or her so to file an appeal).

(b) If any appeal is filed in accordance with such rules, the claimant: (1) shall be provided the opportunity to submit written comments, documents, records, and other information relating to the claim; and (2) shall, if the claim is made on or after January 1, 2002, be given, upon request and free of charge, reasonable access to and copies of all documents, records, and other information relevant to the claim. A formal hearing may be allowed in its discretion by the Committee (or such other person or committee) but is not required. A formal hearing may be allowed in its discretion by the Committee (or such Committee representative) but is not required.

12.7.4 Upon any appeal of a denied claim made pursuant to Section 12.7.3 above, the Committee (or such Committee representative who has the authority to decide the appeal) shall provide a full and fair review of the subject claim, taking into account all comments, documents, records, and other information submitted by the claimant (without regard to whether such information was submitted or considered in the initial benefit determination of the claim), and decide the appeal within 60 days after the filing of the appeal; except that if special circumstances require an extension of time for processing the appeal, the period in which the appeal is to be decided shall be extended for up to an additional 60 days (and the party deciding the appeal shall provide the claimant written notice of the extension prior to the end of the initial 60-day period). However, if the decision on the appeal is extended due to the claimant's failure to submit information necessary to decide the appeal, the period for making the decision on the appeal shall be tolled from the date on which the notification of the extension is sent until the date on which the claimant responds to the request for additional information.

(a) The decision on appeal shall be set forth in a writing designed to be understood by the claimant, specify the reasons for the decision and references to pertinent Plan provisions on which the decision is based, and, for a claim that is made on or after January 1, 2002, contain statements that the claimant is entitled to receive, upon request and free of charge,

reasonable access to and copies of all documents, records, and other information relevant to the claim and of the claimant's right to bring a civil action under Section 502(a) of ERISA.

(b) The decision on appeal shall be furnished to the claimant by the Committee (or such Committee representative) within the 60-day period or 120-day period, as is applicable, described above.

12.7.5 A claimant may appoint a representative to act on his or her behalf in making or pursuing a claim or an appeal of a claim. In addition, the Committee may prescribe additional rules which are consistent with the other provisions of this Section 12.7 in order to carry out the Plan's claim procedures.

12.8 Limits on Duties. The Committee shall have no duty to verify independently any information supplied by the Employer and shall have no duty or responsibility to collect from the Employer all or any portion of any Employer contribution to the Plan. The Committee also shall have no duty or responsibility to verify the status of any Employee or former Employee under this Plan or to determine the identity or address of any person who is or may become entitled to the payment of any benefit from this Plan, and the Committee shall be entitled to delay taking any action respecting the payment of any benefit until the identity of the person entitled to such benefit and his or her address have been certified by the Employer.

12.9 Appointment of Investment Manager.

12.9.1 The Committee, as a Named Fiduciary under the Plan, may appoint in writing a person, or more than one person, who (1) is registered as an investment adviser under the Investment Advisers Act of 1940 (the "Act"), (2) is a Bank, as defined in the Act, or (3) is an insurance company which is qualified, within the meaning of Section 3(38) of ERISA, to manage, acquire, and dispose of the assets of an employee benefit plan, as an investment manager for all or a specified portion of the assets of the Trust Fund or any Investment Fund thereof. A person who is appointed as an investment manager shall have the sole power, without prior consultation with the Trustee, to manage and direct the acquisition and disposition of the assets of the Trust Fund which specifically are allocated by the Committee to that person's management account (his "Management Account"). The Committee at its discretion may terminate the appointment of any person as an investment manager and may cause assets to be added or deleted from any such person's Management Account.

12.9.2 The effective date of the appointment of a person as an investment manager shall be the date such person delivers to the Committee and to the Trustee a written statement which in the Committee's judgment adequately covers items (a) through (d) below:

(a) An acknowledgment (1) that such person is a Plan fiduciary within the meaning of Section 3(21)(A) of ERISA and (2) that such person has assumed sole responsibility

for the management and the direction of the acquisition and disposition of the Trust Fund assets in his or her Management Account;

(b) A representation that such person is registered as an investment adviser under the Act, is a Bank as defined in the Act, or as an insurance company has the power within the meaning of Section 3(38)(A) of ERISA to manage, acquire, and dispose of the assets of an employee benefit plan;

(c) The names and signatures of individuals who are authorized to act on behalf of such person in connection with the management of his or her Management Account (the "List"), which List may be amended from time to time by delivering written notice thereof to the Committee and to the Trustee and which List may be relied upon by them; and

(d) If appropriate and negotiable, an agreement that such person shall immediately notify the Committee of the commencement of any Securities and Exchange Commission investigation of any of his or her investment activities which may result either in a censure under the Act or in the suspension or revocation of his or her registration as an investment adviser under the Act.

12.9.3 The Committee may enter into a contract with an investment manager in connection with his or her appointment as such, which agreement may be subject to such terms and conditions as the Committee deems appropriate under the circumstances, including the following types of provisions:

(a) The appointment as investment manager may be terminated on the delivery of 30 days' prior written notice;

(b) If appropriate, the appointment shall be automatically terminated in the event the investment manager's registration as an investment adviser under the Act is suspended or revoked, such automatic termination to be effective coincident with such suspension or revocation;

(c) The investment manager shall make reports to the Committee describing all transactions with respect to his or her Management Account for each agreed upon reporting period; and

(d) All fees or other agreed upon compensation for services rendered to the Plan by the investment manager shall be paid out of the Trust Fund (or, if the Employer so elects, by the Employer directly).

12.9.4 An investment manager may exercise his or her powers through written directions or, at his or her option, may communicate such directions orally and as soon as practicable thereafter confirm them in writing, provided all directions, written or oral, shall be communicated by

or, as applicable, signed by one of the individuals whose name and signature appear on the List, or the investment manager may communicate and confirm such instructions in any manner agreed upon between the investment manager and the Trustee. The Trustee shall follow all such directions from an investment manager, and shall not be liable in any respect to any person for acting in accordance with such directions or for failing to act in the absence of such directions. Pending receipt of directions from the investment manager, any cash received by the Trustee from time to time for his or her Management Account may be retained by it in short-term investments as may be prudent under all of the facts and circumstances then prevailing, including, without limitation, savings accounts, commingled short-term investment funds, commercial paper, and governmental securities.

12.9.5 The Committee shall establish an investment policy for each investment manager and such policy shall preclude investments in employer securities and employer real property within the meaning of Section 407 of ERISA except to the extent that such investments are allowable under ERISA. The Committee in addition shall implement an investment manager performance review procedure and pursuant thereto shall regularly review the performance of the investment manager to determine whether his or her appointment as such should be continued. The period between such reviews shall be determined by considering all the relevant facts and circumstances, including the volume of Trust Fund transactions.

SECTION 13

TERMINATION OR AMENDMENT

13.1 Right to Terminate. Federated and each other corporation, partnership, or other organization that is part of the Employer expects this Plan to be continued indefinitely, but Federated reserves the right to terminate the Plan in its entirety or in part or to completely discontinue contributions to the Plan. The procedure for Federated to terminate this Plan in its entirety or in part or to completely discontinue contributions to the Plan is as follows. In order to terminate the Plan in its entirety or in part or to completely discontinue contributions to the Plan, the Board shall adopt resolutions, pursuant and subject to the regulations or by-laws of Federated and any applicable law, and either at a duly called meeting of the Board or by a written consent in lieu of a meeting, to take such action with respect to the Plan. Such resolutions shall set forth therein the effective date of the Plan's termination or the date contributions cease being made to the Plan. In the event the Board adopts resolutions completely terminating the Plan, the provisions of Sections 13.2 and 13.3 below shall apply.

13.2 Full Vesting Upon Termination or Complete Discontinuance of Contributions. Should this Plan be completely terminated, should a partial termination of this Plan occur by reason of the Board's action or under any other facts and circumstances, or should contributions to the Plan be completely discontinued, then each affected Participant shall immediately become fully vested and nonforfeitable in his or her Plan Accounts (determined as of the date of the complete or partial termination or complete discontinuance of contributions).

13.3 Effect of Termination of Plan or Complete Discontinuance of Contributions.

13.3.1 Upon a complete or partial termination of the Plan or complete discontinuance of contributions to the Plan, the Committee shall determine, and direct the Trustee accordingly, from among the following methods, the method of discharging and satisfying all obligations on behalf of Participants affected by the complete or partial termination or complete discontinuance of contributions: (1) by the continuation of the Trust and the distribution to Participants and their beneficiaries of the Participants' Plan Accounts due under the terms of the Plan as in effect immediately prior to the complete or partial termination or discontinuance of contributions, (2) by the liquidation and distribution of the assets of the Trust, (3) by the purchase of Annuity contracts, or (4) by a combination of such methods. Any distributions made by reason of the complete or partial termination of the Plan or complete discontinuance of contributions shall continue to meet the provisions of the Plan concerning the form in which distributions from the Plan must be made.

13.3.2 Any amounts held under the Trust which are not able to be allocated to any Participants' Accounts under the terms of the Plan as of the date of a complete termination of the Plan (treating such date as if it were the same as the last day of a Plan Year) shall be allocated

among the Matching Accounts of those Participants who were employed as Covered Employees during the Plan Year in which the Plan's complete termination occurs, in proportion to each such Participant's Compensation for the period beginning on the first day of the Plan Year in which such complete termination occurs and ending on the date of such complete termination, and, to the extent such amounts cannot be allocated to any Participants' Accounts by reason of the maximum annual addition limitations of the Plan set forth in Section 6A above, they shall be returned to the Employer.

13.4 Amendment of Plan.

13.4.1 Subject to the other provisions of this Section 13.4, Federated may amend this Plan at any time and from time to time in any respect, provided that no such amendment shall make it possible, at any time prior to the satisfaction of all liabilities with respect to Participants, for any part of the income or corpus of the Trust Fund to be used for or diverted to any purpose other than for the exclusive benefit of Participants and their beneficiaries. The procedure for Federated to amend this Plan is as follows:

(a) Subject to paragraph (b) below, in order to amend the Plan, the Board shall adopt resolutions, pursuant and subject to the regulations or by-laws of Federated and any applicable law, and either at a duly called meeting of the Board or by a written consent in lieu of a meeting, to amend this Plan. Such resolutions shall either (1) set forth the express terms of the Plan amendment or (2) simply set forth the nature of the amendment and direct an officer of Federated or any other Federated employee to have prepared and to sign on behalf of Federated the formal amendment to the Plan. In the latter case, such officer or employee shall have prepared and shall sign on behalf of Federated an amendment to the Plan which is in accordance with such resolutions.

(b) In addition to the procedure for amending the Plan set forth in paragraph (a) above, the Board may also adopt resolutions, pursuant and subject to the regulations or by-laws of Federated and any applicable law, and either at a duly called meeting of the Board or by a written consent in lieu of a meeting, to delegate to any officer of Federated the authority to amend the Plan. Such resolutions may either grant the officer broad authority to amend the Plan in any manner the officer deems necessary or advisable or may limit the scope of amendments he or she may adopt, such as by limiting such amendments to matters related to the administration of the Plan or to changes requested by the Internal Revenue Service. In the event of any such delegation to amend the Plan, the officer to whom authority is delegated shall amend the Plan by having prepared and signing on behalf of Federated an amendment to the Plan which is within the scope of amendments which he or she has authority to adopt. Also, any such delegation to amend the Plan may be terminated at any time by later resolutions adopted by the Board. Finally, in the event of any such delegation to amend the Plan, and even while such delegation remains in effect, the Board shall continue to retain its own right to amend the Plan pursuant to the procedure set forth in paragraph (a) above.

13.4.2 It is provided, however, that, except as is otherwise permitted in Section 411(d)(6) of the Code or in Treasury regulations issued thereunder, no amendment to the Plan shall decrease any Participant's Accrued Benefit. In addition, except as is otherwise permitted in Section 411(d)(6) of the Code or in Treasury regulations issued thereunder, no amendment to the Plan which eliminates or reduces an early retirement benefit or eliminates an optional form of benefit shall be permitted with respect to any Participant who meets (either before or after the amendment) the pre-amendment conditions for such early retirement or optional form of benefit, to the extent such early retirement or optional form of benefit is based and calculated on the basis of the Participant's Accrued Benefit determined at the time of such amendment.

13.4.3 Also, notwithstanding any other provisions hereof to the contrary, no Plan amendment (including any change made by this Plan amendment and restatement) which changes any vesting schedule or affects the computation of the nonforfeitable percentage of Accounts under the Plan shall be deemed to reduce the amount of the vested portion of any Account of a Participant below the amount of the vested portion of such Account, as determined as of the later of the date such amendment is adopted or the date such amendment becomes effective, computed under the Plan without regard to such amendment. Further, if a Plan amendment (including any change made by this Plan amendment and restatement) is adopted which changes any vesting schedule under the Plan or if the Plan is amended in any way which directly or indirectly affects the computation of a Participant's nonforfeitable percentage, each Participant who has completed at least three years of Vesting Service (as defined in Section 2.1.10 above, disregarding for this purpose paragraph (b) of Section 2.1.10 above) may elect, within the election period, to have his or her nonforfeitable percentage computed under the Plan without regard to such amendment. For purposes hereof, the "election period" is a period which begins on the date the Plan amendment is adopted and ends on the date which is 60 days after the latest of the following days: (1) the day the Plan amendment is adopted, (2) the day the Plan amendment becomes effective, or (3) the day the Participant is issued a written notice of the Plan amendment by Federated or the Committee.

SECTION 14

TOP HEAVY PROVISIONS

14.1 Determination of Whether Plan Is Top Heavy. For purposes of this Section 14, this Plan shall be considered a "Top Heavy Plan" for any Plan Year (for purposes of this Section 14.1, the "subject Plan Year") if, and only if, (1) this Plan is an Aggregation Group Plan during at least part of the subject Plan Year, and (2) the ratio of the total Present Value of all accrued benefits of Key Employees under all Aggregation Group Plans to the total Present Value of all accrued benefits of both Key Employees and Non-Key Employees under all Aggregation Group Plans equals or exceeds 0.6. All calculations called for in clauses (1) and (2) above with respect to this Plan and with respect to the subject Plan Year shall be made as of the Determination Date which is applicable to the subject Plan Year, and all calculations called for under clause (2) above with respect to any Aggregation Group Plan other than this Plan and with respect to the subject Plan Year shall be made as of that plan's Determination Date which is applicable to such plan's plan year that has its Determination Date fall within the same calendar year as the Determination Date being used by this Plan for the subject Plan Year. For the purpose of this Section 14, the following terms shall have the meanings hereinafter set forth:

14.1.1 Aggregation Group Plan. "Aggregation Group Plan" refers, with respect to any plan year of such plan, to a plan (1) which qualifies under Code Section 401(a), (2) which is maintained by an Associated Employer, and (3) which either includes a Key Employee as a participant (determined as of the Determination Date applicable to such plan year) or allows another plan qualified under Code Section 401(a), maintained by an Associated Employer, and so including at least one Key Employee as a participant to meet the requirements of Section 401(a)(4) or Section 410(b) of the Code. In addition, if the Employer so decides, any plan which meets clauses (1) and (2) but not (3) of the immediately preceding sentence shall be treated as an "Aggregation Group Plan" with respect to any plan year of such plan if the group of such plan and all Aggregation Group Plans will meet the requirements of Sections 401(a)(4) and 410(b) of the Code with such plan being taken into account.

14.1.2 Determination Date. The "Determination Date" which is applicable to any plan year of an Aggregation Group Plan refers to the last day of the immediately preceding plan year (except that, for the first plan year of such a plan, the "Determination Date" applicable to such plan year shall be the last day of such first plan year).

14.1.3 Key Employee. With respect to any Aggregation Group Plan and as of any Determination Date that applies to a plan year of such plan, a "Key Employee" refers to a person who at any time during the five consecutive plan years ending on the subject Determination Date is an employee of an Associated Employer and:

(a) An officer (disregarding any person with the title but not the authority of an officer) of an Associated Employer, provided such person receives compensation from the Associated Employers of an amount greater than 50% of the amount in effect under Section 415(b)(1) (A) of the Code (i.e., the maximum dollar limit for defined benefit plans) for an applicable plan year in which he or she is such an officer. For this purpose, no more than 50 employees (or, if less, the greater of three or 10% of the employees of all of the Associated Employers) shall be treated as officers;

(b) One of the ten employees directly owning (or considered as owning within the meaning of Code Section 318, except that subparagraph (C) of Code Section 318(a)(2) shall be applied by substituting "5%" for "50%") the largest employee-held interests in any Associated Employer, provided such person owns (or is so considered as owning) at least 0.5% of such Associated Employer and receives compensation from the Associated Employers of an amount greater than the amount in effect under Code Section 415(c)(1)(A) (i.e., the maximum dollar annual addition limit for defined contribution plans) for an applicable plan year in which he or she is such an employee. For this purpose, if two employees have the same interest in an Associated Employer, the employee having the greater annual compensation from the Associated Employers shall be treated as having a larger interest;

(c) A 5% or more owner of any Associated Employer; or

(d) A 1% or more owner of any Associated Employer who receives compensation of $150,000 or more from the Associated Employers for an applicable plan year in which he or she owns such interest.

For purposes of paragraphs (c) and (d) above, a person is considered to own 5% or 1%, as the case may be, of an Associated Employer if he or she owns (or is considered as owning within the meaning of Code Section 318, except that subparagraph (C) of Code Section 318(a)(2) shall be applied by substituting "5%" for "50%") at least 5% or 1%, as the case may be, of either the outstanding stock or the voting power of all stock of the Associated Employer (or, if the Associated Employer is not a corporation, at least 5% or 1%, as the case may be, of the capital or profits interest in the Associated Employer). Further, for purposes of this entire Section 14.1.3, the term "Key Employee" includes any person who is deceased as of the subject Determination Date but who when alive had been a Key Employee at any time during the five consecutive plan years ending on the subject Determination Date, and any accrued benefit payable to his or her beneficiary shall be deemed to be the accrued benefit of such person.

14.1.4 Non-Key Employee. With respect to any Aggregation Group Plan and as of any Determination Date that applies to a plan year of such plan, a "Non-Key Employee" refers to a person who at any time during the five consecutive plan years ending on the subject Determination Date is an employee of an Associated Employer and who has never been considered a Key Employee as of such or any earlier Determination Date. Further, for purposes of this Section 14.1.4, the term "Non-Key Employee" includes any person who is deceased as of the subject Determination

Date and who when alive had been an employee of an Associated Employer during the five consecutive plan years ending on the subject Determination Date, but had not been a Key Employee as of the subject or any earlier Determination Date, and any accrued benefit payable to his or her beneficiary shall be deemed to be the accrued benefit of such person.

