SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED

JANUARY 28, 1995

COMMISSION FILE NUMBER

1-13536

FEDERATED DEPARTMENT STORES, INC.
151 WEST 34TH STREET
NEW YORK, NY 10001
(212) 695-4400
AND
7 WEST SEVENTH STREET
CINCINNATI, OHIO 45202
(513) 579-7000

INCORPORATED IN DELAWARE I.R.S. NO. 13-3324058

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

<TABLE>
<CAPTION>

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
<S>	<C>
Common Stock, par value $.01 per share	New York Stock Exchange
Rights to Purchase Series A Junior Participating Preferred Stock	New York Stock Exchange
Senior Convertible Discount Notes Due February 15, 2004	New York Stock Exchange
Series C Warrants	New York Stock Exchange
Series D Warrants	New York Stock Exchange

</TABLE>

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

None

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

Disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is contained in a definitive proxy statement incorporated by reference in Part III of this Form 10-K.

There were 182,708,184 shares of the Company's Common Stock outstanding as of March 31, 1995, excluding shares held in the treasury of the Company or by subsidiaries of the Company. The aggregate market value of the shares of such Common Stock, excluding shares held in the treasury of the Company or by subsidiaries of the Company, based upon the last sale price as reported on the New York Stock Exchange Composite Tape on March 30, 1995, was approximately $4,133,800,000.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement relating to Registrant's Annual Meeting of Shareholders, to be held on May 19, 1995 (the "Proxy Statement"), are incorporated by reference in Part III hereof.

EXPLANATORY NOTE

Prior to December 19, 1994, each of Federated Department Stores, Inc. ("Federated") and R.H. Macy & Co., Inc. ("Macy's") was subject to the informational requirements of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith filed various reports and other information with the Securities and Exchange Commission (the "Commission") under Commission file numbers 1-163 and 33-6192, respectively. On December 19, 1994, Federated acquired Macy's in a reverse acquisition structured as a merger (the "Merger") of Federated with and into Macy's, with Macy's as the surviving corporation in the Merger (the "Company"), changing its name to "Federated Department Stores, Inc." Because the substance of the Merger constituted an acquisition of Macy's by Federated, the Company, which is subject to the information requirements of the Exchange Act and in accordance therewith files various reports and other information with the Commission under Commission file number 1-13536, prepares such reports and other information as if Federated had been the surviving corporation in the Merger.

Unless the context otherwise requires, (i) references herein to the "Company" are, for all periods prior to December 19, 1994 (the "Merger Date"), references to Federated and its subsidiaries and their respective predecessors, and, for all periods following the Merger, references to the surviving corporation in the Merger and its subsidiaries, and (ii) references to "1994", "1993", and "1992" are references to the Company's fiscal years ended January 28, 1995, January 29, 1994 and January 30, 1993, respectively.

ITEM 1. BUSINESS

General. The Company is one of the leading operators of full-line department stores in the United States, with 355 department stores in 35 states as of January 28, 1995. The Company's department 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. The Company's department stores are located at urban or suburban sites, principally in densely populated areas across the United States. The Company also operates more than 135 specialty and clearance stores under the names "Aeropostale," "Charter Club" and "MCO," and a mail order catalog business under the name "Bloomingdale's By Mail."

The Company operates, and is in the process of integrating, the businesses operated separately by Federated, Macy's and their respective subsidiaries prior to the Merger. Subsequent to the Merger, among other things, the Company has (i) realigned operating management; (ii) discontinued the operations of the 12-store I. Magnin specialty chain; (iii) commenced the consolidation of the Abraham & Straus/Jordan Marsh division with the Macy's East division; (iv) commenced the consolidation of the Lazarus division with the Rich's division; and (v) commenced the consolidation of certain purchasing, support and other operations.

The following table sets forth certain information with respect to each of the Company's retail operating divisions as of January 28, 1995:

<TABLE>
<CAPTION>

	NUMBER OF STORES	GROSS 1994 SALES	SQUARE FEET(A)
		(MILLIONS)	(THOUSANDS)
<S>	<C>	<C>	<C>
Abraham & Straus/Jordan Marsh	34	$ 1,441.1	8,999
Bloomingdale's	16	1,297.5(b)	4,439
The Bon Marche	40	873.0	4,892
Burdines	46	1,258.5	7,648
Lazarus	51	1,130.3	10,212
Rich's/Goldsmith's	25	999.7	4,991
Stern's	22	707.4	3,946
Subtotal	234	7,707.5	45,127

Macy's East	64	327.5(c)	17,162
Macy's West/Bullock's	57	255.1(c)	11,845
Total Department Stores	355	8,290.1	74,134
Macy's Specialty	122	17.8(c)	420
MCO	14	8.0(c)	704
Total	491	$ 8,315.9	75,258

<FN>
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(a) Reflects total square footage of store locations, including office, storage, service and other support space that is not dedicated to direct merchandise sales, but excluding warehouses and distribution terminals not located at store sites.

(b) Includes $105.3 million of sales of the Company's Bloomingdale's By Mail subsidiary.

(c) Represents sales subsequent to the Merger Date. Sales of divisions acquired pursuant to the Merger for the fiscal year ended January 28, 1995 were as follows:

</TABLE>

<TABLE>

<S>	<C>
Macy's East	$3,447.7
Macy's West	2,334.8
Macy's Specialty	128.4
MCO	83.1
Total	$5,994.0

</TABLE>

In general, each of the Company's retail operating divisions is a separate subsidiary of the Company. However, (i) following its consolidation with the Abraham & Straus/Jordan Marsh division, the Macy's East division will comprise three separate subsidiaries of the Company, (ii) the Macy's West division comprises two separate subsidiaries of the Company, and (iii) following the consolidation of the Rich's and Lazarus divisions, the consolidated Rich's/Lazarus division will comprise three separate subsidiaries of the Company.

The Company provides electronic data processing and other support functions to its retail operating divisions on an integrated, Company-wide basis. FACS Group, Inc. ("FACS"), the Company's financial and credit services subsidiary, establishes and monitors credit policies on a Company-wide basis, and provides proprietary credit services, including statement processing and mailing, credit authorizations, new account development and processing, customer service and collections to each of the retail operating divisions that were divisions of Federated prior to the Merger. GE Capital Consumer Card Co. ("GE Credit"), which in 1991 purchased all of the consumer credit card accounts originated by the retail operating divisions of Macy's, continues to provide credit services to the retail operating divisions that were divisions of Macy's prior to the Merger. The Company and GE Credit are currently engaged in negotiations with respect to possible modifications to the contractual arrangements previously entered into between Macy's and GE Credit with respect to such services. The Company's data processing subsidiary, Federated Systems Group, Inc. ("FSG"), provides operational electronic data processing and management information services to each of the Company's retail operating divisions. In addition, a specialized staff maintained in the Company's corporate offices provides services for all divisions in such areas as store design and construction, real estate, insurance, supply purchasing, merchandise accounts payable and logistics, as well as various other corporate office functions. FACS, FSG, a specialized service subsidiary and certain departments in the Company's corporate offices offer their services to unrelated third parties as well.

Federated Merchandising, a division of the Company based in New York City, coordinates the team buying process which enables the Company to centrally develop and execute consistent Company-wide merchandise strategies while retaining the ability to tailor merchandise assortments and merchandising strategies to the particular character and customer base of the Company's various department store franchises. Macy's Product Development, which was a division of Macy's prior to the Merger, is in the process of being integrated with Federated Merchandising, and will then be responsible for the private label development for all of the Company's retail operating divisions, other than Bloomingdale's and Stern's.

The Company and its predecessors have been operating department stores since 1830. Federated was organized as a Delaware corporation in 1929. On February 4, 1992, Allied Stores Corporation ("Allied") was merged into Federated. On May 26, 1994, Federated acquired Joseph Horne Co., Inc. ("Horne's") pursuant to a subsidiary merger. On December 19, 1994, Federated acquired Macy's pursuant to the Merger.

Both Allied and Federated were among the leading independent retailers in the United States prior to being acquired by Campeau Corporation ("Campeau") in 1986 and 1988, respectively, in highly leveraged transactions. During the course of 1989, it became apparent that the indebtedness of Allied and Federated could not be supported by operations and, on January 15, 1990, Federated, Allied and substantially all of their respective subsidiaries (collectively, the "Federated/Allied Companies") commenced proceedings under chapter 11 of the United States Bankruptcy Code to reorganize and restructure their acquisition debt and other liabilities. The Federated/Allied Companies emerged from bankruptcy pursuant to a plan of reorganization (the "Federated POR") on February 4, 1992. As a result of the Federated POR, Campeau ceased to have any direct or indirect equity interest in the Company.

Macy's was organized as a Delaware corporation in 1985 to effect the acquisition of the former R.H. Macy & Co., Inc. in a leveraged buyout. Thereafter, in 1988, Macy's acquired the I. Magnin and Bullock's/Bullock's-Wilshire divisions of Federated. An economic downturn, competitive industry conditions and other factors subsequently produced a liquidity crisis for Macy's. As a result, in January, 1992, Macy's and substantially all of its subsidiaries (the "Macy's Debtors") commenced proceedings under chapter 11 of the United States Bankruptcy Code to reorganize and restructure their acquisition debt and other liabilities.

The Merger was effected pursuant to a plan of reorganization for the Macy's Debtors (the "Macy's POR") proposed jointly by Federated and the Macy's Debtors. In addition to the Merger, the Macy's POR provided for (i) the cancellation of all existing capital stock and other equity interests in Macy's without payment of any consideration therefor, (ii) the cancellation of certain indebtedness and the discharge of related claims against the Macy's Debtors in exchange for cash, new indebtedness of the Company and new equity interests in the Company, (iii) the discharge of other prepetition claims against the Macy's Debtors, (iv) the settlement of certain contingent claims and releases of certain claims of the Macy's Debtors and other persons or entities, and (v) the assumption, assumption and assignment, or rejection of each executory contract and unexpired lease to which any Macy's Debtor was a party.

For additional information regarding the respective reorganization proceedings of the Federated/Allied Companies and the Macy's Debtors, see Item 3 "Legal Proceedings."

The Company's executive offices are located at 151 W. 34th Street, New York, New York 10001, telephone number: (212) 695-4400 and at 7 West Seventh Street, Cincinnati, Ohio 45202, telephone number: (513) 579-7000.

Employees. As of January 28, 1995, the Company had approximately 111,700 regular full-time and part-time employees. Because of the seasonal nature of the retail business, the number of employees rises to a peak in the Christmas season. Approximately 10% of the Company's employees as of January 28, 1995 were represented by unions. Management considers its relations with employees to be satisfactory.

Seasonality. The department store 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 Christmas 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 1994. 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, in general, and the department store business, in particular, are intensely competitive. Generally, the Company's stores are in competition not only with other department stores in the geographic areas in which they operate but also with numerous other types of retail outlets, including specialty stores, general merchandise stores, off-price and discount stores, new and established forms of home shopping (including mail order catalogs, television and computer services) and manufacturers' outlets.

ITEM 1A. EXECUTIVE OFFICERS OF THE REGISTRANT

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

<TABLE>
<CAPTION>

NAME	AGE	POSITION WITH THE COMPANY
<S>	<C>	<C>
Allen I. Questrom.....	55	Chairman of the Board and Chief Executive Officer; Director
James M. Zimmerman.....	51	President and Chief Operating Officer; Director
Ronald W. Tysoe.....	42	Vice Chairman of the Board and Chief Financial Officer; Director
Thomas G. Cody.....	53	Executive Vice President - Legal and Human Resources
Dennis J. Broderick.....	46	Senior Vice President, General Counsel and Secretary
John E. Brown.....	55	Senior Vice President and Controller
Karen M. Hoguet.....	38	Senior Vice President - Planning and Treasurer

</TABLE>

Allen I. Questrom has been Chairman of the Board and Chief Executive Officer of the Company since February 1990. Prior thereto, he was President and Chief Executive Officer of the Neiman-Marcus division of the Neiman-Marcus Group, Inc. from September 1988 to February 1990.

James M. Zimmerman has been President and Chief Operating Officer of the Company since May 1988.

Ronald W. Tysoe has been Vice Chairman and Chief Financial Officer of the Company since April 1990. Prior thereto, he was President and Treasurer of Federated Stores, Inc. ("FSI"), the former indirect parent of Federated, from 1987 to 1992, Chief Financial Officer of FSI from April 1990 to February 1992 and President of Campeau from April 1989 to January 1990.

Thomas G. Cody has been Executive Vice President - Legal and Human Resources of the Company since May 1988.

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; prior thereto, he served as Vice President and General Counsel of Allied and General Counsel of the Company since May 1988 and Vice President of the Company since February 1988.

John E. Brown has been Senior Vice President of the Company since September 1988 and Controller of the Company since January 1992.

Karen M. Hoguet has been Senior Vice President - Planning of the Company since April 1991 and Treasurer of the Company since January 1992; prior thereto,

she served as Vice President of the Company and Allied since December 1988.

ITEM 2. PROPERTIES

The properties of the Company consist primarily of stores and related retail facilities, including warehouses and distribution centers. The Company also owns or leases other properties, including corporate office space in New York and Cincinnati and other facilities at which centralized operational support functions are conducted. As of January 28, 1995, the Company operated 355 department stores, of which 181 stores were entirely or mostly owned and 174 stores were entirely or mostly leased. The Company's interests in approximately 20% of its owned stores and approximately 6% of its leased stores are subject to security interests in favor of certain third-party creditors. (See Note 10 to the Consolidated Financial Statements.) Pursuant to 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 number of stores and total gross square feet (in thousands) of store space operated by the Company as of the end of each of the last two fiscal years were as follows:

<TABLE>
<CAPTION>

	JANUARY 28, 1995		JANUARY 29, 1994	
OPERATING DIVISION	NUMBER OF STORES	GROSS SQUARE FEET	NUMBER OF STORES	GROSS SQUARE FEET
		(thousands)		(thousands)
<S>	<C>	<C>	<C>	<C>
Abraham & Straus/Jordan Marsh	34	8,999	35	9,327
Bloomingdale's	16	4,439	16	4,372
The Bon Marche	40	4,892	39	4,697
Burdines	46	7,648	43	7,321
Lazarus	51	10,212	40	7,807
Rich's/Goldsmith's	25	4,991	25	4,925
Stern's	22	3,946	21	3,879
Macy's East	64	17,162	N/A	N/A
Macy's West	57	11,845	N/A	N/A
MCO	14	704	N/A	N/A
Macy's Specialty	122	420	N/A	N/A
	491	75,258	219	42,328

</TABLE>

ITEM 3. LEGAL PROCEEDINGS

The Federated POR was confirmed by the United States Bankruptcy Court for the Southern District of Ohio, Western Division (the "Ohio Bankruptcy Court"), in Consolidated Case No. 1-90-00130 on January 10, 1992. Notwithstanding the confirmation and effectiveness of the Federated POR, the Ohio Bankruptcy Court continues to have jurisdiction to, among other things, resolve disputed prepetition claims against the Federated/Allied Companies; resolve matters related to the assumption, assumption and assignment, or rejection of executory contracts pursuant to the Federated POR; and to resolve other matters that may arise in connection with or relate to the Federated POR.

Pursuant to the Federated POR, and based on the Company's estimate of the amount of such claims that ultimately will be allowed by the Ohio Bankruptcy Court, the Company provided for the payment of all remaining bankruptcy claims. During 1994, the Company reduced selling, general and administrative expenses by $23.8 million to reflect the favorable settlement of disputed bankruptcy claims. The Company believes that it has adequately provided for the resolution of all bankruptcy claims and other matters related to the Federated POR remaining at January 28, 1995.

The Macy's POR was confirmed by the United States Bankruptcy Court for the Southern District of New York (the "New York Bankruptcy Court") in Case No. 92 B 10477 (BRL) on December 8, 1994. Notwithstanding the confirmation and

effectiveness of the Macy's POR, the New York Bankruptcy Court continues to have jurisdiction to, among other things, resolve disputed prepetition claims against the Macy's Debtors; resolve matters related to the assumption, assumption and assignment, or rejection of executory contracts pursuant to the Macy's POR; and to resolve other matters that may arise in connection with or relate to the Macy's POR. Except as described below, provision was made under the Macy's POR in respect of all prepetition liabilities of the Macy's Debtors.

Certain claims or portions thereof (collectively, the "Cash Payment Claims") against the Macy's Debtors which, to the extent allowed by the New York Bankruptcy Court, will be paid in cash pursuant to the Macy's POR are currently disputed by the Company. The aggregate amount of disputed Cash Payment Claims ultimately allowed by the New York Bankruptcy Court may be more or less than the estimated allowed amount thereof. As of March 30, 1995, the aggregate face amount of disputed Cash Payment Claims was approximately $846.9 million, while the estimated allowed amount thereof was approximately $355.7 million. Although there can be no assurance with respect thereto, the Company believes that the actual allowed amount of disputed Cash Payment Claims will not be materially greater than the estimated allowed amount thereof.

In connection with the Federated POR and the reorganization proceedings of FSI, the Internal Revenue Service (the "IRS") audited the tax returns of FSI and the Federated/Allied Companies for tax years 1984 through 1989 and asserted certain claims against the Federated/Allied Companies and other members of the FSI consolidated tax group. The issues raised by the IRS audit were resolved by agreement with the IRS except for two issues involving the use by the Federated/Allied Companies of an aggregate of $27.0 million of net operating and capital loss carryforwards of an acquired company and the deductibility of approximately $176.3 million of so-called "break-up fees." These issues were litigated before the Ohio Bankruptcy Court and resolved in favor of the Federated/Allied Companies; however, the IRS pursued appeals on both issues to the United States District Court for the Southern District of Ohio, which affirmed the decision of the Ohio Bankruptcy Court on August 2, 1994. On September 30, 1994, the IRS filed a notice of appeal to the United States Court of Appeals for the Sixth Circuit with respect to the issue relating to "break up fees" only, where such appeal is currently pending. Although there can be no assurance with respect thereto, the Company does not expect that the ultimate resolution of this issue will have a material adverse effect on the Company's financial position or results of operations.

The Company is also a party to certain disputes with the IRS relating to certain deductions claimed by and certain loss carryforwards utilized by Federated and its predecessors which the IRS seeks to disallow. Although there can be no assurance with respect thereto, the Company does not expect that the ultimate resolution of such disputes will have a material adverse effect on the Company's financial position or results of operations.

The Company and its subsidiaries are also involved in various proceedings that are incidental to the normal course of their business. The Company does not expect that any of such proceedings will have a material adverse effect on the Company's financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

A special meeting of shareholders of the Company was held on November 29, 1994 for the purpose of considering and voting upon (i) the approval and adoption of an Agreement and Plan of Merger between Federated and Macy's and (ii) the approval of a new equity incentive plan for the Company (the "1995 Equity Plan").

The number of votes cast for or against each such matter is set forth below:

<TABLE>
<CAPTION>

	FOR	AGAINST	WITHHELD/ ABSTENTIONS
<S>	<C>	<C>	<C>
Agreement and Plan of Merger.....	92,777,521	1,427,862	154,406
1995 Equity Plan.....	71,436,132	21,875,464	1,048,193

</TABLE>

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The Common Stock is listed on the New York Stock Exchange (the "NYSE") under the trading symbol "FD." The following table sets forth for each fiscal quarter during 1994 and 1993 the high and low sales prices per share of Common Stock as reported on the NYSE Composite Tape:

<TABLE>
<CAPTION>

	1994		1993	
	LOW	HIGH	LOW	HIGH
<S>	<C>	<C>	<C>	<C>
1st Quarter	20.750	25.250	17.375	22.750
2nd Quarter	19.000	22.750	19.000	25.000
3rd Quarter	18.750	23.625	18.000	23.500
4th Quarter	17.875	20.875	19.250	23.125

</TABLE>

The Company has not paid any dividends on its Common Stock during its two most recent fiscal years, and does not anticipate paying any dividends on the Common Stock in the foreseeable future. In addition, the covenants in certain debt instruments to which the Company is a party restrict the ability of the Company to pay dividends.

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. References to "1994", "1993", "1992", "1991", and "1990" are references to the Company's fiscal years ended January 28, 1995, January 29, 1994, January 30, 1993, February 1, 1992 and February 2, 1991, respectively.

<TABLE>
<CAPTION>

	FISCAL YEAR ENDED JANUARY 28, 1995	FISCAL YEAR ENDED JANUARY 29, 1994	FISCAL YEAR ENDED JANUARY 30, 1993	FISCAL YEAR ENDED FEBRUARY 1, 1992	FISCAL YEAR ENDED FEBRUARY 2, 1991
<S>	<C>	<C>	<C>	<C>	<C>
(THOUSANDS, EXCEPT PER SHARE DATA)					
Consolidated Statement of Operations Data (a):					
Net sales, including leased department sales	$ 8,315,877	$7,229,406	$7,079,941	$ 6,932,323	$ 7,141,983
Cost of sales	5,131,363	4,373,941	4,229,396	4,202,223	4,394,976
Selling, general and administrative expenses	2,549,122	2,323,546	2,420,684	2,463,128	2,611,834
Business integration and consolidation expenses	85,867	--	--	--	--
Operating income	549,525	531,919	429,861	266,972	135,173
Interest expense (b)	(262,115)	(213,544)	(258,211)	(504,257)	(639,527)
Interest income	43,874	49,405	60,357	67,260	83,585
Income (loss) before reorganization items, income taxes, extraordinary items and cumulative effect of change in accounting principle	331,284	367,780	232,007	(170,025)	(420,769)
Reorganization items (c)	--	--	--	(1,679,936)	(127,032)
Federal, state and local income tax (expense) benefit	(143,668)	(170,987)	(99,299)	613,989	276,355

Extraordinary items (d).....	--	(3,545)	(19,699)	2,165,515	--	
Cumulative effect of change in accounting principle (e).....	--	--	--	(93,151)	--	
Net income (loss).....	$ 187,616	$ 193,248	$ 113,009	$ 836,392	$ (271,446)	
Earnings per Share of Common Stock (f):						
Income before extraordinary items....	$ 1.41	$ 1.56	$ 1.19	$ --	$ --	
Net income.....	1.41	1.53	1.01	--	--	
Average number of shares outstanding (f).....	132,862	126,293	111,350	--	--	
Depreciation and amortization.....	$ 285,861	$ 229,781	$ 230,124	$ 260,884	$ 278,227	
Capital expenditures.....	$ 397,664	$ 312,960	$ 207,931	$ 201,631	$ 93,143	
Balance Sheet Data (at year end) (a):						
Cash.....	$ 206,490	$ 222,428	$ 566,984	$ 1,002,482	$ 453,560	
Working capital.....	2,478,376	1,967,569	2,227,336	1,923,812	1,957,037	
Total assets.....	12,379,712	7,419,427	7,019,770	7,501,145	9,150,056	
Short-term debt.....	463,042	10,099	12,944	771,605	309,268	
Liabilities subject to settlement under reorganization proceedings...	--	--	--	--	6,475,129	
Long-term debt (including preferred shares).....	4,529,220	2,786,724	2,809,757	3,176,687	1,361,778	
Shareholders' equity (deficit).....	3,639,610	2,278,244	2,074,980	1,454,132	(1,398,528)	

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(a) As a result of the Company's emergence from bankruptcy and its adoption of fresh-start reporting as of February 1, 1992, the Company's Consolidated Balance Sheets at and after February 1, 1992 and its Consolidated Statements of Operations for periods after February 1, 1992 are not comparable to the Consolidated Financial Statements for prior periods and therefore are separated by a black line.

(b) Excludes interest on unsecured prepetition indebtedness of $301,576,000 and $290,979,000, respectively, for 1991 and 1990.

(c) Reflects the net expense incurred in connection with the chapter 11 reorganization of the Federated/Allied Companies.

(d) The extraordinary items for 1993 and 1992 are described in Note 4 to the Consolidated Financial Statements. The extraordinary item for 1991 was a gain resulting from the discharge of prepetition claims pursuant to the Federated POR.

(e) Reflects the cumulative effect of the adoption of SFAS No. 106, "Employers' Accounting for Postretirement Benefits other than Pensions," as of February 1, 1992.

(f) Per share and share data are not presented for periods during which there were no publicly held shares of common stock of the Company.
</TABLE>

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company acquired Horne's and Macy's on May 26, 1994 and December 19, 1994, respectively. Under the purchase method of accounting, the assets, liabilities and results of operations associated with such acquired businesses have been included in the Company's financial position and results of operations since the respective dates on which such businesses were acquired. Accordingly, the financial position and results of operations of the Company as of the end of and for 1994 are not directly comparable to the financial position and results of operations of the Company as of the end of and for prior fiscal years, and are not necessarily indicative of the financial position or results of operations that may be reported by the Company as of future dates or for future periods. The following discussion should be read in conjunction with the Consolidated Financial Statements and the notes thereto contained elsewhere in this report.

RESULTS OF OPERATIONS

Comparison of the 52 Weeks Ended January 28, 1995 and January 29, 1994. Net sales for 1994 were $8,315.9 million, compared to $7,229.4 million for 1993, an increase of 15.0%. During 1994, the Company added 142 department stores and more than 135 specialty and clearance stores and closed six department stores. Of the 142 department stores added, 121 were added as a result of the acquisition of Macy's, and 10 were added as a result of the acquisition of Horne's. All of the specialty and clearance stores were added through the Macy's acquisition. On a comparable store basis, net sales increased 3.1%.

Cost of sales was 61.7% of net sales for 1994, compared to 60.5% for 1993. The increase reflects the impact of higher levels of markdowns taken to offer more value to customers consistent with the competitive environment and to keep in-store inventories fresh and fashion-current. Cost of sales includes a credit of $11.3 million in 1994, compared to a charge of $2.8 million in 1993, resulting from the valuation of merchandise inventory on the last-in, first-out basis.

Selling, general and administrative expenses were 30.7% of net sales for 1994, compared to 32.1% for 1993. The decrease reflects the continued emphasis on controlling expenses, enhanced efficiencies and productivity resulting from the Company's ongoing investments in retail technology, and increased revenue

from credit operations resulting from higher accounts receivable balances in 1994. In addition, operating expenses were reduced by $23.8 million in 1994 and $24.0 million in 1993 as a result of adjustments for the favorable settlement of disputed bankruptcy claims.

Business integration and consolidation expenses for 1994 consisted of $27.0 million associated with the integration of 10 former Horne's stores into the Company, $45.8 million associated with the integration of Macy's into the Company and $13.1 million of severance charges related to the consolidation of the Company's Rich's/Goldsmith's and Lazarus divisions announced on January 20, 1995. The Company presently expects to incur approximately $225.0 million of additional business integration and consolidation expenses in the 53 weeks ended February 3, 1996 as a result of the Macy's acquisition and the consolidation of the Rich's/Goldsmith's and Lazarus divisions.

Net interest expense was $218.2 million for 1994, compared to $164.1 million for 1993. The higher interest expense in 1994 is principally due to the higher levels of borrowings incurred in connection with the acquisition of Macy's, including the issuance of a $340.0 million promissory note on December 31, 1993 to fund the Company's initial investment in Macy's. Cash interest payments, net of interest received, were $166.8 million for 1994 compared to $136.6 million for 1993.

Income tax expense was $143.7 million for 1994. This amount differs from the amount computed by applying the federal income tax statutory rate of 35.0% to income before income taxes and extraordinary items principally because of state and local income taxes and permanent differences arising from the amortization of intangible assets.

Management believes that the turnaround of existing deferred tax liabilities and tax planning strategies will generate sufficient taxable income in future periods such that it is more likely than not that the gross deferred tax assets, net of the valuation allowance, at the end of 1994 will be realized. Management evaluates the realizability of deferred tax assets quarterly.

Extraordinary items of $3.5 million in 1993 relate to the after-tax expenses associated with debt prepayments.

Comparison of the 52 Weeks Ended January 29, 1994 and January 30, 1993. Net sales for 1993 were $7,229.4 million, compared to $7,079.9 million for 1992, an increase of 2.1%. On a comparable store basis, net sales increased 1.9%. The sales performance reflected the continuing effects of key merchandising strategies put into effect in 1991, such as team buying and improved inventory management, as well as improvements in net sales for home-related merchandise, partially offset by softer apparel sales and the effects of the sluggish economy in the Northeast. Additionally, net sales for 1992 were positively affected by strong overall general merchandise sales, a post-hurricane sales surge in South Florida and the positive impact of a one-time program to clear old inventory undertaken at the end of 1991.

Cost of sales was 60.5% of net sales for 1993, compared to 59.7% for 1992. The increase reflected the impact of higher levels of markdowns taken to keep in-store inventories fresh and fashion-current. In addition, cost of sales for the first quarter of 1992 benefited from the one-time strategy to clear old inventory marked down at the end of fiscal 1991. Cost of sales included charges of $2.8 million in 1993, compared to $8.5 million in 1992, resulting from the valuation of merchandise inventory on the last-in, first-out basis.

Selling, general and administrative expenses were 32.1% of net sales for 1993, compared to 34.2% for 1992. The decrease was primarily due to reduced costs from streamlining of operations at the divisions. In addition, operating expenses were reduced by $24.0 million in 1993 as a result of an adjustment for the

favorable settlement of disputed bankruptcy claims. Excluding this adjustment, selling, general and administrative expenses would have been 32.5% of net sales for 1993.

Net interest expense was $164.1 million for 1993, compared to $197.9 million for 1992. Net interest expense for 1993 was positively impacted by the prepayment of long-term debt. Cash interest payments, net of interest received, were $136.6 million for 1993 compared to $136.3 million for 1992.

Income tax expense was $171.0 million, excluding extraordinary items, for 1993. This amount differs from the amount computed by applying the federal income tax statutory rate of 35.0% to income before income taxes and extraordinary items principally because of state and local income taxes, a charge of $14.2 million for the impact of the tax rate increase on deferred taxes and permanent differences arising from the amortization of reorganization value in excess of amounts allocable to identifiable assets.

Extraordinary items of $3.5 million in 1993 and $19.7 million in 1992 relate to the after-tax expenses associated with debt prepayments.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of liquidity are cash on hand, cash from operations and certain credit facilities that are available to it.

Net cash provided by operating activities in 1994 was $161.5 million, a reduction of $249.0 from the net cash provided by operating activities in 1993 of $410.5 million. The primary factors which contributed to this decrease were higher accounts receivable balances in 1994 generated by increases in proprietary credit sales and a Company policy change to lower its minimum monthly payment requirement, increased income tax payments and seasonal decreases in Macy's accounts payable and accrued liabilities (as partially offset by seasonal decreases in Macy's merchandise inventories) during the period between December 19, 1994 and January 28, 1995. The increase in accounts receivable balances was partially funded by increased short-term borrowings associated with the receivables.