14.1.5 Present Value of Accrued Benefits.

(a) For any Aggregation Group Plan which is a defined benefit plan (as defined in Code Section 414(j)), including such a plan which has been terminated, the "Present Value" of a participant's accrued benefit, as determined as of any Determination Date, refers to the single sum value (calculated as of the latest Valuation Date which coincides with or precedes such Determination Date and in accordance with the actuarial assumptions adopted under such defined benefit plan for valuing single sum forms of benefits for purposes of such plan's top heavy provisions which are in effect as of such Valuation Date) of the monthly retirement or termination benefit which the participant had accrued under such plan to such Valuation Date. For this purpose, such accrued monthly retirement or termination benefit is calculated as if it was to first commence as of the first day of the month next following the month the participant first attains his or her normal retirement age under such plan (or, if such normal retirement age had already been attained, as of the first day of the month next following the month in which occurs such Valuation Date) and as if it was to be paid in the form of a single life annuity. Also, the accrued benefit of any participant under such plan (other than a participant who is a Key Employee) shall be determined under the method which is used for accrual purposes for all defined benefit plans of the Associated Employers (or, if there is no such method, as if such benefit accrued not more rapidly than the slowest accrual rates permitted under the fractional rule of Section 411(b) (1)(C) of the Code). In addition, the dollar amount of any distributions made from the plan (including the value of any annuity contract distributed from the plan) actually paid to such participant prior to the subject Valuation Date but still within the five consecutive plan years ending on the subject Determination Date shall be added in calculating such "Present Value" of the participant's accrued benefit.

(b) For any Aggregation Group Plan which is a defined contribution plan (as defined in Code Section 414(i)), including such a plan which has been terminated, the "Present Value" of a participant's accrued benefit, as determined as of any Determination Date, refers to the sum of (1) the total of the participant's account balances under the plan (valued as of the latest Valuation Date which coincides with or precedes such Determination Date), and (2) an adjustment for contributions due as of such Determination Date. In the case of a profit sharing or stock bonus plan, the adjustment in clause (2) above shall be the amount of the contributions, if any, actually made after the subject Valuation Date but on or before such Determination Date (and, in the case of the first plan year, any amounts contributed to the plan after such Determination Date which are allocated as of a date in such first plan year). In the case of a money purchase pension or target benefit plan, the adjustment in clause (2) above shall be the amount of the contributions, if any, which are either actually made or due to be made after the subject Valuation Date but before the expiration of the period allowed for meeting minimum funding requirements under Code Section 412 for the plan year which includes the subject Determination Date. In addition, the value of any

distributions made from the plan (including the value of any annuity contract distributed from the plan) actually paid to such participant prior to the subject Valuation Date but still within the five consecutive plan years ending on the subject Determination Date shall be added in calculating such "Present Value" of the participant's accrued benefit.

(c) In the case of any rollover (as defined in the appropriate provisions of the Code) from a plan qualified under Section 401(a) of the Code to a similarly qualified plan, or a direct qualified plan-to-qualified plan transfer, to or from a subject Aggregation Group Plan, which rollover or transfer is both initiated by a participant and made between a plan maintained by an Associated Employer and a plan maintained by an employer other than an Associated Employer, (1) the Aggregation Group Plan, if it is the plan from which the rollover or transfer is made, shall count the amount of the rollover or transfer as a distribution made as of the date such amount is distributed by such plan in determining the "Present Value" of the participant's accrued benefit under paragraph (a) or (b) above, as applicable, and (2) the Aggregation Group Plan, if it is the plan to which the rollover or transfer is made, shall not so consider the amount of the rollover or transfer as part of the participant's accrued benefit in determining such "Present Value" if such rollover or transfer was or is accepted after December 31, 1983 and shall so consider such amount if such rollover or transfer was accepted prior to January 1, 1984.

(d) In the case of any rollover (as defined in the appropriate provisions of the Code) from a plan qualified under Section 401(a) of the Code to a similarly qualified plan, or a direct qualified plan-to-qualified plan transfer, to or from a subject Aggregation Group Plan, which rollover or transfer is not described in paragraph (c) above, (1) the subject Aggregation Group Plan, if it is the plan from which the rollover or transfer is made, shall not consider the amount of the rollover or transfer as part of the participant's accrued benefit in determining the "Present Value" thereof under paragraph (a) or (b) above, as applicable, and (2) the subject Aggregation Group Plan, if it is the plan to which the rollover or transfer is made, shall consider the amount of the rollover or transfer when made as part of the participant's accrued benefit in determining such "Present Value."

(e) As is noted in paragraphs (a) and (b) above, the "Present Value" of any participant's accrued benefit under any Aggregation Group Plan (that is either a defined benefit plan or a defined contribution plan) as of any Determination Date includes the value of any distribution from such a plan actually paid to such participant prior to the last Valuation Date which coincides with or precedes such Determination Date but still within the five consecutive plan years ending on the subject Determination Date. This rule shall also apply to any distribution under any terminated defined benefit or defined contribution plan which, if it had not been terminated, would have been required to be included as an Aggregation Group Plan.

(f) Notwithstanding the foregoing provisions, the "Present Value" of a participant's accrued benefit under any Aggregation Group Plan (that is either a defined benefit plan or a defined contribution plan) as of any Determination Date shall be deemed to be zero if the participant has not performed services for any Associated Employer at any time during the five consecutive plan years ending on the subject Determination Date.

14.1.6 Valuation Date. A "Valuation Date" refers to: (1) in the case of an Aggregation Group Plan that is a defined benefit plan (as defined in Code Section 414(j)), the date as of which the plan actuary computes plan costs for minimum funding requirements under Code Section 412 (except that, for an Aggregation Group Plan that is a defined benefit plan which has terminated, a "Valuation Date" shall be deemed to be the same as a Determination Date); and (2) in the case of an Aggregation Group Plan that is a defined contribution plan (as defined in Code Section 414(i)), the date as of which plan income, gains, and/or contributions are allocated to plan accounts of participants.

14.1.7 Compensation. For purposes hereof, a participant's "compensation" shall, for purposes of the rules of this Section 14, refer to his or her Compensation as defined in Section 1.8 above; except that, for purposes of Section 14.3 below, Section 1.8.2 above shall not apply for any Plan Year which begins prior to January 1, 1998.

14.2 Effect of Top Heavy Status on Vesting.

14.2.1 For any Plan Year in which this Plan is considered a Top Heavy Plan, each Participant who completes at least one Hour of Service in such year and who is not fully vested in any of his or her Accounts under Section 6.10 above shall be deemed fully vested in all such Accounts if he or she has completed by the end of such year at least three years of Vesting Service.

14.2.2 For any Plan Year in which this Plan is not considered a Top Heavy Plan, the provisions of this Section 14.2 shall not be effective; except that, if the Plan is not a Top Heavy Plan in a Plan Year after the Plan was considered a Top Heavy Plan in the immediately preceding Plan Year, any change back to the appropriate vesting schedule or provisions set forth in Section 6.10 above shall be considered an amendment to the vesting schedule (effective and adopted as of the first day of such new Plan Year) for purposes of Section 13.4.2 above.

14.3 Effect of Top Heavy Status on Contributions.

14.3.1 Subject to Sections 14.3.2 and 14.3.3 below, for any Plan Year in which this Plan is considered a Top Heavy Plan, the amount of the employer contributions and forfeitures allocated under all Aggregation Group Plans which are defined contribution plans (as defined in Code Section 414(i)) for such Plan Year to the accounts of a Participant who is a Non-Key Employee on the last day of such Plan Year (excluding any contributions made on behalf of the Non-Key Employee by reason of his or her election under an arrangement qualifying under Section 401(k) of the Code and also excluding any matching contributions within the meaning of Code Section 401(m)(4)(A) which are allocated to an account of the Non-Key Employee) must be at least equal to the lesser of (1) 3% of the Participant's compensation for such Plan Year or (2) the largest allocation of contributions and forfeitures made for such Plan Year to the accounts of a Participant who is a Key Employee as of the Determination Date applicable to such Plan Year under all such Aggregation Group Plans (measured as a percent of the Key Employee's compensation for such

Plan Year and including both any contributions made on behalf of the Key Employee by reason of his or her election under an arrangement qualifying under Section 401(k) of the Code and any matching contributions within the meaning of Code Section 401(m)(4)(A) which are allocated to an account of the Key Employee). To the extent necessary, and regardless of the existence of current or accumulated profits, the Employer shall make additional contributions to this Plan which are just allocable to the Accounts of Participants who are Non-Key Employees so that the requirement set forth in the immediately preceding sentence is met for the subject Plan Year.

14.3.2 Notwithstanding the provisions of Section 14.3.1 above but subject to the provisions of Section 14.3.3 below, in the case of any Non-Key Employee who participates in both this Plan and another Aggregation Group Plan that is a defined benefit plan (as defined in Code Section 414(j)) which is maintained by an Associated Employer or in which an Associated Employer participates, the provisions of Section 14.3.1 shall be inapplicable if the Associated Employer causes such defined benefit plan to provide an accrued benefit (attributable only to employer contributions) for such Non-Key Employee which, if expressed as a single life annuity commencing on the first day of the month next following the month in which the Non-Key Employee attains his or her Normal Retirement Age, shall be equal at least to the product of (1) 2% of the Non-Key Employee's average annual compensation for the five consecutive calendar years which produce the highest result and (2) the Non-Key Employee's years of service (up to but not exceeding ten such years). For purposes of computing the product in the foregoing sentence: (1) compensation received in any Plan Year which began prior to January 1, 1984 and in any calendar year which begins after the end of the last Plan Year in which the Plan is considered a Top Heavy Plan shall all be disregarded; and (2) years of service shall refer generally to years of Vesting Service except that years of service for this purpose shall not include the period of any Plan Year which began prior to January 1, 1984 or any Plan Year as of which the Plan is not considered a Top Heavy Plan.

14.3.3 Notwithstanding the foregoing provisions of Sections 14.3.1 and 14.3.2 above, such provisions shall not apply so as to cause any additional contribution or benefit to be provided a Participant for a Plan Year under an Aggregation Group Plan maintained by an Associated Employer or in which an Associated Employer participates if (1) such Participant actively participates in an Aggregation Group Plan maintained by an Associated Employer at a date in the applicable Plan Year which is later than the latest date in such year on which he or she actively participates in this Plan and (2) such other plan provides for the same contribution or benefit as would otherwise be required under Sections 14.3.1 and 14.3.2 above for such Plan Year.

14.4 Effect of Top Heavy Status on Combined Maximum Plan Limits. For any Plan Year in which this Plan is considered a Top Heavy Plan, the references to "125%" contained in Section 6A.2 above shall be changed to "100%." Notwithstanding the foregoing, the provisions of this Section 14.4 shall not apply, and shall no longer be effective, after December 31, 1999.

SECTION 15

MISCELLANEOUS

15.1 Trust. Subject to the provisions of Section 16 below, all assets of the Plan shall be held in the Trust for the benefit of the Participants and their beneficiaries. Except as provided in Sections 4.6, 5.3, and 13.3 above, in no event shall it be possible for any part of the assets of the Plan to be used for, or diverted to, purposes other than for the exclusive benefit of the Participants and their beneficiaries or for payment of the proper administrative costs of the Plan and the Trust. No person shall have any interest in or right to any part of the earnings of the Trust, or any rights in, to, or under the Trust or any part of the assets thereof, except as and to the extent expressly provided in the Plan. Any person having any claim for any benefit under the Plan shall look solely to the assets of the Trust Fund for satisfaction. In no event shall Federated or any other Employer or any of their officers or agents, or members of the Board, the Committee, or the Trustee, be liable in their individual capacities to any person whomsoever for the payment of benefits under the provisions of the Plan.

15.2 Mergers, Consolidations, and Transfers of Assets.

15.2.1 Notwithstanding any other provision hereof to the contrary, in no event shall this Plan or the Trust be merged or consolidated with any other plan and trust, nor shall any of the assets or liabilities of this Plan and the Trust be transferred to any other plan or trust or vice versa, unless (1) the Committee consents to such merger, consolidation, or transfer of assets as consistent with the rules set forth herein and the purposes of this Plan, (2) each Participant and beneficiary would (if this Plan and the Trust then terminated) receive a benefit immediately after the merger, consolidation, or transfer which is equal to or greater than the benefit he or she would have been entitled to receive immediately before the merger, consolidation, or transfer (if this Plan and the Trust had then terminated), and (3) such merger, consolidation, or transfer of assets does not cause any accrued benefit, early retirement benefit, or optional form of benefit of a person under this Plan or the applicable other plan to be eliminated or reduced except to the extent such elimination or reduction is permitted under Section 411(d)(6) of the Code or in Treasury regulations issued thereunder. In the event of any such merger, consolidation, or transfer, the requirements of clause (2) set forth in the immediately preceding sentence shall be deemed to be satisfied if the merger, consolidation, or transfer conforms to and is in accordance with regulations issued under Section 414(1) of the Code.

15.2.2 In addition, in the case of any spin-off to this Plan from another plan which is maintained by an Associated Employer or of any spin-off from this Plan to another Plan which is maintained by an Associated Employer, a percentage of the excess assets (as determined under Section 414(l)(2) of the Code) held in the plan from which the spin-off is made (if any) shall be allocated to each of such plans to the extent required by Section 414(l)(2) of the Code.

15.2.3 Subject to the provisions of this Section 15.2, the Committee may take action to merge or consolidate this Plan and the Trust with any other plan and trust, or permit the transfer of any assets and liabilities of this Plan and the Trust to any other plan and trust or vice versa.

15.3 Benefits and Service for Military Service. Notwithstanding any provision of this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service shall be provided in accordance with Section 414(u) of the Code.

15.4 Correction of Inadvertent Errors. If any inadvertent errors are made in crediting amounts to any Accounts which leave amounts held under the Plan which are not reasonably able to be allocated to any specific Participant or Account (for purposes of this Section 15.4, "overcrediting errors"), then such amounts shall, except as noted below, be used to the extent possible to correct any inadvertent errors made in crediting amounts to any Accounts which leave such Accounts with balances which are less than the balances which should exist under the Plan if no such errors had been made (for purposes of this Section 15.4, "undercrediting errors"). To the extent the amounts attributable to overcrediting errors which exist as of the last day of any Plan Year are not needed to correct the undercrediting errors which are then known, the amounts attributable to overcrediting errors shall be treated for all purposes of the Plan as if they were forfeitures from Matching Accounts arising under the Plan for the subject Plan Year. Further, any undercrediting errors shall be corrected: (1) by use of overcrediting errors to the extent permitted by the foregoing provisions of this Section 15.4; (2) to the extent not corrected by such overcrediting errors, by use of forfeitures to the extent permitted under Section 8.6 above; or (3) to the extent not corrected by use of overcrediting errors or forfeitures, by payment made by the Employer to the Trust as a special contribution in order to make such corrections. Such contribution shall not be considered an Employer contribution for purposes of Section 6.1 or 6.2 or a part of an annual addition (as defined in Section 6A.1.2(a) above) to the Plan.

15.5 Application of Certain Plan Provisions to Prior Plans. Notwithstanding any other provision of the Plan to the contrary, while the provisions of the Plan are generally effective only as of the Effective Amendment Date, any provision of the Plan which reflects or is designed to meet any requirement of the Federal Small Business Job Protection Act of 1996 (for purposes of this Section 15.5, the "SBJPA") which is effective prior to the Effective Amendment Date shall be deemed to apply to each Prior Plan from the effective date of such provision under the SBJPA to the Effective Amendment Date. In particular, but not by way of limitation, (1) the provisions of the last sentence of Section 1.8.1, Section 1.16, Section 4A, Section 5A, and Section 10.6 of this Plan shall apply from January 1, 1997 to the Effective Amendment Date to each Prior Plan and (2) the provisions of Section 15.3 of this Plan shall apply from December 12, 1994 to the Effective Amendment Plan to each Prior Plan. In addition, notwithstanding any other provision of this Plan or any Prior Plan to the contrary, the compensation limits of Section 401(a)(17) of the Code shall be applied from January 1, 1997 to the Effective Amendment Date to each Prior Plan in the manner set forth in Section 1.8.2 of this Plan.

15.6 Authority to Act for Federated or Other Employer. Except as is otherwise expressly provided elsewhere in this Plan, any matter or thing to be done by Federated or any other Associated Employer shall be done by its board of directors, except that the board may, by resolution, delegate to any persons or entities all or part of its rights or duties hereunder. Any such delegation shall be valid and binding upon all persons, and the persons or entities to whom or to which authority is delegated shall have full power to act in all matters so delegated until the authority expires by its terms or is revoked by resolution of such board.

15.7 Relationship of Plan to Employment Rights. The adoption and maintenance of the Plan is purely voluntary on the part of Federated and each other corporation, partnership, or other organization that is part of the Employer and neither the adoption nor the maintenance of the Plan shall be construed as conferring any legal or equitable rights to employment on any person.

15.8 Applicable Law. The provisions of the Plan shall be administered and enforced according to Federal law and, only to the extent not preempted by Federal law, to the laws of the State of Ohio. Either Federated or the Trustee may at any time initiate any legal action or proceedings for the settlement of the Trustee's accounts or for the determination of any question of construction which arises or for instructions. Except as required by law, in any application to, or proceeding or action in, any court with regard to the Plan or Trust, only Federated and the Trustee shall be necessary parties, and no Participant, beneficiary, or other person having or claiming any interest in the Plan or Trust shall be entitled to any notice or service of process. Federated or the Trustee may, if either so elects, include as parties defendant any other persons. Any judgment entered into in such a proceeding or action shall be conclusive upon all persons claiming under the Plan or Trust.

15.9 Agent for Service of Process. The agent for service of process for the Plan shall be the Secretary of Federated.

15.10 Reporting and Disclosure. Federated shall act as the Plan Administrator for purposes of satisfying any requirement now or hereafter imposed through Federal or State legislation to report and disclose to any Federal or State department or agency, or to any Participant or other person, any information respecting the establishment or maintenance of the Plan or the Trust Fund. Any cost or expense incurred in satisfying any and all such reporting and disclosure requirements shall be deemed to be a reasonable expense of administering the Plan and may be paid from the Trust Fund if not otherwise elected to be paid by the Employer.

15.11 Separability of Provisions. If any provision of the Plan is held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof, and the Plan shall be construed and enforced as if such provision had not been included.

15.12 Counterparts. The Plan may be executed in any number of counterparts, each of which shall be deemed an original, and the counterparts shall constitute one and the same instrument, which shall be sufficiently evidenced by any one thereof.

15.13 Headings. Headings used throughout the Plan are for convenience only and shall not be given legal significance.

15.14 Construction. In the construction of this Plan, either gender shall include the other gender, the singular shall include the plural, and the plural shall include the singular, in all cases where such meanings would be appropriate.

15.15 Applicable Benefit Provisions. Any benefit to which a Participant becomes entitled under the Plan (or any death benefit to which a Participant's Spouse or other beneficiary becomes entitled under the Plan) shall be determined (as to its amount and form and commencement date of payment) on the basis of the provisions of the Plan in effect as of the date the Participant last ceases to be employed by an Associated Employer notwithstanding any amendment to the Plan adopted subsequent to such date, except for subsequent amendments which are by their specific terms made applicable to such Participant (or his or her Spouse or other beneficiary) or which are required by applicable law to be applicable to such Participant (or his or her Spouse or other beneficiary).