The Company is a party to a bank credit facility providing for up to $800.0 million of term borrowings and up to $2,000.0 million of revolving credit borrowings (including a $500.0 million letter of credit subfacility). The Company also has in effect a facility to finance its customer accounts receivable which provides for, among other things, the issuance from time to time of up to $375.0 million of receivables backed commercial paper. As of January 28, 1995, the Company had $800.0 million of term borrowings, $900.0 million of long-term revolving credit borrowings, $25.0 million of seasonal working capital revolving credit borrowings, $56.1 million of standby letters of credit and $108.6 million of trade letters of credit outstanding under its bank credit facility and $274.9 million of commercial paper borrowings outstanding under its receivables backed commercial paper facility.

Net cash provided by financing activities was $776.1 million in 1994. During 1994, the Company incurred debt totaling $2,526.9 million and repaid debt in the amount of $1,594.1 million. Debt incurred consisted of $1,725.0 million of borrowings under the Company's bank credit facility, the issuance of $450.0 million of 10% Senior Notes due 2001, $274.9 million of borrowings under the Company's receivables-backed commercial paper program and the sale of $77.0

million of receivables-backed certificates. The major components of debt repaid were $953.5 million of notes assumed in the acquisition of Macy's, a $340.0 million promissory note and $289.2 million of Series A Secured Notes.

Net cash used in investing activities was $953.5 million in 1994 compared to $405.1 million in 1993. In 1994, $575.4 million of cash was invested in connection with acquisitions of Macy's and Horne's and $386.8

million was invested in property and equipment. The total purchase prices, including noncash items, for the acquisitions of Macy's and Horne's were $3,815.9 million and $116.0 million, respectively.

The Company's budgeted capital expenditures are approximately $2,800.0 million for the 1995 to 1998 period, with approximately 68% being budgeted for existing stores, 21% being budgeted for new stores and 11% being budgeted for technology. Management presently anticipates funding such expenditures from operations. However, depending upon conditions in the capital and other financial markets and other factors, the Company may from time to time consider the issuance of debt or other securities, the proceeds of which could be used to refinance existing debt or for capital projects or other corporate purposes.

Management believes the department store business will continue to consolidate. Accordingly, the Company intends from time to time to consider the possible acquisition of department store assets and companies.

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

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.

<TABLE>
<CAPTION>

</TABLE>

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

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 "Compliance with Section 16(a) of the Securities Exchange Act of 1934" in the Proxy Statement, and in Item 1A "Executive Officers of the Registrant", and incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

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

ITEM 12. SECURITY OWNERSHIP AND CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information called for by this item is set forth under "Stock Ownership" 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 "Compensation Committee Interlocks and Insider Participation" and under "Certain Relationships and Related Transactions" in the Proxy Statement and incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(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.

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION	DOCUMENT IF INCORPORATED BY REFERENCE
<C>	<S>	<C>
2.1	Agreement and Plan of Merger, dated as of August 16, 1994, between Macy's and the Company	Exhibit 2.1 to the Registration Statement on Form S-4 (Registration No. 33-85480) filed on October 21, 1994 ("S-4 Registration Statement")
2.2	Second Amended Joint Plan of Reorganization of Macy's and Certain of Its Subsidiaries	Exhibit 2.2 to S-4 Registration Statement
2.2.1	Modifications to the Second Amended Joint Plan of Reorganization of Macy's and Certain of Its Subsidiaries	Exhibit 2.1.1 to the Current Report on Form 8-K (File No. 1-13536), filed on January 3, 1995 ("1995 Form 8-K")

</TABLE>

<TABLE>
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EXHIBIT NUMBER	DESCRIPTION	DOCUMENT IF INCORPORATED BY REFERENCE
<C>	<S>	<C>
2.3	Findings of Fact, Conclusions of Law and Order Confirming Second Amended Joint Plan of Reorganization of	Exhibit 2.1.2 of 1995 Form 8-K

	Macy's and Certain of Its Subsidiaries, as Modified	
3.1	Certificate of Incorporation	
3.1.1	Certificate of Designations of Series A Junior Participating Preferred Stock	
3.2	By-Laws	
4.1	Certificate of Incorporation	See Exhibit 3.1
4.2	By-Laws	See Exhibit 3.2
4.3	Rights Agreement	
4.4	Indenture, dated as of December 15, 1994, between the Company and The First National Bank of Boston, as Trustee	Exhibit 4.1 to the Registration Statement on Form S-3 (Registration No. 33-88328) filed on January 9, 1995 ("S-3 Registration Statement")
4.4.1	Third Supplemental Indenture, dated as of January 23, 1995, between the Company and The First National Bank of Boston, as Trustee	
4.5	Senior Convertible Discount Note Indenture, dated as of April 8, 1993, between the Company and The First National Bank of Boston, as Trustee	Exhibit 10.8 to the Company's Annual Report on Form 10-K (File No. 1-163) for the fiscal year ended January 30, 1993 ("1992 Form 10-K")
4.5.1	Supplemental Indenture to Senior Convertible Discount Note Indenture dated as of December 19, 1994	
4.6	Series C Warrant Agreement	
4.7	Series D Warrant Agreement	
10.1	Series A Warrant Agreement	Exhibit 10.6 to the Registration Statement on Form 10 (File No. 1-10951), filed November 27, 1991, as amended ("Form 10")
10.1.1	Amendment No. 1, dated as of November 3, 1993, to the Series A Warrant Agreement	Exhibit 10.1.1 to the Company's Annual Report on Form 10-K (File No. 1-163) for the fiscal year ended January 29, 1994 ("1993 Form 10-K")
10.2	Series B Warrant Agreement	Exhibit 10.7 to Form 10
10.3	Credit Agreement, dated as of December 19, 1994, among the Company, Citibank, N.A., Chemical Bank, Citicorp Securities, Inc., Chemical Securities, Inc. and the initial lenders named therein	

EXHIBIT NUMBER	DESCRIPTION	DOCUMENT IF INCORPORATED BY REFERENCE
10.4	Senior Convertible Discount Note Agreement	Exhibit 10.5 to Form 10
10.4.1	Supplemental Agreement to Senior Convertible Discount Note Agreement dated as of December 19, 1994	
10.5	Loan Agreement, dated as of December 30, 1987 (the "Prudential Loan Agreement"), among Prudential, Allied Stores Corporation ("Allied"), and certain subsidiaries of Allied named therein	Exhibit 10.12 to Allied's Annual Report on Form 10-K (File No. 1-970) for the fiscal year ended January 2, 1988
10.5.1	Amendment No. 1, dated as of December 29, 1988, to the Prudential Loan Agreement	Exhibit 10.9.1 to Form 10
10.5.2	Amendment No. 2, dated as of November 17, 1989, to the Prudential Loan Agreement	Exhibit 10.9.2 to Form 10
10.5.3	Amendment No. 3, dated as of February 5, 1992, to the Prudential Loan Agreement	Exhibit 10.9.3 to Form 10
10.6	Loan Agreement, dated as of May 26, 1994, among Lazarus PA (formerly	Exhibit 10.47 to S-4 Registration Statement

	Joseph Horne Co., Inc.), the banks listed thereon, and PNC Bank, Ohio, National Association, as Agent ("PNC")	
10.7	Guaranty Agreement, dated as of May 26, 1994, made by the Company in favor of the banks listed on the Lazarus PA Mortgage Term Loan and PNC ("Guaranty Agreement")	Exhibit 10.48 to S-4 Registration Statement
10.7.1	Amendment No. 1 to Guaranty Agreement dated as of February 28, 1995	
10.8	Amended and Restated Pooling and Servicing Agreement, dated as of December 15, 1992 (the "Pooling and Servicing Agreement"), among the Company, Prime Receivables Corporation ("Prime") and Chemical Bank, as Trustee	Exhibit 4.10 to Prime's Current Report on Form 8-K (File No. 0-2118), dated March 29, 1993
10.8.1	First Amendment, dated as of December 1, 1993, to the Pooling and Servicing Agreement	Exhibit 10.10.1 to 1993 Form 10-K
10.8.2	Second Amendment, dated as of February 28, 1994, to the Pooling and Servicing Agreement	Exhibit 10.10.2 to 1993 Form 10-K

EXHIBIT NUMBER	DESCRIPTION	DOCUMENT IF INCORPORATED BY REFERENCE
10.8.3	Third Amendment, dated as of May 31, 1994, to the Pooling and Servicing Agreement	
10.9	Assumption Agreement under the Pooling and Servicing Agreement, dated as of September 15, 1993	Exhibit 10.10.3 to 1993 Form 10-K
10.10	Series 1992-1 Supplement, dated as of December 15, 1992, to the Pooling and Servicing Agreement	Exhibit 4.6 to Prime's Registration Statement on Form 8-A (File No. 0-2118), filed January 22, 1993, as amended ("Prime's Form 8-A")
10.11	Series 1992-2 Supplement, dated as of December 15, 1992, to the Pooling and Servicing Agreement	Exhibit 4.7 to Prime's Form 8-A
10.12	Series 1992-3 Supplement, dated as of January 5, 1993, to the Pooling and Servicing Agreement	Exhibit 4.8 to Prime's Current Report on Form 8-K (File No. 0-2118), dated January 29, 1993
10.13	Receivables Purchase Agreement, dated as of December 15, 1992 (the "Receivables Purchase Agreement"), among Abraham & Straus, Inc., Bloomingdale's, Inc., Burdines, Inc., Jordan Marsh Stores Corporation, Lazarus, Inc., Rich's Department Stores, Inc., Stern's Department Stores, Inc., The Bon, Inc., and Prime	Exhibit 10.2 to Prime's Form 8-A
10.13.1	First Amendment, dated as of June 23, 1993, to the Receivables Purchase Agreement	Exhibit 10.14.1 to 1993 Form 10-K
10.13.2	Second Amendment, dated as of December 1, 1993, to the Receivables Purchase Agreement	Exhibit 10.14.2 to 1993 Form 10-K
10.13.3	Third Amendment, dated as of February 28, 1994, to the Receivables Purchase Agreement	Exhibit 10.14.3 to 1993 Form 10-K
10.13.4	Fourth Amendment, dated as of May 31, 1994, to the Receivables Purchase Agreement	
10.13.5	First Supplement, dated as of September 15, 1993, to the	Exhibit 10.14.4 to 1993 Form 10-K

Receivables Purchase Agreement
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EXHIBIT NUMBER	DESCRIPTION	DOCUMENT IF INCORPORATED BY REFERENCE
<C>	<S>	<C>
10.14	Depositary Agreement, dated as of December 31, 1992, among Deerfield Funding Corporation ("Deerfield"), the Company, and Chemical Bank, as Depositary	Exhibit 10.15 to 1992 Form 10-K
10.15	Liquidity Agreement, dated as of December 31, 1992, among Deerfield, the Company, the financial institutions named therein, and Credit Suisse, New York Branch, as Liquidity Agent	Exhibit 10.16 to 1992 Form 10-K
10.16	Pledge and Security Agreement, dated as of December 31, 1992, among Deerfield, the Company, Chemical Bank, as Depositary and Collateral Agent, and the Liquidity Agent	Exhibit 10.17 to 1992 Form 10-K
10.17	Commercial Paper Dealer Agreement, dated as of December 31, 1992, among Deerfield, the Company, and Goldman Sachs Money Markets, L.P.	Exhibit 10.18 to 1992 Form 10-K
10.18	Commercial Paper Dealer Agreement, dated as of December 31, 1992, among Deerfield, the Company, and Shearson Lehman Brothers, Inc.	Exhibit 10.19 to 1992 Form 10-K
10.19	Tax Sharing Agreement	Exhibit 10.10 to Form 10
10.20	Ralphs Tax Indemnification Agreement	Exhibit 10.1 to From 10
10.21	Account Purchase Agreement dated as of May 10, 1991 by and among Monogram Bank, USA, Macy's, Macy Credit Corporation ("Macy Credit"), Macy Funding, Macy's California, Inc. ("MCAL"), Macy's Northeast, Inc. ("MNE"), 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 ("Macy's May 1991 Form 10-Q")*
10.22	Commercial Accounts Agreement dated as of May 10, 1991 ("Commercial Accounts Agreement") by and among General Electric Capital Corporation ("GECC"), Macy's, Macy Credit, Macy Funding, MCAL, MNE, Macy's South, Inc., Bullock's Inc., I. Magnin, Inc., Master Servicer, and Macy Specialty Stores, Inc.	Exhibit 19.3 to Macy's May 1991 Form 10-Q*

</TABLE>

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EXHIBIT NUMBER	DESCRIPTION	DOCUMENT IF INCORPORATED BY REFERENCE
<C>	<S>	<C>
10.23	Credit Card Program Agreement dated as of May 10, 1991 ("Credit Card Program Agreement") by and among Monogram Bank, USA ("Monogram"), Macy's, MCAL, MNE, Macy's South, Inc., Bullock's, Inc., I. Magnin, Inc., and Macy Specialty Stores, Inc.	Exhibit 19.4 to Macy's May 1991 Form 10-Q
10.24	Amendment, dated January 27, 1992, to Credit Card Program Agreement and	Exhibit 19.6 to Macy's Quarterly Report on Form 10-Q (File No.

	Commercial Accounts Agreement between Monogram and GECC and Macy's and certain subsidiaries	33-6192) for the fiscal quarter ended February 1, 1992
10.25	Letter, dated January 27, 1992 ("Waiver Letter"), from Monogram accepted and agreed to by Macy's and certain of its subsidiaries and, as to Sections 4 and 12 of the Waiver Letter, by GECC	Exhibit 19.2 to Macy's Quarterly Report on Form 10-Q (File No. 33-6192) for the fiscal quarter ended October 31, 1992 ("Macy's October 1992 Form 10-Q")
10.26	Stipulation among Monogram, GECC, Macy's and Certain of Its Subsidiaries, the Official Unsecured Bondholders' Committee, and the Official Unsecured Creditors' Committee and related Order of the Bankruptcy Court, dated November 24, 1992	Exhibit 19.3 to Macy's October 1992 Form 10-Q
10.27	First Secured Term Loan Agreement, dated as of May 10, 1991, by and between MCAL, Macy's South, Inc., and Bullock's, Inc. and GECC (the "First Secured Term Loan Agreement")	Exhibit 19.5 to Macy's May 1991 Form 10-Q*
10.28	First Amendment to First Secured Term Loan Agreement and First Amendment to Note, each dated as of October 15, 1991	Exhibit 10.61 to Macy's Annual Report on Form 10-K (File No. 33-6192) for the fiscal year ended August 3, 1991 ("Macy's 1991 Form 10-K")
10.29	Transfer Agreement, dated as of May 10, 1991, by and among Macy Credit, MCAL, MNE, Macy's South, Inc., Bullock's, Inc., and I. Magnin, Inc.	Exhibit 19.4 to Macy Credit's Quarterly Report on Form 10-Q for the fiscal quarter ended May 4, 1992
10.30	Letter Agreement, dated September 25, 1991, among Monogram, Macy's, MCAL, MNE, Macy's South Inc., Bullock's Inc., I. Magnin, Inc., and Macy Specialty Stores, Inc.	Exhibit 10.63 to Macy's 1991 Form 10-K
10.31	1995 Executive Equity Incentive Plan**	Exhibit 10.65 to S-4 Registration Statement

EXHIBIT NUMBER	DESCRIPTION	DOCUMENT IF INCORPORATED BY REFERENCE
10.32	1992 Incentive Bonus Plan**	Exhibit 10.12 to Form 10
10.33	Form of Severance Agreement**	
10.34	Form of Indemnification Agreement**	Exhibit 10.14 to Form 10
10.35	Master Severance Plan for Key Employees**	Exhibit 10.1.5 to the Company's Annual Report on Form 10-K (File No. 33-6192) for the fiscal year ended February 3, 1990 ("1989 Form 10-K")
10.36	Performance Bonus Plan for Key Employees**	Exhibit 10.1.6 to 1989 Form 10-K
10.37	Senior Executive Medical Plan**	Exhibit 10.1.7 to 1989 Form 10-K
10.38	Employment Agreement, dated as of June 24, 1994, between Allen I. Questrom and the Company**	Exhibit 10.59 to S-4 Registration Statement
10.39	Amended and Restated Employment Agreement, dated as of February 5, 1994 (as signed July 8, 1994) and letter agreements dated August 16, 1994, August 20, 1994 and September 19, 1994, between Myron E. Ullman III and the Company**	Exhibit 10.82 to S-4 Registration Statement
10.39.1	Letter agreement dated December 6, 1994 between Myron E. Ullman III and the Company relating to Amended and Restated Employment Agreement dated as of February 5, 1994**	
10.39.2	Termination agreement, dated December 7, 1994, as modified by letter dated	

	January 24, 1995, between Myron E. Ullman III and the Company**	
10.40	Form of Employment Agreement for Executives and Key Employees**	Exhibit 10.31 to 1993 Form 10-K
10.41	Supplementary Executive Retirement Plan, as Amended**	Exhibit 10.32 to 1993 Form 10-K
10.42	Executive Deferred Compensation Plan (adopted October 29, 1993)**	Exhibit 4.1 to Registration Statement on Form S-8 (Registration No. 33-50831), filed October 29, 1993
10.43	First Amendment to the Executive Deferred Compensation Plan**	Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 33-6192) for the fiscal quarter ended October 29, 1994 ("October 1994 Form 10-Q")

EXHIBIT NUMBER	DESCRIPTION	DOCUMENT IF INCORPORATED BY REFERENCE
10.44	Retirement Income and Thrift Incentive Plan (as amended and restated effective as of January 1, 1987 and containing all amendments through December 31, 1993)**	Exhibit 4.1 to the Registration Statement on Form S-8 (Registration No. 33-59107), filed January 14, 1994
10.45	Amendment to Retirement Income and Thrift Incentive Plan**	Exhibit 3.1 to October 1994 Form 10-Q
11	Exhibit of Primary and Fully Diluted Earnings Per Share	
21	Subsidiaries	
23	Consent of KPMG Peat Marwick LLP	
24	Powers of Attorney	

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

** Constitutes a compensatory plan or arrangement

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

Date: April 20, 1995 Dennis J. Broderick
Senior Vice President, General
Counsel and Secretary

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 20, 1995.

SIGNATURE	TITLE
*	Chairman of the Board and Chief Executive Officer (principal executive officer) and Director
Allen I. Questrom	
*	Vice Chairman and Chief Financial Officer

- - ----------	(principal financial officer) and Director
Ronald W. Tysoe	
*	Senior Vice President and Controller (principal
- - ----------	accounting officer)
John E. Brown	
*	
- - ----------	Director
Robert A. Charpie	
*	
- - ----------	Director
Lyle Everingham	
*	
- - ----------	Director
Meyer Feldberg	
*	
- - ----------	Director
Earl G. Graves	
*	
- - ----------	Director
George V. Grune	
*	
- - ----------	Director
Gertrude G. Michelson	
*	
- - ----------	Director
G. William Miller	
*	
- - ----------	Director
Joseph Neubauer	
*	
- - ----------	Director
Laurence A. Tisch	
*	
- - ----------	Director
Myron E. Ullman, III	
*	
- - ----------	Director
Paul W. Van Orden	
*	
- - ----------	Director
Karl M. von der Heyden	
*	
- - ----------	Director
Marna C. Whittington	
*	
- - ----------	Director
James M. Zimmerman	

*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

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MANAGEMENT'S REPORT

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 generally accepted accounting principles, 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 consolidated financial statements of the Company have been audited by KPMG Peat Marwick LLP, independent certified public accountants. Their report expresses their opinion as to the fair presentation, in all material respects, of the financial statements and is based upon their independent audit conducted in accordance with generally accepted auditing standards.

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

Allen I. Questrom
Chairman and Chief Executive Officer

James M. Zimmerman
President and Chief Operating Officer

Ronald W. Tysoe
Vice Chairman and Chief Financial Officer

John E. Brown
Senior Vice President and Controller

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Federated Department Stores, Inc. and subsidiaries (the "Company") as of January 28, 1995 and January 29, 1994, and the related consolidated statements of income and cash flows for each of the fifty-two week periods ended January 28, 1995, January 29, 1994 and January 30, 1993. These consolidated financial statements are the responsibility of management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing

standards. 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, 1995 and January 29, 1994, and the results of their operations and their cash flows for each of the fifty-two week periods ended January 28, 1995, January 29, 1994 and January 30, 1993, in conformity with generally accepted accounting principles.

KPMG PEAT MARWICK LLP

Cincinnati, Ohio
February 28, 1995

FEDERATED DEPARTMENT STORES, INC.

CONSOLIDATED STATEMENTS OF INCOME

(THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
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	52 WEEKS ENDED JANUARY 28, 1995	52 WEEKS ENDED JANUARY 29, 1994	52 WEEKS ENDED JANUARY 30, 1993
<S>	<C>	<C>	<C>
Net Sales, including leased department sales.....	$8,315,877	$7,229,406	$7,079,941
Cost of sales.....	5,131,363	4,373,941	4,229,396
Selling, general and administrative expenses.....	2,549,122	2,323,546	2,420,684
Business integration and consolidation expenses.....	85,867	--	--
Operating Income.....	549,525	531,919	429,861
Interest expense.....	(262,115)	(213,544)	(258,211)
Interest income.....	43,874	49,405	60,357
Income Before Income Taxes and Extraordinary Items.....	331,284	367,780	232,007
Federal, state and local income tax expense.....	(143,668)	(170,987)	(99,299)
Income Before Extraordinary Items.....	187,616	196,793	132,708
Extraordinary items.....	--	(3,545)	(19,699)
Net Income.....	$ 187,616	$ 193,248	$ 113,009
Earnings per Share:			
Income before extraordinary items.....	$ 1.41	$ 1.56	$ 1.19
Extraordinary items.....	--	(.03)	(.18)
Net Income.....	$ 1.41	$ 1.53	$ 1.01

</TABLE>

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

FEDERATED DEPARTMENT STORES, INC.

CONSOLIDATED BALANCE SHEETS

(THOUSANDS)

<TABLE>
<CAPTION>

	JANUARY 28, 1995	JANUARY 29, 1994
<S>	<C>	<C>
ASSETS		
Current Assets:		
Cash	$ 206,490	$ 222,428
Accounts receivable	2,265,651	1,758,935
Merchandise inventories	2,380,621	1,180,844
Supplies and prepaid expenses	99,559	46,660
Deferred income tax assets	238,127	88,754
Total Current Assets	5,190,448	3,297,621
Property and Equipment -- net	5,349,912	2,576,884
Intangible Assets -- net	1,006,547	337,720
Notes Receivable	408,134	408,818
Other Assets	424,671	798,384
Total Assets	$12,379,712	$7,419,427
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Short-term debt	$ 463,042	$ 10,099
Accounts payable and accrued liabilities	2,183,711	1,209,744
Income taxes	65,319	110,209
Total Current Liabilities	2,712,072	1,330,052
Long-Term Debt	4,529,220	2,786,724
Deferred Income Taxes	993,451	804,181
Other Liabilities	505,359	220,226
Shareholders' Equity	3,639,610	2,278,244
Total Liabilities and Shareholders' Equity	$12,379,712	$7,419,427

</TABLE>

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

FEDERATED DEPARTMENT STORES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(THOUSANDS)

<TABLE>
<CAPTION>

	52 WEEKS ENDED JANUARY 28, 1995	52 WEEKS ENDED JANUARY 29, 1994	52 WEEKS ENDED JANUARY 30, 1993
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	$ 187,616	$ 193,248	$ 113,009
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	260,485	207,914	205,554
Amortization of intangible assets	22,662	18,762	18,762
Amortization of financing costs	11,468	10,163	20,995
Amortization of original issue discount	29,435	16,846	15,593
Amortization of unearned restricted stock	2,714	3,105	5,808

Loss on early extinguishment of debt	--	3,545	19,699
Changes in assets and liabilities, net of effects of acquisition of companies:			
Increase in accounts receivable	(310,934)	(215,101)	(28,456)
(Increase) decrease in merchandise inventories	28,620	(31,910)	18,412
(Increase) decrease in supplies and prepaid expenses	2,450	(6,592)	2,547
(Increase) decrease in other assets not separately identified	2,697	20,229	(20,179)
Increase (decrease) in accounts payable and accrued liabilities not separately identified	(124,662)	70,679	2,898
Increase in current income taxes	61,149	65,990	24,520
Increase (decrease) in deferred income taxes	(12,057)	54,917	27,225
Increase (decrease) in other liabilities not separately identified	(184)	(1,291)	15,169
Net cash provided by operating activities	161,459	410,504	441,556
Cash flows from investing activities:			
Acquisition of companies net of cash acquired	(575,408)	(109,325)	--
Purchase of property and equipment	(386,847)	(309,536)	(198,505)
Disposition of property and equipment	8,723	1,097	10,431
Decrease in notes receivable	--	12,636	--
Net cash used by investing activities	(953,532)	(405,128)	(188,074)
Cash flows from financing activities:			
Debt issued	2,526,861	--	979,141
Financing costs	(66,602)	(633)	(26,518)
Debt repaid	(1,594,136)	(391,986)	(2,133,014)
Increase (decrease) in outstanding checks	(95,010)	35,776	(10,620)
Acquisition of treasury stock	(354)	(179)	--
Issuance of common stock	5,376	7,090	502,031
Net cash provided (used) by financing activities	776,135	(349,932)	(688,980)
Net decrease in cash	(15,938)	(344,556)	(435,498)
Cash beginning of period	222,428	566,984	1,002,482
Cash end of period	$ 206,490	$ 222,428	$ 566,984
Supplemental cash flow information:			
Interest paid	$ 211,457	$ 186,658	$ 197,138
Interest received	44,675	50,019	60,869
Income taxes paid (net of refunds received)	93,647	49,588	47,554
Schedule of noncash investing and financing activities:			
Capital lease obligations for new store fixtures	10,817	3,424	9,426
Property and equipment transferred to other assets	6,645	5,316	13,395
Common stock issued for the Executive Deferred Compensation Plan	2,070	686	--
Debt and merger related liabilities issued, reinstated or assumed in acquisition of companies	1,414,969	340,000	--
Equity issued to third parties in acquisition of company	1,166,014	--	--

</TABLE>

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

FEDERATED DEPARTMENT STORES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Consolidated Financial Statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions have been

eliminated.

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

Installments of deferred payment accounts receivable maturing after one year are included in current assets in accordance with industry practice. Such 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 competitive finance charges. Minimum payments vary from 4.2% to 100.0% of the account balance, depending on the size of the balance. Profits on installment sales are included in income when the sales are made. Finance charge income is included as a reduction of selling, general and administrative expenses.

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

Depreciation and amortization are provided primarily on a straight-line basis over the shorter of estimated asset lives or related lease terms. Real estate taxes and interest on construction in progress and land under development are capitalized. Amounts capitalized are amortized over the estimated lives of the related depreciable assets.

Intangible assets are amortized on a straight-line basis over their estimated lives (see Note 8). The carrying value of intangible assets is periodically reviewed by the Company and impairments are recognized when the expected future operating cash flows derived from such intangible assets is less than their carrying value.

Financing costs are amortized over the life of the related debt.

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). Under the asset and liability method prescribed in SFAS No. 109, 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. Under SFAS No. 109, the effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company has adopted the provisions of Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits other than Pensions" ("SFAS No. 106"), which requires that the cost of these benefits be recognized in the financial statements over an employee's term of service with the Company.

Earnings per share are computed on the basis of daily average number of shares outstanding during the year. Any dilution from the potential issuance of shares under employee compensation plans would be less than 3.0%. Fully diluted earnings per share include the effect of the potential issuance of shares for employee compensation plans as well as for the Senior Convertible Discount Notes and, unless disclosed, any such dilution would be less than 3.0%.

2. ACQUISITION OF COMPANIES

On December 31, 1993, Federated Noteholding Corporation ("FNC"), a wholly owned subsidiary of the Company, paid $109.3 million in cash and issued a promissory note (the "Promissory Note") in the principal amount of $340.0 million to The Prudential Insurance Company of America ("Prudential"), in exchange for 50% of a claim (the "Prudential Claim") held by Prudential in the

Chapter 11 reorganization of R. H. Macy & Co., Inc. ("Macy's") and an option to acquire the remaining 50% of the Prudential Claim (the "Prudential Option"). This investment was included in other assets in the Company's Consolidated Balance Sheet at January 29, 1994.

On December 19, 1994, the Company completed its acquisition of Macy's pursuant to a Plan of Reorganization (the "Macy's POR") of Macy's and substantially all of its subsidiaries (collectively, the "Macy's Debtors"). Pursuant to the Macy's POR, Macy's merged with the Company, which became responsible for making distributions of cash and debt and equity securities to the holders of allowed claims against the Macy's Debtors pursuant to the Macy's POR. In connection with the acquisition, FNC exercised the Prudential Option, whereby it acquired the remainder of the Prudential Claim in exchange for $469.6 million in cash , and repaid the full amount of indebtedness under the Promissory Note. The total purchase price of the acquisition, net of amounts issued or paid to wholly owned subsidiaries of the Company (including FNC), was approximately $3,815.9 million and consisted of the following:

<TABLE>
<CAPTION>

	(MILLIONS)
<S>	<C>
Cash payments, including exercise of the Prudential Option and transaction costs.....	$ 830.4
Assumption of merger-related liabilities.....	192.5
Issuance, reinstatement or assumption of debt.....	1,182.4
Issuance of 55.6 million shares of common stock.....	1,047.6
Issuance of warrants to purchase 18.0 million shares of common stock.....	118.4
Cost of the initial investment in the Prudential Claim, net of a $4.7 million cash distribution....	444.6
	$3,815.9

</TABLE>

The Macy's acquisition was accounted for under the purchase method and, accordingly, the results of operations of Macy's have been included in the Company's results of operations since the date of acquisition

and the purchase price has been allocated to Macy's assets and liabilities based on their estimated fair values at the date of acquisition. Based upon management's initial estimates, the excess of cost over net assets acquired is approximately $308.5 million (see Note 8).

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

<TABLE>
<CAPTION>

	52 WEEKS ENDED JANUARY 28, 1995	52 WEEKS ENDED JANUARY 29, 1994
	(MILLIONS, EXCEPT PER SHARE DATA)	
<S>	<C>	<C>
Net sales.....	$ 13,947.1	$ 13,445.7
Income (loss) before extraordinary items.....	81.7	(7.2)
Net income.....	71.1	174.6*
Earnings per share.....	$ .39	$ .96*

<FN>
* Includes a favorable cumulative effect adjustment of $185.3 million, or $1.02 per share, for the adoption of SFAS No. 109 by Macy's.
</FN>
</TABLE>

</TABLE>

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

<TABLE>
<S> <C>
(i) Interest expense on debt incurred to finance the acquisition, the reversal of Macy's historical interest expense and the reversal of the Company's historical interest expense on certain indebtedness redeemed in connection with the acquisition;
(ii) Amortization of deferred debt expense related to debt incurred to finance the acquisition;
(iii) Amortization, over 20 years, of the excess of cost over net assets acquired, and amortization, over 40 years, of tradenames acquired;
(iv) Depreciation and amortization adjustments related to fair market value of assets acquired; and
(v) Adjustments to income tax expense related to the above.
</TABLE>

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

On May 26, 1994, the Company purchased Joseph Horne Co., Inc. ("Horne's"), a department store retailer operating ten stores in Pittsburgh and Erie, Pennsylvania for approximately $116.0 million, including the assumption of $40.0 million of mortgage debt and transaction costs. The acquisition was accounted for under the purchase method of accounting and the purchase price approximated the estimated fair value of the assets and liabilities acquired. Results of operations for the stores acquired are included in the Consolidated Financial Statements from the date of acquisition. Pro forma financial results have not been presented for this acquisition since it did not significantly affect the results of operations of the Company.

3. BUSINESS INTEGRATION AND CONSOLIDATION EXPENSES

Business integration and consolidation expenses represent the costs associated with the integration of the Horne's and Macy's businesses with the Company's other businesses and the consolidation of the operations of certain of the Company's retail operating divisions.

The Company recorded a $45.8 million charge in the 52 weeks ended January 28, 1995 for the integration of Macy's into the Company, including the consolidation of the Macy's East division with the Company's Abraham & Straus/Jordan Marsh division and the consolidation of central merchandising divisions. The major components of the charge include $13.0 million in severance expenses for Abraham & Straus/Jordan Marsh employees, $12.3 million in penalties associated with terminating certain merchandise purchasing agreements and $14.1 million of losses incurred on stores closed and property writedowns related to stores sold as a result of the Macy's acquisition.

The Company recorded a $27.0 million charge in the 52 weeks ended January 28, 1995 for the integration of the ten Horne's department stores and related facilities and merchandising and operating functions into the Company. The $27.0 million charge includes $12.1 million for the costs of operating the Horne's central office during a transitional period and the incremental costs associated with converting the Horne's stores to Lazarus stores (including advertising, credit card issuance and promotion, data processing conversion and other name change expenses). The remainder of the charge relates to inventory valuation adjustments of Horne's merchandise in lines which the Company, subsequent to the acquisition, eliminated or replaced with Lazarus merchandise lines.

Finally, as a result of the consolidation of the Company's Rich's/Goldsmith's and Lazarus divisions, which was announced on January 20, 1995, a $13.1 million charge was recorded for severance related to the elimination of duplicative positions.

4. EXTRAORDINARY ITEMS

The extraordinary item for the 52 weeks ended January 29, 1994 represents costs of $3.5 million, net of income tax benefit of $2.3 million, associated with the prepayment of the entire $355.0 million outstanding principal amount of the Company's Series B Secured Notes.

On December 15, 1992, Prime Receivables Corporation ("Prime"), an indirect wholly owned special-purpose financing subsidiary of the Company, completed the public offering of $981.0 million ($979.1 million discounted amount) of asset-backed debt securities. In connection with the offerings, the Company's former receivables financing facilities were terminated. During the 52 weeks ended January 30, 1993, the Company recorded an extraordinary item of $6.1 million, net of income tax benefit of $3.9 million, resulting primarily from the non-cash write-off of accrued financing costs associated with the prepayment of the receivables facilities.

On May 28, 1992, the Company completed a public offering of 46.0 million shares of Common Stock. The net proceeds from the stock offering of $502.0 million and cash on hand were applied to the prepayment or redemption of a total of $950.0 million of long-term debt. During the 52 weeks ended January 30, 1993, the Company recorded an extraordinary item of $13.6 million, net of income tax benefit of $8.8 million, resulting primarily from the non-cash write-off of accrued financing costs associated with the debt prepayments.

5. ACCOUNTS RECEIVABLE

<TABLE>
<CAPTION>

	JANUARY 28, 1995	JANUARY 29, 1994
	(MILLIONS)	
<S>	<C>	<C>
Due from customers	$ 2,087.9	$1,702.2
Less allowance for doubtful accounts	44.9	36.9
	2,043.0	1,665.3
Other receivables	222.7	93.6
Net receivables	$ 2,265.7	$1,758.9

</TABLE>

Sales through the Company's credit plans were $3,916.9 million, $3,743.1 million and $3,575.2 million for the 52 weeks ended January 28, 1995, January 29, 1994 and January 30, 1993, respectively. The credit plans relating to operations of the Company that were previously conducted through divisions of Macy's are owned by a third party.

Finance charge income amounted to $320.3 million, $243.6 million and $225.1 million for the 52 weeks ended January 28, 1995, January 29, 1994 and January 30, 1993, respectively.

Changes in allowance for doubtful accounts are as follows:

<TABLE>
<CAPTION>

	JANUARY 28, 1995	JANUARY 29, 1994	JANUARY 30, 1993
	(MILLIONS)		
<S>	<C>	<C>	<C>
Balance, beginning of year	$ 36.9	$ 45.3	$ 59.2
Charged to costs and expenses	66.5	50.3	52.0
Net uncollectible balances written off	(58.5)	(58.7)	(65.9)

Balance, end of year.....	$ 44.9	$ 36.9	$ 45.3

</TABLE>

6. INVENTORIES

Merchandise inventories were $2,380.6 million at January 28, 1995, compared to $1,180.8 million at January 29, 1994. At January 28, 1995, the cost of inventories using the LIFO method approximated the cost of such inventories using the first-in, first-out method. Inventories were $11.3 million lower at January 29, 1994 than they would have been had the retail method been applied using the first-in, first-out method. The application of the LIFO method resulted in a pre-tax credit of $11.3 million for the 52 weeks ended January 28, 1995 and a pre-tax charge of $2.8 million for the 52 weeks ended January 29, 1994.

7. PROPERTIES AND LEASES

<TABLE>
<CAPTION>

	JANUARY 28, 1995	JANUARY 29, 1994
	(MILLIONS)	
<S>	<C>	<C>
Land.....	$ 888.6	$ 446.0
Buildings on owned land.....	2,162.2	899.8
Buildings on leased land and leasehold improvements.....	1,055.7	549.4
Store fixtures and equipment.....	1,765.9	996.4
Property not used in operations.....	6.5	6.6
Leased properties under capitalized leases.....	62.6	49.0
	5,941.5	2,947.2
Less accumulated depreciation and amortization.....	591.6	370.3
	$ 5,349.9	$2,576.9

</TABLE>

Buildings on leased land and leasehold improvements includes approximately $176.4 million at January 28, 1995 and $160.8 million at January 29, 1994 of intangible assets relating to favorable leases which are being amortized over the related lease terms.

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.

Minimum rental commitments (excluding executory costs) at January 28, 1995, for noncancellable leases are:

<TABLE>
<CAPTION>

	CAPITAL LEASES	OPERATING LEASES	TOTAL
	(MILLIONS)		
<S>	<C>	<C>	<C>
Fiscal year:			
1995.....	$ 11.2	$ 158.2	$ 169.4

1996	11.0	151.2	162.2
1997	10.9	132.8	143.7
1998	10.6	114.4	125.0
1999	10.0	105.7	115.7
After 1999	94.9	1,000.8	1,095.7
Total minimum lease payments	148.6	$ 1,663.1	$ 1,811.7
Less amount representing interest	77.1		
Present value of net minimum capital lease payments	$ 71.5		

</TABLE>

Capitalized leases are included in the Consolidated Balance Sheets as property and equipment while the related obligation is included in short-term ($4.0 million) and long-term ($67.5 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 $8.9 million on capital leases and $17.2 million on operating leases.

Rental expense consists of:

<TABLE>
<CAPTION>

	52 WEEKS ENDED JANUARY 28, 1995	52 WEEKS ENDED JANUARY 29, 1994	52 WEEKS ENDED JANUARY 30, 1993
	(MILLIONS)		
<S>	<C>	<C>	<C>
Real estate (excluding executory costs)			
Capital leases --			
Contingent rentals	$ 3.3	$ 3.4	$ 3.5
Operating leases --			
Minimum rentals	78.9	68.5	63.6
Contingent rentals	10.4	8.7	8.5
	92.6	80.6	75.6
Less income from subleases --			
Capital leases	0.6	0.8	0.8
Operating leases	0.9	1.2	6.1
	1.5	2.0	6.9
	$ 91.1	$ 78.6	$ 68.7
Personal property --			
Operating leases	$ 37.4	$ 38.1	$ 36.4

</TABLE>

8. INTANGIBLE ASSETS

<TABLE>
<CAPTION>

	52 WEEKS ENDED JANUARY 28, 1995	52 WEEKS ENDED JANUARY 29, 1994
	(MILLIONS)	
<S>	<C>	<C>
Reorganization value in excess of amount allocable to identifiable assets	$ 300.2	$ 375.2
Excess of cost over net assets acquired --		

Macy's	308.5	--
Tradenames -- Macy's	458.0	--
	1,066.7	375.2
Less accumulated amortization	60.2	37.5
Intangible assets -- net	$1,006.5	$ 337.7

Intangible assets are being amortized on a straight-line basis over 20 years, except for tradenames which are being amortized over 40 years. During the 52 weeks ended January 28, 1995, the Company recorded $75.0 million of tax benefits as a reduction of reorganization value in excess of amounts allocable to identifiable assets (see Note 12).

9. NOTES RECEIVABLE

	JANUARY 28, 1995	JANUARY 29, 1994
	(MILLIONS)	
9 1/2% note relating to the sale of certain divisions in 1988 and maturing in two equal installments on May 3, 1997 and May 3, 1998	$ 400.0	$ 400.0
Other	8.1	8.8
	$ 408.1	$ 408.8

The $400.0 million note, which is supported by a letter of credit, was transferred to a grantor trust which borrowed $352.0 million under a note monetization facility and transferred such proceeds to the Company (see Note 10).

10. FINANCING

	JANUARY 28, 1995	JANUARY 29, 1994
	(MILLIONS)	
Short-term debt:		
Bank credit facility	$ 25.0	$ --
Receivables backed commercial paper	274.9	--
Current portion of long-term debt	163.1	10.1
Total short-term debt	$ 463.0	$ 10.1
Long-term debt:		
Bank credit facility	$ 1,700.0	$ --
Receivables backed certificates	1,056.8	979.5
Senior notes	450.0	--
Mortgages	415.1	345.1
Senior convertible discount notes	306.6	289.0
Tax notes	177.4	32.0
Note monetization facility	352.0	352.0
Promissory note	--	340.0
Series A secured notes	--	289.2
Subsidiary trade obligations	--	101.5
Capitalized leases	67.5	53.8

Other	3.8	4.6
Total long-term debt	$ 4,529.2	$2,786.7

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

Interest and financing costs were as follows:

	52 WEEKS ENDED JANUARY 28, 1995	52 WEEKS ENDED JANUARY 29, 1994	52 WEEKS ENDED JANUARY 30, 1993
	(MILLIONS)		
Interest on debt	$244.9	$197.5	$232.0
Amortization of financing costs	11.5	10.2	21.0
Interest on capitalized leases	6.2	6.0	5.3
Subtotal	262.6	213.7	258.3
Less:			
Interest capitalized on construction	(0.5)	(0.2)	(0.1)
Interest income	(43.9)	(49.4)	(60.3)
	$218.2	$164.1	$197.9

Future maturities of long-term debt, other than capitalized leases and including unamortized original issue discount of $2.0 million, are shown below:

	(MILLIONS)
Fiscal year:	
1996	$ 155.3
1997	903.7
1998	467.9
1999	913.9
2000	973.2
After 2000	1,049.7

On December 19, 1994, the Company entered into a $2,800.0 million bank credit facility (the "Bank Credit Facility") providing for up to $800.0 million of term borrowings and up to $2,000.0 million of revolving credit loans. Utilizing the Bank Credit Facility and cash on hand, the Company paid off its previous working capital facility, which was scheduled to expire on April 3, 1995, exercised its option to acquire the remainder of the Prudential Claim for $469.6 million, repaid all indebtedness under a $340.0 million promissory note and the $280.7 million Series A secured notes and made certain cash payments in connection with the acquisition of Macy's.

In connection with the acquisition of Macy's, the Company issued $953.5 million of notes. On January 27, 1995, the Company issued $450.0 million of 10% Senior Notes due 2001 and utilized the proceeds thereof, together with borrowings under the Bank Credit Facility and the proceeds from the sale of $77.0 million of receivables backed certificates, to prepay the $953.5 million of notes in their entirety.

The following summarizes certain provisions of the Company's long-term debt:

BANK CREDIT FACILITY

The Bank Credit Facility consists of a $2,000.0 million revolving credit

facility (the "Revolving Loan Facility") and an $800.0 million term loan facility (the "Term Loan Facility").

The Revolving Loan Facility provides for revolving credit loans ("Revolving Loans" and, together with the loans under the Term Loan Facility, the "Loans") of up to $2,000.0 million, of which an aggregate of $1,100.0 million is available for seasonal working capital purposes (including a letter of credit subfacility). For 30 consecutive calendar days during the period from December 1 to March 1, commencing December 1, 1995, total borrowings plus the aggregate stated amounts of stand-by letters of credit under the Revolving Loan Facility may not exceed $1,000.0 million ($1,100 million in the case of the period from December 1, 1995 to March 1, 1996). The Company's ability to effect borrowings under the Revolving Loan Facility is not subject to any borrowing base requirements or limitations. The Revolving Loan Facility matures on March 31, 2000, with the Revolving Loans then outstanding to be repaid in full on such date.

The Term Loan Facility matures on January 29, 2000 and does not require any amortization of principal prior to May 4, 1996. Commencing on May 4, 1996, the Company is required to make quarterly amortization payments totaling, on an annual basis: $100.0 million in the first year thereafter; $150.0 million in the second year thereafter; $200.0 million in the third year thereafter; and $350.0 million in the fourth year thereafter. The Company is permitted by the terms of the Credit Agreement to make voluntary prepayments of amounts outstanding under the Term Loan Facility at any time without penalty or premium. Until such time as the Company has obtained an investment grade rating with respect to its long-term senior unsecured debt, repayments of certain amounts outstanding under the Term Loan Facility are required upon the occurrence of certain events.

Loans under the Bank Credit Facility (other than "competitive bid loans," if any) bear interest at a rate equal to, at the Company's option, (i) the administrative agent's Base Rate (as defined in the bank credit agreement) in effect from time to time or (ii) the administrative agent's Eurodollar rate (adjusted for reserves) plus 1.0% subject to adjustment based on the Company's long-term debt rating and interest coverage ratio. The Company is able to borrow up to $1,000.0 million under the Revolving Loan Facility in competitive bid loans at either fixed rates or Eurodollar-based rates as bid by the lenders in the Revolving Loan Facility. The Company pays a commitment fee of 0.25% per annum, subject to adjustment, on the unused portion of the Revolving Loan Facility.

The Company has purchased interest rate caps covering an aggregate notional amount of $1,400.0 million for a period of three years from December 15, 1994. Pursuant to such caps, the Eurodollar rate with reference to which interest on $500.0 million of the Company's variable rate indebtedness is determined is effectively limited to a maximum rate of 8% per annum throughout such three-year period and the Eurodollar rate with reference to which interest on $900.0 million of the Company's variable rate indebtedness is determined is effectively limited to a maximum rate of 7% per annum in the first year of such three-year period, 8% per annum in the second year of such three-year period and 9% per annum thereafter.

RECEIVABLES BACKED CERTIFICATES

On December 15, 1992, Prime issued $981.0 million ($979.1 million discounted amount) of asset-backed certificates in four separate classes to finance its purchases of revolving consumer credit card receivables generated by the Company's department store operations (other than operations previously conducted by divisions of Macy's). The four classes of certificates are: (i) $450.0 million in aggregate principal amount of 7.05% Class A-1 Asset-Backed Certificates, Series 1992-1 due December 15, 1997; (ii) $450.0 million in

aggregate principal amount of 7.45% Class A-2 Asset-Backed Certificates, Series 1992-2 due December 15, 1999; (iii) $40.5 million in aggregate principal amount of 7.55% Class B-1 Asset-Backed Certificates, Series 1992-1 due January 15, 1998; and (iv) $40.5 million in aggregate principal amount of 7.95% Class B-2 Asset-Backed Certificates, Series 1992-2 due January 18, 2000. On January 20, 1995 Prime entered into an agreement pursuant to which it effectively sold an additional $77.0 million of asset-backed certificates to a third party, with such certificates bearing interest at the purchaser's commercial paper rate plus 0.9% and maturing as to $38.5 million in 1998 and $38.5 million in 2000. The certificates represent undivided interests in the assets of a master trust originated by Prime.

RECEIVABLES BACKED COMMERCIAL PAPER

On January 5, 1993, an indirect wholly owned special purpose financing subsidiary of the Company entered into a liquidity facility with a syndicate of banks providing for the issuance of up to $375.0 million of receivables backed commercial paper. Borrowings under the liquidity facility are secured by an interest in the master trust originated by Prime and are subject to interest rate caps effectively limiting the rate of interest thereon to 10% per annum. As of January 28, 1995 there was $274.9 million of such commercial paper outstanding and at January 29, 1994 there was no such commercial paper outstanding.

SENIOR NOTES

The Senior Notes were issued by the Company on January 27, 1995. The Senior Notes are unsecured obligations of the Company which mature on February 15, 2001 and bear interest at 10% per annum from January 27, 1995, payable semiannually on February 15 and August 15, of each year, commencing on August 15, 1995. The Senior Notes are not redeemable at the option of the Company prior to maturity and are not subject to a sinking fund.

MORTGAGES

Certain of the Company's real estate subsidiaries are parties to a mortgage loan facility providing for secured borrowings. Borrowings under the facility will mature in 2002 and bear interest at 9.99% per annum. Borrowings under the facility are secured by liens on certain real property. As of January 28, 1995 and January 29, 1994, there was $345.1 million outstanding under the mortgage loan facility. In addition, in connection with the acquisitions of Horne's and Macy's in 1994, the Company assumed mortgage debt of $40.0 million and $32.6 million, respectively.

THE SENIOR CONVERTIBLE DISCOUNT NOTES

The Convertible Notes are unsecured obligations of the Company which mature on February 15, 2004 and bear interest at the rate of 9.72% per annum from February 15, 1995, payable semiannually on February 15 and August 15 of each year, commencing August 15, 1995. Prior to February 15, 1995, the Convertible Notes accreted original issue discount at the rate of 6.0% per annum.

At any time at the option of a holder of Convertible Notes, such holder will have the right to convert the principal of any such holder's Convertible Notes into fully-paid and non-assessable shares of Common Stock at the rate of 27.86 shares of Common Stock for each $1,000 stated principal amount of Convertible Notes,

provided that such conversion rate will be appropriately adjusted in order to prevent dilution of such conversion rights in the event of certain changes in or events affecting the Common Stock and certain consolidations, mergers, sales, leases, transfers, or other dispositions to which the Company is a party. In addition, if at any time the closing per share price of the Common Stock is $42.00 or more for 20 consecutive trading days, or if the aggregate outstanding stated principal amount of the Convertible Notes is $12.5 million or less, the Company may require the conversion of all outstanding Convertible Notes into

Common Stock.

On each of February 15, 2002 and 2003, the Company will pay an amount equal to 33.3% of the aggregate stated principal amount of the Convertible Notes initially outstanding, and will pay any remaining balance on February 15, 2004, in each case together with accrued interest to the date of payment. In addition, subject to the limitations contained in certain other debt instruments to which the Company is a party, at any time on or after February 15, 1995, the Company may make optional prepayments or redemptions of the Convertible Notes in whole or part. All such prepayments will be made at 100% of the stated principal amount so prepaid or redeemed, together with interest accrued to the date of prepayment or redemption.

TAX NOTES

The Tax Notes represent agreements with taxing authorities with respect to claims to be paid over varying periods of time up to six years, with unpaid balances bearing interest at rates ranging from 8.0% to 9.35% per annum.

NOTE MONETIZATION FACILITY

On May 3, 1988, the Company sold certain divisions for consideration which included a $400.0 million promissory note. The Company subsequently transferred the note to a grantor trust of which it is the beneficiary. The trust borrowed $352.0 million under a note monetization facility, using the note as collateral, and distributed the proceeds of such borrowing to the Company. The borrowing under the note monetization facility matures in two equal installments on May 3, 1997 and 1998, and bears interest at a variable interest rate based on LIBOR, subject to certain adjustments. An interest rate swap agreement was entered into for the note monetization facility which, in effect, converted the variable interest rate to a fixed rate of 10.344%. The Company is not an obligor on the borrowing under the note monetization facility or the interest rate swap agreement, and the lender's recourse thereunder is limited to the trust's assets and the Company's interest in the trust.

SUBSIDIARY TRADE OBLIGATIONS

As of January 28, 1995, the subsidiary trade obligations, relating to the Company's reorganization proceedings, were included in short-term debt on the Consolidated Balance Sheet. Such obligations were thereafter paid in full on February 6, 1995.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

<TABLE>
<CAPTION>

	JANUARY 28, 1995	JANUARY 29, 1994
	(MILLIONS)	
<S>	<C>	<C>
Merchandise and expense accounts payable.....	$ 1,299.2	$ 833.4
Business integration and consolidation expenses.....	57.8	--
Merger related liabilities.....	173.1	--
Taxes other than income taxes.....	123.3	52.5
Accrued wages and vacation.....	81.2	50.3
Accrued interest.....	29.3	25.3
Other.....	419.8	248.2
	$ 2,183.7	$ 1,209.7

</TABLE>

Included in the liability for business integration and consolidation expenses at January 28, 1995 is $26.1 million of accrued severance related to approximately 750 employees of the Abraham & Straus/Jordan Marsh,

Rich's/Goldsmith's and Lazarus divisions (see Note 3).

12. TAXES

Total income taxes were allocated as follows:

<TABLE>
<CAPTION>

	52 WEEKS ENDED JANUARY 28, 1995	52 WEEKS ENDED JANUARY 29, 1994	52 WEEKS ENDED JANUARY 30, 1993
		(MILLIONS)	
<S>	<C>	<C>	<C>
Income from operations	$143.7	$171.0	$ 99.3
Extraordinary items	--	(2.3)	(12.7)
Total income taxes	$143.7	$168.7	$ 86.6

</TABLE>

Income tax expense attributable to income from operations is as follows:

<TABLE>
<CAPTION>

	52 WEEKS ENDED JANUARY 28, 1995			52 WEEKS ENDED JANUARY 29, 1994			52 WEEKS ENDED JANUARY 30, 1993		
	CURRENT	DEFERRED	TOTAL	CURRENT	DEFERRED	TOTAL	CURRENT	DEFERRED	TOTAL
					(MILLIONS)				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Federal	$ 82.0	$ 31.4	$113.4	$127.9	$ 10.4	$138.3	$64.4	$ 14.2	$ 78.6
State and local	21.2	9.1	30.3	33.6	(0.9)	32.7	16.1	4.6	20.7
	$103.2	$ 40.5	$143.7	$161.5	$ 9.5	$171.0	$80.5	$ 18.8	$ 99.3

</TABLE>

The income tax expense attributable to income from operations reported differs from the expected tax computed by applying the federal income tax statutory rate of 35% for the 52 weeks ended January 28, 1995 and January 29, 1994 and 34% for the 52 weeks ended January 30, 1993 to income before income taxes and extraordinary items. The reasons for this difference and their tax effects are as follows:

<TABLE>
<CAPTION>

	52 WEEKS ENDED JANUARY 28, 1995	52 WEEKS ENDED JANUARY 29, 1994	52 WEEKS ENDED JANUARY 30, 1993
		(MILLIONS)	
<S>	<C>	<C>	<C>
Expected tax	$115.9	$128.7	$ 78.9
State and local income taxes, net of federal income tax expense	19.7	21.2	13.7
Permanent difference arising from amortization of intangible assets	7.9	6.6	6.4
Effect of federal tax rate change on deferred income taxes	--	14.2	--
Other	0.2	0.3	0.3
	$143.7	$171.0	$ 99.3

</TABLE>

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

<TABLE>
<CAPTION>

	JANUARY 28, 1995	JANUARY 29, 1994
	(MILLIONS)	
<S>	<C>	<C>
Deferred tax assets:		
Operating loss carryforwards	$ 378.3	$ --
Accrued liabilities accounted for on a cash basis for tax purposes	174.6	130.1
Postretirement benefits other than pensions	180.8	78.4
Capital lease debt	28.6	22.7
Allowance for doubtful accounts	18.1	14.8
Alternative minimum tax credit carryforwards	37.3	21.0
Other	77.7	46.6
Total gross deferred tax assets	895.4	313.6
Less valuation allowance	(114.7)	--
Net deferred tax assets	780.7	313.6
Deferred tax liabilities:		
Excess of book basis over tax basis of property and equipment	(1,119.2)	(605.9)
Prepaid pension expense	(76.7)	(95.2)
Deferred gain from sale of divisions	(81.6)	(82.2)
Merchandise inventories	(98.6)	(68.1)
Effects of reorganization transactions	(136.4)	(167.8)
Other	(23.5)	(9.8)
Total gross deferred tax liabilities	(1,536.0)	(1,029.0)
Net deferred tax liability	$ (755.3)	$ (715.4)

</TABLE>

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and tax planning strategies in making this assessment. Because tax law limits the use of Macy's net operating loss carryforwards ("Macy's NOL's") to subsequent taxable income of the acquired enterprise in a consolidated tax return for the combined enterprise, management has recorded a valuation allowance of $114.7 million to reflect the estimated amount of deferred tax assets related to such Macy's NOL's which may not be realized. Subsequent adjustments, if any, to this valuation allowance related to Macy's NOL's will be recorded as reductions of excess of cost over value of net assets acquired.

As of January 28, 1995, the Company estimated that the Macy's NOL's were approximately $950.0 million which are available to offset future taxable income through 2009. The Company also had alternative minimum tax credit carryforwards of $37.3 million which are available to reduce future regular income taxes, if any, over an indefinite period.

In connection with the joint plan of reorganization of Federated Stores, Inc. ("FSI"), the former parent of the Company and certain of its subsidiaries, the FSI consolidated tax group (which, with respect to periods prior to February 4, 1992, included the Company and such subsidiaries) triggered certain gains (the "Gains") estimated at approximately $1,800.0 million. The Company believes that net operating and capital losses ("NOLs") sufficient to offset the Gains were available at the time the Gains were triggered and, accordingly, that the Company will have no regular federal income tax liability in respect thereof and that it has adequately provided for its estimated alternative minimum tax liability. Management does not expect that the resolution of issues related to the Gains will have a material adverse effect on the Company's financial position or results of operations. Further, the realization of any unrecorded tax benefits related to the NOLs generated prior to February 4, 1992 will be recorded as reductions of reorganization value in excess of amounts allocable to identifiable assets. During the year ended January 28, 1995, the Company recorded $75.0 million of tax benefits related to such NOLs and reduced reorganization value in excess of amounts allocable to identifiable assets accordingly.

In connection with their respective reorganization proceedings, the Internal Revenue Service ("IRS") audited the tax returns of the Company and certain of its subsidiaries and the FSI consolidated tax group for tax years 1984 through 1989 and asserted certain claims against the Company and such subsidiaries and other members of the FSI consolidated tax group. The issues raised by the IRS audit were resolved by agreement with the IRS except for two issues involving the use by the Company of an aggregate of $27.0 million of NOLs of an acquired company and the deductibility of approximately $176.3 million of so-called "break-up fees." These issues were litigated before the Bankruptcy Court for the Southern District of Ohio and resolved in favor of the Company; however, the IRS pursued appeals on both issues to the United States District Court for the Southern District of Ohio (the "Ohio District Court"), which affirmed the decision of the Bankruptcy Court on August 2, 1994. On September 30, 1994, the IRS filed a notice of appeal to the United States Court of Appeals for the Sixth Circuit with respect to the issue relating to "break-up fees" only, where such appeal is currently pending. Although there can be no assurance with respect thereto, management does not expect that the ultimate resolution of this issue will have a material adverse effect on the Company's financial position or results of operations.

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 the 52 weeks ended January 28, 1995, and the 52 weeks ended January 29, 1994, net retirement expense for these plans totaled $3.0 million and $2.7 million, respectively. For the 52 weeks ended January 30, 1993, net retirement income for these plans totaled $1.1 million. In connection with the acquisition of Macy's, the Company added a pension plan, a savings plan and a supplementary retirement plan. The pension plan and supplementary retirement plan are included in the projected actuarial present value of benefit obligations at December 31, 1994. The impact on pension income or expense for the 52 weeks ended January 28, 1995 was not material for any Macy retirement plan added.

Measurements 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. In addition, for such plans, the discount rates

used to determine the actuarial present value of projected benefit obligations ranged from 8.0% to 8.5% as of December 31, 1994 and was 7.0% as of December 31, 1993. The assumed rate of increase in future compensation levels ranged from 5.0% to 6.0% as of December 31, 1994 and was 5.0% as of December 31, 1993. The long-term rate of return on assets (Pension Plans only) ranged from 9.0% to 9.75% as of December 31, 1994 and was 9.75% as of December 31, 1993.

PENSION PLANS

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

<TABLE>
<CAPTION>

	52 WEEKS ENDED JANUARY 28, 1995	52 WEEKS ENDED JANUARY 29, 1994	52 WEEKS ENDED JANUARY 30, 1993
		(MILLIONS)	
<S>	<C>	<C>	<C>
Service cost	$ 19.9	$ 17.5	$ 16.8
Interest cost	39.9	39.0	36.9
Actual return on assets	5.1	(94.1)	(48.6)
Net amortization and deferrals	(73.7)	24.9	(19.6)
Cost of special termination benefits	--	7.8	--
	$ (8.8)	$ (4.9)	$(14.5)

</TABLE>

The following table sets forth the projected actuarial present value of benefit obligations and funded status at December 31, 1994 and 1993, for the Pension Plans:

<TABLE>
<CAPTION>

	DECEMBER 31, 1994	DECEMBER 31, 1993
	(MILLIONS)	
<S>	<C>	<C>
Accumulated benefit obligations	$ 888.5	$536.4
Less: Present value of net accumulated benefits available under a Savings Plan	30.9	43.5
Net accumulated benefit obligations, including vested benefits of $839.7 million and $478.7 million, respectively	857.6	492.9
Projected compensation increases	137.6	75.7
Projected benefit obligations	995.2	568.6
Plan assets (primarily stocks, bonds and U.S. government securities)	1,075.3	744.9
Unrecognized loss	127.6	52.9
Unrecognized prior service cost	1.9	8.9
	1,204.8	806.7
Prepaid pension expense	$ 209.6	$238.1

</TABLE>

The Company's policy is to fund the Pension Plans at or above the minimum required by law. At December 31, 1994 and 1993, the Company had met the full funding limitation. Plan assets are held by independent trustees.

In connection with a salary reduction program at one division, the Company provided, in 1993, $7.8 million of special termination benefits to eligible employees who elected to retire within a specified time period.