15.16 Employment Rule. Any individual who is a common law employee of a corporation which is a member of the controlled group of corporations (within the meaning of Section 414(b) of the Code) which includes Federated (for purposes of this Section 15.16, the "Federated controlled group") shall, for all purposes of this Plan, be considered to be the common law employee of the corporation in the Federated controlled group from whose payroll the individual is paid. If any individual participating in this Plan by reason of being paid under the payroll of a corporation which is included as part of the Employer is actually the common law employee of a corporation in the Federated controlled group which is not included as part of the Employer, such other corporation shall be considered an employer participating in this Plan for purposes of Sections 401(a) and 404 of the Code.

15.17 Special Rules For Employees Transferring To or From Noncovered Employment.

15.17.1 Notwithstanding any other provision of the Plan to the contrary, if any person becomes a Participant in the Plan under the foregoing provisions of the Plan after he or she (1) has been employed as an Employee but not a Covered Employee, (2) has been eligible to elect to have savings contributions made on his or her behalf under a plan (other than this Plan) which is maintained by an Associated Employer and qualified under Section 401(a) of the Code, and (3) has received a hardship withdrawal from such plan of amounts which were contributed to such plan under a qualified cash or deferred arrangement (as defined in Section 401(k) of the Code), he or she may not have a Savings Agreement that would otherwise reduce his or her Covered Compensation on either a pre-tax basis or after-tax basis take effect under this Plan unless and until at least a one year period has expired after the date of such hardship withdrawal.

15.17.2 Further, notwithstanding any other provisions of Sections 5.1 and 6.2 above to the contrary, for purposes of the provisions of Section 5.1 above that determine the amount of the Matching Contributions for any Plan Year (for purposes of this Section 15.17.2, the "subject Plan Year") and for purposes of the provisions of Section 6.2 above that determine the manner in which the Matching Contributions for the subject Plan Year are allocated among the Participants' Matching Accounts, any Transferred Participant (as defined under the following provisions of this Section 15.17.2) shall be considered to have been employed a Covered Employee on the last day of the subject Plan Year (even though his or her employment as a Covered Employee will have terminated prior to such day). For purposes of this Section 15.17.2, a "Transferred Participant" means a Participant who meets all of the following conditions: (1) he or she ceases to be a Covered Employee during the subject Plan Year; (2) immediately after his or her employment as a Covered Employee terminates he or she is an Employee but not a Covered Employee; and (3) he or she either is employed as an Employee but not a Covered Employee on the last day of the subject Plan Year. Except as is specifically provided in the first sentence of this Section 15.17.2, however, in no event shall any of the Transferred Participant's service with or compensation received after he or she ceases to be a Covered Employee be used in determining the Transferred Participant's share of any Matching Contributions made to the Plan for the subject Plan Year or any other Plan Year.

15.18 Special 1999 Matching Contributions Rule.

15.18.1 Notwithstanding any other provisions of Sections 5.1 and 6.2 above to the contrary, for purposes of the provisions of Section 5.1 above that determine the amount of the Matching Contributions for the Plan Year that begins on January 1, 1999 (for purposes of this Section 15.18, the "1999 Plan Year") or the Plan Year that begins on January 1, 2000 (for purposes of this Section 15.18, the "2000 Plan Year") and for purposes of the provisions of Section 6.2 above that determine the manner in which the Matching Contributions for the 1999 Plan Year or the 2000 Plan Year are allocated among the Participants' Matching Accounts, any Outsourced Participant (as defined under the following provisions of this Section 15.18) shall be considered to have been employed as a Covered Employee on the last day of the Plan Year in which his or her employment as a Covered Employee terminated (even if his or her employment as a Covered Employee has terminated prior to the last day of such Plan Year).

15.18.2 For purposes of this Section 15.18, an "Outsourced Participant" means a Participant who meets all of the following conditions: (1) he or she ceases to be a Covered Employee during the period that begins on July 1, 1999 and ends on December 31, 2000 (for purposes of this Section 15.18, the "Applicable 1999-2000 Termination Period") by reason of (and in accordance and in a manner consistent with) the Employer taking actions (including a written notification) to terminate his or her employment with the Employer at some point during the Applicable 1999-2000 Termination Period because of (x) the Employer's outsourcing to a corporation or other organization (that is not part of any Associated Employer) of certain facility management functions which generally involve the non-retailing operations of the Employer's facilities (for purposes of this Section 15.18, the "Outsourcing Organization")

and (y) the Employer's elimination of his or her job in connection with the outsourcing of such functions to the Outsourcing Organization; (2) he or she becomes employed by the Outsourcing Organization immediately after his or her employment with the Employer terminates; and (3) he or she is employed by the Outsourcing Organization on the last day of the Plan Year in which his or her employment with the Employer terminated because of the factors described in clause (1) of this sentence.

15.18.3 Except as is specifically provided in Section 15.18.1, however, in no event shall any of the Outsourced Participant's service with or compensation received from the Outsourced Organization be used in determining the Outsourced Participant's share of any Matching Contributions made to the Plan for the 1999 Plan Year, the 2000 Plan Year, or any other Plan Year.

SIGNATURE PAGE

IN WITNESS WHEREOF, Federated Department Stores, Inc. has hereunto caused its name to be subscribed to this amendment and restatement of the Plan on the 5th day of February 2002, but effective for all purposes, except as otherwise provided herein, as of April 1, 1997.

FEDERATED DEPARTMENT STORES, INC.

By: /s/ John R. Sims
Title: Vice President

Exhibit 10.40.1

AMENDMENT TO
FEDERATED DEPARTMENT STORES, INC.
PROFIT SHARING 401(k) INVESTMENT PLAN

This document ("this Amendment" or "the Amendment") amends the Federated Department Stores, Inc. Profit Sharing 401(k) Investment Plan (the "Plan") in the manner and for the purposes that are described below.

Preamble

1. Adoption and Effective Date of Amendment. This Amendment is adopted to reflect certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"). This Amendment is intended as good faith compliance with the requirements of EGTRRA that are addressed herein and is to be construed in accordance with EGTRRA (and guidance issued thereunder). Except as otherwise provided, this amendment shall be effective as of the first day of the Plan's first plan year beginning after December 31, 2001.

2. Supersession of Inconsistent Provisions. This Amendment shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions of this Amendment.

3. Definitions. Except as is otherwise provided in this Amendment or unless the context otherwise requires, any terms that are capitalized in this Amendment and that are defined in the Plan shall have the same meanings as they have under the Plan.

Section A. Limitations on Benefits

1. Effective Date. This section A, and the Plan changes made under this section A, shall be effective as of January 1, 2002 and for the Plan's limitation years (as defined in Section 6A.1.2 of the Plan) ending after December 31, 2001.

2. Plan Changes. In order to reflect the increase in the limitations of Section 415(c) of the Code permitted by EGTRRA, Section 6A.1.1 of the Plan is amended in its entirety to read as follows:

6A.1.1 General Rules. Subject to the other provisions of this Section 6A.1 and except to the extent permitted under Section 15.22 below and Section 414(v) of the Code, but notwithstanding any other provision of the Plan to the contrary, in no event shall the annual addition to a Participant's accounts for any limitation year exceed the lesser of:

(a) $40,000 (as adjusted for increases in the cost-of-living under Section 415(d) of the Code by the Secretary of the Treasury or his or her delegate for such limitation year); or

(b) 100% of the Participant's compensation for such limitation year.

The part of the annual addition attributable to contributions to a defined benefit plan for medical benefits under Code Section 401(h) or to contributions to a welfare benefit fund for funding for post-retirement medical benefits under Code Section 419A(d) shall not be applied against the limit set forth in paragraph (b) above, however.

Section B. Increase in Compensation Limit

1. Effective Date. This section B, and the Plan changes made under this section B, shall be effective as of January 1, 2002 and for Plan Years, and limitation years (as defined in Section 6A.1.2 of the Plan), beginning after December 31, 2001.

2. Plan Changes. In order to reflect the increase in the annual compensation limit of Section 401(a)(17) of the Code permitted by EGTRRA, a new Section 15.19 reading as follows is added to the Plan immediately after Plan Section 15.18:

15.19 Increase in Compensation Limit for Periods Beginning After December 31, 2001.

15.19.1 Increase in Limit. Notwithstanding any other provision of the Plan to the contrary (and in lieu of any maximum annual compensation limit set forth in any other provision of the Plan that by its terms or its context relates to the requirements of Section 401(a)(17) of the Code), the annual compensation of each Participant taken into account in determining allocations under the Plan for any Plan Year beginning after December 31, 2001 shall not exceed $200,000. Annual compensation means any compensation taken into account under the Plan during a Plan Year or such other consecutive 12-month period over which compensation is otherwise determined under the Plan (for purposes of this Section 15.19, a "determination period"), including but not limited to Compensation (as defined in Section 1.8 above) for any determination period.

15.19.2 Cost-of-Living Adjustment. The $200,000 limit on annual compensation in Section 15.19.1 above shall be adjusted for cost-of-living increases in accordance with Section 401(a)(17)(B) of the Code. The cost-of-

living adjustment in effect for a calendar year applies to annual compensation for the determination period that begins with or within such calendar year.

Section C. Modification of Top Heavy Rules

1. Effective Date. This section C, and the Plan changes made under this section C, shall be effective as of January 1, 2002 and apply for purposes of determining whether the Plan is a top heavy plan under Section 416(g) of the Code for Plan Years beginning after December 31, 2001 and whether the Plan satisfies the minimum benefit requirements of Section 416(c) of the Code for such years.

2. Plan Changes. In order to reflect the modification of the top heavy rules of Section 416 of the Code permitted by EGTRRA, Section 14 of the Plan is amended in its entirety to read as follows:

SECTION 14

TOP HEAVY PROVISIONS

14.1 Determination of Whether Plan Is Top Heavy. For purposes of this Section 14, this Plan shall be considered a "Top Heavy Plan" for any Plan Year (for purposes of this Section 14.1, the "subject Plan Year") if, and only if, (1) this Plan is an Aggregation Group Plan during at least part of the subject Plan Year, and (2) the ratio of the total Present Value of all accrued benefits of Key Employees under all Aggregation Group Plans to the total Present Value of all accrued benefits of both Key Employees and Non-Key Employees under all Aggregation Group Plans equals or exceeds 0.6. All calculations called for in clauses (1) and (2) above with respect to this Plan and with respect to the subject Plan Year shall be made as of this Plan's Determination Date which is applicable to the subject Plan Year, and all calculations called for under clause (2) above with respect to any Aggregation Group Plan other than this Plan and with respect to the subject Plan Year shall be made as of that plan's Determination Date which is applicable to such plan's plan year that has its Determination Date fall within the same calendar year as the Determination Date being used by this Plan for the subject Plan Year. For the purpose of this Section 14, the following terms shall have the meanings hereinafter set forth:

14.1.1 Aggregation Group Plan. "Aggregation Group Plan" refers, with respect to any plan year of such plan, to a plan (1) which qualifies under Code Section 401(a), (2) which is maintained by an Associated Employer, and (3) which either includes a Key Employee as a participant (determined as of the Determination Date applicable to such plan year) or allows another plan qualified under Code Section 401(a), maintained by an Associated Employer, and so including at least one Key Employee as a participant to meet the requirements of

Section 401(a)(4) or Section 410(b) of the Code. In addition, if the Employer so decides, any plan which meets clauses (1) and (2) but not (3) of the immediately preceding sentence shall be treated as an "Aggregation Group Plan" with respect to any plan year of such plan if the group of such plan and all other Aggregation Group Plans will meet the requirements of Sections 401(a)(4) and 410(b) of the Code with such plan being taken into account.

14.1.2 Determination Date. The "Determination Date" which is applicable to any plan year of an Aggregation Group Plan refers to the last day of the immediately preceding plan year (except that, for the first plan year of such a plan, the "Determination Date" applicable to such plan year shall be the last day of such first plan year).

14.1.3 Key Employee. With respect to any Aggregation Group Plan and as of any Determination Date that applies to a plan year of such plan, a "Key Employee" refers to a person who at any time during the plan year ending on the subject Determination Date is:

(a) An officer of an Associated Employer, provided such person receives compensation from the Associated Employers of an amount greater than $130,000 (as adjusted under Section 416(i) of the Code for plan years beginning after December 31, 2002) for the applicable plan year. For this purpose, no more than 50 employees (or, if less, the greater of three or 10% of the employees of the Associated Employers) shall be treated as officers;

(b) A 5% or more owner of any Associated Employer; or

(c) A 1% or more owner of any Associated Employer who receives compensation of $150,000 or more from the Associated Employers for the applicable plan year.

For purposes of paragraphs (b) and (c) above, a person is considered to own 5% or 1%, as the case may be, of an Associated Employer if he or she owns (or is considered as owning within the meaning of Code Section 318, except that subparagraph (C) of Code Section 318(a)(2) shall be applied by substituting "5%" for "50%") at least 5% or 1%, as the case may be, of either the outstanding stock or the voting power of all stock of the Associated Employer (or, if the Associated Employer is not a corporation, at least 5% or 1%, as the case may be, of the capital or profits interest in the Associated Employer). Further, for purposes of this entire Section 14.1.3, the term "Key Employee" includes any person who is deceased as of the subject Determination Date but who when alive had been a Key Employee at any time during the plan year ending on the subject Determination Date, and any accrued benefit payable to his or her beneficiary shall be deemed to be the accrued benefit of such person.

14.1.4 Non-Key Employee. With respect to any Aggregation Group Plan and as of any Determination Date that applies to a plan year of such plan, a "Non-Key Employee" refers to a person who at any time during the plan year ending on the subject Determination Date is an employee of the Employer or an Associated Employer and who has never been considered a Key Employee as of such or any earlier Determination Date. Further, for purposes of this Section 14.1.4, the term "Non-Key Employee" includes any person who is deceased as of the subject Determination Date and who when alive had been an employee of an Associated Employer at any time during the plan year ending on the subject Determination Date, but had not been a Key Employee as of the subject or any earlier Determination Date, and any accrued benefit payable to his or her beneficiary shall be deemed to be the accrued benefit of such person.

14.1.5 Present Value of Accrued Benefits.

(a) For any Aggregation Group Plan which is a defined benefit plan (as defined in Code Section 414(j)), including such a plan which has been terminated, the "Present Value" of a participant's accrued benefit, as determined as of any Determination Date, refers to the lump sum value (calculated as of the latest Valuation Date which coincides with or precedes such Determination Date and in accordance with the actuarial assumptions adopted under such defined benefit plan for valuing lump sum forms of benefits for purposes of such plan's top heavy provisions which are in effect as of such Valuation Date) of the monthly retirement or termination benefit which the participant had accrued under such plan to such Valuation Date. For this purpose, such accrued monthly retirement or termination benefit is calculated as if it was to first commence as of the first day of the month next following the month the participant first attains his or her normal retirement age under such plan (or, if such normal retirement age had already been attained, as of the first day of the month next following the month in which occurs such Valuation Date) and as if it was to be paid in the form of a single life annuity. Further, the accrued benefit of any participant under such plan (other than a participant who is a Key Employee) shall be determined under the method which is used for accrual purposes for all defined benefit plans of the Associated Employers (or, if there is no such method, as if such benefit accrued not more rapidly than the slowest accrual rates permitted under the fractional rule of Section 411(b)(1)(C) of the Code). In addition, the dollar amount of any distributions made from the plan (including the value of any annuity contract distributed from the plan) actually paid to such participant prior to the subject Valuation Date but still within the plan year ending on the subject Determination Date (or, when the distribution is made other than by reason of the participant's separation from service from the Associated Employers, his or her death, or his or her disability, the five consecutive plan years ending on the subject Determination Date) shall be added in calculating such "Present Value" of the participant's accrued benefit.

(b) For any Aggregation Group Plan which is a defined contribution plan (as defined in Code Section 414(i)), including such a plan which has been terminated, the "Present Value" of a participant's accrued benefit, as determined as of any Determination Date, refers to the sum of (1) the total of the participant's account balances under the plan (valued as of the latest Valuation Date which coincides with or precedes such Determination Date), and (2) an adjustment for contributions due as of such Determination Date. In the case of a profit sharing or stock bonus plan, the adjustment in clause (2) above shall be the amount of the contributions, if any, actually made after the subject Valuation Date but on or before such Determination Date (and, in the case of the first plan year, any amounts contributed to the plan after such Determination Date which are allocated as of a date in such first plan year). In the case of a money purchase pension or target benefit plan, the adjustment in clause (2) above shall be the amount of the contributions, if any, which are either actually made or due to be made after the subject Valuation Date but before the expiration of the period allowed for meeting minimum funding requirements under Code Section 412 for the plan year which includes the subject Determination Date. In addition, the value of any distributions made from the plan (including the value of any annuity contract distributed from the plan) actually paid to such participant prior to the subject Valuation Date but still within the plan year ending on the subject Determination Date (or, when the distribution is made other than by reason of the participant's separation from service from the Associated Employers, his or her death, or his or her disability, the five consecutive plan years ending on the subject Determination Date) shall be added in calculating such "Present Value" of the participant's accrued benefit.

(c) In the case of any rollover (as defined in the appropriate provisions of the Code), or a direct plan-to-plan transfer, to or from a subject Aggregation Group Plan, which rollover or transfer is both initiated by a participant and made between a plan maintained by an Associated Employer and a plan maintained by an employer other than an Associated Employer, (1) the Aggregation Group Plan, if it is the plan from which the rollover or transfer is made, shall count the amount of the rollover or transfer as a distribution made as of the date such amount is distributed by such plan in determining the "Present Value" of the participant's accrued benefit under paragraph (a) or (b) above, as applicable, and (2) the Aggregation Group Plan, if it is the plan to which the rollover or transfer is made, shall not so consider the amount of the rollover or transfer as part of the participant's accrued benefit in determining such "Present Value" if such rollover or transfer was or is accepted after December 31, 1983 and shall so consider such amount if such rollover or transfer was accepted prior to January 1, 1984.

(d) In the case of any rollover (as defined in the appropriate provisions of the Code), or a direct plan-to-plan transfer, to or from a

subject Aggregation Group Plan, which rollover or transfer is not described in paragraph (c) above, (1) the subject Aggregation Group Plan, if it is the plan from which the rollover or transfer is made, shall not consider the amount of the rollover or transfer as part of the participant's accrued benefit in determining the "Present Value" thereof under paragraph (a) or (b) above, as applicable, and (2) the subject Aggregation Group Plan, if it is the plan to which the rollover or transfer is made, shall consider the amount of the rollover or transfer when made as part of the participant's accrued benefit in determining such "Present Value."

(e) As is noted in paragraphs (a) and (b) above, the "Present Value" of any participant's accrued benefit under any Aggregation Group Plan (that is either a defined benefit plan or a defined contribution plan) as of any Determination Date includes the value of any distribution from such a plan actually paid to such participant prior to the last Valuation Date which coincides with or precedes such Determination Date but still within the plan year ending on the subject Determination Date. This rule shall also apply to any distribution under any terminated defined benefit or defined contribution plan which, if it had not been terminated, would have been required to be included as an Aggregation Group Plan.