SUPPLEMENTARY RETIREMENT PLANS

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

<TABLE>
<CAPTION>

	52 WEEKS ENDED JANUARY 28, 1995	52 WEEKS ENDED JANUARY 29, 1994	52 WEEKS ENDED JANUARY 30, 1993
		(MILLIONS)	
<S>	<C>	<C>	<C>
Service cost	$ 0.8	$ 0.3	$ 0.3
Prior service cost	--	--	7.9
Interest cost on projected benefit obligations	1.7	1.2	0.6
Net amortization and deferral	1.0	(0.3)	(0.4)
	$ 3.5	$ 1.2	$ 8.4

</TABLE>

The following table sets forth the projected actuarial present value of unfunded benefit obligations at December 31, 1994 and 1993, for the supplementary retirement plans:

<TABLE>
<CAPTION>

	DECEMBER 31, 1994	DECEMBER 31, 1993
	(MILLIONS)	
<S>	<C>	<C>
Accumulated benefit obligations, including vested benefits of $20.7 million and $14.0 million, respectively	$ 21.1	$ 14.2
Projected compensation increases	19.7	3.5
Projected benefit obligations	40.8	17.7
Unrecognized gain	4.4	3.6
Unrecognized prior service cost	(7.6)	(1.1)
Accrued supplementary retirement obligation	$ 37.6	$ 20.2

</TABLE>

In December 1992, the Company reestablished a percentage of the benefits for former employees who had retired prior to January 15, 1990. This action increased the accumulated benefit obligation by $7.9 million at December 31, 1992, which was expensed as prior service cost in the 52 weeks ended January 30, 1993.

SAVINGS PLANS

The Savings Plans include a voluntary savings feature for eligible employees. For one plan, the Company's contribution is based on the Company's annual earnings and minimum Company contribution is

20% of employee's eligible savings. For the other plan, the Company's contribution is based on a percentage of employee savings. Savings expense amounted to $8.3 million for the 52 weeks ended January 28, 1995, $6.4 million for the 52 weeks ended January 29, 1994, and $5.0 million for the 52 weeks ended January 30, 1993.

DEFERRED COMPENSATION PLAN

During 1993, the Company implemented a deferred compensation plan wherein eligible executives may elect to defer a portion of their compensation each year as either stock or cash credits. The Company transfers shares to a trust to

cover the number it estimates will be needed for distribution of stock credits currently outstanding. At January 28, 1995 and January 29, 1994, the liability under the plan which is reflected in other liabilities is $3.9 million and $1.1 million, respectively. Expense for the 52 weeks ended January 28, 1995 and the 52 weeks ended January 29, 1994 was immaterial.

14. POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In addition to pension and other supplemental benefits, certain retired employees are currently 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 employees who retire after a certain age with specified years of service. Certain employees are either ineligible for such benefits or are subject to having such benefits modified or terminated. The postretirement benefit obligations related to persons previously employed by Macy's are included in the projected actuarial present value of benefit obligations at December 31, 1994. The impact on postretirement benefit expense for the 52 weeks ended January 28, 1995 was not material.

Net postretirement benefit expense included the following actuarially determined components:

<TABLE>
<CAPTION>

	52 WEEKS ENDED JANUARY 28, 1995	52 WEEKS ENDED JANUARY 29, 1994	52 WEEKS ENDED JANUARY 30, 1993
		(MILLIONS)	
<S>	<C>	<C>	<C>
Service cost	$ 0.7	$ 1.0	$ 3.5
Interest cost	9.1	9.7	15.1
Net amortization and deferral	(5.8)	(5.8)	--
	$ 4.0	$ 4.9	$ 18.6

</TABLE>

The measurement of the postretirement benefit obligations is calculated as of December 31. The following table sets forth the projected actuarial present value of unfunded postretirement benefit obligations at December 31, 1994 and 1993:

<TABLE>
<CAPTION>

	DECEMBER 31, 1994	DECEMBER 31, 1993
	(MILLIONS)	
<S>	<C>	<C>
Accumulated postretirement benefit obligation:		
Retirees	$ 246.6	$ 112.0
Fully eligible active plan participants	48.9	14.6
Other active plan participants	89.6	11.4
Accumulated postretirement benefit obligation	385.1	138.0
Unrecognized net gain	44.4	35.5
Unrecognized prior service cost	20.7	22.9
Accrued postretirement benefit obligation	$ 450.2	$ 196.4

</TABLE>

The discount rate used in determining the actuarial present value of unfunded postretirement benefit obligations ranged from 8.0% to 8.5% as of December 31, 1994 and was 7.0% as of December 31, 1993.

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. For purposes of determining the present values of unfunded postretirement benefit obligations, the annual growth rate in the per capita cost of various components of such medical benefit obligations was assumed to range from 11.5% to 19.0% in the first year, and to decrease gradually for each such component to 6.0% in the twelfth year and to remain at that level thereafter. The foregoing growth rate assumption has a significant effect on such determination. To illustrate, increasing such assumed growth rates by one percentage point would increase the present value of unfunded postretirement benefit obligations as of December 31, 1994 by $35.1 million.

15. EQUITY PLAN

The Company has implemented 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 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.

Stock option transactions are as follows:

<TABLE>
<CAPTION>

(SHARES IN THOUSANDS)	52 WEEKS ENDED JANUARY 28, 1995 SHARES	GRANT PRICE	52 WEEKS ENDED JANUARY 29, 1994 SHARES	GRANT PRICE
<S>	<C>	<C>	<C>	<C>
Outstanding, beginning of year.....	3,038.5	$11.625-25.000	1,828.5	$11.625-18.375
Granted.....	3,597.4	18.625-23.625	1,575.3	19.375-25.000
Canceled.....	(218.2)	11.625-23.625	(268.2)	15.625-20.875
Exercised.....	(266.2)	11.625-20.875	(97.1)	11.625-16.875
Outstanding, end of year.....	6,151.5	$11.625-25.000	3,038.5	$11.625-25.000
Exercisable, end of year.....	1,904.1	$11.625-25.000	814.1	$11.625-20.875

</TABLE>

As of January 28, 1995, 1,966,700 shares of Common Stock were available for additional grants pursuant to the Company's former equity plan, of which 331,400 shares were available for grants in the form of restricted stock. In the year ended January 28, 1995, 418,000 shares of Common Stock were granted in the form of restricted stock. Effective February 15, 1995, the Company's former equity plan was terminated and a total of 11,966,700 shares of Common Stock (including 331,400 shares available for grants as restricted stock) became available for issuance under the Company's current 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 212.2 million shares of Common Stock issued and 182.6 million shares of Common Stock outstanding at January 28, 1995. 126.3 million and 126.0 million shares of Common Stock were issued and outstanding at January 29, 1994 and January 30, 1993, respectively.

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 out of funds legally available therefor. However, it is not presently anticipated that dividends will be paid on Common Stock in the foreseeable future and certain of the debt instruments to which the Company is a party restrict the payment of dividends.

PREFERRED SHARE PURCHASE RIGHTS

Each share of Common Stock is accompanied by one right (a "Right") issued pursuant to the Share Purchase Rights Agreement between the Company and The Bank of New York, as Rights Agent. Each Right entitles the registered holder thereof to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock, par value $.01 per share (the "Series A Preferred Shares"), of the Company at a price (the "Purchase Price") of $62.50 per one one-hundredth of a Series A Preferred Share (subject to adjustment).

In general, the Rights will not become exercisable or transferable apart from the shares of Common Stock with which they were issued unless a person or group of affiliated or associated persons becomes the beneficial owner of, or commences a tender offer that would result in beneficial ownership of, 20% or more of the outstanding shares of Common Stock (any such person or group of persons being referred to as an "Acquiring Person"). Thereafter, under certain circumstances, each Right (other than any Rights that are or were beneficially owned by an Acquiring Person, which Rights will be void) could become exercisable to purchase at the Purchase Price a number of shares of Common Stock having a market value equal to two times the Purchase Price. The Rights will expire on February 4, 2002, unless earlier redeemed by the Company at a redemption price of $.03 per Right (subject to adjustment).

FUTURE STOCK ISSUANCES

The Company is authorized to issue 8.6 million shares of Common Stock (subject to adjustment) upon the conversion of the Convertible Notes, 5.2 million shares of Common Stock (subject to adjustment) upon the exercise of the Series A Warrants and Series B Warrants and 18.0 million shares of Common Stock (subject to adjustment) upon the exercise of the Series C Warrants and Series D Warrants. The warrants have the following terms:

<TABLE>
<CAPTION>

	SHARES PER WARRANT	EXERCISE PRICE	EXPIRATION DATE
<S>	<C>	<C>	<C>
Series A.....	1.047	$25.00	2/15/96
Series B.....	1.047	35.00	2/15/00
Series C.....	1.000	25.93	12/19/99
Series D.....	1.000	29.92	12/19/01

</TABLE>

Shareholders' Equity consists of the following:

<TABLE>
<CAPTION>

	52 WEEKS ENDED JANUARY 28, 1995	52 WEEKS ENDED JANUARY 29, 1994	52 WEEKS ENDED JANUARY 30, 1993

		(MILLIONS)	
<S>	<C>	<C>	<C>
Preferred stock.....	$ --	$ --	$ --
Common stock:			
Balance, beginning of year.....	1.3	1.3	0.8
Issuance of common stock.....	0.8	--	0.5
Balance, end of year.....	2.1	1.3	1.3
Additional paid-in capital:			
Balance, beginning of year.....	1,975.7	1,968.0	1,453.3
Issuance of common stock.....	1,617.7	7.7	514.7
Issuance of warrants.....	118.4	--	--
Cancellation of treasury stock.....	(0.5)	--	--
Balance, end of year.....	3,711.3	1,975.7	1,968.0
Unearned restricted stock:			
Balance, beginning of year.....	(4.1)	(7.3)	--
Cancellation (issuance) of common stock.....	(7.1)	0.1	(13.1)
Amortization.....	2.7	3.1	5.8
Balance, end of year.....	(8.5)	(4.1)	(7.3)
Treasury stock:			
Balance, beginning of year.....	(0.9)	--	--
Additions.....	(558.7)	(0.9)	--
Cancellations.....	0.5	--	--
Balance, end of year.....	(559.1)	(0.9)	--
Accumulated equity:			
Balance, beginning of year.....	306.2	113.0	--
Net income.....	187.6	193.2	113.0
Balance, end of year.....	493.8	306.2	113.0
Total shareholders' equity.....	$3,639.6	$2,278.2	$2,075.0

</TABLE>

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

<TABLE>
<CAPTION>

	52 WEEKS ENDED JANUARY 28, 1995	52 WEEKS ENDED JANUARY 29, 1994
	(THOUSANDS)	
<S>	<C>	<C>
Balance, beginning of year.....	40.6	--
Additions:		
Acquisition of Macy's.....	29,474.2	--
Restricted stock.....	15.7	8.5
Deferred compensation plan.....	98.4	32.1
Cancellations.....	(24.2)	--
Balance, end of year.....	29,604.7	40.6

</TABLE>

In connection with the acquisition of Macy's, 29.5 million shares were issued to wholly owned subsidiaries of the Company and are reflected as treasury shares in the Consolidated Financial Statements. Additions to treasury stock for restricted stock represent shares accepted in lieu of cash to cover employee tax

liability upon lapse of restrictions. Under the deferred compensation plan, shares are maintained in a trust to cover the number estimated to be needed for distribution of stock credits currently outstanding.

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 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 bad debt expense can be reasonably estimated and has been reserved for against the receivable balance.

Notes receivable

The fair value of notes receivable is estimated using discounted cash flow analysis, based on estimated market discount rates.

Other assets

As of January 28, 1995, the Company's long-term investment consisted of its ownership of approximately 6.58% of the common stock of Ralphs Grocery Company ("Ralphs"), the fair value of which was estimated as of such date based on the terms of the pending sale thereof. As of January 29, 1994, no quoted market prices existed for the Company's long-term investments (which then included the Company's initial investment in the Prudential Claim) and, therefore, a reasonable estimate of fair value could not be made without incurring excessive costs. Additional information pertinent to the value of the investments is provided below.

Long-term debt

The fair values of the Company's long-term debt 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.

Interest rate swap agreement

The fair value of the interest rate swap agreement is obtained from dealer quotes. The value represents the estimated amount the Company would pay to terminate the agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The interest rate swap agreement pertains to the note monetization facility and, although currently in a net payable position, management intends to hold the agreement to its maturity date.

Interest rate cap agreements

The fair values of the interest rate cap agreements are estimated based on current settlement prices of comparable contracts obtained from dealer quotes.

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

<TABLE>
<CAPTION>

	JANUARY 28, 1995	JANUARY 29, 1994

	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
		(MILLIONS)		
Cash and short-term investments.....	$ 207.4	$ 207.4	$ 222.4	$ 222.4
Notes receivable.....	408.1	406.1	408.8	459.7
Other assets.....	43.0	52.4	475.2	N/A
Long-term debt.....	4,499.7	4,518.5	2,732.9	2,843.1
Interest rate swap agreement.....	--	(20.5)	--	(63.3)
Interest rate cap agreements.....	24.0	19.5	6.7	--

The estimated fair values and related unrecognized loss of the Company's interest rate swap and cap agreements are as follows:

			JANUARY 28, 1995			JANUARY 29, 1994		
NOTIONAL AMOUNT	RATE	TERM	CARRYING VALUE	FAIR VALUE	UNRECOGNIZED GAIN (LOSS)	CARRYING VALUE	FAIR VALUE	UNRECOGNIZED GAIN (LOSS)
				(MILLIONS)				
Interest Rate Caps:								
$ 500.0	8%	12/15/94 to 12/15/97	$ 7.3	$ 6.1	$ (2.1)	$ --	$ --	$ --
$ 900.0	7%	12/15/94 to 12/15/95						
	8%	12/15/95 to 12/15/96						
	9%	12/15/96 to 12/15/97	11.9	10.3	(1.6)	--	--	--
$ 375.0	10%	2/3/95 to 1/3/01	4.5	2.7	(1.8)	3.9	--	(3.9)
$ 38.5	11%	1/20/95 to 3/15/98	0.1	0.1	--	--	--	--
$ 38.5	11%	1/20/95 to 3/15/00	0.2	0.3	0.1	--	--	--
$1,000.0	7%	2/3/94 to 2/3/95	--	--	--	2.8	--	(2.8)
Interest Rate Swap:								
$ 352.0	10.344%	$176.0 to 5/3/97 and $176.0 to 5/3/98	--	(20.5)	(20.5)	--	(63.3)	(63.3)

The interest rate cap agreements in effect at January 28, 1995 are used to hedge interest rate risk related to variable rate indebtedness under the Company's bank credit facility and receivable backed commercial paper program. These interest rate cap agreements are recorded at cost and are amortized on a straight-line basis over the life of the cap. The $1,000.0 million interest rate cap agreement in effect at January 29, 1994 related to variable rate indebtedness of the Company which was thereafter retired.

The interest rate swap agreement described in the foregoing table relates to a note monetization facility, which bears interest based on LIBOR, subject to certain adjustments. The interest rate swap agreement converts this variable rate debt (LIBOR plus 0.40%) to a fixed rate of 10.344%. The trust that is the borrower under the note monetization facility receives fixed-rate interest on the promissory note constituting such trust's principal asset.

The fair value of the Company's investment in Ralph's is based on the pending sale thereof in exchange for $24.7 million in cash and $9.9 million in debentures, for a total of $34.6 million. The investment is carried at cost of $25.2 million and $25.9 million in the Consolidated Balance Sheets at January 28, 1995 and January 29, 1994, respectively. The Company's initial investment in the Prudential Claim was carried at its original cost of $449.3 million in the Consolidated Balance Sheet at January 29, 1994.

Commitments to extend credit under revolving agreements relate primarily to the aggregate unused credit limits and unused lines of credit for the Company's credit plans. These commitments generally can be terminated at the option of the Company. It is unlikely the total commitment amount will represent future cash requirements. The Company evaluates each customer's creditworthiness on a

case-by-case basis.

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and trade receivables. The Company places its temporary cash

investments in what it believes to be high credit quality financial instruments. Credit risk with respect to trade receivables is concentrated in the geographic regions in which the Company operates stores. Such concentrations, however, are considered to be limited due to the Company's large number of customers and their dispersion across many regions.

18. QUARTERLY RESULTS (UNAUDITED)

Unaudited quarterly results for the 52 weeks ended January 28, 1995 and the 52 weeks ended January 29, 1994, were as follows:

<TABLE>
<CAPTION>

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
	(MILLIONS, EXCEPT PER SHARE DATA)			
<S>	<C>	<C>	<C>	<C>
52 Weeks Ended January 28, 1995:				
Net sales	$1,653.6	$1,596.1	$1,926.8	$3,139.4
Operating income	103.4	59.0	129.3	257.8
Income before extraordinary items	32.2	3.8	44.3	107.3
Net income	$ 32.2	$ 3.8	$ 44.3	$ 107.3
Earnings per share:				
Income before extraordinary items	$ .25	$ .03	$ .35	$ .71
Net income	.25	.03	.35	.71
Fully diluted earnings per share:				
Income before extraordinary items	.25	.03	.35	.68
Net income	.25	.03	.35	.68
52 Weeks Ended January 29, 1994:				
Net sales	$1,590.3	$1,502.3	$1,789.3	$2,347.5
Operating income	82.9	58.4	103.0	287.6
Income before extraordinary items	21.7	8.8	20.3	146.0
Net income	$ 18.1	$ 8.8	$ 20.3	$ 146.0
Earnings per share:				
Income before extraordinary items	$ .17	$ .07	$ .16	$ 1.16
Net income	.14	.07	.16	1.16
Fully diluted earnings per share:				
Income before extraordinary items	.17	.07	.16	1.10
Net income	.14	.07	.16	1.10

</TABLE>

19. LEGAL PROCEEDINGS

A plan of reorganization (the "Federated POR") of the Company and certain of its subsidiaries (the "Federated/Allied Companies") was confirmed by the United States Bankruptcy Court for the Southern District of Ohio (the "Ohio Bankruptcy Court") on January 10, 1992. Notwithstanding the confirmation and effectiveness of the Federated POR, the Ohio Bankruptcy Court continues to have jurisdiction to, among other things, resolve disputed prepetition claims against the Federated/Allied Companies, resolve matters related to the assumption, assumption and assignment, or rejection of executory contracts pursuant to the Federated POR, and to resolve other matters that may arise in connection with or relate to the Federated

POR. The Company, upon emergence from Chapter 11, provided for the payment of all remaining bankruptcy claims based upon management's estimate of the amount of such claims that would ultimately be allowed by the Ohio Bankruptcy Court. During 1994 and 1993, the Company reduced selling, general and administrative expenses by $23.8 million and $24.0 million, respectively, to reflect the favorable settlement of disputed bankruptcy claims. Management believes that the Company has adequately provided for the resolution of all bankruptcy claims and other matters related to the Federated POR remaining at January 28, 1995. (See Note 12 for a description of legal proceedings relating to certain federal income tax issues.)

The Macy's POR was confirmed by the United States Bankruptcy Court for the Southern District of New York (the "New York Bankruptcy Court") on December 8, 1994. Notwithstanding the confirmation and effectiveness of the Macy's POR, the New York Bankruptcy Court continues to have jurisdiction to, among other things, resolve disputed prepetition claims against the Macy's Debtors, resolve matters related to the assumption, assumption and assignment, or rejection of executory contracts pursuant to the Macy's POR, and to resolve other matters that may arise in connection with or relate to the Macy's POR. Except as described below, provision was made under the Macy's POR in respect of all prepetition liabilities of the Macy's Debtors.

Certain claims or portions thereof (collectively, the "Cash Payment Claims") against the Macy's Debtors which, to the extent allowed by the New York Bankruptcy Court, will be paid in cash pursuant to the Macy's POR are currently disputed by the Company. The aggregate amount of disputed Cash Payment Claims ultimately allowed by the New York Bankruptcy Court may be more or less than the estimated allowed amount thereof. The aggregate face amount of disputed Cash Payment Claims was approximately $846.9 million, while the estimated allowed amount thereof was approximately $355.7 million. Although there can be no assurance with respect thereto, management believes that the actual allowed amount of disputed Cash Payment Claims will not be materially greater than the estimated allowed amount thereof.

The Company and its subsidiaries are also involved in various legal proceedings incidental to the normal course of their business. Management does not expect that any of such proceedings will have a material adverse effect on the Company's results of operations and financial position.

SECOND RESTATED CERTIFICATE OF INCORPORATION
OF
FEDERATED DEPARTMENT STORES, INC.

FIRST. The name of the corporation is Federated Department Stores, Inc. (the "Company").

SECOND. The address of the Company's registered office in the State of Delaware is 1209 Orange Street, City of Wilmington, County of New Castle, Delaware 19801. The name of the Company's registered agent at such address is The Corporation Trust Company.

THIRD. The purpose of the Company is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH. Section 1. AUTHORIZED CAPITAL STOCK. The Company is authorized to issue two classes of capital stock, designated Common Stock and Preferred Stock. The total number of shares of capital stock that the Company is authorized to issue is 625,000,000 shares, consisting of 500,000,000 shares of Common Stock, par value $0.01 per share, and 125,000,000 shares of Preferred Stock, par value $0.01 per share.

Section 2. PREFERRED STOCK. The Preferred Stock may be issued in one or more series. The Board of Directors of the Company (the "Board") is hereby authorized to issue the shares of Preferred Stock in such series and to fix from time to time before issuance the number of shares to be included in any such series and the designation, relative powers, preferences, and rights and qualifications, limitations, or restrictions of all shares of such series. The authority of the Board with respect to each such series will include, without limiting the generality of the foregoing, the determination of any or all of the following:

(a) the number of shares of any series and the designation to distinguish the shares of such series from the shares of all other series;

(b) the voting powers, if any, and whether such voting powers are full or limited in such series;

(c) the redemption provisions, if any, applicable to such series, including the redemption price or prices to be paid;

(d) whether dividends, if any, will be cumulative or noncumulative, the dividend rate of such series, and the dates and preferences of dividends on such series;

(e) the rights of such series upon the voluntary or involuntary dissolution of, or upon any distribution of the assets of, the Company;

(f) the provisions, if any, pursuant to which the shares of such series are convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same or any other class or classes of stock, or any other security, of the Company or any other corporation or other entity, and the price or prices or the rates of exchange applicable thereto;

(g) the right, if any, to subscribe for or to purchase any securities of the Company or any other corporation or other entity;

(h) the provisions, if any, of a sinking fund applicable to such series; and

(i) any other relative, participating, optional, or other special powers, preferences, rights, qualifications, limitations, or

restrictions thereof;

all as may be determined from time to time by the Board and stated in the resolution or resolutions providing for the issuance of such Preferred Stock (collectively, a "Preferred Stock Designation").

Section 3. COMMON STOCK. Except as may otherwise be provided in a Preferred Stock Designation, the holders of Common Stock will be entitled to one vote on each matter submitted to a vote at a meeting of stockholders for each share of Common Stock held of record by such holder as of the record date for such meeting.

FIFTH. The Board may make, amend, and repeal the By-Laws of the Company. Any By-Law made by the Board under the powers conferred hereby may be amended or repealed by the Board (except as specified in any such By-Law so made or amended) or by the stockholders in the manner provided in the By-Laws of the Company. Notwithstanding the foregoing and anything contained in this Certificate of Incorporation to the contrary, By-Laws 1, 3(a), 8, 10, 11, 12, 13, and 38 may not be amended or repealed by the stockholders, and no provision inconsistent therewith may be adopted by the stockholders, without the affirmative vote of the holders of at least 80% of the Voting Stock, voting together as a single class; PROVIDED, HOWEVER, that if any such proposed amendment or repeal or adoption of an inconsistent provision is approved by the affirmative vote of the holders of a majority, but less than 80%, of the Voting Stock, voting together as a single class, such proposed amendment, repeal, or adoption of an inconsistent provision will become effective 12 months after such approval. The Company may in its By-Laws confer powers upon the Board in addition to the foregoing and in addition to the powers

and authorities expressly conferred upon the Board by applicable law. For the purposes of this Certificate of Incorporation, "Voting Stock" means stock of the Company of any class or series entitled to vote generally in the election of Directors. Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% of the Voting Stock, voting together as a single class, is required to amend or repeal, or to adopt any provisions inconsistent with, this Article Fifth.

SIXTH. Subject to the rights of the holders of any series of Preferred Stock:

(a) any action required or permitted to be taken by the stockholders of the Company must be effected at a duly called annual or special meeting of stockholders of the Company and may not be effected by any consent in writing of such stockholders; and

(b) special meetings of stockholders of the Company may be called only by (i) the Chairman of the Board (the "Chairman"), (ii) the Secretary of the Company (the "Secretary") within 10 calendar days after receipt of the written request of a majority of the total number of Directors that the Company would have if there were no vacancies (the "Whole Board"), and (iii) as provided in By-Law 3.

At any annual meeting or special meeting of stockholders of the Company, only such business will be conducted or considered as has been brought before such meeting in the manner provided in the By-Laws of the Company. Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% of the Voting Stock, voting together as a single class, will be required to amend or repeal, or adopt any provision inconsistent with, this Article Sixth; PROVIDED, HOWEVER, that if any proposed amendment or repeal of, or adoption of provision inconsistent with, clause (b) of the first sentence of this Article Sixth is approved by the affirmative vote of the holders of a majority, but less than 80%, of the Voting Stock, voting together as a single class, such proposed amendment, repeal, or adoption of an inconsistent provision will become effective 12 months after such approval.

SEVENTH. Section 1. NUMBER, ELECTION, AND TERMS OF DIRECTORS.

Subject to the rights, if any, of the holders of any series of Preferred Stock to elect additional Directors under circumstances specified in a Preferred Stock Designation, the number of the Directors of the Company will not be less than three nor more than 16 and will be fixed from time to time in the manner described in the By-Laws of the Company. The Directors, other than those who may be elected by the holders of any series of Preferred Stock, will be classified with respect to the time for which they severally hold office into three classes, as

nearly equal in number as possible, designated Class I, Class II, and Class III. At any meeting of stockholders at which Directors are to be elected, the number of Directors elected may not exceed the greatest number of Directors then in office in any class of Directors. The Directors first appointed to Class I will hold office for a term expiring at the annual meeting of stockholders to be held in 1995; the Directors first appointed to Class II will hold office for a term expiring at the annual meeting of stockholders to be held in 1996; and the Directors first appointed to Class III will hold office for a term expiring at the annual meeting of stockholders to be held in 1997, with the members of each class to hold office until their successors are elected and qualified. At each succeeding annual meeting of the stockholders of the Company, the successors of the class of Directors whose terms expire at that meeting will be elected by plurality vote of all votes cast at such meeting to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. Subject to the rights, if any, of the holders of any series of Preferred Stock to elect additional Directors under circumstances specified in a Preferred Stock Designation, Directors may be elected by the stockholders only at an annual meeting of stockholders. Election of Directors of the Company need not be by written ballot unless requested by the Chairman or by the holders of a majority of the Voting Stock present in person or represented by proxy at a meeting of the stockholders at which Directors are to be elected.

Section 2. NOMINATION OF DIRECTOR CANDIDATES. Advance notice of stockholder nominations for the election of Directors must be given in the manner provided in the By-Laws of the Company.

Section 3. NEWLY CREATED DIRECTORSHIPS AND VACANCIES. Subject to the rights, if any, of the holders of any series of Preferred Stock to elect additional Directors under circumstances specified in a Preferred Stock Designation, newly created directorships resulting from any increase in the number of Directors and any vacancies on the Board resulting from death, resignation, disqualification, removal, or other cause will be filled solely by the affirmative vote of a majority of the remaining Directors then in office, even though less than a quorum of the Board, or by a sole remaining Director. Any Director elected in accordance with the preceding sentence will hold office for the remainder of the full term of the class of Directors in which the new directorship was created or the vacancy occurred and until such Director's successor has been elected and qualified. No decrease in the number of Directors constituting the Board may shorten the term of any incumbent Director.

Section 4. REMOVAL. Subject to the rights, if any, of the holders of any series of Preferred Stock to elect additional Directors under circumstances specified in a Preferred Stock Designation, any Director may be removed from office by the

stockholders only for cause and only in the manner provided in this Section 4. At any annual meeting or special meeting of the stockholders, the notice of which states that the removal of a Director or Directors is among the purposes of the meeting, the affirmative vote of the holders of at least 80% of the Voting Stock, voting together as a single class, may remove such Director or Directors for cause.

Section 5. AMENDMENT, REPEAL, ETC. Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% of the Voting Stock, voting together as a single class, is required to amend or repeal, or adopt any provision inconsistent with, this Article Seventh; PROVIDED, HOWEVER, that if any such proposed amendment or repeal or adoption of an inconsistent provision is approved by the affirmative vote of the holders of a majority, but less than 80%, of the Voting Stock, voting together as a single class, such proposed amendment, repeal, or adoption of an inconsistent provision will become effective 12 months after such approval.

EIGHTH. Section 1. BUSINESS COMBINATIONS WITH INTERESTED STOCKHOLDERS. Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the Company will not engage in any Business Combination with any Interested Stockholder for a period of three years following the date that such stockholder became an Interested Stockholder, unless (a) prior to such date the Board approved the transaction that resulted in the stockholder becoming an Interested Stockholder, (b) upon consummation of the transaction that resulted in the stockholder becoming an Interested Stockholder, the Interested Stockholder owned at least 85% of the Voting Stock outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares Owned by (i) Persons who are Directors and also officers of the Company and (ii) employee stock plans maintained by the Company or any direct or indirect majority-owned subsidiary of the Company in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer, or (c) on or subsequent to such date the Business Combination is approved by the Board and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66-2/3% of the Voting Stock which is not Owned by the Interested Stockholder.

Section 2. EXCEPTIONS. The restrictions contained in Section 1 of this Article Eighth will not apply if:

(a) a stockholder becomes an Interested Stockholder inadvertently and (i) as soon as practicable divests sufficient shares so that such stockholder ceases to be an Interested Stockholder and (ii) would not, at any time within the three-year period immediately prior to a Business

Combination between the Company and such stockholder, have been an Interested Stockholder but for the inadvertent acquisition; or

(b) the Business Combination is proposed prior to the consummation or abandonment and subsequent to the earlier of the public announcement or the notice required under this paragraph (b) of a proposed transaction which (i) constitutes one of the transactions described in the second sentence of this paragraph (b); (ii) is with or by a Person who either was not an Interested Stockholder during the previous three years or who became an Interested Stockholder with the approval of the Board; and (iii) is approved or not opposed by a majority of the members of the Board then in office (but not less than one) who were Directors prior to any Person becoming an Interested Stockholder during the previous three years or were recommended for election or elected to succeed such Directors by a majority of such Directors. The proposed transactions referred to in the preceding sentence of this paragraph (b) are limited to (x) a merger or consolidation of the Company (except for a merger in respect of which, pursuant to Section 251(f) of the Delaware General Corporation Law as in effect on the effective date of the plan of reorganization of R. H. Macy & Co., Inc. and certain of its subsidiaries as confirmed by the United States Bankruptcy Court for the Southern District of New York in Case Nos. 92 B 40477 (BRL) (the "Macy's Plan of Reorganization") (the "DGCL"), no vote of the stockholders of the Company is or would have been required), (y) a sale, lease, exchange, mortgage, pledge, transfer, or other disposition (in one transaction or a series of transactions), whether as part of a dissolution or otherwise, of

assets of the Company or of any direct or indirect majority-owned subsidiary of the Company (other than to any direct or indirect wholly owned subsidiary of the Company or to the Company) having an aggregate market value equal to 50% or more of either the aggregate market value of all of the assets of the Company determined on a consolidated basis or the aggregate market value of all the outstanding stock of the Company, or (z) a proposed tender or exchange offer for 50% or more of the outstanding Voting Stock. The Company will give at least 20 calendar days notice to all Interested Stockholders prior to the consummation of any of the transactions described in clauses (x) or (y) of the second sentence of this paragraph (b).