(f) Notwithstanding the foregoing provisions, the "Present Value" of a participant's accrued benefit under any Aggregation Group Plan (that is either a defined benefit plan or a defined contribution plan) as of any Determination Date shall be deemed to be zero if the participant has not performed services for any Associated Employer at any time during the plan year ending on the subject Determination Date.

14.1.6 Valuation Date. A "Valuation Date" refers to: (1) in the case of an Aggregation Group Plan that is a defined benefit plan (as defined in Code Section 414(j)), the date as of which the plan actuary computes plan costs for minimum funding requirements under Code Section 412 (except that, for an Aggregation Group Plan that is a defined benefit plan which has terminated, a "Valuation Date" shall be deemed to be the same as a Determination Date); and (2) in the case of an Aggregation Group Plan that is a defined contribution plan (as defined in Code Section 414(i)), the date as of which plan income, gains, and/or contributions are allocated to plan accounts of participants.

14.1.7 Compensation. For purposes hereof, a participant's "compensation" shall refer to his or her Compensation as defined in Section 1.8 above, as modified pursuant to the provisions of Section 15.19 below.

14.2 Effect of Top Heavy Status on Vesting.

14.2.1 For any Plan Year in which this Plan is considered a Top Heavy Plan, each Participant who completes at least one Hour of Service in such

year and who is not fully vested in any of his or her Accounts under Section 6.10 above shall be deemed fully vested in all such Accounts if he or she has completed by the end of such year at least three years of Vesting Service.

14.2.2 For any Plan Year in which this Plan is not considered a Top Heavy Plan, the provisions of this Section 14.2 shall not be effective; except that, if the Plan is not a Top Heavy Plan in a Plan Year after the Plan was considered a Top Heavy Plan in the immediately preceding Plan Year, any change back to the appropriate vesting schedule or provisions set forth in Section 6.10 above shall be considered an amendment to the vesting schedule (effective and adopted as of the first day of such new Plan Year) for purposes of Section 13.4.2 above.

14.3 Effect of Top Heavy Status on Contributions.

14.3.1 Subject to Sections 14.3.2 and 14.3.3 below, for any Plan Year in which this Plan is considered a Top Heavy Plan, the amount of the employer contributions and forfeitures allocated under all Aggregation Group Plans which are defined contribution plans (as defined in Code Section 414(i)) for such Plan Year to the accounts of a Participant who is a Non-Key Employee on the last day of such Plan Year (excluding any contributions made on behalf of the Non-Key Employee by reason of his or her election under an arrangement qualifying under Section 401(k) of the Code but including any matching contributions within the meaning of Code Section 401(m)(4)(A) which are allocated to an account of the Non-Key Employee) must be at least equal to the lesser of (1) 3% of the Participant's compensation for such Plan Year or (2) the largest allocation of contributions and forfeitures made for such Plan Year to the accounts of a Participant who is a Key Employee as of the Determination Date applicable to such Plan Year under all such Aggregation Group Plans (measured as a percent of the Key Employee's compensation for such Plan Year and including both any contributions made on behalf of the Key Employee by reason of his or her election under an arrangement qualifying under Section 401(k) of the Code and any matching contributions within the meaning of Code Section 401(m)(4)(A) which are allocated to an account of the Key Employee). To the extent necessary, and regardless of the existence of current or accumulated profits, the Employer shall make additional contributions to this Plan which are just allocable to the Accounts of Participants who are Non-Key Employees so that the requirement set forth in the immediately preceding sentence is met for the subject Plan Year.

14.3.2 Notwithstanding the provisions of Section 14.3.1 above but subject to the provisions of Section 14.3.3 below, in the case of any Non-Key Employee who participates in both this Plan and another Aggregation Group Plan that is a defined benefit plan (as defined in Code Section 414(j)) which is maintained by an Associated Employer or in which an Associated Employer participates, the provisions of Section 14.3.1 shall be inapplicable if the Associated Employer causes such defined benefit plan to provide an accrued benefit (attributable only to

employer contributions) for such Non-Key Employee which, if expressed as a single life annuity commencing on the first day of the month next following the month in which the Non-Key Employee attains his or her Normal Retirement Age, shall be equal at least to the product of (1) 2% of the Non-Key Employee's average annual compensation for the five consecutive calendar years which produce the highest result and (2) the Non-Key Employee's years of service (up to but not exceeding ten such years). For purposes of computing the product in the foregoing sentence: (1) compensation received in any calendar year which began prior to January 1, 1984 and in any calendar year which begins after the end of the last Plan Year in which the Plan is considered a Top Heavy Plan shall all be disregarded; and (2) years of service shall refer generally to years of Vesting Service except that years of service for this purpose shall not include any period which began prior to January 1, 1984, any period which is not included at least in part in a Plan Year as of which the Plan is considered a Top Heavy Plan, and any period which occurs during a Plan Year when the Plan benefits (within the meaning of Section 410(b) of the Code) no Key Employee or former Key Employee.

14.3.3 Notwithstanding the foregoing provisions of Sections 14.3.1 and 14.3.2 above, such provisions shall not apply so as to cause any additional contribution or benefit to be provided a Participant for a Plan Year under an Aggregation Group Plan maintained by an Associated Employer or in which an Associated Employer participates if (1) such Participant actively participates in an Aggregation Group Plan maintained by an Associated Employer at a date in the applicable Plan Year which is later than the latest date in such year on which he or she actively participates in this Plan and (2) such other plan provides for the same contribution or benefit as would otherwise be required under Sections 14.3.1 and 14.3.2 above for such Plan Year.

Section D. Direct Rollovers of Plan Distributions

1. Effective Date. This section D, and the Plan changes made under this section D, shall be effective as of January 1, 2002 and apply to distributions made under the Plan after December 31, 2001.

2. Plan Changes. In order to reflect the modification of the direct rollover requirements of Section 401(a)(31) of the Code as permitted by EGTRRA, Section 10.8 of the Plan is amended in its entirety to read as follows:

10.8 Direct Rollover Distributions.

10.8.1 Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this Section 10.8, a distributee may elect, at the time and in the manner prescribed by the Committee, to have any portion of an eligible rollover distribution otherwise payable to him

paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

10.8.2 For purposes of this Section 10.8, the following terms shall have the meanings indicated below:

(a) An "eligible rollover distribution" means, with respect to any distributee, any distribution of all or any portion of the entire benefit otherwise payable under the Plan to the distributee, except that an eligible rollover distribution does not include: (1) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; (2) any distribution to the extent such distribution is required to be made under Section 401(a)(9) of the Code; or (3) any distribution that is made under the provisions of the Plan because of a hardship. For purposes of this paragraph (a), a portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income; however, such portion may be paid only to an individual retirement account or annuity described in Section 408(a) or (b) of the Code or to a qualified defined contribution plan described in Section 401(a) or 403(a) of the Code that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

(b) An "eligible retirement plan" means, with respect to any distributee's eligible rollover distribution, an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, an annuity contract described in Section 403(b) of the Code, an eligible plan under Section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan, or a qualified trust described in Section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. This definition of eligible retirement plan shall also apply in the case of a distribution to a surviving Spouse or to a Spouse or former Spouse who is the alternate payee under a qualified domestic relation order, as defined in Section 206(d)(3) of ERISA and Section 414(p) of the Code.

(c) A "distributee" means a Participant. In addition, a Participant's surviving spouse, or a Participant's Spouse or former Spouse who is the alternate payee under a qualified domestic relations order (as defined in Section 206(d)(3) of ERISA and Section 414(p) of the Code), is a distributee with

regard to any interest of the Participant which becomes payable under the Plan to such Spouse or former Spouse.

(d) A "direct rollover" means, with respect to any distributee, a payment by the Plan to an eligible retirement plan specified by the distributee.

10.8.3 The Committee may prescribe reasonable rules in order to provide for the Plan to meet the provisions of this Section 10.8. Any such rules shall comply with the provisions of Code Section 401(a)(31) and any applicable Treasury regulations which are issued with respect to the direct rollover requirements. For example, subject to meeting the provisions of Code Section 401(a)(31) and applicable Treasury regulations, the Committee may: (1) prescribe the specific manner in which a direct rollover shall be made by the Plan, whether by wire transfer to the eligible retirement plan, by mailing a check to the eligible retirement plan, by providing the distributee a check made payable to the eligible retirement plan and directing the distributee to deliver the check to the eligible retirement plan, and/or by some other method; (2) prohibit any direct rollover of any eligible rollover distributions payable during a calendar year to a distributee when the total of such distributions is less than $200; or (3) refuse to make a direct rollover of an eligible rollover distribution to more than one eligible retirement plan.

Section E. Rollovers From Other Plans

1. Effective Date. This section E, and the Plan changes made under this section E, shall be effective as of January 1, 2002 and apply to Rollover Contributions made to the Plan after December 31, 2001.

2. Plan Changes. In order to reflect EGTRRA's modification of certain rules permitting rollover contributions under the Code, the following changes are made to the Plan:

A. Section 4.6 of the Plan is amended in its entirety to read as follows:

4.6 Rollover Contributions. A Covered Employee may, whether or not he or she is yet a Participant in the Plan under the provisions of Section 3 above, cause any distribution applicable to him or her from another eligible plan (as defined in Section 4.6.1 below) which he or she certifies is an eligible rollover distribution (within the meaning of the Code) to be paid directly from such other plan to this Plan pursuant to the terms of the Code, (1) provided that the Committee receives a written notice from the plan administrator or issuer of such other plan that the other plan has received a determination letter from the Internal Revenue Service concluding that the other plan is qualified as an eligible plan under the Code or that the other plan is intended to be an eligible plan and

either is intending to obtain such determination letter or is not required under applicable Internal Revenue Service rules or the Code to obtain such a determination letter, and (2) provided that the Committee has no information which shows that such payment is other than an eligible rollover contribution under the Code. Any such payment to the Plan shall be referred to as a "Rollover Contribution" under the Plan. In addition, the following provisions shall apply to the making of any Rollover Contribution to the Plan:

4.6.1 For purposes of this Section 4.6, an "eligible plan" means: (1) a qualified plan described in Section 401(a) or 403(a) of the Code, including after-tax employee contributions held thereunder; (2) an annuity contract described in Section 403(b) of the Code, excluding after-tax employee contributions held thereunder; and (3) an eligible plan under Section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state.

4.6.2 If a Covered Employee makes a Rollover Contribution to the Plan but is not a Participant in the Plan under the provisions of Section 3 above, he or she shall still be considered a Participant under the other provisions of the Plan to the extent such other provisions concern the establishment of an Account to reflect such contribution, the investment, crediting of Plan earnings and losses, loaning, withdrawing, and distribution of such Account, and the administration of the Plan with respect to such Account, but he or she shall not be considered a Participant for any other purposes of the Plan until he or she qualifies as a Participant under the provisions of Section 3 above.

4.6.3 Further, subject to such administrative rules as may be adopted by the Committee, a Rollover Contribution that is made by a Covered Employee to the Plan from another eligible plan that is a qualified plan described in Section 401(a) of the Code may include a note that reflects a loan that was previously made by the other plan to the Covered Employee and that is still outstanding as of the date of the Rollover Contribution, provided that all of the following conditions are met:

(a) The Committee receives information (e.g., a certification of the plan administrator of the other plan) that permits it to reasonably conclude that such loan was not previously included in the Covered Employee's income for Federal income tax purposes by reason of the provisions of Section 72(p) of the Code and that such loan did not qualify as a prohibited transaction under Section 4975 of the Code or Section 406 of ERISA by reason of the provisions of Section 4975(d)(1) of the Code or Section 408(b)(1) of ERISA;

(b) The loan is secured by a portion of the amount of the Rollover Contribution that would be sufficient security for the loan

under the Plan and the Committee's policies if such loan had been made under the Plan at the time of the Rollover Contribution; and

(c) The only changes to the loan that need to be made by reason of its rollover to the Plan and in order to administer the loan properly under the Plan are to change the obligee under the loan to the Plan and, if necessary, to change minor administrative procedures concerning the payment of the loan (e.g., to change the dates on which payments under the loan will be paid to conform to the pay dates that will apply to the Covered Employee while employed by the Employer, to permit payments to be made by payroll deductions from the Covered Employee's pay from the Employer, to credit all payments on the loan to the Account to which the Rollover Contribution of which the loan note is a part is allocated, and to invest any payment on the loan to the Investment Fund or Funds in which such Account is invested at the time of the payment).

If the Committee permits a loan note to be included as part of a Covered Employee's Rollover Contribution to the Plan under the provisions of this Section 4.6.3, then it may make such changes to the loan that are described in paragraph (c) above and otherwise administer the loan in accordance with the terms of the loan note. Such loan shall not be deemed to be a loan made by the Plan under the terms of Section 6.9 below.

B. Section 6.3 of the Plan is amended in its entirety to read as follows:

6.3 Rollover Accounts and Allocation of Rollover Contribution Thereto. The Committee shall establish and maintain a separate bookkeeping account, called herein a "Rollover Account," for each Participant who makes a Rollover Contribution to the Plan. Except as otherwise provided in the Plan, the Committee shall allocate to a Participant's Rollover Account any Rollover Contribution made on or after the Effective Amendment Date to the Trust on behalf of the Participant as soon as administratively practical after it is contributed to the Trust. The Committee shall keep records, to the extent necessary to administer this Plan properly under the other provisions of the Plan and under the applicable provisions of the Code, showing the portion of a Participant's Rollover Account which is attributable to each different type of contribution reflected in it, e.g., "pre-tax" contributions to the extent such amounts were made under another plan on a "pre-tax" basis (i.e., prior to the Participant being deemed in receipt of such amounts for Federal income tax purposes) or "after-tax" contributions to the extent such amounts were made under another plan on an "after-tax" basis (i.e., after the Participant was deemed in receipt of such amounts for Federal income tax purposes).

Section F. Rollovers Disregarded in Involuntary Cash-Outs

1. Effective Date. This section F, and the Plan changes made under this section F, shall be effective as of January 1, 2002 and apply to distributions made after December 31, 2001.

2. Plan Changes. In order to take advantage of EGTRRA's provisions that allow the Plan to disregard Rollover Contributions made to the Plan in calculating the value of a Participant's benefit under the Plan for purposes of determining whether or not such benefit may be involuntarily distributed when a distribution is otherwise permitted, a new Section 15.20 reading as follows is added to the Plan immediately after Plan Section 15.19:

15.20 Rollovers Disregarded in Involuntary Cash-Outs. For purposes of Sections 8.1.3, 8A.3.4, 8A.8.6, 8B.7, 9.4.4, and 9A.7.1 of the Plan (which all generally provide for the automatic lump sum distribution of a benefit that has a value of $5,000 or less), the value of a benefit payable under the Plan to a Participant or a beneficiary of a Participant shall be determined without regard to that portion of the benefit that is attributable to Rollover Contributions of the Participant to the Plan (and any Trust income or loss allocable thereto).

Section G. Repeal of Multiple Use Test

1. Effective Date. This section G, and the Plan changes made under this section G, shall be effective as of January 1, 2002 and for Plan Years beginning after December 31, 2001.

2. Plan Changes. In order to eliminate under the Plan the so-called multiple use test described in Treasury Regulation Section 1.401(m)-2, as is permitted by EGTRRA, a new Section 15.21 reading as follows is added to the Plan immediately after Plan Section 15.20:

15.21 Multiple Use Test Eliminated. The multiple use test described in Treasury Regulation Section 1.401(m)-2, as was carried into effect under the Plan in Sections 5A.1.2 and 5A.4.4 above, shall not apply and shall be deemed ineffective under the Plan for any Plan Year beginning after December 31, 2001.

Section H. Increase in Salary Reduction Contribution Limit

1. Effective Date. This section H, and the Plan changes made under this section H, shall be effective as of January 1, 2002 and for Plan Years beginning after December 31, 2001.

2. Plan Changes. In order to increase the amount of regular Pre-Tax Savings Contributions that can be made by Participants under the Plan, as is permitted by EGTRRA, Section 1.26.2 of the Plan is amended in its entirety to read as follows:

1.26.2 Also, in no event may a Participant's Covered Compensation be reduced on a pre-tax basis for any calendar year by more than $11,000 (or any higher amount to which this figure is adjusted by the Secretary of the Treasury or his or her delegate for such calendar year pursuant to Section 402(g) of the Code), except to the extent permitted under Section 15.22 below and Section 414(v) of the Code.

Section I. Catch-Up Contributions

1. Effective Date. This section I, and the Plan changes made under this section I, shall be effective as of January 1, 2003 and for Plan Years beginning after December 31, 2002.

2. Plan Changes. In order to permit so-called catch-up contributions to be made by a Participant to the Plan in accordance with the provisions of Section 414(v) of the Code, as added by EGTRRA, when the Participant is eligible to make such contributions, a new Section 15.22 reading as follows is added to the Plan immediately after Plan Section 15.21:

15.22 Catch-Up Contributions. Any Participant who is eligible to make Pre-Tax Savings Contributions under this Plan and who will have attained age 50 before the close of a Plan Year shall be eligible to make catch-up contributions to the Plan for such Plan Year in accordance with, and subject to the limitations of, Section 414(v) of the Code. Such catch-up contributions shall not be taken into account for purposes of any of the provisions of the Plan that implement the required limitations of Sections 402(g) and 415 of the Code. Also, the Plan shall not be treated as failing to satisfy any of the provisions of the Plan that implement the requirements of Section 401(k)(3), 410(b), or 416 of the Code, as applicable, by reason of the making of such catch-up contributions.

Section J. Distributions Permitted Upon Separation From Employment

1. Effective Date. This section J, and the Plan changes made under this section J, shall be effective as of January 1, 2002 and apply to any distributions made after December 31, 2001.

2. Plan Changes. In order to permit the portion of any Participant's benefit under the Plan that is attributable to his or her Pre-Tax Savings Contributions to be distributed upon the Participant's separation from employment (in contrast to his or her separation from service), as is allowed under EGTRRA, Section 10.9 of the Plan is amended in its entirety to read as follows:

10.9 Distribution Restrictions. No withdrawal or distribution of any portion of a Participant's Accounts may be distributed unless such withdrawal or distribution is authorized by another provision of this Plan. In addition, and notwithstanding any other provision of this Plan to the contrary, in no event may any

amount held under the Plan which is attributable to the Participant's Pre-Tax Savings Contributions under this Plan be distributed earlier than (1) the Participant's separation from employment from the Employer and the Affiliated Employers, death, or Total Disability, (2) the Participant's attainment of age 59-1/2, (3) the hardship of the Participant (determined under the other provisions of the Plan), or (4) the event described in Section 401(k)(10) of the Code (i.e., a lump sum payment made by reason of the termination of the Plan without the establishment or maintenance of another defined contribution plan other than an employee stock ownership plan).

IN ORDER TO EFFECT THE FOREGOING PLAN CHANGES, Federated Department Stores, Inc., the Plan sponsor, has caused its name to be subscribed to this Plan amendment this 23 day of December, 2002.

FEDERATED DEPARTMENT STORES, INC.