Section 3. CERTAIN DEFINITIONS. For purposes of this Article Eighth:

(a) "Affiliate" means a Person that directly, or indirectly through one or more intermediaries, Controls, or is Controlled By, or is Under Common Control With another Person.

(b) "Associate," when used to indicate a relationship with any Person, means (i) any corporation or organization of which such Person is a Director, officer, or partner or is, directly or indirectly, the Owner of 20% or more of any class of Voting Stock, (ii) any trust or other estate in which such Person has at least a 20% beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity, and (iii) any relative or spouse of such Person, or any relative of such spouse, who has the same residence as such Person.

(c) "Business Combination" means:

(i) any merger or consolidation of the Company or any direct or indirect majority-owned subsidiary of the Company with (A) the Interested Stockholder or (B) with any other corporation if the merger or consolidation is caused by the Interested Stockholder and as a result of such merger or consolidation Section 1 of this Article Eighth is not applicable to the surviving corporation;

(ii) any sale, lease, exchange, mortgage, pledge, transfer, or other disposition (in one transaction or a series of transactions), except proportionately as a stockholder of the Company, to or with the Interested Stockholder, whether as part of a dissolution or otherwise, of assets of the Company or of any direct or indirect majority-owned subsidiary of the Company which assets have an aggregate market value equal to 10% or more of either the aggregate market value of all the assets of the Company determined on a consolidated basis or the aggregate market value of all the outstanding stock of the Company;

(iii) any transaction which results in the issuance or transfer by the Company or by any direct or indirect majority-owned subsidiary of the Company of any stock of the Company or of such subsidiary to the Interested Stockholder, except (A) pursuant to the exercise, exchange, or conversion of securities exercisable for, exchangeable for, or convertible into stock of the Company or any such subsidiary which securities were outstanding prior to the time that the Interested Stockholder became such, (B) pursuant to a dividend or distribution paid or made, or the exercise, exchange, or conversion of securities exercisable for, exchangeable for, or convertible into stock of the Company or any such subsidiary which security is distributed, pro rata to all holders of a class or series of stock of the Company subsequent to the time the Interested Stockholder became such, (C) pursuant to an exchange offer by the Company to purchase stock made on the same terms to all holders of such stock, or (D) any issuance

or transfer of stock by the Company;

PROVIDED, HOWEVER, that in no case under subclauses (B), (C), or (D) of this clause (iii) will there be an increase in the Interested Stockholder's proportionate share of the stock of any class or series of the Company or of the Voting Stock;

(iv) any transaction involving the Company or any direct or indirect majority-owned subsidiary of the Company which has the effect, directly or indirectly, of increasing the proportionate share of the stock of any class or series, or securities convertible into the stock of any class or series, of the Company or of any such subsidiary which is Owned by the Interested Stockholder, except as a result of immaterial changes due to fractional share adjustments or as a result of any purchase or redemption of any shares of stock not caused, directly or indirectly, by the Interested Stockholder; or

(v) any receipt by the Interested Stockholder of the benefit, directly or indirectly (except proportionately as a stockholder of the Company), of any loans, advances, guarantees, pledges, or other financial benefits (other than those expressly permitted in clauses (i)-(iv) of this paragraph (c)) provided by or through the Company or any direct of indirect majority-owned subsidiary of the Company.

(d) "Control," including the terms "Controlling," "Controlled By," and "Under Common Control With," means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of Voting Stock, by contract, or otherwise. A Person who is the Owner of 20% of more of a corporation's outstanding stock entitled to vote generally in the election of directors will be presumed to have Control of such corporation, in the absence of proof by a preponderance of the evidence to the contrary. Notwithstanding the foregoing, a presumption of Control will not apply where such Person holds such voting stock, in good faith and not for the purpose of circumventing this Article Eighth, as an agent, bank, broker, nominee, custodian, or trustee for one or more Owners who do not individually or as a group have Control of such corporation.

(e) "Interested Stockholder" means any Person (other than the Company and any direct or indirect majority-owned subsidiary of the Company) that (i) is the Owner of 15% or more of the Voting Stock or (ii) is an Affiliate or Associate of the Company and was the Owner of 15% or more of the outstanding Voting Stock at any time within the three-year period immediately prior to the date on which it is sought to be determined whether such Person is an Interested Stockholder, and the Affiliates and Associates of such

Person; PROVIDED, HOWEVER, that the term Interested Stockholder will not include any Person whose Ownership of shares in excess of the 15% limitation set forth herein is the result of action taken solely by the Company unless and until such Person thereafter acquires additional shares of Voting Stock, except as a result of further corporate action not caused, directly or indirectly, by such Person; PROVIDED FURTHER, HOWEVER, that a Person will not be deemed to be an Interested Stockholder solely by reason of such Person, and the Affiliates and Associates of such Person, receiving, or having the right to receive, shares of Common Stock, or securities that are convertible into, or exercisable or exchangeable for, shares of Common Stock, pursuant to the Macy's Plan of Reorganization unless and until

such time on or after the effective date of the Macy's Plan of Reorganization as (A) such Person or any Affiliate or Associate of such Person becomes the Owner of additional Voting Stock representing 1% or more of the outstanding Voting Stock otherwise than pursuant to the Macy's Plan of Reorganization or as a result of a stock dividend, stock split, or similar transaction effected by the Company in which all holders of each class or series of Voting Stock are treated equally with all other holders of such class or series of Voting Stock or (B) any Person which Owns Voting Stock representing 1% or more of the outstanding Voting Stock and was not an Affiliate or Associate of such Person as of the effective date of the Macy's Plan of Reorganization subsequently becomes an Affiliate or Associate of such Person. For the purpose of determining whether a Person is an Interested Stockholder, the Voting Stock deemed to be outstanding will include stock deemed to be Owned by such Person through application of paragraph (f) of this Section 3 but will not include any other unissued stock of the Company that may be issuable pursuant to any agreement, arrangement, or understanding, or upon exercise of conversion rights, warrants, options, or other rights.

(f) "Owner" including the terms "Own," "Owned," and "Ownership" when used with respect to any stock means a Person that individually or with or through any of its Affiliates or Associates:

(i) beneficially owns such stock, directly or indirectly; or

(ii) has (A) the right to acquire such stock (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement, or understanding, or upon the exercise of conversion rights, exchange rights, warrants, options, or other rights; PROVIDED, HOWEVER, that a Person will not be deemed the Owner of stock tendered pursuant to a tender or exchange offer made by such Person or any of such Person's Affiliates or Associates until such

tendered stock is accepted for purchase or exchange or (B) the right to vote such stock pursuant to any agreement, arrangement, or understanding; PROVIDED, HOWEVER, that a Person will not be deemed to be the Owner of any stock because of such Person's right to vote such stock if the agreement, arrangement, or understanding to vote such stock arises solely from a revocable proxy or consent given in response to a proxy or consent solicitation made to 10 or more persons; or

(iii) has any agreement, arrangement, or understanding for the purpose of acquiring, holding, voting (except voting pursuant to a revocable proxy or consent as described in subclause (B) of clause (ii) of this paragraph (f)), or disposing of such stock with any other Person that beneficially owns, or whose Affiliates or Associates beneficially own, directly or indirectly, such stock.

(g) "Person" means any individual, corporation, partnership, unincorporated association, or other entity.

Section 4. POWERS OF THE BOARD. For purposes of this Article Eighth, a majority of the Whole Board will have the power to make all determinations pursuant to this Article Eighth, including with respect to (a) whether a Person is an Interested Stockholder, (b) the number of shares of Voting Stock owned by a Person, (c) whether a Person is an Affiliate or Associate of another Person, and (d) the aggregate fair market value of assets and stock of the Company.

Section 5. INTERPRETATIONS. Each of the provisions of this Article Eighth which is also a part of Section 203 of the DGCL will be interpreted in a manner consistent with the judicial interpretations that have been, or may in the future be, rendered with respect to Section 203 of the DGCL.

Section 6. AMENDMENT, REPEAL, ETC. Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of at least a majority of the Voting Stock, voting together as a single class, is required to amend or repeal, or adopt any provision inconsistent with, this Article Eighth. An amendment or repeal, or adoption of any provision inconsistent with, this Article Eighth adopted pursuant to this Section 6 shall not be effective until 12 months after the adoption of such amendment, repeal, or adoption of an inconsistent provision, and will not apply to any Business Combination between the Company and any Person who became an Interested Stockholder on or prior to such amendment, repeal, or adoption of an inconsistent provision.

NINTH. To the full extent permitted by the Delaware General Corporation Law or any other applicable law currently or hereafter in effect, no Director of the Company will be

personally liable to the Company or its stockholders for or with respect to any acts or omissions in the performance of his or her duties as a Director of the Company. Any repeal or modification of this Article Ninth will not adversely affect any right or protection of a Director of the Company existing prior to such repeal or modification.

TENTH. Each person who is or was or had agreed to become a Director or officer of the Company, and each such person who is or was serving or who had agreed to serve at the request of the Board or an officer of the Company as an employee or agent of the Company or as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other entity, whether for profit or not for profit (including the heirs, executors, administrators, or estate of such person), will be indemnified by the Company to the full extent permitted by the Delaware General Corporation Law or any other applicable law as currently or hereafter in effect. Persons in respect of whom indemnity obligations were deemed to have been assumed by Federated Department Stores, Inc. (a predecessor to the Company) pursuant to Article V.E.3 of the plan of reorganization of Federated Department Stores, Inc., Allied Stores Corporation, and certain of their subsidiaries as confirmed by the United States Bankruptcy Court for the Southern District of Ohio, Western Division, in Consolidated Case No. 1-90-00130 (the "Federated Plan of Reorganization") and Section 365 of title 11 of the United States Code as in effect on the effective date of the Federated Plan of Reorganization (the "Bankruptcy Code") or in respect of whom indemnity obligations arose thereafter or may arise in the future by reason of such person's service as a director, officer, or employee of the Company, will be deemed to have served at the request of the predecessors of the Company to the extent that they served as directors, officers, or employees of Federated Stores, Inc. ("FSI") or any of its affiliates (as defined in Section 101(2) of the Bankruptcy Code) prior to the effective date of the Federated Plan of Reorganization; PROVIDED, HOWEVER, that the indemnity provided for in this Article Tenth will not apply to any person who continued to serve as a director of Ralphs Grocery Company ("Ralphs") as of or following the effective date of the Federated Plan of Reorganization notwithstanding the immediately preceding sentence of this Article Tenth to the extent that the action, suit, or proceeding in respect of which a claim for indemnification is made relates to or arises out of such person's service as a director, officer, or employee of Ralphs at any time after the effective date of the Federated Plan of Reorganization. The right of indemnification provided in this Article Tenth (a) will not be exclusive of any other rights to which any person seeking indemnification may otherwise be entitled, including without limitation pursuant to the Agreement and Plan of Merger, dated as of August 16, 1994, by and between R. H. Macy & Co., Inc. and Federated Department Stores, Inc. (the "Merger Agreement") or any contract approved by a majority of the Whole Board (whether or not the Directors approving such contract are or are to be parties to such contract

or similar contracts), and (b) will be applicable to matters otherwise within its scope (with each reference in the first sentence of this Article Tenth to the "Company" being deemed for purposes of this sentence to include all predecessors of the Company) whether or not such matters arose or arise before or after the adoption of this Article Tenth except to the extent that the obligation of the Company or its predecessors to provide such indemnification would otherwise have terminated as expressly provided in Article V.D.1 of the Macy's Plan of Reorganization or Article V.E.3 of the Federated Plan of Reorganization. Without limiting the generality or the effect of the foregoing, the Company may adopt By-Laws, or enter into one or more agreements with any person, which provide for indemnification greater or different than that provided in this Article Tenth or the DGCL. Any amendment or repeal of, or adoption of any provision inconsistent with, this Article Tenth will not adversely affect any right or protection existing hereunder, or arising out of facts occurring, prior to such amendment, repeal, or adoption and no such amendment, repeal, or adoption, will affect the legality, validity, or enforceability of any contract entered into or right granted prior to the effective date of such amendment, repeal, or adoption.

ELEVENTH. The Company will not issue nonvoting capital stock to the extent prohibited by Section 1123 of the Bankruptcy Code; PROVIDED, HOWEVER, that this Article Eleventh (a) will have no further force and effect beyond that required under Section 1123 of the Bankruptcy Code, (b) will have such force and effect, if any, only for so long as such Section is in effect and applicable to the Company, and (c) in all events may be amended or eliminated in accordance with applicable law as from time to time in effect.

CERTIFICATE OF DESIGNATION

of

SERIES A JUNIOR PARTICIPATING
PREFERRED STOCK

of

FEDERATED DEPARTMENT STORES, INC.

(Pursuant to Section 151 of the
General Corporation Law of the State of Delaware)

Federated Department Stores, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (formerly known as R. H. Macy & Co., Inc. and hereinafter called the "Company"), DOES HEREBY CERTIFY:

That, pursuant to authority vested in the Board of Directors of the Company by its Certificate of Incorporation, and pursuant to the provisions of Section 151 of the General Corporation Law, the Board of Directors of the Company has adopted the following resolution providing for the issuance of a series of Preferred Stock:

RESOLVED, that pursuant to the authority expressly vested in the Board of Directors of the Company (hereinafter called the "Board of Directors" or the "Board") by the Certificate of Incorporation of the Company, a series of Preferred Stock, par value $.01 per share (the "Preferred Stock"), of the Company be, and it hereby is, created, and that the designation and amount thereof and the powers, designations, preferences, and relative, participating, optional, and other special rights of the shares of such series, and the qualifications, limitations, or restrictions thereof are as follows:

I. Designation and Amount

The shares of such series will be designated as Series A Junior Participating Preferred Stock (the "Series A Preferred") and the number of shares constituting the Series A Preferred is 5,000,000. Such number of shares may be increased or decreased by resolution of the Board; PROVIDED, HOWEVER, that no decrease will reduce the number of shares of Series A Preferred to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights, or warrants or upon the conversion

of any outstanding securities issued by the Company convertible into Series A Preferred.

II. Dividends and Distributions.

(a) Subject to the rights of the holders of any shares of any series of Preferred Stock ranking prior to the Series A Preferred with respect to dividends, the holders of shares of Series A Preferred, in preference to the holders of Common Stock, par value $.01 per share (the "Common Stock"), of the Company, and of any other junior stock, will be entitled to receive, when, as, and if declared by the Board out of funds legally available for the purpose, quarterly dividends payable in cash on such dates as are from time to time established for the payment of quarterly cash dividends on the Common Stock (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred (the "First Quarterly Dividend Payment Date"), in an amount

per share (rounded to the nearest cent) equal to the greater of (i) $1.00 or (ii) subject to the provision for adjustment hereinafter set forth, one hundred times the aggregate per share amount of all cash dividends, and one hundred times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the First Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred. In the event that the Company at any time (i) declares a dividend on the outstanding shares of Common Stock payable in shares of Common Stock, (ii) subdivides the outstanding shares of Common Stock, (iii) combines the outstanding shares of Common Stock into a smaller number of shares, or (iv) issues any shares of its capital stock in a reclassification of the outstanding shares of Common Stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), then, in each such case and regardless of whether any shares of Series A Preferred are then issued or outstanding, the amount to which holders of shares of Series A Preferred would otherwise be entitled immediately prior to such event under clause (ii) of the preceding sentence will be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) The Company will declare a dividend or distribution on the Series A Preferred as provided in the immediately preceding paragraph immediately after it declares a dividend or distribution on the Common Stock (other than a

dividend payable in shares of Common Stock); PROVIDED, HOWEVER, that, in the event no dividend or distribution has been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $1.00 per share on the Series A Preferred will nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(c) Dividends will accrue on outstanding shares of Series A Preferred from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless (i) the date of issue of such shares is prior to the record date for the First Quarterly Dividend Payment Date, in which case dividends on such shares will accrue from the date of the first issuance of a share of Series A Preferred or (ii) the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends will accrue from such Quarterly Dividend Payment Date. Accrued but unpaid dividends will cumulate from the applicable Quarterly Dividend Payment Date but will not bear interest. Dividends paid on the shares of Series A Preferred in an amount less than the total amount of such dividends at the time accrued and payable on such shares will be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board may fix a record date for the determination of holders of shares of Series A Preferred entitled to receive payment of a dividend or distribution declared thereon, which record date will be not more than 60 calendar days prior to the date fixed for the payment thereof.

III. Voting Rights

The holders of shares of Series A Preferred will have the following voting rights:

(a) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred will entitle the holder thereof to one hundred votes on all matters submitted to a vote of the stockholders of the Company. In the event the Company at any time (i) declares a dividend on the outstanding shares of Common Stock payable

in shares of Common Stock, (ii) subdivides the outstanding shares of Common Stock, (iii) combines the outstanding shares of Common Stock into a smaller number of shares, or (iv) issues any shares of its capital stock in a reclassification of the outstanding shares of Common Stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), then, in each such case and regardless of whether any shares of Series A Preferred are then issued or outstanding, the number of votes per share to which holders of shares of Series A

Preferred would otherwise be entitled immediately prior to such event will be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) Except as otherwise provided herein, in any other Preferred Stock Designation creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series A Preferred and the holders of shares of Common Stock and any other capital stock of the Company having general voting rights will vote together as one class on all matters submitted to a vote of stockholders of the Company.

(c) Except as set forth herein, or as otherwise provided by law, holders of Series A Preferred will have no voting rights.

IV. Certain Restrictions

(a) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred outstanding have been paid in full, the Company will not:

(i) Declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution, or winding up) to the Series A Preferred;

(ii) Declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution, or winding up) with the Series A Preferred, except dividends paid ratably on the Series A Preferred and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) Redeem, purchase, or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution, or winding up) to the Series A Preferred; PROVIDED, HOWEVER, that the Company may at any time redeem, purchase, or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Company ranking junior (either as to dividends or upon dissolution, liquidation, or winding up) to the Series A Preferred; or

(iv) Redeem, purchase, or otherwise acquire for

consideration any shares of Series A Preferred, or any shares of stock ranking on a parity with the Series A Preferred, except in accordance with a purchase offer made in writing or by publication (as determined by the Board) to all holders of such shares upon such terms as the Board, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, may determine in good faith will result in fair and equitable treatment among the respective series or classes.

(b) The Company will not permit any majority-owned subsidiary of the Company to purchase or otherwise acquire for consideration any shares of stock of the Company unless the Company could, under paragraph (a) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

V. Reacquired Shares

Any shares of Series A Preferred purchased or otherwise acquired by the Company in any manner whatsoever will be retired and canceled promptly after the acquisition thereof. All such shares will upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Certificate of Incorporation of the Company, or in any other Preferred Stock Designation creating a series of Preferred Stock or any similar stock or as otherwise required by law.

VI. Liquidation, Dissolution, or Winding Up

Upon any liquidation, dissolution, or winding up of the Company, no distribution will be made (a) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution, or winding up) to the Series A Preferred unless, prior thereto, the holders of shares of Series A Preferred have received $100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment; PROVIDED, HOWEVER, that the holders of shares of Series A Preferred will be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to one hundred times the aggregate amount to be distributed per share to holders of shares of Common Stock or (b) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution, or winding up) with the Series A Preferred, except distributions made ratably on the Series A Preferred and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution, or winding up. In the event the Company at any time (i) declares a dividend on the outstanding shares of Common Stock payable in shares of Common Stock,

(ii) subdivides the outstanding shares of Common Stock, (iii) combines the outstanding shares of Common Stock into a smaller number of shares, or (iv) issues any shares of its capital stock in a reclassification of the outstanding shares of Common Stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), then, in each such case and regardless of whether any shares of Series A Preferred are then issued or outstanding, the aggregate amount to which each holder of shares of Series A Preferred would otherwise be entitled immediately prior to such event under the proviso in clause (a) of the preceding sentence will be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

VII. Consolidation, Merger, Etc.

In the event that the Company enters into any consolidation, merger, combination, or other transaction in which the shares of Common Stock are

exchanged for or changed into other stock or securities, cash, and/or any other property, then, in each such case, each share of Series A Preferred will at the same time be similarly exchanged for or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to one hundred times the aggregate amount of stock, securities, cash, and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Company at any time (a) declares a dividend on the outstanding shares of Common Stock payable in shares of Common Stock, (b) subdivides the outstanding shares of Common Stock, (c) combines the outstanding shares of Common Stock in a smaller number of shares, or (d) issues any shares of its capital stock in a reclassification of the outstanding shares of Common Stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), then, in each such case and regardless of whether any shares of Series A Preferred are then issued or outstanding, the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred will be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

VIII. Redemption

The shares of Series A Preferred are not redeemable.

IX. Rank

The Series A Preferred rank, with respect to the payment of dividends and the distribution of assets, junior to all other series of the Company's Preferred stock.

X. Amendment

Notwithstanding anything contained in the Certificate of Incorporation of the Company to the contrary and in addition to any other vote required by applicable law, the Certificate of Incorporation of the Company may not be amended in any manner that would materially alter or change the powers, preferences, or special rights of the Series A Preferred so as to affect them adversely without the affirmative vote of the holders of at least 80% of the outstanding shares of Series A Preferred, voting together as a single series.

IN WITNESS WHEREOF, this Certificate of Designation is executed on behalf of the Company by its Vice Chairman and attested by its Secretary this 19th day of December, 1994.

/s/ Ronald W. Tysoe

Ronald W. Tysoe
Vice Chairman

Attest:

/s/ Dennis J. Broderick
- - ---
Dennis J. Broderick
Secretary

FEDERATED DEPARTMENT STORES, INC.

BY-LAWS

As Adopted and in
Effect on December 19, 1994
Amended as of April 20, 1995

FEDERATED DEPARTMENT STORES, INC.

BY-LAWS

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STOCKHOLDERS' MEETINGS

1. TIME AND PLACE OF MEETINGS. All meetings of the stockholders for the election of Directors or for any other purpose will be held at such time and place, within or without the State of Delaware, as may be designated by the Board or, in the absence of a designation by the Board, the Chairman, the President, or the Secretary, and stated in the notice of meeting. The Board may postpone and reschedule any previously scheduled annual or special meeting of the stockholders.

2. ANNUAL MEETING. An annual meeting of the stockholders will be held at such date and time as may be designated from time to time by the Board, at which meeting the stockholders will elect by a plurality vote the Directors to succeed those whose terms expire at such meeting and will transact such other business as may properly be brought before the meeting in accordance with By-Law 8.

3. SPECIAL MEETINGS. (a) Special meetings of the stockholders may be called only by (i) the Chairman, (ii) the Secretary within 10 calendar days after receipt of the written request of a majority of the Whole Board, and (iii) as provided in By-Law 3(b). Any such request by a majority of the Whole Board must be sent to the Chairman and the Secretary and must state the purpose or purposes of the proposed meeting. Special meetings of holders of the outstanding Preferred Stock, if any, may be called in the manner and for the purposes provided in the applicable Preferred Stock Designation.

(b) Upon the receipt by the Company of a written request executed by the holders of not less than 15% of the outstanding Voting Stock (a "Meeting Request"), the Board will (i) call a special meeting of the stockholders for the purposes specified in the Meeting Request and (ii) fix a record date for the determination of stockholders entitled to notice of and to vote at such meeting, which record date will not be later than 60 calendar days after the date of receipt by the Company of the Meeting Notice; PROVIDED, HOWEVER, that no separate special meeting of stockholders requested pursuant to a Meeting Request will be required to be convened if (A) the Board calls an annual or special meeting of stockholders to be held not later than 90 calendar days after receipt of such Meeting Request and (B) the purposes of such annual or special meeting include (among any other matters properly brought before the meeting) the purposes specified in such Meeting Request. Notwithstanding any provision of the Certificate of Incorporation or these By-Laws to the contrary, this By-Law 3(b) may not be amended or repealed by the Board, and no provision inconsistent therewith may be adopted by the Board, without the affirmative vote of the holders of at least a majority of the Common Stock present or

represented by proxy and entitled to vote at any annual or special meeting of stockholders at which such vote is to be taken.

4. NOTICE OF MEETINGS. Written notice of every meeting of the stockholders, stating the place, date, and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, will be given not less than 10 nor more than 60 calendar days before the date of the meeting to each

stockholder of record entitled to vote at such meeting, except as otherwise provided herein or by law. When a meeting is adjourned to another place, date, or time, written notice need not be given of the adjourned meeting if the place, date, and time thereof are announced at the meeting at which the adjournment is taken; PROVIDED, HOWEVER, that if the adjournment is for more than 30 calendar days, or if after the adjournment a new record date is fixed for the adjourned meeting, written notice of the place, date, and time of the adjourned meeting must be given in conformity herewith. At any adjourned meeting, any business may be transacted which properly could have been transacted at the original meeting.

5. INSPECTORS. The Board may appoint one or more inspectors of election to act as judges of the voting and to determine those entitled to vote at any meeting of the stockholders, or any adjournment thereof, in advance of such meeting. The Board may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the presiding officer of the meeting may appoint one or more substitute inspectors.

6. QUORUM. Except as otherwise provided by law or in a Preferred Stock Designation, the holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, will constitute a quorum at all meetings of the stockholders for the transaction of business thereat. If, however, such quorum is not present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, will have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented.

7. VOTING. Except as otherwise provided by law, by the Certificate of Incorporation, or in a Preferred Stock Designation, each stockholder will be entitled at every meeting of the stockholders to one vote for each share of stock having voting power standing in the name of such stockholder on the books of the Company on the record date for the meeting and such votes may be cast either in person or by written proxy. Every proxy must be duly executed and filed with the Secretary. A stockholder may revoke any proxy that is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or another duly executed proxy bearing a later date with the Secretary. The vote upon any question brought before a meeting of the stockholders may be by voice vote, unless otherwise required by the Certificate of Incorporation or these By-Laws or unless the Chairman or the holders of a majority of the outstanding shares of all classes of stock entitled to vote thereon present in person or by proxy at such meeting otherwise determine. Every vote taken by written ballot will be counted by the inspectors of election. When a quorum is present at any meeting, the affirmative vote of the holders of a majority of the stock present in person or represented by proxy at the meeting and entitled to vote on the subject matter and which has actually been voted will be the act of the stockholders, except in the election of Directors or as otherwise

provided in these By-Laws, the Certificate of Incorporation, a Preferred Stock Designation, or by law.

8. ORDER OF BUSINESS. (a) The Chairman, or such other officer of the Company designated by a majority of the Whole Board, will call meetings of the stockholders to order and will act as presiding officer thereof. Unless otherwise determined by the Board prior to the meeting, the presiding officer of the meeting of the stockholders will also determine the order of business and have the authority in his or her sole discretion to regulate the conduct of any such meeting, including without limitation by imposing restrictions on the persons (other than stockholders of the Company or their duly appointed proxies) who may attend any such stockholders' meeting, by ascertaining whether any stockholder or his proxy may be excluded from any meeting of the stockholders based upon any determination by the presiding officer, in his sole discretion, that any such person has unduly disrupted or is likely to disrupt the proceedings thereat, and by determining the circumstances in which any person may make a statement or ask questions at any meeting of the stockholders.

(b) At an annual meeting of the stockholders, only such business will be conducted or considered as is properly brought before the meeting. To be properly brought before an annual meeting, business must be (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board in accordance with By-Law 4, (ii) otherwise properly brought before the meeting by the presiding officer or by or at the direction of a majority of the Whole Board, or (iii) otherwise properly requested to be brought before the meeting by a stockholder of the Company in accordance with By-Law 8(c).

(c) For business to be properly requested by a stockholder to be brought before an annual meeting, the stockholder must (i) be a stockholder of the Company of record at the time of the giving of the notice for such annual meeting provided for in these By-Laws, (ii) be entitled to vote at such meeting, and (iii) have given timely notice thereof in writing to the Secretary. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Company not less than 60 calendar days prior to the annual meeting; PROVIDED, HOWEVER, that in the event public announcement of the date of the annual meeting is not made at least 75 calendar days prior to the date of the annual meeting, notice by the stockholder to be timely must be so received not later than the close of business on the 10th calendar day following the day on which public announcement is first made of the date of the annual meeting. A stockholder's notice to the Secretary must set forth as to each matter the stockholder proposes to bring before the annual meeting (A) a description in reasonable detail of the business desired to brought before the annual meeting and the reasons for conducting such business at the annual meeting, (B) the name and address, as they appear on the Company's books, of the stockholder proposing such business and the beneficial owner, if any, on whose behalf the proposal is made, (C) the class and number of shares of the Company that are owned beneficially and of record by the stockholder proposing such business and by the beneficial owner, if any, on whose behalf the proposal is made, and

(D) any material interest of such stockholder proposing such business and the beneficial owner, if any, on whose behalf the proposal is made in such business. Notwithstanding the foregoing provisions of this By-Law 8(c), a stockholder must also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this By-Law 8(c). For purposes of this By-Law 8(c) and By-Law 13, "public announcement" means disclosure in a press release reported by the Dow Jones News Service, Associated Press, or comparable national news service or in a document publicly filed by the Company with the Securities and Exchange Commission pursuant to Sections 13, 14, or 15(d) of the Securities Exchange Act of 1934, as amended, or furnished to stockholders. Nothing in this By-Law 8(c) will be deemed to affect any rights of stockholders to request inclusion of proposals in the Company's proxy statement pursuant to

Rule 14a-8 under the Securities Exchange Act of 1934, as amended.

(d) At a special meeting of stockholders, only such business may be conducted or considered as is properly brought before the meeting. To be properly brought before a special meeting, business must be (i) specified in the notice of the meeting (or any supplement thereto) given by or at the direction of the Chairman or a majority of the Whole Board in accordance with By-Law 4 or (ii) otherwise properly brought before the meeting by the presiding officer or by or at the direction of a majority of the Whole Board.