By: /s/ David W. Clark

Title: SVP Human Resources

Exhibit 10.40.2

AMENDMENT TO
FEDERATED DEPARTMENT STORES, INC.
PROFIT SHARING 401(k) INVESTMENT PLAN

The Federated Department Stores, Inc. Profit Sharing 401(k) Investment Plan (the "Plan") is hereby amended, effective as of April 1, 1997 and in order to include as part of the Plan that was executed by the Plan sponsor on February 5, 2002 certain Plan provisions that had been modified earlier by the Plan sponsor but inadvertently had not been included as part of such February 5, 2002-executed Plan, in the following respects:

1. Section 1.26 of the Plan is amended in its entirety to read as follows:

1.26 Savings Agreement — means, with respect to a Participant and for any specified period that the agreement is in effect, any agreement enrolled in (or deemed enrolled in under the provisions of the Plan) by the Participant and under which the Participant elects (or is deemed to elect) that his or her Covered Compensation for the specified period is to be reduced on a pre-tax basis and/or after-tax basis in 1% increments up to 15% (or, on or after January 1, 2002, up to 25%) or that no part (0%) of his or her Covered Compensation is to be reduced on either a pre-tax or after-tax basis. Any Savings Agreement is subject to the following provisions:

1.26.1 In no event may a Participant's Covered Compensation for any specified period be reduced on either a pre-tax or after-tax basis or on an aggregate basis by more than 15% (or, on or after January 1, 2002, by more than 25%) pursuant to a Savings Agreement. The Committee may, in order to make it easier for the Plan to meet the limits set forth in Sections 4A and 5A below, further restrict the amount by which any Participant who is then believed to be a Highly Compensated Employee may have his or her Covered Compensation reduced on either a pre-tax or after-tax basis or on an aggregate basis for a specified period pursuant to a Savings Agreement to some lower percent.

1.26.2 Also, in no event may a Participant's Covered Compensation be reduced on a pre-tax basis for any calendar year by more than $9,500 (or any higher amount to which this figure is adjusted by the Secretary of the Treasury or his or her delegate for such calendar year pursuant to Section 402(g) of the Code).

1.26.3 Except as is otherwise provided in Sections 1.26.4, 1.26.5, and 1.26.6 below, a Savings Agreement or amended Savings Agreement must be affirmatively enrolled in by a Participant on a form prepared or approved for this purpose by the Committee and filed with a Plan representative, by a communication to a Plan representative under a telephonic system approved by the Committee, or

under any other method approved by the Committee, with the specific method or methods to be used to be chosen in its discretion by the Committee. The Committee may choose different methods to apply to Participants in different situations (e.g., requiring a form to be used for new Participant but a telephonic system to be used for other Participants). Regardless of what method is to be used for a Participant, if the Participant properly enrolls in a Savings Agreement or amends such an agreement under the method for doing so which applies to him or her and the type of election he or she is making, for all other provisions of the Plan he or she will be deemed to have "filed" with a Plan representative such agreement or amendment on the day he or she completes all steps required by such method to enter into such agreement or amendment. Any Savings Agreement or amendment of a Savings Agreement which is made by a Participant pursuant to the provisions of this Section 1.26.3 shall become effective as of the first date after such agreement or amendment is filed with a Plan representative on which the Committee can reasonably put such agreement or amendment into effect.

1.26.4 Any election made by a Participant who first becomes a Participant in the Plan prior to January 1, 1999, and who does not otherwise affirmatively enroll in a Savings Agreement that becomes effective pursuant to the provisions of Section 1.26.3 above by the first date on which he or she is entitled to receive Compensation from the Employer (for purposes of this Section 1.26.4, the Participant's "first pay day"), shall be deemed to have automatically enrolled in a Savings Agreement under which no part (0%) of the Participant's Covered Compensation is to be reduced on a pre-tax or after-tax basis. Such initially deemed Savings Agreement shall become effective on the Participant's first pay day.

1.26.5 Any Participant who first becomes a Participant in the Plan on or after January 1, 1999, and who does not otherwise affirmatively enroll in a Savings Agreement that becomes effective pursuant to the provisions of Section 1.26.3 above by the first date on which he or she is entitled to receive Compensation from the Employer (for purposes of this Section 1.26.5, the Participant's "first pay day"), shall be deemed to have automatically enrolled in a Savings Agreement under which 3% of the Participant's Covered Compensation is reduced on a pre-tax basis and under which 0% of his or her Covered Compensation is reduced on an after-tax basis, with such initially deemed Savings Agreement becoming effective on the Participant's first pay day, provided that (1) he or she receives a notice from the Employer explaining his or her rights to elect to have no or a different percent of his or her Covered Compensation reduced on a pre-tax basis under the Plan by affirmatively enrolling in a Savings Agreement pursuant to the provisions of Section 1.26.3 above and, after receiving such notice, (2) he or she is given a reasonable period before the Participant's first pay day to make such an election. If such conditions are not met, then such Participant shall be deemed to have automatically enrolled in a Savings Agreement, to be effective as of the Participant's first pay day, under which no part (0%) of the

Participant's Covered Compensation is to be reduced on a pre-tax or after-tax basis.

1.26.6 Any Participant who is reinstated as an active Participant in the Plan (pursuant to Section 3.4 below) after having previously been an active Participant in the Plan, and when the Savings Agreement that had been in effect for the Participant on the latest date he or she last previously had been an active Participant no longer is in effect, and who does not otherwise affirmatively enroll in a Savings Agreement that becomes effective pursuant to the provisions of Section 1.26.3 above by the first date after such reinstatement that the Participant is entitled to receive Compensation from the Employer (for purposes of the Section 1.26.6, the Participant's "first post-reinstatement pay day"), shall be deemed to have automatically enrolled in a Savings Agreement under which no part (0%) of the Participant's Covered Compensation is to be reduced on a pre-tax or after-tax basis. Such deemed Savings Agreement shall become effective on the Participant's first post-reinstatement pay day.

1.26.7 Any Savings Agreement or amended Savings Agreement that becomes effective for a Participant under any of the foregoing provisions of this Section 1.26 shall remain in effect until the earlier of (1) the date the next amended Savings Agreement enrolled in by the Participant pursuant to the provisions of Section 1.26.3 above becomes effective or (2) the expiration of a reasonable administrative period after the Participant ceases to be an Employee. The reasonable administrative period referred to in clause (2) of the immediately preceding sentence shall be set by the Committee in order to permit the Plan a reasonable period of time to render the applicable Savings Agreement ineffective and generally will last for no more than 60 days after the Participant ceases to be an Employee.

2. Section 4.6 of the Plan is amended in its entirety to read as follows:

4.6 Rollover Contributions. A Covered Employee may, whether or not he or she is yet a Participant in the Plan under the provisions of Section 3 above, cause any distribution applicable to him or her from another plan which he or she certifies is an eligible rollover distribution (within the meaning of Section 402(c) of the Code) to be paid directly from such other plan to this Plan pursuant to the terms of Section 401(a)(31) of the Code, (1) provided that the Committee receives a written notice from the plan administrator of such other plan that the other plan has received a determination letter from the Internal Revenue Service concluding that the other plan is qualified as a tax-favored plan under Section 401(a) of the Code or that the other plan is intended to be such a tax-favored plan and either is intending to obtain such determination letter or is not required under applicable Internal Revenue Service rules to obtain such a determination letter, and (2) provided that the Committee has no information which shows that such payment is other than an eligible rollover contribution under Section 402(c) of the Code.

Any such payment to the Plan shall be referred to as a "Rollover Contribution" under the Plan. In addition, the following provisions shall apply to the making of any Rollover Contribution to the Plan:

4.6.1 If a Covered Employee makes a Rollover Contribution to the Plan but is not a Participant in the Plan under the provisions of Section 3 above, he or she shall still be considered a Participant under the other provisions of the Plan to the extent such other provisions concern the establishment of an Account to reflect such contribution, the investment, crediting of Plan earnings and losses, loaning, withdrawing, and distribution of such Account, and the administration of the Plan with respect to such Account, but he or she shall not be considered a Participant for any other purposes of the Plan until he or she qualifies as a Participant under the provisions of Section 3 above.

4.6.2 Further, subject to such administrative rules as may be adopted by the Committee, a Rollover Contribution that is made by a Covered Employee to the Plan from another plan may include a note that reflects a loan that was previously made by the other plan to the Covered Employee and that is still outstanding as of the date of the Rollover Contribution, provided that all of the following conditions are met:

(a) The Committee receives information (e.g., a certification of the plan administrator of the other plan) that permits it to reasonably conclude that such loan was not previously included in the Covered Employee's income for Federal income tax purposes by reason of the provisions of Section 72(p) of the Code and that such loan did not qualify as a prohibited transaction under Section 4975 of the Code or Section 406 of ERISA by reason of the provisions of Section 4975(d)(1) of the Code or Section 408(b)(1) of ERISA;

(b) The loan is secured by a portion of the amount of the Rollover Contribution that would be sufficient security for the loan under the Plan and the Committee's policies if such loan had been made under the Plan at the time of the Rollover Contribution; and

(c) The only changes to the loan that need to be made by reason of its rollover to the Plan and in order to administer the loan properly under the Plan are to change the obligee under the loan to the Plan and, if necessary, to change minor administrative procedures concerning the payment of the loan (e.g., to change the dates on which payments under the loan will be paid to conform to the pay dates that will apply to the Covered Employee while employed by the Employer, to permit payments to be made by payroll deductions from the Covered Employee's pay from the Employer, to credit all payments on the loan to the Account to which the Rollover Contribution of which the loan note is a part is allocated, and to invest any payment on the loan to the Investment Fund or Funds in which such Account is invested at the time of the payment).

If the Committee permits a loan note to be included as part of a Covered Employee's Rollover Contribution to the Plan under the provisions of this Section 4.6.2, then it may make such changes to the loan that are described in paragraph (c) above and otherwise administer the loan in accordance with the terms of the loan note. Such loan shall not be deemed to be a loan made by the Plan under the terms of Section 6.9 below.

3. Section 6.12.3 of the Plan is amended in its entirety to read as follows:

6.12.3 Except as is otherwise provided in the following provisions of this Section 6.12.3, a Participant who was not a participant in any Prior Plan on or before March 31, 1997 shall have a vested interest in any Matching Account of his or hers as of any specific date equal to a percentage (for purposes of this Section 6.12.3, the "vested percentage") of such Account, determined in accordance with the immediately following schedule (based upon his or her years of Vesting Service completed to the subject date):

Years of Vesting Service	Vested Percentage
Less than 3	0%
3 but less than 4	20%
4 but less than 5	40%
5 but less than 6	60%
6 but less than 7	80%
7 or more	100%

(a) Notwithstanding the foregoing and except as is otherwise provided in the following provisions of this Section 6.12.3, a Participant who was not a participant in any Prior Plan on or before March 31, 1997 shall have a vested interest in any Matching Account of his or hers as of any specific date that occurs on or after January 1, 2002 equal to a vested percentage of such Account that is determined in accordance with the immediately following schedule (based upon his or her years of Vesting Service completed to the subject date) if he or she completes at least one Hour of Service on or after January 1, 2002:

Years of Vesting Service	Vested Percentage
Less than 2	0%
2 but less than 3	20%
3 but less than 4	40%
4 but less than 5	60%
5 but less than 6	80%
6 or more	100%

(b) Notwithstanding the foregoing provisions of this Section 6.12.3, a Participant who was not a participant in any Prior Plan on or before March 31, 1997 shall be fully vested in any Matching Account of his or hers if he or she attains his or her Normal Retirement Age, incurs a Total Disability, or dies while, in any such case, still an Employee.

(c) In addition, and also notwithstanding the foregoing provisions of this Section 6.12.3, a Participant who was not a Participant in any Prior Plan on or before March 31, 1997 shall be fully vested in any Matching Account of his or hers if he or she ceases to be an Employee by reason of the closing or sale (not including the merger into any Associated Employer or into any division or facility of an Associated Employer) of any Associated Employer (or any division or facility of an Associated Employer) while he or she is employed by such Associated Employer (or division or facility of such Associated Employer).

(d) Further, and also notwithstanding the foregoing provisions of this Section 6.12.3, a Participant who was not a Participant in any Prior Plan on or before March 31, 1997 shall be fully vested in any Matching Account of his or hers if he or she ceases to be an Employee by reason of (and in accordance and in a manner consistent with) the Employer taking actions (including a written notification) to terminate his or her employment with the Employer at some point during the period that begins on July 1, 1999 and ends on December 31, 2000 because of the Employer's outsourcing to a corporation or other organization (that is not part of an Associated Employer) of certain facility management functions which generally involve the non-retailing operations of the Employer's facilities.

4. Section 7.3.2 of the Plan is amended in its entirety to read as follows:

7.3.2 Any such hardship withdrawal must also be necessary to satisfy the need for the withdrawal. A withdrawal shall be deemed necessary to satisfy such need if, and only if, all of the following conditions are certified to by the Participant:

(a) The withdrawal is not in excess of the amount of the immediate and heavy financial need of the applicable Participant which has caused

the Participant to request the withdrawal. The amount of an immediate and heavy financial need of the Participant may include an amount permitted by the Committee under uniform rules to cover Federal income taxes or penalties which can reasonably be anticipated to result to the Participant from the distribution;

(b) The Participant has obtained or is obtaining by the date of the withdrawal all withdrawals (other than hardship withdrawals) and all nontaxable (at the time of the loans) loans then available under the Plan and all other plans of the Associated Employers, including any loans then available under Section 6.9 above and any withdrawal then available under Section 7.1 above;

(c) The Participant shall be suspended from making employee contributions or having contributions made by reason of his or her election pursuant to an arrangement described in Section 401(k) of the Code under the Plan, or any other plan of the Associated Employer which is qualified under Section 401(a) of the Code, for a one year period (or, when the withdrawal payment is made on or after January 1, 2002, for a six month period) beginning on the date on which the withdrawal payment is made;

(d) The Participant shall be suspended from making employee contributions or having contributions made by reason of his or her election under any plan of deferred compensation of an Associated Employer which is not qualified under Section 401(a) of the Code, including for purposes hereof a stock option or stock purchase plan, for at least one year (or, when the withdrawal payment is made on or after January 1, 2002, six months) after the date on which the withdrawal payment is made; and

(e) The Participant cannot relieve such need through any other resources.

5. Section 7.4 of the Plan is amended in its entirety to read as follows:

7.4 Suspension of Savings Contributions. Notwithstanding any other provision in the Plan to the contrary, the ability of any Participant who makes a withdrawal under Sections 7.2 and 7.3 above because of a hardship shall automatically be suspended from making Savings Contributions under this Plan for the one year period (or, when the withdrawal payment is made on or after January 1, 2002, the six month period) beginning on the date on which the withdrawal payment is made. The Participant may elect to have Savings Contributions resume being made on his or her behalf as of any pay day which occurs at least one year (or, when the withdrawal payment is made on or after January 1, 2002, six months) after such withdrawal date (or any subsequent day) only by filing a new Savings Agreement with a Plan representative an administratively reasonable number of days prior to such pay day.

6. Section 7.5 of the Plan is amended in its entirety to read as follows:

7.5 Reduction of Post-Withdrawal Pre-Tax Savings Contributions. Notwithstanding any other provision in the Plan to the contrary, any Participant who makes a withdrawal under Sections 7.2 and 7.3 above because of a hardship prior to January 1, 2002 may not elect to have Pre-Tax Savings Contributions made to this Plan, and/or to have any contributions made to any other plans of the Associated Employers by reason of an election pursuant to any arrangement described in Section 401(k) of the Code, for the Participant's tax year next following his or her tax year in which he or she receives such withdrawal which are in the aggregate in excess of an amount equal to: (1) the applicable limit under Section 402(g) of the Code for such next tax year (e.g., $9,500, as increased by the Secretary of the Treasury or his or her delegate for such next tax year); less (2) the aggregate sum of the Pre-Tax Savings Contributions made on behalf of the Participant to this Plan, and the contributions made on his or her behalf to any other plans of the Associated Employers by reason of any arrangement described in Section 401(k) of the Code, for the Participant's tax year in which such withdrawal is made. However, the provisions of this Section 7.5 shall not apply to any withdrawal payment that is made on or after January 1, 2002.

IN ORDER TO EFFECT THE FOREGOING PLAN REVISIONS, the sponsor of the Plan hereby signs this Plan amendment this 19th day of July, 2002.

FEDERATED DEPARTMENT STORES, INC.

By: /s/ David W. Clark
Title: SVP Human Resources

Exhibit 10.40.3

AMENDMENT TO
FEDERATED DEPARTMENT STORES, INC.
PROFIT SHARING 401(k) INVESTMENT PLAN

The Federated Department Stores, Inc. Profit Sharing 401(k) Investment Plan (the "Plan"), is hereby amended, effective as of February 3, 2003 and in order to reflect the merger of a plan into the Plan, by adding a new Section 15.19 reading as follows to the end of Section 15 of the Plan:

15.19 Merger of Surviving Fingerhut Plan Into This Plan. The Fingerhut Corporation Profit Sharing and 401(k) Savings Plan, the Fingerhut Corporation Retirement Plan, and the TDI Bargaining Unit Retirement Plan (each of which is a profit sharing and/or 401(k) plan and each of which is, for purposes of this Section 15.19, referred to as a "Merged Fingerhut 401(k) Profit Sharing Plan") and the Fingerhut Corporation Fixed Contribution Retirement Plan (which is a money purchase pension plan and which is, for purposes of this Section 15.19, referred to as the "Merged Fingerhut Money Purchase Plan") have been merged into one of such plans (which is the Fingerhut Corporation Profit Sharing and 401(k) Savings Plan and which after such merger is, for purposes of this Section 15.19, referred to as the "Surviving Fingerhut Plan") effective as of February 3, 2003. In addition, the Surviving Fingerhut Plan shall, immediately after the merger described in the immediately preceding sentence, in turn be merged into this Plan effective as of February 3, 2003. The Surviving Fingerhut Plan, each Merged Fingerhut 401(k) Profit Sharing Plan, and the Merged Fingerhut Money Purchase Plan is or has been maintained by CF Companies, Inc. (which previously was named Fingerhut Corporation), which, since March 18, 1999, has been an Affiliated Employer.

15.19.1 Any person who has an account held under the Surviving Fingerhut Plan at the time of the merger of such plan into this Plan (for purposes of this Section 15.19, a "merged participant") shall, consistent with the other provisions of this Plan:

(a) Have the portions of his or her accounts held under the Surviving Fingerhut Plan that are attributable to amounts which were contributed to such plan or any Merged Fingerhut 401(k) Profit Sharing Plan by or at the election of the merged participant (not including matching-type contributions), if any, transferred to this Plan and allocated for his or her benefit to a Savings Account under this Plan;

(b) Have the portions of his or her accounts held under the Surviving Fingerhut Plan that are attributable to amounts which were

contributed to such plan or any Merged Fingerhut 401(k) Profit Sharing Plan under the matching contribution portions of such plan, if any, transferred to this Plan and allocated for his or her benefit to a Matching Account under this Plan;

(c) Have the portions of his or her accounts held under the Surviving Fingerhut Plan that are attributable to amounts which were contributed to any Merged Fingerhut 401(k) Profit Sharing Plan under the regular profit sharing contribution portions of such plan (i.e., the part of such plan which is not attributable to contributions made by or at the election of a participant or to matching contributions made with respect to such participant-elected contributions), if any, transferred to this Plan and allocated for his or her benefit to a Retirement Income Account under this Plan; and

(d) Have the portions of his or her accounts held under the Surviving Fingerhut Plan that are attributable to amounts which were contributed to the Merged Fingerhut Money Purchase Plan, if any, transferred to this Plan and allocated for his or her benefit to a Retirement Income Account under this Plan.

Except as is otherwise provided in, and subject to, the following provisions of this Section 15.19, the provisions of this Plan which deal with investments, allocations of earnings and losses, vesting, and distributions of amounts that are allocated to any Account under this Plan shall apply to the amounts that are transferred for the benefit of the merged participant from the Surviving Fingerhut Plan to this Plan and allocated to such Account.

15.19.2 No Loss of Vesting Rights. Notwithstanding any other provision of this Plan to the contrary, any merged participant shall be 100% vested in the portion of any Account under this Plan that is attributable to amounts transferred for the benefit of the merged participant from the Surviving Fingerhut Plan to this Plan.

15.19.3 No Loss of Optional Benefit Forms. Notwithstanding any other provision of this Plan to the contrary, the transfer of all amounts transferred for the benefit of the merged participant from the Surviving Fingerhut Plan to this Plan (or from any Merged Fingerhut 401(k) Profit Sharing Plan and the Merged Fingerhut Money Purchase Plan to the Surviving Fingerhut Plan) shall not cause any optional forms of benefit which were applicable to any portion of such amounts to be eliminated in connection with the distribution of the merged participant's Accounts under this Plan.

15.19.4 Compliance With Plan's Merger Rules. The requirements of Section 15.2 above (that applies to mergers) shall apply to and be met by the merger of the Surviving Fingerhut Plan into this Plan.

15.19.5 No Change in Plan Year of Surviving Fingerhut Plan and Aggregation of Surviving Fingerhut Plan and This Plan For Nondiscrimination Tests. The plan year of the Surviving Fingerhut Plan (and each Merged Fingerhut 401(k) Profit Sharing Plan and the Merged Fingerhut Money Purchase Plan) and the Plan Year of this Plan as of the effective date of the merger of the Surviving Fingerhut Plan into this Plan are each a calendar year. As a result, such merger shall not be deemed to have changed the plan year of the Surviving Fingerhut Plan (or any Merged Fingerhut 401(k) Profit Sharing Plan or the Merged Fingerhut Money Purchase Plan) or the Plan Year of this Plan. In addition, for purposes of Sections 4A, 4B, and 5A above (which contain average actual deferral percentage restrictions, excess deferral distribution rules, and average actual contribution percentage restrictions in order to help meet the requirements of Sections 401(k)(3), 402(g), and 401(m)(2) of the Code) and the analogous provisions of the Surviving Fingerhut Plan and any Merged Fingerhut 401(k) Profit Sharing Plan that are intended to reflect the requirements of Sections 401(k)(3), 402(g), and 401(m)(2) of the Code:

(a) Each of the Surviving Fingerhut Plan and each Merged Fingerhut 401(k) Profit Sharing Plan shall be considered as if it had been part of this Plan with respect to the Plan Year which ends December 31, 2003;

(b) The employers that maintain or participate in the Surviving Fingerhut Plan and/or any Merged Fingerhut 401(k) Profit Sharing Plan during the period that begins on January 1, 2003 and ends on the effective date of the merger of the Surviving Fingerhut Plan into this Plan (for purposes of this Section 15.19.5, the "pre-merger 2003 period") shall be considered as if they had been part of the Employer (as defined in this Plan) for such period;

(c) Persons who were participants in the Surviving Fingerhut Plan or any Merged Fingerhut 401(k) Profit Sharing Plan at any time during the pre-merger 2003 period shall be considered as Participants in this Plan for such period;

(d) Any contributions made at the election of a merged participant under the Surviving Fingerhut Plan or any Merged Fingerhut 401(k) Profit Sharing Plan with respect to pay days occurring during the pre-merger 2003 period and which would be considered as Pre-Tax Savings Contributions for the Plan Year which ends December 31, 2003 if they had been made under this Plan (for purposes of this Section 15.19.5, "pre-merger 2003 period pre-tax savings contributions") shall be treated as Pre-Tax Savings Contributions of the merged participant under this Plan for the Plan Year which ends December 31, 2003 (and, with respect to such Plan Year, shall be subject to the provisions of Sections 4A and 4B above instead of the analogous provisions of the Surviving Fingerhut Plan or any Merged Fingerhut 401(k) Profit Sharing Plan that are intended to reflect the requirements of Sections 401(k)(3) and 402(g) of the Code); and

(e) Contributions which are allocated under the Surviving Fingerhut Plan or any Merged Fingerhut 401(k) Profit Sharing Plan by reason of a merged participant's pre-merger 2003 period pre-tax savings contributions and which would be considered as Matching Contributions for the Plan Year which ends December 31, 2003 if they had been made under this Plan shall be treated as Matching Contributions for the benefit of the merged participant under this Plan for the Plan Year which ends December 31, 2003 (and, with respect to such Plan Year, shall be subject to the provisions of Section 5A above instead of the analogous provisions of the Surviving Fingerhut Plan or any Merged Fingerhut 401(k) Profit Sharing Plan that are intended to reflect the requirements of Section 401(m)(2) of the Code).

15.19.6 This Plan is the Surviving Plan. Subject to the foregoing provisions of this Section 15.19, upon the merger of the Surviving Fingerhut Plan into this Plan, this Plan shall be the surviving plan and the provisions herein shall control all aspects of the surviving plan.

IN ORDER TO EFFECT THE FOREGOING PLAN CHANGES, Federated Department Stores, Inc., the Plan sponsor, has caused its name to be subscribed to this Plan amendment this 3rd day of February, 2003, and this amendment shall supersede any Plan amendment that was adopted by the Plan sponsor before the adoption of this amendment and that concerned the merger of any plan maintained by CF Companies, Inc. into the Plan.

FEDERATED DEPARTMENT STORES, INC.

By: /s/ David W. Clark

Title: SVP Human Resources

Exhibit 10.40.4

AMENDMENT TO
FEDERATED DEPARTMENT STORES, INC.
PROFIT SHARING 401(k) INVESTMENT PLAN

The Federated Department Stores, Inc. Profit Sharing 401(k) Investment Plan (the "Plan"), is hereby amended, effective as of April 1, 1997 and solely to correct inadvertent scrivener's errors made in a Plan provision and clarify the intended meaning of such provision, by amending Section 6B.1.6 of the Plan in its entirety to read as follows:

6B.1.6 Whenever a Participant makes an election (or is deemed to make an election) under the foregoing provisions of this Section 6B.1 as to the investment of his or her future Savings and Rollover Contributions or the then balance of his or her Accounts, then his or her future Savings and Rollover Contributions or the then balance of his or her Accounts, as the case may be, shall continue to be invested in accordance with such election until the Participant subsequently elects a change as to such investment under the foregoing provisions of this Section 6B.1.

IN ORDER TO EFFECT THE FOREGOING PLAN CHANGE, Federated Department Stores, Inc., the Plan sponsor, has caused its name to be subscribed to this Plan amendment this 30th day of December, 2003.

FEDERATED DEPARTMENT STORES, INC.

By: /s/ David W. Clark

Title: SVP Human Resources

Exhibit 10.40.5

AMENDMENT TO
FEDERATED DEPARTMENT STORES, INC.
PROFIT SHARING 401(k) INVESTMENT PLAN

IRS Revenue Procedure 2002-29
Amendment Regarding Required Minimum Distributions

This amendment to the Federated Department Stores, Inc. Profit Sharing 401(k) Investment Plan (the "Plan") is hereby adopted for the purpose of complying with final and temporary regulations under section 401(a)(9) of the Internal Revenue Code of 1986, as amended (the "Code"). This amendment shall add to the end of the Plan an Article A reading in the manner set forth below.

The provisions of such Article A are intended solely to ensure that the Plan satisfies the requirements of Code section 401(a)(9). The provisions of such Article A do not by themselves create any standard or optional distribution forms that are not otherwise available under the other provisions of the Plan without regard to such Article A; instead they generally only set the deadlines by which distributions required to satisfy Code section 401(a)(9) must begin and the minimum amounts that must be paid in certain situations. Further, the provisions of such Article A shall not increase the amount of any Plan participant's benefit under the terms of the Plan or the extent to which any participant is vested in such benefit.

ARTICLE A — MINIMUM DISTRIBUTION REQUIREMENTS

Section 1 — General Rules

1.1 Effective Date. Unless an earlier effective date is specified in the adoption agreement that is a part of this Article A (the "adoption agreement"), the provisions of this article shall apply for purposes of determining required minimum distributions for calendar years beginning with the 2003 calendar year.

1.2 Coordination With Minimum Distribution Requirements Previously In Effect. If the adoption agreement specifies an effective date of this article that is earlier than calendar years beginning with the 2003 calendar year, required minimum distributions for 2002 under this article shall be determined as follows. If the total amount of 2002 required minimum distributions under the Plan made to a distributee prior to the effective date of this article equals or exceeds the required minimum distributions determined under this article, then no additional distributions shall be required to be made for 2002 on or after such date to the distributee. If the total amount of 2002 required minimum distributions under the Plan made to a distributee prior to the effective date of this article is less than the amount determined under this article, then required minimum distributions for 2002 on and after such date shall be determined so that the total amount of required minimum distributions for 2002 made to the distributee shall

be the amount determined under this article.

1.3 Precedence. The requirements of this article shall take precedence over any inconsistent provisions of the Plan.

1.4 Requirements Of Treasury Regulations Incorporated. All distributions required under this article shall be determined and made in accordance with the Treasury regulations under section 401(a)(9) of the Code.

1.5 TEFRA Section 242(b)(2) Elections. Notwithstanding the other provisions of this article, distributions may be made under a designation made before January 1, 1984, in accordance with section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act ("TEFRA") and the provisions of the Plan, if any, that relate to section 242(b)(2) of TEFRA.

Section 2 — Time and Manner of Distribution

2.1 Required Beginning Date. A Plan participant's entire interest shall be distributed, or begin to be distributed, to the participant no later than the participant's required beginning date.

2.2 Death Of Participant Before Distributions Begin. If a Plan participant dies before distributions begin, the participant's entire interest shall be distributed, or begin to be distributed, no later than as follows:

(a) If the participant's surviving spouse is the participant's sole designated beneficiary, then, except as provided in the adoption agreement, distributions to the surviving spouse shall begin no later than December 31 of the calendar year immediately following the calendar year in which the participant died (or, if later and if otherwise permitted by the terms of the Plan that precede this Article A, by December 31 of the calendar year in which the participant would have attained age 70-1/2).

(b) If the participant's surviving spouse is not the participant's sole designated beneficiary, then, except as provided in the adoption agreement, distributions to the designated beneficiary shall begin no later than December 31 of the calendar year immediately following the calendar year in which the participant died.

(c) If there is no designated beneficiary as of September 30 of the year following the year of the participant's death, the participant's entire interest shall be distributed no later than December 31 of the calendar year containing the fifth anniversary of the participant's death.

(d) If the participant's surviving spouse is the participant's sole designated beneficiary and the surviving spouse dies after the participant but before distributions to the surviving spouse begin, this section 2.2, other than section 2.2(a), shall apply as if the surviving spouse were the participant.

For purposes of this section 2.2 and section 4, unless section 2.2(d) applies, distributions are considered to begin on the participant's required beginning date. If section 2.2(d) applies,

distributions are considered to begin on the date distributions are required to begin to the surviving spouse under section 2.2(a). If distributions under an annuity purchased from an insurance company irrevocably commence to the participant before the participant's required beginning date (or to the participant's surviving spouse before the date distributions are required to begin to the surviving spouse under section 2.2(a)), the date distributions are considered to begin is the date distributions actually commence.

2.3 Forms Of Distribution. Unless a Plan participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the required beginning date, as of the first distribution calendar year distributions shall be made in accordance with sections 3 and 4 of this article. If the participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder shall be made in accordance with the requirements of section 401(a)(9) of the Code and the Treasury regulations issued thereunder.

Section 3 — Required Minimum Distributions During Participant's Lifetime

3.1 Amount Of Required Minimum Distribution For Each Distribution Calendar Year. During a Plan participant's lifetime, the minimum amount that must be distributed for each distribution calendar year is the lesser of:

(a) the quotient obtained by dividing the participant's account balance by the distribution period in the Uniform Lifetime Table set forth in section 1.401(a)(9)-9 of the Treasury regulations, using the participant's age as of the participant's birthday in the distribution calendar year; or

(b) if the participant's sole designated beneficiary for the distribution calendar year is the participant's spouse, the quotient obtained by dividing the participant's account balance by the number in the Joint and Last Survivor Table set forth in section 1.401(a)(9)-9 of the Treasury regulations, using the participant's and spouse's attained ages as of the participant's and spouse's birthdays in the distribution calendar year.

3.2 Lifetime Required Minimum Distributions Continue Through Year Of Participant's Death. Required minimum distributions shall be determined under this section 3 beginning with the first distribution calendar year and up to and including the distribution calendar year that includes the participant's date of death.

Section 4 — Required Minimum Distributions After Participant's Death

4.1 Death On Or After Date Distributions Begin.

(a) Participant Survived By Designated Beneficiary. If a Plan participant dies on or after the date distributions begin and there is a designated beneficiary, the minimum amount that must be distributed for each distribution calendar year after the year of the participant's death is the quotient obtained by dividing the participant's account balance by the longer of the remaining life expectancy of the participant or the remaining life expectancy of the

participant's designated beneficiary, determined as follows:

(1) The participant's remaining life expectancy is calculated using the age of the participant in the year of death, reduced by one for each subsequent year.

(2) If the participant's surviving spouse is the participant's sole designated beneficiary, the remaining life expectancy of the surviving spouse is calculated for each distribution calendar year after the year of the participant's death using the surviving spouse's age as of the spouse's birthday in that year. For distribution calendar years after the year of the surviving spouse's death, the remaining life expectancy of the surviving spouse is calculated using the age of the surviving spouse as of the spouse's birthday in the calendar year of the spouse's death, reduced by one for each subsequent calendar year.

(3) If the participant's surviving spouse is not the participant's sole designated beneficiary, the designated beneficiary's remaining life expectancy is calculated using the age of the beneficiary in the year following the year of the participant's death, reduced by one for each subsequent year.

(b) No Designated Beneficiary. If a Plan participant dies on or after the date distributions begin and there is no designated beneficiary as of September 30 of the year after the year of the participant's death, the minimum amount that must be distributed for each distribution calendar year after the year of the participant's death is the quotient obtained by dividing the participant's account balance by the participant's remaining life expectancy calculated using the age of the participant in the year of death, reduced by one for each subsequent year.

4.2 Death Before Date Distributions Begin.

(a) Participant Survived by Designated Beneficiary. Except as provided in the adoption agreement, if a Plan participant dies before the date distributions begin and there is a designated beneficiary, the minimum amount that must be distributed for each distribution calendar year after the year of the participant's death is the quotient obtained by dividing the participant's account balance by the remaining life expectancy of the participant's designated beneficiary, determined as provided in section 4.1.

(b) No Designated Beneficiary. If a Plan participant dies before the date distributions begin and there is no designated beneficiary as of September 30 of the year following the year of the participant's death, distribution of the participant's entire interest must be completed by December 31 of the calendar year containing the fifth anniversary of the participant's death.

(c) Death Of Surviving Spouse Before Distributions To Surviving Spouse Are Required To Begin. If a Plan participant dies before the date distributions begin, the participant's surviving spouse is the participant's sole designated beneficiary, and the surviving spouse dies before distributions are required to begin to the surviving spouse under section 2.2(a), this section 4.2 shall apply as if the surviving spouse were the participant.

Section 5 — Definitions

5.1 Designated Beneficiary. The individual who is designated as the beneficiary under section 9.6 or 9A.9 of the Plan and is the designated beneficiary under section 401(a)(9) of the Code and section 1.401(a)(9)-1, Q&A-4, of the Treasury regulations.

5.2 Distribution Calendar Year. A calendar year for which a minimum distribution is required. For distributions beginning before a Plan participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the participant's required beginning date. For distributions beginning after the participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin under section 2.2. The required minimum distribution for the participant's first distribution calendar year must be made on or before the participant's required beginning date. The required minimum distribution for other distribution calendar years, including the required minimum distribution for the distribution calendar year in which the participant's required beginning date occurs, must be made on or before December 31 of that distribution calendar year.

5.3 Life Expectancy. Life expectancy as computed by use of the Single Life Table in section 1.401(a)(9)-9 of the Treasury regulations.

5.4 Participant's Account Balance. The account balance as of the last valuation date in the calendar year immediately preceding the distribution calendar year (valuation calendar year) increased by the amount of any contributions made and allocated or forfeitures allocated to the account balance as of dates in the valuation calendar year after the valuation date and decreased by distributions made in the valuation calendar year after the valuation date. The account balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the distribution calendar year if distributed or transferred in the valuation calendar year.

5.5 Required Beginning Date. The date specified in section 8.2 of the Plan.

ADOPTION AGREEMENT FOR ARTICLE A

(Check and complete section 1 below if any required minimum distributions for the 2002 distribution calendar year were made in accordance with the section 401(a)(9) Final and Temporary Treasury Regulations.)

Section 1. Effective Date Of Plan Amendment For Section 401(a)(9) Final And Temporary Treasury Regulations.

_____ Article A, Minimum Distribution Requirements, applies for purposes of determining required minimum distributions for distribution calendar years beginning with the 2003 calendar year, as well as required minimum distributions for the 2002 distribution calendar year that are made on or after _____.

(Check and complete any of the remaining sections if any of the rules in sections 2.2 and 4.2 of Article A of the Plan are to be modified.)

Section 2. Election To Apply 5-Year Rule To Distributions To Designated Beneficiaries.

_____ If a Plan participant dies before distributions begin and there is a designated beneficiary, distribution to the designated beneficiary is not required to begin by the date specified in section 2.2 of Article A of the Plan, but the participant's entire interest shall be distributed to the designated beneficiary by December 31 of the calendar year containing the fifth anniversary of the participant's death. If the participant's surviving spouse is the participant's sole designated beneficiary and the surviving spouse dies after the participant but before distributions to either the participant or the surviving spouse begin, this election shall apply as if the surviving spouse were the participant.

This election shall apply to:

_____ All distributions.

_____ The following distributions: _____.

Section 3. Election To Allow Participants Or Beneficiaries To Elect 5-Year Rule.