(e) The determination of whether any business sought to be brought before any annual or special meeting of the stockholders is properly brought before such meeting in accordance with this By-Law 8 will be made by the presiding officer of such meeting. If the presiding officer determines that any business is not properly brought before such meeting, he or she will so declare to the meeting and any such business will not be conducted or considered.

DIRECTORS

9. FUNCTION. The business and affairs of the Company will be managed under the direction of its Board.

10. NUMBER, ELECTION, AND TERMS. Subject to the rights, if any, of any series of Preferred Stock to elect additional Directors under circumstances specified in a Preferred Stock Designation and to the minimum and maximum number of authorized Directors provided in the Certificate of Incorporation, the authorized number of Directors may be determined from time to time only (i) by a vote of a majority of the Whole Board or (ii) by the affirmative vote of the holders of at least 80% of the Voting Stock, voting together as a single class. The Directors, other than those who may be elected by the holders of any series of the Preferred Stock, will be classified with respect to the time for which they severally hold office in accordance with the Certificate of Incorporation.

11. VACANCIES AND NEWLY CREATED DIRECTORSHIPS. Subject to the rights, if any, of the holders of any series of Preferred Stock to elect additional Directors under circumstances specified in a

Preferred Stock Designation, newly created directorships resulting from any increase in the number of Directors and any vacancies on the Board resulting from death, resignation, disqualification, removal, or other cause will be filled solely by the affirmative vote of a majority of the remaining Directors then in office, even though less than a quorum of the Board, or by a sole remaining Director. Any Director elected in accordance with the preceding sentence will hold office for the remainder of the full term of the class of Directors in which the new directorship was created or the vacancy occurred and until such Director's successor is elected and qualified. No decrease in the number of Directors constituting the Board will shorten the term of an incumbent Director.

12. REMOVAL. Subject to the rights, if any, of the holders of any series of Preferred Stock to elect additional Directors under circumstances specified in a Preferred Stock Designation, any Director may be removed from office by the stockholders only for cause and only in the manner provided in the Certificate of Incorporation and, if applicable, any amendment to this By-Law 12.

13. NOMINATIONS OF DIRECTORS; ELECTION. (a) Subject to the rights, if any, of the holders of any series of Preferred Stock to elect additional Directors under circumstances specified in a Preferred Stock Designation, only persons who are nominated in accordance with the following procedures will be eligible for election at a meeting of stockholders as Directors of the Company.

(b) Nominations of persons for election as Directors of the Company may be made only at an annual meeting of stockholders (i) by or at the direction of the Board or (ii) by any stockholder who is a stockholder of record at the time of giving of notice provided for in this By-Law 13, who is entitled to vote for the election of Directors at such meeting, and who complies with the procedures set forth in this By-Law 13. All nominations by stockholders must be made pursuant to timely notice in proper written form to the Secretary.

(c) To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Company not less than 60 calendar days prior to the annual meeting of stockholders; PROVIDED, HOWEVER, that in the event that public announcement of the date of the annual meeting is not made at least 75 calendar days prior to the date of the annual meeting, notice by the stockholder to be timely must be so received not later than the close of business on the 10th calendar day following the day on which public announcement is first made of the date of the annual meeting. To be in proper written form, such stockholder's notice must set forth or include (i) the name and address, as they appear on the Company's books, of the stockholder giving the notice and of the beneficial owner, if any, on whose behalf the nomination is made; (ii) a representation that the stockholder giving the notice is a holder of record of stock of the Company entitled to vote at such annual meeting and intends to appear in person or by proxy at the annual meeting to nominate the person or persons specified in the notice; (iii) the class and number of shares of stock of the Company owned beneficially and of record by the stockholder giving the notice and by the beneficial owner, if any, on whose behalf the

nomination is made; (iv) a description of all arrangements or understandings between or among any of (A) the stockholder giving the notice, (B) the beneficial owner on whose behalf the notice is given, (C) each nominee, and (D) any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder giving the notice; (v) such other information regarding each nominee proposed by the stockholder giving the notice as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had the nominee been nominated, or intended to be nominated, by the Board; and (vi) the signed consent of each nominee to serve as a director of the Company if so elected. At the request of the Board, any person nominated by the Board for election as a Director must furnish to the Secretary that information required to be set forth in a stockholder's notice of nomination which pertains to the nominee. The presiding officer of any annual meeting will, if the facts warrant, determine that a nomination was not made in accordance with the procedures prescribed by this By-Law 13, and if he or she should so determine, he or she will so declare to the meeting and the defective nomination will be disregarded. Notwithstanding the foregoing provisions of this By-Law 13, a stockholder must also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this By-Law 13.

14. RESIGNATION. Any Director may resign at any time by giving written notice of his resignation to the Chairman or the Secretary. Any resignation will be effective upon actual receipt by any such person or, if later, as of the date and time specified in such written notice.

15. REGULAR MEETINGS. Regular meetings of the Board may be held immediately after the annual meeting of the stockholders and at such other time and place either within or without the State of Delaware as may from time to time be determined by the Board. Notice of regular meetings of the Board need not be given.

16. SPECIAL MEETINGS. Special meetings of the Board may be called by the Chairman or the President on one day's notice to each Director by whom such notice is not waived, given either personally or by mail, telephone, telegram, telex, facsimile, or similar medium of communication, and will be called by the Chairman or the President in, like manner and on like notice on

the written request of five or more Directors. Special meetings of the Board may be held at such time and place either within or without the State of Delaware as is determined by the Board or specified in the notice of any such meeting.

17. QUORUM. At all meetings of the Board, a majority of the total number of Directors then in office will constitute a quorum for the transaction of business. Except for the designation of committees as hereinafter provided and except for actions required by these By-Laws or the Certificate of Incorporation to be taken by a majority of the Whole Board, the act of a majority of the Directors present at any meeting at which there is a quorum will be the act of the Board. If a quorum is not present at any meeting of

the Board, the Directors present thereat may adjourn the meeting from time to time to another place, time, or date, without notice other than announcement at the meeting, until a quorum is present.

18. PARTICIPATION IN MEETINGS BY TELEPHONE CONFERENCE. Members of the Board or any committee designated by the Board may participate in a meeting of the Board or any such committee, as the case may be, by means of telephone conference or similar means by which all persons participating in the meeting can hear each other, and such participation in a meeting will constitute presence in person at the meeting.

19. COMMITTEES. (a) The Board, by resolution passed by a majority of the Whole Board, will designate an executive and finance committee (the "Executive and Finance Committee") of not less than five members of the Board, one of whom will be the Chairman. The Executive and Finance Committee will have and may exercise the powers of the Board, except the power to amend these By-Laws or the Certificate of Incorporation (except, to the extent authorized by a resolution of the Whole Board, to fix the designation, preferences, and other terms of any series of Preferred Stock), adopt an agreement of merger or consolidation, authorize the issuance of stock, declare a dividend, or recommend to the stockholders the sale, lease, or exchange of all or substantially all of the Company's property and assets, a dissolution of the Company, or a revocation of a dissolution, and except as otherwise provided by law.

(b) The Board, by resolution passed by a majority of the Whole Board, may designate one or more additional committees, each such committee to consist of one or more Directors and each to have such lawfully delegable powers and duties as the Board may confer.

(c) The Executive and Finance Committee and each other committee of the Board will serve at the pleasure of the Board or as may be specified in any resolution from time to time adopted by the Board. The Board may designate one or more Directors as alternate members of any such committee, who may replace any absent or disqualified member at any meeting of such committee. In lieu of such action by the Board, in the absence or disqualification of any member of a committee of the Board, the members thereof present at any such meeting of such committee and not disqualified from voting, whether or not they constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member.

(d) Except as otherwise provided in these By-Laws or by law, any committee of the Board, to the extent provided in Paragraph (a) of this By-Law or, if applicable, in the resolution of the Board, will have and may exercise all the powers and authority of the Board in the direction of the management of the business and affairs of the Company. Any such committee designated by the Board will have such name as may be determined from time to time by resolution adopted by the Board. Unless otherwise prescribed by the Board, a majority of the members of any committee of the Board will constitute a quorum for the transaction of business, and the act of a majority of the members present at a meeting at which

there is a quorum will be the act of such committee. Each committee of the Board may prescribe its own rules for calling and holding meetings and its method of procedure, subject to any rules prescribed by the Board, and will keep a written record of all actions taken by it.

(e) A majority of the members of the Executive and Finance Committee, and all of the members of any committee the primary responsibilities of which include (i) reviewing the professional services to be provided by the Company's independent auditors and the independence of such firm from the Company's management, reviewing financial statements with management or independent auditors, and/or reviewing internal accounting controls, (ii) reviewing and approving salaries and other compensation, whether cash or non-cash, and benefits of the Company's executive officers, or (iii) recommending candidates to the Board for nomination for election to the Board, will be Non-Employee Directors. For purposes of these By-Laws, "Non-Employee Director" means any Director who is not a full-time employee of the Company or any subsidiary of the Company and who, as of the Effective Time of the Federated/Allied Combination Transactions (as defined in the Federated Plan of Reorganization), was not then, and for the preceding two years had not been, a full-time employee of Federated Department Stores, Inc. (a predecessor to the Company, "Federated"), any subsidiary of Federated, any predecessor of Federated, any subsidiary of any predecessor of Federated, Federated Stores, Inc. ("FSI"), Ralphs Grocery Company ("Ralphs"), any other subsidiary of FSI, Campeau Corporation ("Campeau"), or any other affiliate (as that term is defined in Section 101(2) of the Bankruptcy Code) of Campeau Corporation; PROVIDED, HOWEVER, that any Director who is elected to the Board by the Company's stockholders and who is not at the time of such election a full-time employee of the Company or any subsidiary of the Company, but who would not otherwise be a Non-Employee Director because he or she had been such an employee during such two-year period, will be deemed to be a Non-Employee Director for all purposes, other than membership on any committee of the Board described in clause (iii) of the immediately preceding sentence, effective as of the time of such election. Notwithstanding any provision of the Certificate of Incorporation or these By-Laws to the contrary, this By-Law 19(e) may not be amended or repealed by the Board, and no provision inconsistent therewith may be adopted by the Board, without the affirmative vote of the holders of at least a majority of the Common Stock present or represented by proxy and entitled to vote at any annual or special meeting of stockholders at which such vote is to be taken.

(f) Without limiting the effect of By-Law 19(e), a majority of the members of the Executive and Finance Committee and each other directorate committee that the Board may from time to time establish (including without limitation the Public Policy Committee), and all of the members of each of the other committees referred to in the first sentence of By-Law 19(e), will be Independent Directors unless and to the extent that a majority of the Independent Directors then serving as members of the Board determines in a specific instance that it would be in the best interests of the Company and its stockholders that this By-Law 19(f) not operate to preclude the services of one or more individuals on one or more such committees. For purposes of this By-Law 19(f), the term "Independent Director" means any Director who, as of any particular time at which this definition is applied thereto, (i) is not (and has not been within the preceding 60 months) an employee of the Company or any of its subsidiaries that is or was a subsidiary of the Company at the time such Director was an employee thereof; (ii) is not (and has not been within the preceding 60 months) an executive officer, partner or principal in or of any corporation or other entity that is or was a paid adviser, consultant or provider of professional services to, or a substantial supplier of, the Company or any of its subsidiaries at the time such Director was an executive officer, partner or principal in or of such corporation or entity; (iii) is not a party to any contract pursuant to which such Director provides personal services (other than as a director) to the Company or any of its subsidiaries; (iv) is not employed by an organization that received (within the preceding 60 months) eleemosynary grants or endowments from the Company or any of its subsidiaries in excess of $250,000 in any fiscal year of the Company; (v) is not a parent, child, sibling, aunt, uncle, niece, nephew or first cousin of any Director or executive officer of the Company; (vi) is not a party to any agreement binding

him or her to vote, as a stockholder of the Company, in accordance with the recommendations of the Board; and (vii) is not a director of any corporation or other entity (other than the Company) of which the Company's Chairman or Chief Executive Officer is also a director; PROVIDED, HOWEVER, that, as used in this By-Law 19(f), the term "Company" will not include R. H. Macy & Co., Inc. ("Macy's") prior to its merger with Federated Department Stores, Inc. on December 19, 1994 and the term "subsidiary" will not include any subsidiary of Macy's prior to such merger.

20. COMPENSATION. The Board may establish the compensation for, and reimbursement of the expenses of, Directors for membership on the Board and on committees of the Board, attendance at meetings of the Board or committees of the Board, and for other services by Directors to the Company or any of its majority-owned subsidiaries.

21. RULES. The Board may adopt rules and regulations for the conduct of meetings and the oversight of the management of the affairs of the Company.

NOTICES

22. GENERALLY. Except as otherwise provided by law, these By-Laws, or the Certificate of Incorporation, whenever by law or under the provisions of the Certificate of Incorporation or these By-Laws notice is required to be given to any Director or stockholder, it will not be construed to require personal notice, but such notice may be given in writing, by mail, addressed to such Director or stockholder, at the address of such Director or stockholder as it appears on the records of the Company, with postage thereon prepaid, and such notice will be deemed to be given at the time when the same is deposited in the United States mail. Notice to Directors may also be given by telephone, telegram, telex, facsimile, or similar medium of communication or as otherwise may be permitted by these By-Laws.

23. WAIVERS. Whenever any notice is required to be given by law or under the provisions of the Certificate of Incorporation or these By-Laws, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time of the event for which notice is to be given, will be deemed equivalent to such notice. Attendance of a person at a meeting will constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

OFFICERS

24. GENERALLY. The officers of the Company will be elected by the Board and will consist of a Chairman (who, unless the Board specifies otherwise, will also be the Chief Executive Officer), a President, a Deputy Chairman, a Secretary, and a Treasurer. The Board of Directors may also choose any or all of the following: one or more Vice Chairmen, one or more Assistants to the Chairman, one or more Vice Presidents (who may be given particular designations with respect to authority, function, or seniority), and such other officers as the Board may from time to time determine. Notwithstanding the foregoing, by specific action the Board may authorize the Chairman to appoint any person to any office other than Chairman, President, Secretary, or Treasurer. Any number of offices may be held by the same person. Any of the offices may be left vacant from time to time as the Board may determine. In the case of the absence or disability of any officer of the Company or for any other reason deemed sufficient by a majority of the Board, the Board may delegate the absent or disabled officer's powers or duties to any other officer or to any Director.

25. COMPENSATION. The compensation of all officers and agents of the Company who are also Directors of the Company will be fixed by the Board or by a committee of the Board. The Board may fix, or delegate the power to fix,

the compensation of other officers and agents of the Company to an officer of the Company.

26. SUCCESSION. The officers of the Company will hold office until their successors are elected and qualified. Any officer may be removed at any time by the affirmative vote of a majority of the Whole Board. Any vacancy occurring in any office of the Company may be filled by the Board or by the Chairman as provided in By-Law 24.

27. AUTHORITY AND DUTIES. Each of the officers of the Company will have such authority and will perform such duties as are customarily incident to their respective offices or as may be specified from time to time by the Board.

STOCK

28. CERTIFICATES. Certificates representing shares of stock of the Company will be in such form as is determined by the Board, subject to applicable legal requirements. Subject to Section 2.7 of the Merger Agreement, each such certificate will be numbered and its issuance recorded in the books of the Company, and such certificate will exhibit the holder's name and the number of shares and will be signed by, or in the name of, the Company by the Chairman and the Secretary or an Assistant Secretary, or the Treasurer or an Assistant Treasurer, and will also be signed by, or bear the facsimile signature of, a duly authorized officer or agent of any properly designated transfer agent of the Company. Any or all of the signatures and the seal of the Company, if any, upon such certificates may be facsimiles, engraved, or printed. Such certificates may be issued and delivered notwithstanding that the person whose facsimile signature appears thereon may have ceased to be such officer at the time the certificates are issued and delivered.

29. CLASSES OF STOCK. The designations, preferences, and relative participating, optional, or other special rights of the various classes of stock or series thereof, and the qualifications, limitations, or restrictions thereof, will be set forth in full or summarized on the face or back of the certificates which the Company issues to represent its stock or, in lieu thereof, such certificates will set forth the office of the Company from which the holders of certificates may obtain a copy of such information.

30. LOST, STOLEN, OR DESTROYED CERTIFICATES. The Secretary may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Company alleged to have been lost, stolen, or destroyed, upon the making of an affidavit of that fact, satisfactory to the Secretary, by the person claiming the certificate of stock to be lost, stolen, or destroyed. As a condition precedent to the issuance of a new certificate or certificates, the Secretary may require the owners of such lost, stolen, or destroyed certificate or certificates to give the Company a bond in such sum and with such surety or sureties as the Secretary may direct as indemnity against any claims that may be made against the Company with respect to the certificate alleged to have been lost, stolen, or destroyed or the issuance of the new certificate.

31. RECORD DATES. (a) In order that the Company may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board may fix a record date, which will not be more than 60 nor less than 10 calendar days before the date of such meeting. If no record date is fixed by the Board, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders will

be at the close of business on the calendar day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the calendar day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of the stockholders will apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

(b) In order that the Company may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion, or exchange of stock, or for the purpose of any other lawful action, the Board may fix a record date, which record date will not be more than 60 calendar days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose will be at the close of business on the calendar day on which the Board adopts the resolution relating thereto.

(c) The Company will be entitled to treat the person in whose name any share of its stock is registered as the owner thereof for all purposes, and will not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the Company has notice thereof, except as expressly provided by applicable law.

INDEMNIFICATION

32. DAMAGES AND EXPENSES. (a) Without limiting the generality or effect of Article Ninth of the Certificate of Incorporation or Section 6.9 of the Merger Agreement, the Company will to the fullest extent permitted by applicable law as then in effect indemnify any person (an "Indemnitee") who is or was involved in any manner (including without limitation as a party or a witness) or is threatened to be made so involved in any threatened, pending, or completed investigation, claim, action, suit, or proceeding, whether civil, criminal, administrative, or investigative (including without limitation any action, suit, or proceeding by or in the right of the Company to procure a judgment in its favor) (a "Proceeding") by reason of the fact that such person is or was or had agreed to become a Director, officer, employee, or agent of the Company, or is or was serving at the request of the Board or an officer of the Company as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other entity, whether for profit or not for profit (including the heirs, executors, administrators, or estate of such person), or anything done or not by such person in any such capacity, against all expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually

and reasonably incurred by such person in connection with such Proceeding. Such indemnification will be a contract right and will include the right to receive payment in advance of any expenses incurred by an Indemnitee in connection with such Proceeding, consistent with the provisions of applicable law as then in effect. No change in applicable law or amendment or repeal of any provision of the Certificate of Incorporation or By-Laws will adversely affect any right or protection existing hereunder, or arising out of facts occurring, prior to such change, amendment, or repeal.

(b) The right of indemnification provided in this By-Law 32 will not be exclusive of any other rights to which any person seeking indemnification may otherwise be entitled, and will be applicable to Proceedings commenced or continuing after the adoption of this By-Law 32, whether arising from acts or omissions occurring before or after such adoption.

(c) In furtherance, but not in limitation of the foregoing provisions, the following procedures, presumptions, and remedies will apply with respect to advancement of expenses and the right to indemnification under this By-Law 32:

(i) All reasonable expenses incurred by or on behalf of

an Indemnitee in connection with any Proceeding will be advanced to the Indemnitee by the Company within 30 calendar days after the receipt by the Company of a statement or statements from the Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements will describe in reasonable detail the expenses incurred by the Indemnitee and, if and to the extent required by law at the time of such advance, will include or be accompanied by an undertaking by or on behalf of the Indemnitee to repay such amounts advanced as to which it may ultimately be determined that the Indemnitee is not entitled. If such an undertaking is required by law at the time of an advance, no security will be required for such undertaking and such undertaking will be accepted without reference to the recipient's financial ability to make repayment.

(ii) To obtain indemnification under this By-Law 32, the Indemnitee will submit to the Secretary a written request, including such documentation supporting the claim as is reasonably available to the Indemnitee and is reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification (the "Supporting Documentation"). The determination of the Indemnitee's entitlement to indemnification will be made not less than 60 calendar days after receipt by the Company of the written request for indemnification together with the Supporting Documentation. The Secretary will promptly upon receipt of such a request for indemnification advise the Board in writing that the Indemnitee has requested indemnification. The Indemnitee's entitlement to indemnification under this By-Law 32 will be determined in one of the following ways: (A) by a majority vote of the Disinterested Directors (as hereinafter defined), if they constitute a quorum of the Board, or, in the

case of an Indemnitee that is not a present or former officer of the Company, by any committee of the Board or committee of officers or agents of the Company designated for such purpose by a majority of the Whole Board; (B) by a written opinion of Independent Counsel if (1) a Change of Control has occurred and the Indemnitee so requests or (2) in the case of an Indemnitee that is a present or former officer of the Company, a quorum of the Board consisting of Disinterested Directors is not obtainable or, even if obtainable, a majority of such Disinterested Directors so directs; (C) by the stockholders (but only if a majority of the Disinterested Directors, if they constitute a quorum of the Board, presents the issue of entitlement to indemnification to the stockholders for their determination); or (D) as provided in subparagraph (iii) below. In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to clause (B) above, a majority of the Disinterested Directors will select the Independent Counsel, but only an Independent Counsel to which the Indemnitee does not reasonably object;PROVIDED, HOWEVER, that if a Change of Control has occurred, the Indemnitee will select such Independent Counsel, but only an Independent Counsel to which the Board does not reasonably object.

(iii) Except as otherwise expressly provided in this By-Law 32, the Indemnitee will be presumed to be entitled to indemnification under this By-Law 32 upon submission of a request for indemnification together with the Supporting Documentation in accordance with subparagraph (c)(ii) above, and thereafter the Company will have the burden of proof to overcome that presumption in reaching a contrary determination. In any event, if the person or persons empowered under subparagraph (c)(ii) to determine entitlement to indemnification has not been appointed or has not made a determination within 60 calendar days after receipt by the Company of the request thereof or together with the Supporting Documentation, the Indemnitee will be deemed to be entitled to indemnification and the Indemnitee will be entitled to such indemnification unless (A) the Indemnitee misrepresented or

failed to disclose a material fact in making the request for indemnification or in the Supporting Documentation or (B) such indemnification is prohibited by law. The termination of any Proceeding described in paragraph (a) of this By-Law 32, or of any claim, issue, or matter therein, by judgment, order, settlement, or conviction, or upon a plea of NOLO CONTENDERE or its equivalent, will not, of itself, adversely affect the right of the Indemnitee to indemnification or create a presumption that the Indemnitee did not act in good faith and in a manner which the Indemnitee reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that the Indemnitee had reasonable cause to believe that his conduct was unlawful.

(iv) (A) In the event that a determination is made pursuant to subparagraph (c)(ii) that the Indemnitee is not entitled to indemnification under this By-Law 32, (1) the Indemnitee will be entitled to seek an adjudication of his or

her entitlement to such indemnification either, at the Indemnitee's sole option, in (x) an appropriate court of the State of Delaware or any other court of competent jurisdiction or (y) an arbitration to be conducted by a single arbitrator pursuant to the rules of the American Arbitration Association; (2) any such judicial proceeding or arbitration will be DE NOVO and the Indemnitee will not be prejudiced by reason of such adverse determination; and (3) in any such judicial proceeding or arbitration the Company will have the burden of proving that the Indemnitee is not entitled to indemnification under this By-Law 32.

(B) If a determination is made or deemed to have been made, pursuant to subparagraph (c)(ii) or (iii) of this By-Law 32, that the Indemnitee is entitled to indemnification, the Company will be obligated to pay the amounts constituting such indemnification within five business days after such determination has been made or deemed to have been made and will be conclusively bound by such determination unless (1) the Indemnitee misrepresented or failed to disclose a material fact in making the request for indemnification or in the Supporting Documentation or (2) such indemnification is prohibited by law. In the event that advancement of expenses is not timely made pursuant to subparagraph (c)(i) of this By-Law 32 or payment of indemnification is not made within five business days after a determination of entitlement to indemnification has been made or deemed to have been made pursuant to subparagraph (c)(ii) or (iii) of this By-Law 32, the Indemnitee will be entitled to seek judicial enforcement of the Company's obligation to pay to the Indemnitee such advancement of expenses or indemnification. Notwithstanding the foregoing, the Company may bring an action, in an appropriate court in the State of Delaware or any other court of competent jurisdiction, contesting the right of the Indemnitee to receive indemnification hereunder due to the occurrence of any event described in subclause (1) or (2) of this clause (B) (a "Disqualifying Event"); PROVIDED, HOWEVER, that in any such action the Company will have the burden of proving the occurrence of such Disqualifying Event.

(C) The Company will be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to the provisions of this subparagraph (c)(iv) that the procedures and presumptions of this By-Law 32 are not valid, binding, and enforceable and will stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this By-Law 32.

(D) In the event that the Indemnitee, pursuant to the provisions of this subparagraph (c)(iv), seeks a judicial adjudication of, or an award in arbitration to enforce, his rights under, or to recover damages for breach of, this By-Law 32, the Indemnitee will be entitled to recover from the Company, and will be indemnified by the

Company against, any expenses actually and reasonably incurred by the Indemnitee if the Indemnitee prevails in such judicial adjudication or arbitration. If it is determined in such judicial

adjudication or arbitration that the Indemnitee is entitled to receive part but not all of the indemnification or advancement of expenses sought, the expenses incurred by the Indemnitee in connection with such judicial adjudication or arbitration will be prorated accordingly.

(v) For purposes of this paragraph (c):

(A) "Change in Control" means the occurrence of any of the following events (other than the Federated/Macy Merger (as that term is defined in the Macy's Plan of Reorganization) or any other event provided for in the Macy's Plan of Reorganization):

(1) The Company is merged, consolidated, or reorganized into or with another corporation or other legal entity, and as a result of such merger, consolidation, or reorganization less than a majority of the combined voting power of the then-outstanding securities of such corporation or entity immediately after such transaction are held in the aggregate by the holders of the Voting Stock immediately prior to such transaction;

(2) 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 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 immediately prior to such sale or transfer;

(3) 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 30% or more of the combined voting power of the Voting Stock;

(4) 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

(5) If, during any period of two consecutive years or such longer period, if any, commencing immediately prior to a meeting of the stockholders at which Directors are elected and concluding immediately after the next

succeeding meeting of stockholders at which Directors are elected, individuals who at the beginning of any such period constitute the Directors cease for any reason to constitute at least a majority thereof; PROVIDED, HOWEVER, that for purposes of this clause (5) 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 (or a committee of the Board) then still in office who were Directors at the beginning of any such period will be deemed to have been a Director at the beginning of such period.

Notwithstanding the foregoing provisions of clauses (3) or (4) of this paragraph (c)(v)(A), unless otherwise determined in a specific case by majority vote of the Board, a "Change in Control" will not be deemed to have occurred for purposes of such clauses (3) or (4) solely because (x) the Company, (y) an entity in which the Company, directly or indirectly, beneficially owns 50% or more of the voting securities (a "Subsidiary"), or (z) any employee stock ownership plan or any other employee benefit plan of the Company or any Subsidiary 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 30% 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.

(B) "Disinterested Director" means a Director of the Company who is not or was not a party to the Proceeding in respect of which indemnification is sought by the Indemnitee.

(C) "Independent Counsel" means a law firm or a member of a law firm that neither presently is, nor in the past five years has been, retained to represent (1) the Company or the Indemnitee in any matter material to either such party or (2) any other party to the Proceeding giving rise to a claim for indemnification under this By-Law 32. Notwithstanding the foregoing, the term "Independent Counsel" will not include any person who, under the applicable standards of professional conduct then prevailing under the law of the State of Delaware, would be precluded from representing either the Company or the Indemnitee in an action to determine the Indemnitee's rights under this By-Law 32.

(d) Notwithstanding anything contained in these By-Laws to the contrary, and without limiting the generality or effect of Section 6.9 of the Merger Agreement, the Company will indemnify any person serving (i) on or after January 15, 1990 as a director, officer, or employee of Federated or any predecessor of Federated, including Federated Department Stores, Inc. ("Old Federated") and Allied Stores Corporation ("Allied"), or any of their respective majority-owned subsidiaries or (ii) as a director, officer, or employee of another corporation, partnership, joint venture, trust,

or other entity, including without limitation Campeau, Campeau Properties, Inc. ("Campeau Properties"), Federated Holdings, Inc. ("Holdings"), Federated Holdings II, Inc. ("Holdings II"), Federated Holdings III, Inc. ("Holdings III"), FSI, Gold Circle, Inc. ("Gold Circle"), Ralphs, and their affiliates (as defined in Section 101(2) of the Bankruptcy Code) as of the effective date of the Plan of Reorganization other than Old Federated, Allied, and their respective subsidiaries (collectively, the "FSI Companies"), to the extent that such person, by reason of such person's past or future service in such a capacity, is, or but for the merger of Federated and the Company or the merger of Old Federated and Allied would be, entitled to indemnification by Federated, Old Federated, Allied, or any of their respective subsidiaries (collectively, the "Predecessor Companies") under, and to the extent provided in, the applicable certificates of incorporation, by-laws, or similar constituent documents of any of the Predecessor Companies, under any written agreement to

which any of the Predecessor Companies is or was a party, or under any applicable statute; PROVIDED, HOWEVER, that no person who (A) (1) as of the Effective Date of the Federated Plan of Reorganization (as therein defined) or prior thereto was a director, officer, or employee of any FSI Company other than Gold Circle and (2) as of the Effective Date of the Federated Plan of Reorganization (as therein defined), had not ceased to be a director, officer, or employee of any FSI Company other than FSI, Gold Circle, or Ralphs or had not ceased to be an officer or employee of Ralphs or (B) is or becomes a director, officer, or employee of Holdings, Holdings II, Holdings III, Campeau, or Campeau Properties or an officer or employee of Ralphs following the Effective Date of the Federated Plan of Reorganization (as therein defined) will be entitled to indemnification pursuant to this By-Law 32. Any person who is entitled to indemnification pursuant to the immediately preceding sentence or in respect of whom indemnity obligations arise in the future by reason of his or her service as director, officer, or employee of the Company will be deemed to have served at the request of Federated, Old Federated and Allied to the extent that he or she served as a director, officer, or employee of any subsidiary of Old Federated or Allied or any FSI Company prior to the effective date of the Plan of Reorganization; PROVIDED, HOWEVER, that such indemnity will not apply to any person who continued to serve as a director of Ralphs as of or following the Effective Date of the Federated Plan of Reorganization (as therein defined) to the extent that any Proceeding relates to or arises out of such person's service as a director, officer, or employee of Ralphs at any time after the Effective Date of the Federated Plan of Reorganization (as therein defined).