_____ Plan Participants or beneficiaries may elect on an individual basis whether the 5-year rule or the life expectancy rule in sections 2.2 and 4.2 of Article A of the Plan applies to distributions after the death of a participant who has a designated beneficiary. The election must be made no later than the earlier of September 30 of the calendar year in which distribution would be required to begin under section 2.2 of Article A of the Plan, or by September 30 of the calendar year which contains the fifth anniversary of the participant's (or, if applicable, surviving spouse's) death. If neither the participant nor beneficiary makes an election under this paragraph, distributions shall be made in accordance with sections 2.2 and 4.2 of Article A of the Plan and, if applicable, the elections in section 2 above.

Section 4. Election To Allow Designated Beneficiary Receiving Distributions Under 5-Year Rule To Elect Life Expectancy Distributions.

_____ A designated beneficiary who is receiving payments under the 5-year rule may make a new election to receive payments under the life expectancy rule until December 31, 2003, provided that all amounts that would have been required to be distributed under the life expectancy rule for all distribution calendar years before 2004 are distributed by the earlier of December 31, 2003 or the end of the 5-year period.

[Signature Page Follows This Page]

IN ORDER TO EFFECT THE FOREGOING PLAN CHANGES, Federated Department Stores, Inc., the Plan sponsor, has caused its name to be subscribed to this Plan amendment.

FEDERATED DEPARTMENT STORES, INC.

By: /s/ David W. Clark

Title: SVP Human Resources

Date: December 31, 2003

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Exhibit 10.40.6

AMENDMENT TO
FEDERATED DEPARTMENT STORES, INC.
PROFIT SHARING 401(k) INVESTMENT PLAN

The Federated Department Stores, Inc. Profit Sharing 401(k) Investment Plan (the "Plan") is hereby amended, effective as of March 28, 2005 and in order (i) to reduce to $1,000 from $5,000 the cashout limit of any participant's benefit under the Plan (the lump sum amount of such benefit below which such benefit may automatically be cashed out to the participant without his or her consent) but (ii) to continue to limit to a lump sum payment the form in which any participant's benefit may be paid when the lump sum value of such benefit at the time it is to be paid under the terms of the Plan is $5,000 or less, in the following respects.

1. Section 8.1.3 of the Plan is amended in its entirety to read as follows.

8.1.3 Notwithstanding the provisions of Section 8.1.2 above, such benefit shall automatically be paid, with no direction or consent of the Participant being required, within a reasonable administrative period after the date the Participant ceases to be an Employee if (1) the lump sum amount of such benefit is then determined to be $1,000 or less, (2) such benefit has not begun to be paid to the Participant prior to March 28, 2005, and (3) the Participant's ceasing to be an Employee occurs prior to his or her Required Commencement Date; except that such benefit shall in no event be paid later than the Participant's Required Commencement Date.

2. Section 8A.3.4 of the Plan is amended in its entirety to read as follows.

8A.3.4 Notwithstanding any other provision of the Plan to the contrary, the applicable Participant may not elect to receive his or her Savings Benefit (or any part of such benefit) in an Annuity form if (1) the value of such benefit (or such part) at the time it is determined for distribution purposes, when added to the value of any benefit under Section 8B below which the Participant also is to receive in an Annuity form, is $5,000 or less and (2) such benefit has not begun to be paid to the Participant prior to March 28, 2005. Instead, in such case such benefit shall be distributed in a lump sum payment in accordance with the provisions of Section 8A.2 above.

3. Section 8A.8.6 of the Plan is amended in its entirety to read as follows.

8A.8.6 Notwithstanding the foregoing provisions of this Section 8A.8, if (1) the value of the Participant's Savings Benefit as of his or her Required Commencement Date, when added to the value of any benefit under Section 8B below which the Participant also is to receive, is $5,000 or less and (2) his or her Savings Benefit has not begun to be paid to the Participant prior to March 28,

2005, then his or her Savings Benefit shall be distributed in the normal form set forth in Section 8A.2 above instead of the Installment/Lump Sum Form.

4. Section 8B.7.1 of the Plan is amended in its entirety to read as follows.

8B.7.1 Notwithstanding any other provision of the Plan to the contrary, when a Participant's Profit Sharing Benefit has not begun to be paid to the Participant prior to March 28, 2005, the Participant shall automatically receive such Profit Sharing Benefit in the form of a lump sum payment (and not in any Annuity form) unless the value of such benefit at the time it is processed for distribution, when added to the value of any benefit under Section 8A above which the Participant elects to receive in an Annuity form, is in excess of $5,000.

5. A new Section 8B.8.8 reading as follows is added to the Plan immediately after Plan Section 8B.8.7.

8B.8.8 Notwithstanding the foregoing provisions of this Section 8B.8, if (1) the value of the Participant's Profit Sharing Benefit as of his or her Required Commencement Date, when added to the value of any benefit under Section 8A above which the Participant also is to receive, is $5,000 or less and (2) his or her Profit Sharing Benefit has not begun to be paid to the Participant prior to March 28, 2005, then his or her Profit Sharing Benefit shall be distributed in the lump sum payment form described in Section 8B.7 above instead of the Installment/Lump Sum Form.

IN ORDER TO EFFECT THE FOREGOING PLAN REVISIONS, the sponsor of the Plan hereby signs this Plan amendment effective for all purposes as of March 28, 2005.

FEDERATED DEPARTMENT STORES, INC.

By: /s/ David W. Clark
Title: SVP Human Resources

Date: March 30, 2005

Exhibit 10.40.7

AMENDMENT TO
FEDERATED DEPARTMENT STORES, INC.
PROFIT SHARING 401(k) INVESTMENT PLAN

The Federated Department Stores, Inc. Profit Sharing 401(k) Investment Plan (the "Plan") is hereby amended, effective as of the date that this document is signed, by adding a new Section 1.10.6 reading as follows to the end of Section 1.10 of the Plan.

1.10.6 Notwithstanding any of the foregoing provisions of this Section 1.10, any person who is, on any employee payroll of The May Department Stores Company (for purposes of this Section 1.10.6, "May Company") or a subsidiary thereof, treated or classified as an employee of May Company or a subsidiary thereof immediately prior to the effective date of the merger of May Company into a wholly owned subsidiary of Federated shall not, at any time during the period that begins on the effective date of such merger and ends on the next date on which he or she no longer is an Employee, qualify as a Covered Employee for purposes of this Plan (until, unless, and to the extent the provisions of this Section 1.10.6 are changed or deleted by a further amendment to the Plan). For purposes of this Section 1.10.6, a "subsidiary" of May Company means any corporation, partnership, or other organization other than May Company which is in a chain of corporations, partnerships, and/or other organizations that begins with May Company and in which at least 80% of the voting interests in such corporation, partnership, or other organization in such chain (other than May Company) is owned by May Company or another corporation, partnership, or other organization in such chain.

IN ORDER TO EFFECT THE FOREGOING PLAN REVISION, the sponsor of the Plan hereby signs this Plan amendment.

FEDERATED DEPARTMENT STORES, INC.

By: /s/ David W. Clark

Title: SVP Human Resources

Date: August 23, 2005

Exhibit 10.40.8

AMENDMENT TO
FEDERATED DEPARTMENT STORES, INC.
PROFIT SHARING 401(k) INVESTMENT PLAN

The Federated Department Stores, Inc. Profit Sharing 401(k) Investment Plan (the "Plan") is hereby amended, effective as of February 1, 2006, in the following respects.

1. Section 1.10.6 of the Plan is amended in its entirety to read as follows.

1.10.6 Notwithstanding any of the foregoing provisions of this Section 1.10, any person who on August 30, 2005 (the effective date of the May Company Merger) was a May Company Defined Contribution Plan Active Participant shall not ever be considered a Covered Employee for purposes of this Plan. Further and also notwithstanding any of the foregoing provisions of this Section 1.10, any person who, on any post-August 30, 2005 date that occurs prior to such person becoming on or after August 30, 2005 either a May Company Defined Contribution Plan Active Participant or a Federated Defined Contribution Plan Active Participant, is a May Company Employee shall not be considered a Covered Employee for purposes of this Plan on such date. Finally and also notwithstanding any of the foregoing provisions of this Section 1.10, any person who was not a May Company Defined Contribution Plan Active Participant on August 30, 2005 but who becomes a May Company Defined Contribution Plan Active Participant on any date after August 30, 2005 (and has not on any prior post-August 30, 2005 date become a Federated Defined Contribution Plan Active Participant) shall not ever be considered a Covered Employee for purposes of this Plan. For purposes of this Section 1.10.6, the following terms shall have the meanings indicated below.

(a) "May Company" means the corporation that, immediately prior to the May Company Merger, was named The May Department Stores Company and had an employer identification number (as assigned by the Internal Revenue Service) of 43-1104396.

(b) "May Company Employer" means each of May Company and each corporation, partnership, or other organization other than May Company that, immediately prior to the May Company Merger, was in a chain of corporations, partnerships, and/or other organizations that began with May Company and in which at least 80% of the voting interests in such corporation, partnership, or other organization in such chain (other than May Company) was owned by May Company or another corporation, partnership, or other organization in such chain.

(c) "May Company Merger" means the merger of May Company into a subsidiary of Federated, the effective date of which was August 30, 2005.

(d) “May Company Employee” means, as of any date, a person who on such date (1) is a common law employee of any Associated Employer and (2) is working at or assigned to an office, store, or other facility that had immediately prior to the May Company Merger been an office, store, or other facility of a May Company Employer.

(e) “May Company Defined Contribution Plan” means the defined contribution plan (within the meaning of Section 414(i) of the Code) that immediately prior to the May Company Merger was known as The May Department Stores Co. Profit Sharing Plan, had May Company as its sponsor, and had been assigned a plan number (by May Company) of 003, as such plan existed as of August 30, 2005 (the effective date of the May Company Merger) and as it was or may be subsequently amended or renamed.

(f) “May Company Defined Contribution Plan Active Participant” means, as of any date, a person who on such date (1) is a May Company Employee and (2) meets all requirements of the May Company Defined Contribution Plan (including any minimum service, age, entry date, and employee classification requirements of such plan) to be a participant in such plan.

(g) “Federated Defined Contribution Plan Active Participant” means, as of any date, a person who on such date (1) is a common law employee of the Employer, (2) is not a May Company Employee, and (3) meets all requirements of this Plan (including this Plan’s minimum service, age, entry date, and covered employee classification requirements) to be a participant in this Plan.

2. Section 1.13 of the Plan is amended in its entirety to read as follows.

1.13 Employer — means, except as is otherwise provided in this Section 1.13, each corporation which is (and only during the period in which it is) a member of a controlled group of corporations (within the meaning of Section 414(b) of the Code) which includes Federated and each other corporation, partnership, or other organization which is (and only during the period in which it is) part of a group of trades or businesses under common control (within the meaning of Section 414(c) of the Code) with Federated. Except where the context otherwise is clear, any reference to the Employer in this Plan shall be deemed to be referring collectively to all of the corporations, partnerships, and other organizations which comprise the Employer. Notwithstanding the foregoing, any corporation, partnership, or other organization (for purposes of this Section 1.13, an “acquired company”) that first becomes a member of a controlled group of corporations (within the meaning of Section 414(b) of the Code) which includes Federated or a part of a group of trades or businesses under common control (within the meaning of Section 414(c) of the Code) with Federated after the Effective Amendment Date as a result of the acquisition by Federated and/or another member of the Employer of the stock or interests of the acquired company or substantially all of the assets of a trade or business

previously operated by another organization shall not be considered a part of the Employer unless and until the first date as of which both (1) the agreements by which such stock, interests, or assets were acquired by Federated and/or another member of the Employer do not require that the employees of the acquired company be eligible to actively participate in another defined contribution plan (within the meaning of Section 414(i) of the Code) maintained by the acquired company or another Affiliated Employer (and do not otherwise prohibit the employees of the acquired company from participating in the Plan) and (2) Federated has taken such actions (such as, but not necessarily limited to, the providing of notices) so as to clearly indicate that at least certain employees of the acquired company are eligible to begin participating in the Plan as of such date.

IN ORDER TO EFFECT THE FOREGOING PLAN REVISIONS, the sponsor of the Plan hereby signs this Plan amendment.

FEDERATED DEPARTMENT STORES, INC.

By: David W. Clark

Title: SVP Human Resources

Date: _____

Exhibit 10.42

FEDERATED DEPARTMENT STORES, INC.

Description of Non-Employee Directors' Compensation Program
As of April 1, 2006

- **Retainer and Meeting Fees**

Non-Employee Directors receive the following compensation:

Type of Compensation	Amount of Compensation
Base Retainer	$60,000 annually *
Board or Board Committee Meeting Fee	$2,000 for each meeting attended and for each review session with one or more members of management
Committee Chairperson Fee	$10,000 annually
Equity Grant	Options to purchase up to 5,000 shares of common stock **

* Effective January 1, 1999, the annual base retainer fee (including the fee payable to a committee chair) and the meeting fee payable to Non-Employee Directors was paid 50% (or such greater percentage, in ten percent increments, as any individual director may have elected) in credits representing the right to receive shares of common stock, with the balance being paid in cash, in each case three years following the crediting of such stock credits (or at such later time as any individual director's service on the Board ends, if such individual director has elected to defer compensation under the Non-Employee Directors' deferred compensation plan). Effective as of March 31, 2006, the Non-Employee Directors' compensation program was amended to provide that such stock credits credited between April 2004 and through the date of the 2007 annual shareholder's meeting will be settled in cash.

** In connection with the termination of the retirement plan for Non-Employee Directors described below, the 1995 Equity Plan was amended to make each Non-Employee Director eligible to receive annual grants of options to purchase up to 3,500 shares of common stock. The 1995 Equity Plan was further amended to make each Non-Employee Director eligible to receive, commencing with fiscal year 2001, annual grants of options to purchase up to 5,000 shares of common stock.

- **Directors' Deferred Compensation Plan**

Subject to the holding period described above for stock credits covering a portion of retainer and meeting fees, any Non-Employee Director may defer all or a portion of the total fees received by him or her either as stock credits or cash credits under the Non-Employee Directors' deferred compensation plan until such director's service on the Board ends, provided that the stock credits

subject to the holding period described above may be deferred under the Non-Employee Directors' deferred compensation plan only as stock credits.

- **Retirement Benefits**

Federated's retirement plan for Non-Employee Directors was terminated on a prospective basis effective May 16, 1997 (the "Plan Termination Date"). As a result of such termination, persons who first become Non-Employee Directors after the Plan Termination Date will not be entitled to receive any payment thereunder. Persons who were Non-Employee Directors as of the Plan Termination Date will be entitled to receive retirement benefits accrued as of the Plan Termination Date. Subject to an overall limit in an amount equal to the aggregate retirement benefit accrued as of the Plan Termination Date (i.e., the product of the amount of the annual base retainer fee earned immediately prior to retirement and the years of Board service prior to the Plan Termination Date), and the vesting requirements described below, persons who retire from service as Non-Employee Directors after the Plan Termination Date will be entitled to receive an annual payment equal to the amount of the annual base retainer fee earned immediately prior to retirement, payable in monthly installments, commencing at age 60 (if such person's termination of Board service occurred prior to reaching age 60) and continuing for the lesser of such person's remaining life or a number of years equal to such person's years of Board service prior to the Plan Termination Date. Full vesting will occur for Non-Employee Directors who reach age 60 while serving on the Board, irrespective of such person's years of Board service. Vesting will occur as follows for Non-Employee Directors whose Board service terminates before the director reaches age 60: 50% vesting after five years of Board service and an additional 10% vesting for each year of Board service after five years. Board service following the Plan Termination Date will be given effect for purposes of the foregoing vesting requirements. There are no survivor benefits under the terms of the retirement plan.

- **Other**

Each Non-Employee Director, his or her spouse and eligible dependents also receive executive discounts on merchandise purchased at Federated stores, which benefit remains available to them following such director's retirement from the Board.

Exhibit 10.43

STOCK CREDIT PLAN FOR 2006-2007

Of

FEDERATED DEPARTMENT STORES, INC.

1. Purpose of the Plan.

The purpose of this Plan is to further the achievement of certain priorities of the strategic plan of Federated Department Stores, Inc. (the "Company") by offering long-term incentives in addition to current compensation to those officers and key employees of the Company and its subsidiaries who will be largely responsible for achievement.

2. Administration of the Plan.

The Plan shall be administered by the Compensation and Management Development Committee of the Board of Directors of the Company (the "Committee"). No member of the Committee while serving as such shall be eligible for participation in the Plan.

Subject to the provisions of the Plan, the Committee shall have exclusive power to select the employees to be granted Stock Credits, to determine the number of Stock Credits to be granted to each employee selected, to determine the time or times when Stock Credits will be granted, to determine that all participants shall be of a single class or to divide participants into different classes, and to determine the time or times, and the conditions, subject to which any awards may become payable. Subject to the requirements of Section 409A of the Internal Revenue Code ("Section 409A"), the Committee may, in its sole discretion, waive or accelerate any provision of this Plan.

Decisions and determinations by the Committee shall be final and binding upon all parties, including shareholders, participants, and other employees. The Committee shall have the authority to interpret the Plan, to establish and revise rules and regulations relating to the Plan, and to make any other determinations that it believes necessary or advisable for the administration of the Plan.

3. Participation.

Individual participants in the Plan shall be selected by the Committee from key employees of the Company and its subsidiaries. The term "employee" shall mean any person (including any officer) employed by the Company or a subsidiary on a salaried basis and, except as provided in Section 2 above with respect to Committee members, no employee shall be excluded because he is also a Director of the Company or any of its subsidiaries.

4. Stock Credits.

Awards under this Plan shall be granted to a participant in the form of Stock Credits ("Stock Credits"), which shall be credited to a Stock Credit Account to be maintained for such participant. Each Stock Credit shall be deemed to be equivalent in value to one share of Common Stock of the Company. Stock Credits awarded under this Plan

shall be credited with dividend equivalents during the Holding Period until such Stock Credits are forfeited or paid out pursuant to Section 6 or 8 below. Dividend equivalents, which will be paid only on whole, not fractional, Stock Credits, will be converted to additional Stock Credits (in whole and fractional shares) based on the 20-day average closing price of the Common Stock of the Company as of the record date.

The Committee may award the following Stock Credits: (i) Core Stock Credits, a portion of which shall be earned based on achievement of certain strategic objectives of the Company during the Performance Period, and a portion of which shall be earned based solely on the participant's service, and (ii) Merger Synergies Stock Credits, which shall be earned based on achievement of certain strategic objectives related to merger activities during the Performance Period.

5. Time of Grant of Awards.

The Committee shall make grants of awards of Stock Credits during the first year of the Performance Period (i.e., Spring 2006).

6. Right to Payment of Stock Credits.

A participant shall have no right to receive payment for any part of his Stock Credits and all of his Stock Credits shall be forfeited unless he remains in the employment of the Company or a subsidiary at all times from the date of grant of the award through the earliest to occur of: (a) the last day of the Holding Period; (b) his retirement date (defined as any time after age 62 with at least 10 years of vesting service, as determined for purposes of the Federated Department Stores, Inc. Cash Account Pension Plan) during the Performance Period or the Holding Period; (c) his retirement date (defined as any time between age 55 and age 62 with at least 10 years of vesting service, as determined for purposes of the Federated Department Stores, Inc. Cash Account Pension Plan) during the Holding Period; (d) his involuntary termination without Cause; (e) his death while employed by the Company or a subsidiary; (f) Total Disability while employed by the Company or a subsidiary; or (g) the circumstances described in Section 7.