(e) If any provision or provisions of this By-Law 32 are held to be invalid, illegal, or unenforceable for any reason whatsoever: (i) the validity, legality, and enforceability of the remaining provisions of this By-Law 32 (including without limitation all portions of any paragraph of this By-Law 32 containing any such provision held to be invalid, illegal, or unenforceable, that are not themselves invalid, illegal, or unenforceable) will not in any way be affected or impaired thereby and (ii) to the fullest extent possible, the provisions of this By-Law 32 (including without limitation all portions of any paragraph of this By-Law 32

containing any such provision held to be invalid, illegal, or unenforceable, that are not themselves invalid, illegal, or unenforceable) will be construed so as to give effect to the intent manifested by the provision held invalid, illegal, or unenforceable.

33. INSURANCE, CONTRACTS, AND FUNDING. Without limiting the generality or effect of Section 6.9 of the Merger Agreement, the Company may purchase and maintain insurance to protect itself and any Indemnitee against any expenses, judgments, fines, and amounts paid in settlement or incurred by any Indemnitee in connection with any Proceeding referred to in By-Law 32 or otherwise, to the fullest extent permitted by applicable law as then in effect. Without limiting the generality or effect of Section 6.9 of the Merger Agreement, the Company may enter into contracts with any person entitled to indemnification under By-Law 32 or otherwise, and may create a trust fund, grant a security interest, or use other means (including without limitation a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in By-Law 32.

GENERAL

34. FISCAL YEAR. The fiscal year of the Company will end on the Saturday closest to January 31st of each year or such other date as may be fixed from time to time by the Board.

35. SEAL. The Board may adopt a corporate seal and use the same by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

36. RELIANCE UPON BOOKS, REPORTS, AND RECORDS. Each Director,

each member of a committee designated by the Board, and each officer of the Company will, in the performance of his or her duties, be fully protected in relying in good faith upon the records of the Company and upon such information, opinions, reports, or statements presented to the Company by any of the Company's officers or employees, or committees of the Board, or by any other person or entity as to matters the Director, committee member, or officer believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company.

37. TIME PERIODS. In applying any provision of these By-Laws that requires that an act be done or not be done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days will be used unless otherwise specified, the day of the doing of the act will be excluded, and the day of the event will be included.

38. AMENDMENTS. Except as otherwise provided by law or by the Certificate of Incorporation or these By-Laws, these By-Laws or any of them may be amended in any respect or repealed at any time, either (i) at any meeting of stockholders, provided that any amendment or supplement proposed to be acted upon at any such meeting has been described or referred to in the notice of such

meeting, or (ii) at any meeting of the Board, provided that no amendment adopted by the Board may vary or conflict with any amendment adopted by the stockholders.

39. CERTAIN DEFINED TERMS. Terms used herein with initial capital letters that are not otherwise defined are used herein as defined in the Certificate of Incorporation.

RIGHTS AGREEMENT,

Dated as of December 19, 1994

By and Between

Federated Department Stores, Inc.

and

The Bank of New York,
as Rights Agent

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RIGHTS AGREEMENT

This RIGHTS AGREEMENT, dated as of December 19, 1994 (this "Agreement"), is made and entered into by and between Federated Department Stores, Inc., a Delaware corporation (the "Company"), and The Bank of New York,

a New York banking corporation (the "Rights Agent").

RECITALS

A. A plan of reorganization of R.H. Macy & Co. (a predecessor to the Company, "Macy") and certain of its subsidiaries (as amended, the "Plan of Reorganization") proposed by Federated Department Stores, Inc. (a predecessor to the Company, "Old Federated") and Macy was confirmed by the United States Bankruptcy Court for the Southern District of New York on December 8, 1994.

B. Pursuant to the Plan of Reorganization and the related Agreement and Plan of Merger (the "Merger Agreement") between Old Federated and Macy, Old Federated was merged with Macy (the "Merger").

C. The Plan of Reorganization provides for the execution and delivery of this Agreement by the Company, and this Agreement has been approved and adopted by the Board of Directors of Old Federated, on behalf of the Company, effective as of the effective time of the Merger.

D. The Plan of Reorganization, the Merger Agreement, and this Agreement contemplate that each Common Share (as hereinafter defined) issued pursuant to the Plan of Reorganization or the Merger Agreement will be accompanied by one right (a "Right"), each Right initially representing the right to purchase one one-hundredth of a Preferred Share (as hereinafter defined), on the terms and subject to the conditions herein set forth.

E. This Agreement further contemplates the issuance of one Right with respect to each Common Share issued or delivered by the Company (whether originally issued or delivered from the Company's treasury) after the date hereof but prior to the earlier of the Distribution Date (as hereinafter defined) and the Expiration Date (as hereinafter defined).

NOW, THEREFORE, in consideration of the mutual agreements herein set forth, the parties hereto hereby agree as follows:

1. CERTAIN DEFINITIONS. For purposes of this Agreement, the following terms have the meanings indicated:

(a) "ACQUIRING PERSON" means any Person (other than the Company or any Subsidiary of the Company or any employee benefit or stock ownership plan of the Company or of any Subsidiary of the Company or any entity holding Common Shares for or pursuant to the terms of any such plan) who or which, together with all Affiliates and Associates of such Person, is the Beneficial Owner of 20% or more of the then-outstanding Common Shares; PROVIDED, HOWEVER, that a Person will not be deemed to have become an Acquiring Person solely as a result of a reduction in the number of Common Shares outstanding unless and until (i) such time as such Person or any Affiliate or Associate of such Person thereafter becomes the Beneficial Owner of any additional Common Shares, other than as a result of a stock dividend, stock split, or similar transaction effected by the Company in which all holders of Common Shares are treated equally, or (ii) any other Person who is the Beneficial Owner of any Common Shares thereafter becomes an Affiliate or Associate of such Person; PROVIDED, FURTHER, HOWEVER, that a Person will not be deemed to have become an Acquiring Person solely by reason of such Person, and the Affiliates and Associates of such Person, receiving, or having the right to receive, Common Shares or securities that are convertible into, or exercisable or exchangeable for, Common Shares pursuant to the Plan of Reorganization unless and until such time on or after the Effective Date (as such term is defined in the Plan of Reorganization) as (A) such Person or any Affiliate or Associate of such Person becomes the Beneficial Owner of additional Common Shares representing 1% or more of the then-outstanding Common Shares other than pursuant to the Plan of Reorganization or as a result of a stock dividend, stock split, or similar transaction effected by the Company in which all holders of Common Shares are treated equally or (B) any other Person who is the Beneficial Owner of Common

Shares representing 1% or more of the then-outstanding Common Shares becomes an Affiliate or Associate of such Person.

(b) "AFFILIATE" and "ASSOCIATE" will have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act, as in effect on the date of this Agreement.

(c) A Person will be deemed the "BENEFICIAL OWNER" of, and to "BENEFICIALLY OWN," any securities:

(i) which such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to the Plan of Reorganization or any agreement, arrangement, or understanding (whether or not in writing), or upon the exercise of conversion rights, exchange rights, warrants, options, or other rights (in each case, other than upon exercise or exchange of the

Rights); PROVIDED, HOWEVER, that a Person will not be deemed the Beneficial Owner of, or to beneficially own, securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange; or

(ii) which such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to vote or dispose of, including pursuant to any agreement, arrangement, or understanding (whether or not in writing); or

(iii) of which any other Person is the Beneficial Owner, if such Person or any of such Person's Affiliates or Associates has any agreement, arrangement, or understanding (whether or not in writing) with such other Person (or any of such other Person's Affiliates or Associates) with respect to acquiring, holding, voting, or disposing of any securities of the Company;

PROVIDED, HOWEVER, that a Person will not be deemed the Beneficial Owner of, or to beneficially own, any security (A) if such Person has the right to vote such security pursuant to an agreement, arrangement, or understanding (whether or not in writing) which (1) arises solely from a revocable proxy given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations of the Exchange Act and (2) is not also then reportable on Schedule 13D under the Exchange Act (or any comparable or successor report), or (B) if such beneficial ownership arises solely as a result of such Person's status as a "clearing agency", as defined in Section 3(a)(23) of the Exchange Act; PROVIDED, FURTHER, HOWEVER, that nothing in this paragraph (c) will cause a Person engaged in business as an underwriter of securities to be the Beneficial Owner of, or to beneficially own, any securities acquired through such Person's participation in good faith in an underwriting syndicate until the expiration of 40 calendar days after the date of such acquisition, or such later date as the Board of Directors of the Company may determine in any specific case.

(d) "BUSINESS DAY" means any day other than a Saturday, Sunday, or a day on which banking institutions in the State of New York (or such other state in which the principal office of the Rights Agent is located) are authorized or obligated by law or executive order to close.

(e) "CLOSE OF BUSINESS" on any given date means 5:00 P.M., Eastern Time, on such date; PROVIDED, HOWEVER, that if such date is not a Business Day it means 5:00 P.M., Eastern time, on the next succeeding Business Day.

(f) "COMMON SHARES" when used with reference to the Company means the shares of Common Stock, par value $.01 per share, of the Company; PROVIDED, HOWEVER, that, if the Company is the continuing or surviving corporation in a transaction described in Section 11(a)(ii) or Section 13(a)(ii), "Common Shares" when used with reference to the Company means the capital stock or equity security with the greatest aggregate voting power of the Company. "Common Shares" when used with reference to any corporation or other legal entity other than the Company, including an Issuer, means the capital stock or equity security with the greatest aggregate voting power of such corporation or other legal entity.

(g) "COMPANY" means Federated Department Stores, Inc., a Delaware corporation and the successor by merger of Old Federated and Macy.

(h) "DISTRIBUTION DATE" means the earliest of: (i) the Close of Business on the tenth Business Day (or, unless the Distribution Date has previously occurred, such later date as may be specified by the Board of Directors of the Company) after the Share Acquisition Date, (ii) the Close of Business on the tenth Business Day (or, unless the Distribution Date has previously occurred, such later date as may be specified by the Board of Directors of the Company) after the date of the commencement of a tender or exchange offer by any Person (other than the Company or any Subsidiary of the Company or any employee benefit or stock ownership plan of the Company or of any Subsidiary of the Company or any entity holding Common Shares for or pursuant to the terms of any such plan), if upon the consummation thereof such Person would be the Beneficial Owner of 20% or more of the outstanding Common Shares, and (iii) the Close of Business on the tenth Business Day after the first date of public announcement by the Company (by press release, filing made with the Securities and Exchange Commission, or otherwise) of the first occurrence of a Triggering Event.

(i) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

(j) "EXPIRATION DATE" means the earliest of (i) the Close of Business on the Final Expiration Date, (ii) the time at which the Rights are redeemed as provided in Section 23, and (iii) the time at which all exercisable Rights are exchanged as provided in Section 27.

(k) "FINAL EXPIRATION DATE" means the tenth anniversary of the date hereof.

(l) "FLIP-IN EVENT" means any event described in clauses (A), (B), or (C) of Section 11(a)(ii).

(m) "FLIP-OVER EVENT" means any event described in clauses (i), (ii), or (iii) of Section 13(a).

(n) "ISSUER" has the meaning set forth in Section 13(b).

(o) "NASDAQ" means the National Association of Securities Dealers, Inc. Automated Quotation System.

(p) "PERSON" means any individual, firm, corporation, or other legal entity, and includes any successor (by merger or otherwise) of such entity.

(q) "PREFERRED SHARES" means shares of Series A Junior Participating Preferred Stock, par value $.01 per share, of the Company having the rights and preferences set forth in the form of Certificates of Designation of Series A Junior Participating Preferred Stock attached to this Agreement as Exhibit A.

(r) "PURCHASE PRICE" means initially $62.50 per one one-hundredth of a Preferred Share, subject to adjustment from time to time as provided in this Agreement.

(s) "REDEMPTION PRICE" means $0.03 per Right, subject to adjustment by resolution of the Board of Directors of the Company to reflect any stock split, stock dividend, or similar transaction occurring after the date hereof.

(t) "RIGHT" has the meaning set forth in the Recitals to this Agreement.

(u) "RIGHT CERTIFICATES" means certificates evidencing the Rights, in substantially the form of Exhibit B attached hereto.

(v) "RIGHTS AGENT" means The Bank of New York, a New York banking corporation, unless and until a successor Rights Agent has become such pursuant to the terms of this Agreement, and thereafter, "Rights Agent" means such successor Rights Agent.

(w) "SECURITIES ACT" means the Securities Act of 1933, as amended.

(x) "SHARE ACQUISITION DATE" means the first date of public announcement by the Company (by press release, filing made with the Securities and Exchange Commission, or otherwise) that an Acquiring Person has become such.

(y) "SUBSIDIARY" when used with reference to any Person means any corporation or other legal entity of which a majority of the voting power of the voting equity securities or equity interests is owned, directly or indirectly, by such

Person; PROVIDED, HOWEVER, that for purposes of Section 13(b), "Subsidiary" when used with reference to any Person means any corporation or other legal entity of which at least 20% of the voting power of the voting equity securities or equity interests is owned, directly or indirectly, by such Person.

(z) "TRADING DAY" means any day on which the principal national securities exchange on which the Common Shares are listed or admitted to trading is open for the transaction of business or, if the Common Shares are not listed or admitted to trading on any national securities exchange, a Business Day.

(aa) "TRIGGERING EVENT" means any Flip-in Event or Flip-over Event.

2. APPOINTMENT OF RIGHTS AGENT. The Company hereby appoints the Rights Agent to act as agent for the Company and the holders of the Rights (who, in accordance with Section 3, will also be, prior to the Distribution Date, the holders of the Common Shares) in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment and hereby certifies that it complies with the requirements of the New York Stock Exchange governing transfer agents and registrars. The Company may from time to time act as Co-Rights Agent or appoint such Co-Rights Agents as it may deem necessary or desirable. Any actions which may be taken by the Rights Agent pursuant to the terms of this Agreement may be taken by any such Co-Rights Agent. To the extent that any Co-Rights Agent takes any action pursuant to

this Agreement, such Co-Rights Agent will be entitled to all of the rights and protections of, and subject to all of the applicable duties and obligations imposed upon, the Rights Agent pursuant to the terms of this Agreement.

3. ISSUE OF RIGHT CERTIFICATES. (a) Until the Distribution Date, (i) the Rights will be evidenced by the certificates representing Common Shares registered in the names of the record holders thereof (which certificates representing Common Shares will also be deemed to be Right Certificates), (ii) the Rights will be transferable only in connection with the transfer of the underlying Common Shares, and (iii) the surrender for transfer of any certificates evidencing Common Shares in respect of which Rights have been issued will also constitute the transfer of the Rights associated with the Common Shares evidenced by such certificates.

(b) Rights will be issued by the Company in respect of all Common Shares (other than Common Shares issued upon the exercise or exchange of any Right) issued or delivered by the Company (whether originally issued or delivered from the Company's treasury) after the date hereof but prior to the

earlier of the Distribution Date and the Expiration Date. Certificates evidencing such Common Shares will have stamped on, impressed on, printed on, written on, or otherwise affixed to them the following legend or such similar legend as the Company may deem appropriate and as is not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange or transaction reporting system on which the Common Shares may from time to time be listed or quoted, or to conform to usage:

> This Certificate also evidences and entitles the holder hereof to certain Rights as set forth in a Rights Agreement between Federated Department Stores, Inc. and The Bank of New York, a New York banking corporation (the "Rights Agreement"), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal executive offices of Federated Department Stores, Inc. The Rights are not exercisable prior to the occurrence of certain events specified in the Rights Agreement. Under certain circumstances, as set forth in the Rights Agreement, such Rights may be redeemed, may expire, may be amended, or may be evidenced by separate certificates and no longer be evidenced by this Certificate. Federated Department Stores, Inc. will mail to the holder of this Certificate a copy of the Rights Agreement without charge promptly after receipt of a written request therefor. Under certain circumstances as set forth in the Rights Agreement, Rights beneficially owned by an Acquiring Person or any Affiliate or Associate of an Acquiring Person (as such terms are defined in the Rights Agreement) may become null and void.

(c) As promptly as practicable after the Distribution Date, the Company will prepare and execute, the Rights Agent will countersign and the Company will send or cause to be sent (and the Rights Agent will, if requested, send), by first-class, insured, postage prepaid mail, to each record holder of Common Shares as of the Close of Business on the Distribution Date, at the address of such holder shown on the records of the Company, a Right Certificate evidencing one Right for each Common Share so held, subject to adjustment. As of and after the Distribution Date, the Rights will be evidenced solely by such Right Certificates.

4. FORM OF RIGHT CERTIFICATES. The Right Certificates (and the form of election to purchase, the form of assignment, and the form of election to purchase without the payment of cash to be printed on the reverse thereof) will be substantially in the form set forth as Exhibit B hereto with

such changes, marks of identification or designation, and such legends, summaries, or endorsements printed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange or transaction reporting system on which the Rights may from time to time be listed or quoted, or to conform to usage. Subject to the provisions of Section 22, the Right Certificates, whenever issued, on their face will entitle the holders thereof to purchase such number of one one-hundredths of a Preferred Share as are set forth therein at the Purchase Price set forth therein, but the Purchase Price, the number and kind of securities issuable upon exercise of each Right, and the number of Rights outstanding will be subject to adjustment as provided herein.

5. COUNTERSIGNATURE AND REGISTRATION. (a) The Right Certificates will be executed on behalf of the Company by its Chairman of the Board, any Vice Chairman, its President, or any Vice President, either manually or by facsimile signature, and will have affixed thereto the Company's seal or a facsimile thereof which will be attested by the Secretary or an Assistant Secretary of the Company, either manually or by facsimile signature. The Right Certificates will be manually countersigned by the Rights Agent and will not be valid for any purpose unless so countersigned. In case any officer of the Company who signed any of the Right Certificates ceases to be such officer of the Company before countersignature by the Rights Agent and issuance and delivery by the Company, such Right Certificates, nevertheless, may be countersigned by the Rights Agent, and issued and delivered by the Company with the same force and effect as though the person who signed such Right Certificates had not ceased to be such officer of the Company; and any Right Certificate may be signed on behalf of the Company by any person who, at the actual date of the execution of such Right Certificate, is a proper officer of the Company to sign such Right Certificate, although at the date of the execution of this Rights Agreement any such person was not such officer.

(b) Following the Distribution Date, the Rights Agent will keep or cause to be kept, at the principal office of the Rights Agent designated for such purpose and at such other offices as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange or any transaction reporting system on which the Rights may from time to time be listed or quoted, books for registration and transfer of the Right Certificates issued hereunder. Such books will show the names and addresses of the respective holders of the Right Certificates, the number of Rights

evidenced on its face by each of the Right Certificates, and the date of each of the Right Certificates.

6. TRANSFER, SPLIT UP, COMBINATION, AND EXCHANGE OF RIGHT CERTIFICATES; MUTILATED, DESTROYED, LOST, OR STOLEN RIGHT CERTIFICATES. (a) Subject to the provisions of Sections 7(d) and 14, at any time after the Close of Business on the Distribution Date and prior to the Expiration Date, any Right Certificate or Right Certificates representing exercisable Rights may be transferred, split up, combined, or exchanged for another Right Certificate or Right Certificates, entitling the registered holder to purchase a like number of one one-hundredths of a Preferred Share (or other securities, as the case may be) as the Right Certificate or Right Certificates surrendered then entitled such holder (or former holder in the case of a transfer) to purchase. Any registered holder desiring to transfer, split up, combine, or exchange any

such Right Certificate must make such request in writing delivered to the Rights Agent and must surrender the Right Certificate or Right Certificates to be transferred, split up, combined, or exchanged at the principal office of the Rights Agent designated for such purpose. Thereupon or as promptly as practicable thereafter, subject to the provisions of Sections 7(d) and 14, the Company will prepare, execute, and deliver to the Rights Agent, and the Rights Agent will countersign and deliver, a Right Certificate or Right Certificates, as the case may be, as so requested. The Company may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer, split up, combination, or exchange of Right Certificates.

(b) Upon receipt by the Company and the Rights Agent of evidence reasonably satisfactory to them of the loss, theft, destruction, or mutilation of a Right Certificate, and, in case of loss, theft, or destruction, of indemnity or security reasonably satisfactory to them, and reimbursement to the Company and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Right Certificate if mutilated, the Company will prepare, execute, and deliver a new Right Certificate of like tenor to the Rights Agent and the Rights Agent will countersign and deliver such new Right Certificate to the registered holder in lieu of the Right Certificate so lost, stolen, destroyed, or mutilated.

7. EXERCISE OF RIGHTS; PURCHASE PRICE; EXPIRATION DATE OF RIGHTS. (a) The registered holder of any Right Certificate may exercise the Rights evidenced thereby (except as otherwise provided herein) in whole or in part at any time after the Distribution Date and prior to the Expiration Date, upon surrender of the Right Certificate, with the form of election to purchase on the reverse side thereof duly executed, to the Rights Agent at the office or offices of the

Rights Agent designated for such purpose, together with payment in cash, in lawful money of the United States of America by certified check or bank draft payable to the order of the Company, equal to the sum of (i) the exercise price for the total number of securities as to which such surrendered Rights are exercised and (ii) an amount equal to any applicable transfer tax required to be paid by the holder of such Right Certificate in accordance with the provisions of Section 9(c). In lieu of the cash payment referred to in the immediately preceding sentence, following the occurrence of a Triggering Event, the registered holder of a Right Certificate may exercise the Rights evidenced thereby (except as otherwise provided herein) in whole or in part upon surrender of the Right Certificate as described above together with an election to exercise such Rights without payment of cash on the reverse side thereof duly completed. With respect to any Rights as to which such an election to exercise Rights without the payment of cash is made, the holder will receive a number of Common Shares or other securities having a value equal to the difference between (i) the value of the Common Shares or other securities that would have been issuable upon payment of the cash amount as described above and (ii) the amount of such cash payment. For purposes of this Section 7(a), the value of any security will be the current per share market price thereof (or of the security as to which such security is deemed for purposes of this Agreement to be an equivalent), determined pursuant to the applicable provisions of Section 11(d), on the date of the first occurrence of a Triggering Event.

(b) Upon receipt of a Right Certificate representing exercisable Rights with the form of election to purchase duly executed, accompanied by either payment as described above or a duly completed election to exercise without payment of cash, the Rights Agent will promptly (i) requisition from any transfer agent of the Preferred Shares (or make available, if the Rights Agent is the transfer agent) certificates representing the number of one one-hundredths of a Preferred Share to be purchased (and the Company hereby irrevocably authorizes and directs its transfer agent to comply with all such requests), or, if the Company elects to deposit Preferred Shares issuable upon exercise of the Rights hereunder with a depositary agent, requisition from the

depositary agent depositary receipts representing such number of one one-hundredths of a Preferred Share as are to be purchased (and the Company hereby irrevocably authorizes and directs such depositary agent to comply with all such requests), (ii) after receipt of such certificates (or depositary receipts, as the case may be), cause the same to be delivered to or upon the order of the registered holder of such Right Certificate, registered in such name or names as may be designated by such holder, (iii) when appropriate, requisition from the Company or any transfer agent therefor (or make available, if the Rights Agent is the transfer

agent) certificates representing the number of equivalent common shares to be issued in lieu of the issuance of Common Shares in accordance with the provisions of Section 11(a)(iii), (iv) when appropriate, after receipt of such certificates, cause the same to be delivered to or upon the order of the registered holder of such Right Certificate, registered in such name or names as may be designated by such holder, (v) when appropriate, requisition from the Company the amount of cash to be paid in lieu of the issuance of fractional shares in accordance with the provisions of Section 14 or in lieu of the issuance of Common Shares in accordance with the provisions of Section 11(a)(iii), (vi) when appropriate, after receipt, deliver such cash to or upon the order of the registered holder of such Right Certificate, and (vii) when appropriate, deliver any due bill or other instrument provided to the Rights Agent by the Company for delivery to the registered holder of such Right Certificate as provided by Section 11(l).

(c) In case the registered holder of any Right Certificate exercises less than all the Rights evidenced thereby, the Company will prepare, execute, and deliver a new Right Certificate evidencing Rights equivalent to the Rights remaining unexercised and the Rights Agent will countersign and deliver such new Right Certificate to the registered holder of such Right Certificate or to his duly authorized assigns, subject to the provisions of Section 14.

(d) Notwithstanding anything in this Agreement to the contrary, neither the Rights Agent nor the Company will be obligated to undertake any action with respect to any purported transfer, split up, combination, or exchange of any Right Certificate pursuant to Section 6 or exercise of a Right Certificate as set forth in this Section 7 unless the registered holder of such Right Certificate has (i) completed and signed the certificate following the form of assignment or the form of election to purchase, as applicable, set forth on the reverse side of the Right Certificate surrendered for such transfer, split up, combination, exchange, or exercise and (ii) provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company has reasonably requested.

8. CANCELLATION AND DESTRUCTION OF RIGHT CERTIFICATES. All Right Certificates surrendered for the purpose of exercise, transfer, split up, combination, or exchange will, if surrendered to the Company or to any of its stock transfer agents, be delivered to the Rights Agent for cancellation or in canceled form, or, if surrendered to the Rights Agent, will be canceled by it, and no Right Certificates will be issued in lieu thereof except as expressly permitted by this Agreement. The Company will deliver to the Rights Agent for cancellation and retirement, and the Rights Agent will so

cancel and retire, any other Right Certificate purchased or acquired by the Company otherwise than upon the exercise thereof. The Rights Agent will deliver all canceled Right Certificates to the Company, or will, at the written request of the Company, destroy such canceled Right Certificates, and in such case will deliver a certificate of destruction thereof to the Company.

9. COMPANY COVENANTS CONCERNING SECURITIES AND RIGHTS. The Company covenants and agrees that:

(a) So long as the Preferred Shares (and, following the occurrence of a Triggering Event, Common Shares and/or other securities) issuable upon the exercise of the Rights may be listed on a national securities exchange, it will endeavor to cause, from and after such time as the Rights become exercisable, all securities reserved for issuance upon the exercise of Rights to be listed on such exchange upon official notice of issuance upon such exercise.

(b) It will take all such action as may be necessary to ensure that all Preferred Shares (and, following the occurrence of a Triggering Event, Common Shares and/or other securities) delivered upon exercise of Rights, at the time of delivery of the certificates for such securities, will be (subject to payment of the Purchase Price) duly and validly authorized and issued, fully paid, and nonassessable securities.

(c) It will pay when due and payable any and all federal and state transfer taxes and charges that may be payable in respect of the issuance or delivery of the Right Certificates and of any certificates representing securities issued upon the exercise of Rights; PROVIDED, HOWEVER, that the Company will not be required to pay any transfer tax or charge which may be payable in respect of any transfer or delivery of Right Certificates to a person other than, or the issuance or delivery of certificates or depositary receipts representing securities issued upon the exercise of Rights in a name other than that of, the registered holder of the Right Certificate evidencing Rights surrendered for exercise, or to issue or deliver any certificates or depositary receipts representing securities issued upon the exercise of any Rights until any such tax or charge has been paid (any such tax or charge being payable by the holder of such Right Certificate at the time of surrender) or until it has been established to the Company's reasonable satisfaction that no such tax is due.

(d) It will use its best efforts (i) to file on an appropriate form, as soon as practicable following the

later of the first occurrence of a Triggering Event or the Distribution Date, a registration statement under the Securities Act with respect to the securities issuable upon exercise of the Rights, (ii) to cause such registration statement to become effective as soon as practicable after such filing, and (iii) to cause such registration statement to remain effective (with a prospectus at all times meeting the requirements of the Securities Act) until the earlier of (A) the date as of which the Rights are no longer exercisable for such securities and (B) the Expiration Date. The Company will also take such action as may be appropriate under, or to ensure compliance with, the securities or "blue sky" laws of the various states in connection with the exercisability of the Rights. The Company may temporarily suspend, for a period of time after the date set forth in clause (i) of the first sentence of this Section 9(d), the exercisability of the Rights in order to prepare and file such registration statement and to permit it to become effective. Upon any such suspension, the Company will issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect.

In addition, if the Company determines that a registration statement should be filed under the Securities Act or any state securities laws following the Distribution Date, the Company may temporarily suspend the exercisability of the Rights in each relevant jurisdiction until such time as a registration statement has been declared effective and, upon any such suspension, the Company will issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect. Notwithstanding anything in this Agreement to the contrary, the Rights will not be exercisable in any jurisdiction if the requisite registration or qualification in such jurisdiction has not been effected or the exercise of the Rights is not permitted under applicable law.

(e) Notwithstanding anything in this Agreement to contrary, after the Distribution Date it will not, except as permitted by Section 23 or Section 26, take (or permit any Subsidiary to take) any action if at the time such action is taken it is reasonably foreseeable that such action will eliminate or otherwise diminish the benefits intended to be afforded by the Rights.

(f) In the event that the Company is obligated to issue other securities of the Company and/or pay cash pursuant to Sections 11, 13, or 14, it will make all arrangements necessary so that such other securities

and/or cash are available for distribution by the Rights Agent, if and when appropriate.

10. RECORD DATE. Each Person in whose name any certificate representing Preferred Shares (or Common Shares and/or other securities, as the case may be) is issued upon the exercise of Rights will for all purposes be deemed to have become the holder of record of the Preferred Shares (or Common Shares and/or other securities, as the case may be) represented thereby on, and such certificate will be dated, the date upon which the Right Certificate evidencing such Rights was duly surrendered and payment of the Purchase Price (and all applicable transfer taxes) was made; PROVIDED, HOWEVER, that if the date of such surrender and payment is a date upon which the Preferred Shares (or Common Shares and/or other securities, as the case may be) transfer books of the Company are closed, such Person will be deemed to have become the record holder of such securities on, and such certificate will be dated, the next succeeding Business Day on which the Preferred Shares (or Common Shares and/or other securities, as the case may be) transfer books of the Company are open. Prior to the exercise of the Rights evidenced thereby, the holder of a Right Certificate will not be entitled to any rights of a stockholder of the Company with respect to securities for which the Rights will be exercisable, including without limitation the right to vote, to receive dividends or other distributions, or to exercise any preemptive rights, and will not be entitled to receive any notice of any proceedings of the Company, except as provided herein.

11. ADJUSTMENT OF PURCHASE PRICE, NUMBER AND KIND OF SECURITIES, OR NUMBER OF RIGHTS. The Purchase Price, the number and kind of securities issuable upon exercise of each Right, and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 11.

(a) (i) In the event that the Company at any time after the date of this Agreement (A) declares a dividend on the Preferred Shares payable in Preferred Shares, (B) subdivides the outstanding Preferred Shares, (C) combines the outstanding Preferred Shares into a smaller number of Preferred Shares, or (D) issues any shares of its capital stock in a reclassification of the Preferred Shares (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or

surviving corporation), the Purchase Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination, or reclassification, and/or the number and/or kind of shares of capital stock issuable on such date upon exercise of a Right, will be proportionately adjusted so that the holder of any Right exercised after such time is entitled to receive upon

payment of the Purchase Price then in effect the aggregate number and kind of shares of capital stock which, if such Right had been exercised immediately prior to such date and at a time when the Preferred Shares transfer books of the Company were open, the holder of such Right would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination, or reclassification. If an event occurs which would require an adjustment under both this Section 11(a)(i) and Section 11(a)(ii) or Section 13, the adjustment provided for in this Section 11(a)(i) will be in addition to, and will be made prior to, any adjustment required pursuant to Section 11(a)(ii) or Section 13.