The extent to which a participant earns the right to receive payment of all or part of the Stock Credits in an award grant shall be determined by the Committee based on the degree to which the Company has achieved certain strategic plan objectives as established by the Committee for the Performance Period, but in no event will be less than the portion of the Core Stock Credits allocated to the participant that are not based on achieving certain performance objectives. Each participant shall receive payment of the same percentage of his/her Stock Credits. Any Stock Credits allocated to a participant that are not paid shall be forfeited. Payment of Stock Credits shall include any applicable dividend equivalents credited to such Stock Credits pursuant to Section 4.

A participant who, during the Performance Period (i) retires at or after age 62 with at least 10 years of vesting service, or (ii) is terminated without Cause, will receive a payment equal to the number of Stock Credits earned during the Performance Period under this Section 6 multiplied by a fraction, the numerator of which is the number of months that the participant was employed during the Performance Period and the denominator of which is 24. The payment will be made at the same time and in the same manner as applicable to the active participants.

A participant who, during the Holding Period (i) retires at or after age 62 with at least 10 years of vesting service, or (ii) is terminated without Cause, will receive the number of Stock Credits earned during the Performance Period under this Section 6. The payment will be made at the same time and in the same manner as applicable to the active participants.

A participant who retires during the Holding Period between age 55 and 62 with at least 10 years of vesting service will be entitled to a pro-rata payment of his/her Stock Credits equal to the number of Stock Credits (whether service based or performance based, and including dividend equivalents) earned during the Performance Period under this Section 6, one-half of which is multiplied by a fraction, the numerator of which is the total number of months that the participant was employed during the Performance Period plus the Holding

Period and the denominator of which is 48 and the other half of which is multiplied by a fraction, the numerator of which is the total number of months that the participant was employed during the Performance Period plus the Holding Period and the denominator of which is 60. The payment will be made at the same time and in the same manner as applicable to the active participants.

In the case of death or Total Disability during the Performance Period, a payment equal to the portion of the Core Stock Credits allocated to the participant that are not based on achieving certain performance objectives, discounted to present value (using the Company's standard discount rate) at the time of death or determination of the Total Disability, will be made to the estate or to the participant.

In the case of death or Total Disability during the Holding Period, a lump sum payment of the discounted present value of the account (using the Company's standard discount rate) will be made to the estate or to the participant.

Except as otherwise determined by the Committee in accordance with this Plan, a participant's right to receive payment for his Stock Credits shall be forfeited automatically and without further notice on the date that the participant ceases to be an employee of the Company or a subsidiary by reason other than as set forth above prior to the last day of the Holding Period.

The Committee may, if in the opinion of the Committee circumstances warrant such action, approve payment of any or all of Stock Credits which would otherwise be forfeited as a result of a participant failing to remain in the employment of the participating Companies for the required period, provided, however, that no such payment shall be accelerated unless such acceleration would be permitted under Section 409A of the Internal Revenue Code.

7. Change in Control

Upon a Change in Control, the strategic plan objectives shall be deemed achieved. In addition, Participants shall be entitled to an immediate payment equal to 100% of the Stock Credit balance. The value of a Participant's Stock Credit balance shall be based on the value at which the company's stock is purchased or exchanged pursuant to the Change in Control agreement. Notwithstanding the foregoing, if the Change in Control is not deemed to be a Change in Control under Section 409A, payments shall be made on the earlier of a separation from service for any reason (or the six month anniversary of the separation from service if required by Section 409A) or in accordance with Section 8.

8. Form and Timing of Payment.

All payments shall be made wholly in cash. Except as otherwise provided herein with respect to death, Total Disability or a Change in Control, payments shall be made to the holder of Stock Credits in two installments. The first installment, equal to 50% of the Stock Credits and 50% of the dividends to be paid pursuant to Section 6 above will be made in a lump sum within 15 days following the first day of the Company's 2010 fiscal year. The second installment, equal to the remainder of the participant's Stock Credits and dividends to be paid pursuant to Section 6, above, will be made in a lump sum within 15 days following the first day of the Company's 2011 fiscal year. The amount of cash to be paid shall be based on the 20-day average value of the Company's common stock as of the last day of the company's fiscal year immediately preceding the year of payment, as reported on the New York Stock Exchange.

For a participant (or a participant's estate) who becomes entitled to payment under Section 6, above, as a result of death or Total Disability, payment shall be made as soon as reasonably possible following death or determination by the Committee of a participant's Total Disability. Such payment shall be made in a single lump sum.

Payments shall not be considered compensation for purposes of the Company's qualified or nonqualified retirement plans or its group health and welfare benefit plans.

9. Miscellaneous Provisions.

A. An employee's rights and interests under the Plan may not be assigned or transferred. In the case of an employee's death, payment of Stock Credits due under this Plan shall be made to his estate.

B. No employee or other person shall have any claim or right to be granted an award under this Plan. Neither this Plan nor any action taken hereunder shall be construed as giving any employee any right to be retained in the employ of any participating Company.

C. The Company shall have the right to deduct from all awards paid in cash any taxes or other amounts required by law to be withheld with respect to such cash awards.

D. As used in this Plan, the following terms shall have the following meanings:

"Cause", as it relates to the termination of a participant's employment, means "cause" as defined in any employment agreement the participant may have with the Company or a Subsidiary or, if no such agreement exists cause shall mean:

(i) An intentional act of fraud, embezzlement, theft or any other material violation of law in connection with the Employee's duties or in the course of his employment with the Company;

(ii) Intentional wrongful damage to material assets of the Company;

(iii) Intentional wrongful disclosure of material confidential information of the Company

(iv) Intentional wrongful engagement in any competitive activity which would constitute a material breach of the duty of loyalty; or

(v) Intentional breach of any stated material employment policy of the Company.

No act, or failure to act, on the part of an Employee shall be deemed "intentional" if it was due primarily to an error in judgment or negligence but shall be deemed "intentional" only if done, or omitted to be done, by the Employee not in good faith and without reasonable belief that his action or omission was in or not opposed to the best interest of the Employer. Failure to meet performance standards or objectives of the Company shall not constitute Cause for purposes hereof.

"Change in Control," means the occurrence during the term of this plan of any of the following events:

(i) The Company is merged, consolidated, or reorganized into or with another corporation or other legal entity, and as a result of or immediately following such merger, consolidation, or reorganization less than a majority of the combined voting power of the then-outstanding securities of such other corporation or entity immediately after such transaction are held in the aggregate by the holders of the then-outstanding securities entitled to vote generally in the election of directors of the Company ("Voting Stock") immediately prior to such transaction;

(ii) The Company sells or otherwise transfers all or substantially all of its assets to another corporation or other legal entity and, as a result of or immediately following such sale or transfer, less than a majority of the combined voting power of the then-outstanding securities of such other corporation or entity immediately after such sale or transfer is held in the aggregate by the holders of Voting Stock of the Company immediately prior to such sale or transfer;

(iii) There is a report filed on Schedule 13D or Schedule 14D-1 (or any successor schedule, form, or report or item therein), each as promulgated pursuant to the Securities Exchange Act of 1934, as amended (the

"Exchange Act"), disclosing that any person (as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the Exchange Act) has become the beneficial owner (as the term "beneficial owner" is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of securities representing 25% or more the of the combined voting power of the Voting Stock of the Company (a "25% holder"), provided, however that no such person will be deemed to constitute a 25% holder by reason of such person's increase in percentage ownership of Voting Stock resulting from repurchases of Voting Stock by the Company or any subsidiary unless thereafter such person purchases or otherwise acquires more than 100,000 additional shares of Voting Stock;

(iv) The Company files a report or proxy statement with the Securities and Exchange Commission pursuant to the Exchange Act disclosing in response to Form 8-K or Schedule 14A (or any successor schedule, form, or report or item therein) that a change in control of the Company has occurred or will occur in the future pursuant to any then-existing contract or transaction; or

(v) If, during any period of two consecutive years, individuals who at the beginning of any such period constitute the directors of the Company cease for any reason to constitute at least a majority thereof; provided, however, that for purposes of this clause (v) the following persons will in all events be deemed to be directors of the Company as of the beginning of the relevant two-year period: each director who is first elected, or first nominated for election by the Company's stockholders, by a vote of at least two-thirds of the directors of the Company (or a committee thereof) then still in office who were directors of the Company at the beginning of the relevant two-year period (including any person deemed to be a director pursuant to the immediately preceding clause.

Notwithstanding the foregoing provisions of Section (iii) or (iv), unless otherwise determined in a specific case by majority vote of the Board of Directors of the Company (the "Board"), a "Change in Control" will not be deemed to have occurred for purposes of clauses (iii) or (iv) solely because (1) the Company, (2) an entity in which the Company, directly or indirectly, beneficially owns 50% or more of the voting securities (an "Affiliate"), or (3) any employee stock ownership plan or any other employee benefit plan of the Company or any Affiliate either files or becomes obligated to file a report or a proxy statement under or in response to Schedule 13D, Schedule 14D-1, Form 8-K, or Schedule 14A (or any successor schedule, form, or report or item therein) under the Exchange Act disclosing beneficial ownership by it of shares of Voting Stock, whether in excess of 25% or otherwise, or because the Company reports that a change in control of the Company has occurred or will occur in the future by reason of such beneficial ownership**.**

"Holding Period," means the period beginning on the date following the Performance Period and ending on the following dates: (i) in the case of 50% of the Stock Credits and any dividends thereon, the last day of Company's fiscal year that begins in 2009 and (ii) in the case of the remaining 50% of Stock Credits and any dividends thereon, the last day of Company's fiscal year that begins in 2010.

"Performance Period" means the period during which the Company's achievement of its strategic plan is measured (i.e., the fiscal years of the Company that begin in 2006 and 2007).

"Total Disability" means, because of physical or mental impairment a participant is unable to perform his duties for a period of 12 months or the Social Security Administration makes a determination that an employee is disabled. The Committee, upon the basis of such evidence, shall make all determinations as to the date and extent of disability of any participant as the Committee deems necessary and desirable.

"Subsidiary" means any corporation or other entity a majority of whose outstanding voting power is held, directly or indirectly, by the Company.

10. Amendments and Termination.

The Board of Directors may at any time amend or terminate this Plan with regard to any or all Stock Credits, whether awarded or not, including to comply with Section 409A of the Internal Revenue Code; provided that, upon a Plan termination, payments with respect to outstanding Stock Credits shall not be accelerated unless such acceleration would be permitted under Section 409A. If circumstances warrant, the Committee may, during the Performance Period, modify the objectives or the minimum level of achievement necessary to earn payment of Stock Credits.

11. Governing Law

The interpretation, performance, and enforcement of this Plan shall be governed by the laws of the State of Ohio, without giving effect to the principles of conflict of laws thereof.

12. Effective Date of the Plan.

The Plan shall be effective as of March 24, 2006.

Exhibit 21

Federated Department Stores, Inc.
Subsidiary List as of March 31, 2006

Corporate Name	State of Incorporation/ Formation	Trade Name(s)
Advertex Communications, Inc.	Delaware	Macy's Corporate Marketing & Macy's Home Store Marketing
After Hours Formalwear, Inc.	Georgia	
Bloomingdale's By Mail Ltd.	New York	
Bloomingdale's, Inc.	Ohio	
Bloomingdales.com, Inc.	New York	
David's Bridal, Inc.	Florida	
FACS Group, Inc.	Ohio	
FACS Insurance Agency, Inc.	Texas	
FDS Bank	N/A	
FDS Thrift Holding Co., Inc.	Ohio	
Federated Brands, Inc.	Delaware	
Federated Corporate Services, Inc.	Delaware	
Federated Department Stores Insurance Company, Ltd. (99.99% ownership)	Bermuda	
Federated Department Stores Insurance Company, Inc.	New York	
Federated Retail Holdings, Inc.	New York	Macy's*
Federated Systems Group, Inc.	Delaware	
Grande Levee, Inc.	Nevada	
iTrust Insurance Agency, Inc.	Arizona	
Leadville Insurance Company	Vermont	
Macy's Department Stores, Inc.	Ohio	
Macy's Florida Stores, LLC	Ohio	
Macy's Merchandising Group, LLC	Delaware	
Macy's TX I, LP	Texas	
Macys.com, Inc.	New York	
May Capital, Inc.	Delaware	
May Department Stores International, Inc.	Delaware	
May Merchandising Company	Delaware	
Priscilla of Boston, Inc.	Delaware	
Snowdin Insurance Company	Vermont	

* Federated Retail Holdings, Inc. currently operates stores under the trade names Famous-Barr, Filene's, Foley's, Hecht's, The Jones Store, Kaufmann's, L.S. Ayres, Marshall Field's and Strawbridge's. It is anticipated that in September 2006, Federated Retail Holdings, Inc. will cease to use the foregoing trade names and commence doing business as Macy's.

EXHIBIT 22

Consent of Independent Registered Public Accounting Firm

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

We consent to the incorporation by reference in the registration statements (Nos. 333-44373, 333-77089, 333-22737, 333-104017, 333-104204, 333-104205, 333-104207, 333-115712, 333-115714, 333-127941, 333-127942, 333-133080 and 333-133078) on Form S-8 and in the registration statement (No. 333-69682) on Form S-3 of Federated Department Stores, Inc. of our reports dated March 24, 2006, with respect to the consolidated balance sheets of Federated Department Stores, Inc. and subsidiaries as of January 28, 2006 and January 29, 2005, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the fiscal years in the three-year period ended January 28, 2006, management's assessment of the effectiveness of internal control over financial reporting as of January 28, 2006 and the effectiveness of internal control over financial reporting as of January 28, 2006, which reports appear in the January 28, 2006 annual report on Form 10-K of Federated Department Stores, Inc..

/s/ KPMG LLP

Cincinnati, Ohio
April 13, 2006

EXHIBIT 23

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints each of Dennis J. Broderick and Padma Tatta Cariappa my true and lawful attorney-in-fact and agent, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agent may deem necessary or advisable to enable the Company to comply with the Securities Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K for the year ended January 28, 2006 to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacity or capacities referred to above, such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: March 24, 2006

/s/ Terry J. Lundgren
Terry J. Lundgren

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints each of Dennis J. Broderick and Padma Tatta Cariappa my true and lawful attorney-in-fact and agent, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agent may deem necessary or advisable to enable the Company to comply with the Securities Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K for the year ended January 28, 2006 to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacity or capacities referred to above, such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: March 24, 2006

/s/ Karen M. Hoguet
Karen M. Hoguet

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints each of Dennis J. Broderick and Padma Tatta Cariappa my true and lawful attorney-in-fact and agent, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agent may deem necessary or advisable to enable the Company to comply with the Securities Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K for the year ended January 28, 2006 to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacity or capacities referred to above, such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: March 24, 2006

/s/ Joel A. Belsky
Joel A. Belsky

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints each of Dennis J. Broderick and Padma Tatta Cariappa my true and lawful attorney-in-fact and agent, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agent may deem necessary or advisable to enable the Company to comply with the Securities Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K for the year ended January 28, 2006 to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacity or capacities referred to above, such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: March 24, 2006

/s/ Meyer Feldberg
Meyer Feldberg

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints each of Dennis J. Broderick and Padma Tatta Cariappa my true and lawful attorney-in-fact and agent, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agent may deem necessary or advisable to enable the Company to comply with the Securities Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K for the year ended January 28, 2006 to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacity or capacities referred to above, such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: March 24, 2006

/s/ Sara Levinson
Sara Levinson

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints each of Dennis J. Broderick and Padma Tatta Cariappa my true and lawful attorney-in-fact and agent, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agent may deem necessary or advisable to enable the Company to comply with the Securities Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K for the year ended January 28, 2006 to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacity or capacities referred to above, such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: March 24, 2006

/s/ Joseph Neubauer
Joseph Neubauer

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints each of Dennis J. Broderick and Padma Tatta Cariappa my true and lawful attorney-in-fact and agent, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agent may deem necessary or advisable to enable the Company to comply with the Securities Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K for the year ended January 28, 2006 to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacity or capacities referred to above, such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: March 24, 2006

/s/ Joseph A. Pichler
Joseph A. Pichler

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints each of Dennis J. Broderick and Padma Tatta Cariappa my true and lawful attorney-in-fact and agent, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agent may deem necessary or advisable to enable the Company to comply with the Securities Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K for the year ended January 28, 2006 to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacity or capacities referred to above, such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: March 24, 2006

/s/ Joyce M. Roché
Joyce M. Roché

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints each of Dennis J. Broderick and Padma Tatta Cariappa my true and lawful attorney-in-fact and agent, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agent may deem necessary or advisable to enable the Company to comply with the Securities Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K for the year ended January 28, 2006 to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacity or capacities referred to above, such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: March 24, 2006

/s/ William P. Stiritz
William P. Stiritz

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints each of Dennis J. Broderick and Padma Tatta Cariappa my true and lawful attorney-in-fact and agent, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agent may deem necessary or advisable to enable the Company to comply with the Securities Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K for the year ended January 28, 2006 to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacity or capacities referred to above, such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: March 24, 2006

/s/ Karl M. von der Heyden
Karl M. von der Heyden

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints each of Dennis J. Broderick and Padma Tatta Cariappa my true and lawful attorney-in-fact and agent, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agent may deem necessary or advisable to enable the Company to comply with the Securities Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K for the year ended January 28, 2006 to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacity or capacities referred to above, such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: March 24, 2006

/s/ Craig E. Weatherup
Craig E. Weatherup

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints each of Dennis J. Broderick and Padma Tatta Cariappa my true and lawful attorney-in-fact and agent, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agent may deem necessary or advisable to enable the Company to comply with the Securities Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K for the year ended January 28, 2006 to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacity or capacities referred to above, such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: March 24, 2006

/s/ Marna C. Whittington
Marna C. Whittington

Exhibit 31.1

CERTIFICATIONS

I, Terry J. Lundgren, Chief Executive Officer of Federated Department Stores, Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K of Federated Department Stores, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

April 13, 2006

/s/ Terry J. Lundgren

Terry J. Lundgren
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Karen M. Hoguet, Chief Financial Officer of Federated Department Stores, Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K of Federated Department Stores, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

April 13, 2006

/s/ Karen M. Hoguet

Karen M. Hoguet
Chief Financial Officer

Exhibit 32.1

CERTIFICATION UNDER SECTION 906 OF THE SARBANES-OXLEY ACT

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Annual Report on Form 10-K of Federated Department Stores, Inc. (the "Company") for the fiscal year ended January 28, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies that, to such officer's knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Dated: April 13, 2006

/s/ Terry J. Lundgren

Name: Terry J. Lundgren
Title: Chief Executive Officer

/s/ Karen M. Hoguet

Name: Karen M. Hoguet
Title: Chief Financial Officer