(ii) Subject to the provisions of Section 27, in the event that:

(A) any Person, at any time on or after the date of this Agreement, becomes an Acquiring Person (other than pursuant to any transaction set forth in Section 13(a)); or

(B) any Acquiring Person or any Affiliate or Associate of any Acquiring Person, at any time on or after the date of this Agreement at which, for any reason, the adjustments provided for in this Section 11(a)(ii) have not been theretofore effected and are not then continuing in effect pursuant to Section 11(a)(ii)(A), directly or indirectly, (1) merges into the Company or otherwise combines with the Company and the Company is the continuing or surviving corporation of such merger or combination (other than in a transaction subject to Section 13), (2) merges or otherwise combines with any Subsidiary of the Company, (3) in one or more transactions (other than in connection with the exercise or exchange of Rights or the exercise or conversion of securities exercisable for or convertible into shares of any class of capital stock of the Company or any of its Subsidiaries) transfers any assets to the Company or any of its Subsidiaries in exchange (in whole or in part) for shares of any class of capital stock of the Company or any of its Subsidiaries or for securities exercisable for or convertible into

shares of any class of capital stock of the Company or any of its Subsidiaries, or otherwise obtains from the Company or any of its Subsidiaries, with or without consideration, any additional shares of any class of capital stock of the Company or any of its Subsidiaries

or securities exercisable for or convertible into shares of any class of capital stock of the Company or any of its Subsidiaries (other than as part of a pro rata distribution to all holders of such shares of any class of capital stock of the Company, or any of its Subsidiaries), (4) sells, purchases, leases, exchanges, mortgages, pledges, transfers, or otherwise disposes (in one or more transactions), to, from, with, or of, as the case may be, the Company or any of its Subsidiaries (other than in a transaction subject to Section 13), assets, including securities, on terms and conditions less favorable to the Company than the Company would be able to obtain in arm's-length negotiation with an unaffiliated third party, (5) receives any compensation from the Company or any of its Subsidiaries other than compensation as a director or for full-time employment as a regular employee, in either case, at rates in accordance with the Company's (or its Subsidiaries') past practices, or (6) receives the benefit, directly or indirectly (except proportionately as a stockholder), of any loans, advances, guarantees, pledges, or other financial assistance or any tax credits or other tax advantage provided by the Company or any of its Subsidiaries; or

(C) during such time as there is an Acquiring Person and at any time on or after the date of this Agreement at which, for any reason, the adjustments provided for in this Section 11(a)(ii) have not been theretofore effected and are not then continuing in effect pursuant to Section 11(a)(ii)(A), there is any reclassification of securities (including any reverse stock split), or recapitalization of the Company, or any merger or consolidation of the Company with any of its Subsidiaries, or any other transaction or series of transactions involving the Company or any of its Subsidiaries (whether or not with or into or otherwise involving an Acquiring Person), other than a transaction subject to Section 13, which has the effect, directly or indirectly, of increasing by more than 1% the proportionate share of the outstanding shares of any class of equity securities or of securities exercisable for or convertible into equity securities of the Company or any of its Subsidiaries of which an Acquiring Person, or any Affiliate or Associate of any Acquiring Person, is the Beneficial Owner;

then, and in each such case, proper provision will be made so that each holder of a Right, except as provided below, will thereafter has a right to receive, upon exercise thereof in accordance with the terms of this Agreement at an exercise price per Right equal to the product of the then-current Purchase Price multiplied by the number of one one-hundredths of a Preferred Share for which a Right was exercisable immediately prior to the first occurrence of a Triggering Event, in lieu of Preferred Shares, such number of Common Shares as equals the result obtained by (x) multiplying the then-current Purchase Price by the number of one one-hundredths of a Preferred Share for which a Right was exercisable immediately prior to the first occurrence of a Triggering Event, and dividing that product by (y) 50% of the current per share market price of the Common Shares (determined pursuant to Section 11(d)) on the date of the first occurrence of a Triggering Event. Notwithstanding anything in this Agreement to the contrary, from and after the later of the Distribution Date and the first occurrence of a Flip-in Event, (1) any Rights that are or were

acquired or beneficially owned by any Acquiring Person (or any Affiliate or Associate of any Acquiring Person) will be void and any holder of such Rights will thereafter have no right to exercise such Rights under any provision of this Agreement, (2) no Right Certificate will be issued pursuant to this Agreement that represents Rights beneficially owned by any Acquiring Person or any Affiliate or Associate thereof, (3) no Right Certificate will be issued at any time upon the transfer of any Rights to any Acquiring Person or any Affiliate or Associate thereof or to any nominee of any Acquiring Person or Affiliate or Associate thereof, and (4) any Right Certificate delivered to the Rights Agent for transfer to any Acquiring Person or any Affiliate or Associate thereof will be canceled.

(iii) Upon the occurrence of a Flip-in Event, if there are not sufficient Common Shares authorized but unissued or issued but not outstanding to permit the issuance of all the Common Shares issuable in accordance with Section 11(a)(ii) upon the exercise of a Right, the Board of Directors of the Company will use its best efforts promptly to authorize and, subject to the provisions of Section 9(d), make available for issuance additional Common Shares or other equity securities of the Company having equivalent voting rights and an equivalent value (as determined in good faith by the Board of Directors of the Company) to the Common Shares (for purposes of this Section 11(a)(iii), "equivalent common shares"). In the event that equivalent common shares are so authorized, upon the exercise of a Right in accordance with the provisions of Section 7, the

registered holder will be entitled to receive (A) Common Shares, to the extent any are available, and (B) a number of equivalent common shares, which the Board of Directors of the Company has determined in good faith to have a value equivalent to the excess of (x) the aggregate current per share market value of all the Common Shares issuable in accordance with Section 11(a)(ii) upon the exercise of a Right (the "Exercise Value") over (y) the aggregate current per share market value of any Common Shares available for issuance upon the exercise of such Right; PROVIDED, HOWEVER, that if at any time after 90 calendar days after the first occurrence of a Flip-in Event, there are not sufficient Common Shares and/or equivalent common shares available for issuance upon the exercise of a Right, then the Company will be obligated to deliver, upon the surrender of such Right and without requiring payment of the Purchase Price, Common Shares (to the extent available), equivalent common shares (to the extent available) and then cash (to the extent permitted by applicable law and any agreements or instruments to which the Company is a party in effect immediately prior to the first occurrence of any Flip-in Event), which securities and cash have an aggregate value equal to the excess of (1) the Exercise Value over (2) the product of the then-current Purchase Price multiplied by the number of one one-hundredths of a Preferred Share for which a Right was exercisable immediately prior to the first occurrence of a Triggering Event. To the extent that any legal or contractual restrictions prevent the Company from paying the full amount of cash payable in accordance with the foregoing sentence, the Company will pay to holders of the Rights as to which such payments are being made all amounts which are not then restricted on a pro rata basis and will continue to make payments on a pro rata basis as funds become available until the full amount due to each such Rights holder has been paid.

(b) In the event that the Company fixes a record date for the issuance of rights, options, or warrants to all holders of Preferred Shares entitling them (for a period expiring within 45 calendar days after such record date) to subscribe for or purchase Preferred Shares (or securities having equivalent rights, privileges, and preferences as the Preferred Shares (for

purposes of this Section 11(b), "equivalent preferred shares")) or securities convertible into Preferred Shares or equivalent preferred shares at a price per Preferred Share or equivalent preferred share (or having a conversion price per share, if a security convertible into Preferred Shares or equivalent preferred shares) less than the current per share market price of the Preferred Shares (determined pursuant to Section 11(d)) on such record date, the Purchase Price to be in effect after

such record date will be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which is the number of Preferred Shares outstanding on such record date plus the number of Preferred Shares which the aggregate offering price of the total number of Preferred Shares and/or equivalent preferred shares so to be offered (and/or the aggregate initial conversion price of the convertible securities so to be offered) would purchase at such current per share market price and the denominator of which is the number of Preferred Shares outstanding on such record date plus the number of additional Preferred Shares and/or equivalent preferred shares to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible). In case such subscription price may be paid in a consideration part or all of which is in a form other than cash, the value of such consideration will be as determined in good faith by the Board of Directors of the Company, whose determination will be described in a statement filed with the Rights Agent. Preferred Shares owned by or held for the account of the Company will not be deemed outstanding for the purpose of any such computation. Such adjustment will be made successively whenever such a record date is fixed, and in the event that such rights, options, or warrants are not so issued, the Purchase Price will be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(c) In the event that the Company fixes a record date for the making of a distribution to all holders of Preferred Shares (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing or surviving corporation) of evidences of indebtedness, cash (other than a regular periodic cash dividend), assets, stock (other than a dividend payable in Preferred Shares), or subscription rights, options, or warrants (excluding those referred to in Section 11(b)), the Purchase Price to be in effect after such record date will be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which is the current per share market price of the Preferred Shares (as determined pursuant to Section 11(d)) on such record date or, if earlier, the date on which Preferred Shares begin to trade on an ex-dividend or when-issued basis for such distribution, less the fair market value (as determined in good faith by the Board of Directors of the Company, whose determination will be described in a statement filed with the Rights Agent) of the portion of the evidences of indebtedness, cash, assets, or stock so to be distributed or of such subscription rights, options or warrants applicable to one Preferred Share, and the denominator of which is such current per share market price of the Preferred Shares. Such adjustments will be made successively whenever such a record date is fixed; and in the

event that such distribution is not so made, the Purchase Price will again be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(d) (i) For the purpose of any computation hereunder, the "current per share market price" of Common Shares on any date will be deemed to be the average of the daily closing prices per share of such Common Shares for the 30 consecutive Trading Days immediately prior to such date;PROVIDED, HOWEVER, that in the event that the current per share market price of the Common Shares is determined during a period following the announcement by the issuer of such Common Shares of (A) a dividend or distribution on such Common Shares payable in such Common Shares or securities convertible into such Common Shares (other than the Rights) or (B) any subdivision, combination, or reclassification of such Common Shares, and prior to the expiration of 30 Trading Days after the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination, or reclassification, then, and in each such case, the current per share market price will be appropriately adjusted to take into account ex-dividend trading or to reflect the current per share market price per Common Share equivalent. The closing price for each day will be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Common Shares are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Common Shares are listed or admitted to trading or, if the Common Shares are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by NASDAQ or such other system then in use, or, if on any such date the Common Shares are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Common Shares selected by the Board of Directors of the Company. If the Common Shares are not publicly held or not so listed or traded, or are not the subject of available bid and asked quotes, "current per share market price" will mean the fair value per share as determined in good faith by the Board of Directors of the Company, whose determination will be described in a statement filed with the Rights Agent.

(ii) For the purpose of any computation hereunder, the "current per share market price" of the Preferred

Shares will be determined in the same manner as set forth above for Common Shares in Section 11(d)(i), other than the last sentence thereof. If the current per share market price of the Preferred Shares cannot be determined in the manner provided above, the "current per share market price" of the Preferred Shares will be conclusively deemed to be an amount equal to the current per share market price of the Common Shares multiplied by one hundred (as such number may be appropriately adjusted to reflect events such as stock splits, stock dividends, recapitalizations, or similar transactions relating to the Common Shares occurring after the date of this Agreement). If neither the Common Shares nor the Preferred Shares are publicly held or so listed or traded, or the subject of available bid and asked quotes, "current per share market price" of the Preferred Shares will mean the fair value per share as determined in good faith by the Board of Directors of the Company, whose determination will be described in a statement filed with the Rights Agent. For all purposes of this Agreement, the current per share market price of one one-hundredth of a Preferred Share will be equal to the current per share market price of one Preferred Share divided by one hundred.

(e) Except as set forth below, no adjustment in the Purchase Price will be required unless such adjustment would require an increase or decrease of at least 1% in such price; PROVIDED, HOWEVER, that any adjustments which by reason of this Section 11(e) are not required to be made will be carried forward and taken into account in any subsequent adjustment. All calculations

under this Section 11 will be made to the nearest cent or to the nearest one one-millionth of a Preferred Share or one ten-thousandth of a Common Share or other security, as the case may be. Notwithstanding the first sentence of this Section 11(e), any adjustment required by this Section 11 will be made no later than the earlier of (i) three years from the date of the transaction which requires such adjustment and (ii) the Expiration Date.

(f) If as a result of an adjustment made pursuant to Section 11(a), the holder of any Right thereafter exercised becomes entitled to receive any securities of the Company other than Preferred Shares, thereafter the number of such other securities so receivable upon exercise of any Right will be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Preferred Shares contained in this Section 11, and the provisions of Sections 7, 9, 10, and 13 with respect to the Preferred Shares will apply on like terms to any such other securities.

(g) All Rights originally issued by the Company subsequent to any adjustment made to the Purchase Price

hereunder will evidence the right to purchase, at the adjusted Purchase Price, the number of one one-hundredths of a Preferred Share issuable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

(h) Unless the Company has exercised its election as provided in Section 11(i), upon each adjustment of the Purchase Price as a result of the calculations made in Section 11(b) and Section 11(c) with respect to a distribution of subscription rights, options, or warrants applicable to Preferred Shares, each Right outstanding immediately prior to the making of such adjustment will thereafter evidence the right to purchase, at the adjusted Purchase Price, that number of one one-hundredths of a Preferred Share (calculated to the nearest one one-millionth of a Preferred Share) obtained by (i) multiplying (x) the number of one one-hundredths of a Preferred Share issuable upon exercise of a Right immediately prior to this adjustment by (y) the Purchase Price in effect immediately prior to such adjustment of the Purchase Price and (ii) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment of the Purchase Price.

(i) The Company may elect, on or after the date of any adjustment of the Purchase Price, to adjust the number of Rights in substitution for any adjustment in the number of one one-hundredths of a Preferred Share issuable upon the exercise of a Right. Each of the Rights outstanding after such adjustment of the number of Rights will be exercisable for the number of one one-hundredths of a Preferred Share for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights will become that number of Rights (calculated to the nearest one ten-thousandth) obtained by dividing the Purchase Price in effect immediately prior to adjustment of the Purchase Price by the Purchase Price in effect immediately after adjustment of the Purchase Price. The Company will make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the Purchase Price is adjusted or any day thereafter, but, if the Right Certificates have been issued, will be at least 10 calendar days later than the date of the public announcement. If Right Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Section 11(i), the Company will, as promptly as practicable, cause to be distributed to holders of record of Right Certificates on such record date Right Certificates evidencing, subject to the provisions of Section 14, the additional Rights to which such holders are entitled as a result of such adjustment, or, at the option of the Company, will cause to be distributed to such holders of record in

substitution and replacement for the Right Certificates held by such holders prior to the date of adjustment, and upon surrender thereof if required by the Company, new Right Certificates evidencing all the Rights to which such holders are entitled after such adjustment. Right Certificates so to be distributed will be issued, executed, and countersigned in the manner provided for herein (and may bear, at the option of the Company, the adjusted Purchase Price) and will be registered in the names of the holders of record of Right Certificates on the record date specified in the public announcement.

(j) Without respect to any adjustment or change in the Purchase Price or the number or kind of securities issuable upon the exercise of the Rights, the Right Certificates theretofore and thereafter issued may continue to express the Purchase Price and the number and kind of securities which were expressed in the initial Right Certificate issued hereunder.

(k) Before taking any action that would cause an adjustment reducing the Purchase Price below one one-hundredth of the then par value, if any, of the Preferred Shares or below the then par value, if any, of any other securities of the Company issuable upon exercise of the Rights, the Company will take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and nonassessable Preferred Shares or such other securities, as the case may be, at such adjusted Purchase Price.

(l) In any case in which this Section 11 otherwise requires that an adjustment in the Purchase Price be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event the issuance to the holder of any Right exercised after such record date the number of Preferred Shares or other securities of the Company, if any, issuable upon such exercise over and above the number of Preferred Shares or other securities of the Company, if any, issuable upon such exercise on the basis of the Purchase Price in effect prior to such adjustment; PROVIDED, HOWEVER, that the Company delivers to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional Preferred Shares or other securities upon the occurrence of the event requiring such adjustment.

(m) Notwithstanding anything in this Agreement to the contrary, the Company will be entitled to make such reductions in the Purchase Price, in addition to those adjustments expressly required by this Section 11, as and to the extent that in its good faith judgment the Board of Directors of the Company determines to be advisable in order that any (i) consolidation or subdivision of the Preferred

Shares, (ii) issuance wholly for cash of Preferred Shares at less than the current per share market price therefor, (iii) issuance wholly for cash of Preferred Shares or securities which by their terms are convertible into or exchangeable for Preferred Shares, (iv) stock dividends, or (v) issuance of rights, options or warrants referred to in this Section 11, hereafter made by the Company to holders of its Preferred Shares is not taxable to such stockholders.

(n) Notwithstanding anything in this Agreement to the contrary, in the event that the Company at any time after the date of this Agreement and prior to the Distribution Date (i) declares a dividend on the outstanding

Common Shares payable in Common Shares, (ii) subdivides the outstanding Common Shares, (iii) combines the outstanding Common Shares into a smaller number of shares, or (iv) issues any shares of its capital stock in a reclassification of the outstanding Common Shares (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), the number of Rights associated with each Common Share then outstanding, or issued, or delivered thereafter but prior to the Distribution Date, will be proportionately adjusted so that the number of Rights thereafter associated with each Common Share following any such event equals the result obtained by multiplying the number of Rights associated with each Common Share immediately prior to such event by a fraction the numerator of which is the total number of Common Shares outstanding immediately prior to the occurrence of the event and the denominator of which is the total number of Common Shares outstanding immediately following the occurrence of such event. The adjustments provided for in this Section 11(n) will be made successively whenever such a dividend is paid or such a subdivision, combination or reclassification is effected.

12. CERTIFICATE OF ADJUSTED PURCHASE PRICE OR NUMBER OF SECURITIES. Whenever an adjustment is made as provided in Section 11 or Section 13, the Company will promptly (a) prepare a certificate setting forth such adjustment and a brief statement of the facts accounting for such adjustment, (b) file with the Rights Agent and with each transfer agent for the Preferred Shares and the Common Shares a copy of such certificate, and (c) if such adjustment is made after the Distribution Date, mail a brief summary of such adjustment to each holder of a Right Certificate in accordance with Section 25.

13. CONSOLIDATION, MERGER, OR SALE OR TRANSFER OF ASSETS OR EARNING POWER. (a) In the event that:

(i) following the Share Acquisition Date, the Company consolidates with, or merges with or into, any other Person and the Company is not the continuing or

surviving corporation of such consolidation or merger; or

(ii) following the Share Acquisition Date, any Person consolidates with the Company, or merges with or into the Company, and the Company is the continuing or surviving corporation of such merger or consolidation and, in connection with such merger or consolidation, all or part of the Common Shares is changed into or exchanged for stock or other securities of any other Person or cash or any other property; or

(iii) following the Share Acquisition Date, the Company, directly or indirectly, sells or otherwise transfers (or one or more of its Subsidiaries sells or otherwise transfers), in one or more transactions, assets or earning power (including without limitation securities creating any obligation on the part of the Company and/or any of its Subsidiaries) representing in the aggregate more than 50% of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to any Person or Persons;

then, and in each such case, proper provision will be made so that (A) each holder of a Right thereafter has the right to receive, upon the exercise thereof in accordance with the terms of this Agreement at an exercise price per Right equal to the product of the then-current Purchase Price multiplied by the number of one one-hundredths of a Preferred Share for which a Right was exercisable immediately prior to the first occurrence of a Triggering Event, such number of validly authorized and issued, fully paid, nonassessable, and freely tradeable Common Shares of the Issuer, free and clear of any liens, encumbrances, and other adverse claims and not subject to any rights of call or first refusal, as equals the result obtained by (x) multiplying the

then-current Purchase Price by the number of one one-hundredths of a Preferred Share for which a Right is exercisable immediately prior to the first occurrence of a Triggering Event and dividing that product by (y) 50% of the current per share market price of the Common Shares of the Issuer (determined pursuant to Section 11(d)), on the date of consummation of such Flip-over Event; (B) the Issuer will thereafter be liable for, and will assume, by virtue of the consummation of such Flip-over Event, all the obligations and duties of the Company pursuant to this Agreement; (C) the term "Company" will thereafter be deemed to refer to the Issuer; and (D) the Issuer will take such steps (including without limitation the reservation of a sufficient number of its Common Shares to permit the exercise of all outstanding Rights) in connection with such consummation as may be necessary to assure that the provisions hereof are thereafter applicable, as nearly as reasonably may be possible, in relation to its Common Shares thereafter deliverable upon the exercise of the Rights.

(b) For purposes of this Section 13, "Issuer" means (i) in the case of any Flip-over Event described in Sections 13(a)(i) or (ii) above, the Person that is the continuing, surviving, resulting, or acquiring Person (including the Company as the continuing or surviving corporation of a transaction described in Section 13(a)(ii) above), and (ii) in the case of any Flip-over Event described in Section 13(a)(iii) above, the Person that is the party receiving the greatest portion of the assets or earning power (including without limitation securities creating any obligation on the part of the Company and/or any of its Subsidiaries) transferred pursuant to such transaction or transactions; PROVIDED, HOWEVER, that, in any such case, (A) if (1) no class of equity security of such Person is, at the time of such merger, consolidation, or transaction and has been continuously over the preceding 12-month period, registered pursuant to Section 12 of the Exchange Act, and (2) such Person is a Subsidiary, directly or indirectly, of another Person, a class of equity security of which is and has been so registered, the term "Issuer" means such other Person; and (B) in case such Person is a Subsidiary, directly or indirectly, of more than one Person, a class of equity security of two or more of which are and have been so registered, the term "Issuer" means whichever of such Persons is the issuer of the equity security having the greatest aggregate market value. Notwithstanding the foregoing, if the Issuer in any of the Flip-over Events listed above is not a corporation or other legal entity having outstanding equity securities, then, and in each such case, (x) if the Issuer is directly or indirectly wholly owned by a corporation or other legal entity having outstanding equity securities, then all references to Common Shares of the Issuer will be deemed to be references to the Common Shares of the corporation or other legal entity having outstanding equity securities which ultimately controls the Issuer, and (y) if there is no such corporation or other legal entity having outstanding equity securities, (I) proper provision will be made so that the Issuer creates or otherwise makes available for purposes of the exercise of the Rights in accordance with the terms of this Agreement, a kind or kinds of security or securities having a fair market value at least equal to the economic value of the Common Shares which each holder of a Right would have been entitled to receive if the Issuer had been a corporation or other legal entity having outstanding equity securities; and (II) all other provisions of this Agreement will apply to the issuer of such securities as if such securities were Common Shares.

(c) The Company will not consummate any Flip-over Event, unless the Issuer has a sufficient number of authorized Common Shares (or other securities as contemplated in Section 13(b) above) which have not been issued or reserved for issuance to permit the exercise in full of the Rights in accordance with this Section 13 and unless prior to

such consummation the Company and the Issuer have executed and delivered to the Rights Agent a supplemental agreement providing for the terms set forth in subsections (a) and (b) of this Section 13 and further providing that as promptly as practicable after the consummation of any Flip-over Event, the Issuer will:

(i) prepare and file a registration statement under the Securities Act with respect to the Rights and the securities issuable upon exercise of the Rights on an appropriate form, and use its best efforts to cause such registration statement to (A) become effective as soon as practicable after such filing and (B) remain effective (with a prospectus at all times meeting the requirements of the Securities Act) until the Expiration Date;

(ii) take all such action as may be appropriate under, or to ensure compliance with, the securities or "blue sky" laws of the various states in connection with the exercisability of the Rights; and

(iii) deliver to holders of the Rights historical financial statements for the Issuer and each of its Affiliates which comply in all respects with the requirements for registration on Form 10 under the Exchange Act.

(d) The provisions of this Section 13 will similarly apply to successive mergers or consolidations or sales or other transfers. In the event that a Flip-over Event occurs at any time after the occurrence of a Flip-in Event, except for Rights that have become void pursuant to Section 11(a)(ii), the Rights which have not theretofore been exercised will thereafter become exercisable in the manner described in Section 13(a).

14. FRACTIONAL RIGHTS AND FRACTIONAL SECURITIES. (a) The Company will not be required to issue fractions of Rights or to distribute Right Certificates which evidence fractional Rights. In lieu of such fractional Rights, the Company will pay as promptly as practicable to the registered holders of the Right Certificates with regard to which such fractional Rights otherwise would be issuable, an amount in cash equal to the same fraction of the current market value of a whole Right. For the purposes of this Section 14(a), the current market value of a whole Right is the closing price of the Rights for the Trading Day immediately prior to the date on which such fractional Rights otherwise would have been issuable. The closing price for any day is the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to

securities listed or admitted to trading on the New York Stock Exchange or, if the Rights are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Rights are listed or admitted to trading or, if the Rights are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the- counter market, as reported by NASDAQ or such other system then in use or, if on any such date the Rights are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights selected by the Board of Directors of the Company. If on any such date no such market maker is making a market in the Rights the fair value of the Rights on such date as determined in good faith by the Board of Directors of the Company will be used.

(b) The Company will not be required to issue fractions of Preferred Shares (other than fractions which are integral multiples of one one-hundredth of a Preferred Share) upon exercise of the Rights or to distribute certificates which evidence fractional Preferred Shares (other than fractions which are integral multiples of one one-hundredth of a Preferred Share). Fractions of Preferred Shares in integral multiples of one one-hundredth of a Preferred Share may, at the election of the Company, be evidenced by depositary receipts pursuant to an appropriate agreement between the Company and a depositary selected by it, provided that such agreement provides that the holders of such depositary receipts have all the rights, privileges, and preferences to which they are entitled as beneficial owners of the Preferred Shares represented by such depositary receipts. In lieu of fractional Preferred Shares that are not integral multiples of one one-hundredth of a Preferred Share, the Company may pay to any Person to whom or which such fractional Preferred Shares would otherwise be issuable an amount in cash equal to the same fraction of the current market value of one Preferred Share. For purposes of this Section 14(b), the current market value of one Preferred Share is the closing price of the Preferred Shares (as determined in the same manner as set forth for Common Shares in the second sentence of Section 11(d)(i)) for the Trading Day immediately prior to the date of such exercise; PROVIDED, HOWEVER, that if the closing price of the Preferred Shares cannot be so determined, the closing price of the Preferred Shares for such Trading Day will be conclusively deemed to be an amount equal to the closing price of the Common Shares (determined pursuant to the second sentence of Section 11(d)(i)) for such Trading Day multiplied by one hundred (as such number may be appropriately adjusted to reflect events such as stock splits, stock dividends, recapitalizations, or similar

transactions relating to the Common Shares occurring after the date of this Agreement); provided further, however, that if neither the Common Shares nor the Preferred Shares are publicly held or listed or admitted to trading on any national securities exchange, or the subject of available bid and asked quotes, the current market value of one Preferred Share will be determined in good faith by the Board of Directors of the Company.

(c) Following the occurrence of a Triggering Event, the Company will not be required to issue fractions of Common Shares or other securities issuable upon exercise or exchange of the Rights or to distribute certificates which evidence any such fractional securities. In lieu of issuing any such fractional securities, the Company may pay to any Person to whom or which such fractional securities would otherwise be issuable an amount in cash equal to the same fraction of the current market value of one such security. For purposes of this Section 14(c), the current market value of one Common Share or other security issuable upon the exercise or exchange of Rights is the closing price thereof (as determined in the same manner as set forth for Common Shares in the second sentence of Section 11(d)(i)) for the Trading Day immediately prior to the date of such exercise or exchange; PROVIDED, HOWEVER, that if neither the Common Shares nor any such other securities are publicly held or listed or admitted to trading on any national securities exchange, or the subject of available bid and asked quotes, the current market value of one Common Share or such other security will be determined in good faith by the Board of Directors of the Company.

15. RIGHTS OF ACTION. All rights of action in respect of this Agreement, excepting the rights of action given to the Rights Agent under Section 18, are vested in the respective registered holders of the Right Certificates (and, prior to the Distribution Date, the registered holders of the Common Shares); and any registered holder of any Right Certificate (or, prior to the Distribution Date, of the Common Shares), without the consent of the Rights Agent or of the holder of any other Right Certificate (or, prior to the Distribution Date, of the holder of any Common Shares), may in his own behalf and for his own benefit enforce, and may institute and maintain any suit, action, or proceeding against the Company to enforce, or otherwise act in respect of, his right to exercise the Rights evidenced by such Right

Certificate, Common Share certificate in the manner provided in such Right Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations under this Agreement,

and injunctive relief against actual or threatened violations of the obligations of any Person subject to this Agreement.

16. AGREEMENT OF RIGHTS HOLDERS. Every holder of a Right by accepting the same consents and agrees with the Company and the Rights Agent and with every other holder of a Right that:

(a) Prior to the Distribution Date, the Rights are transferable only in connection with the transfer of the Common Shares;

(b) After the Distribution Date, the Right Certificates are transferable only on the registry books of the Rights Agent if surrendered at the principal office of the Rights Agent designated for such purpose, duly endorsed or accompanied by a proper instrument of transfer;

(c) The Company and the Rights Agent may deem and treat the person in whose name the Right Certificate (or, prior to the Distribution Date, the associated Common Share certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on the Right Certificate or the associated Common Share certificate made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent will be affected by any notice to the contrary;

(d) Such holder expressly waives any right to receive any fractional Rights and any fractional securities upon exercise or exchange of a Right, except as otherwise provided in Section 14.

(e) Notwithstanding anything in this Agreement to the contrary, neither the Company nor the Rights Agent will have any liability to any holder of a Right or other Person as a result of its inability to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, decree, or ruling issued by a court of competent jurisdiction or by a governmental, regulatory, or administrative agency or commission, or any statute, rule, regulation, or executive order promulgated or enacted by any governmental authority, prohibiting or otherwise restraining performance of such obligation; PROVIDED, HOWEVER, that the Company will use its best efforts to have any such order, decree, or ruling lifted or otherwise overturned as soon as possible.

17. RIGHT CERTIFICATE HOLDER NOT DEEMED A STOCKHOLDER. No holder, as such, of any Right Certificate will be entitled

to vote, receive dividends, or be deemed for any purpose the holder of the Preferred Shares or any other securities of the Company which may at any time

be issuable upon the exercise of the Rights represented thereby, nor will anything contained herein or in any Right Certificate be construed to confer upon the holder of any Right Certificate, as such, any of the rights of a stockholder of the Company or any right to vote for the election of Directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in Section 24), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by such Right Certificate have been exercised in accordance with the provisions of this Agreement or exchanged pursuant to the provisions of Section 27.

18. CONCERNING THE RIGHTS AGENT. (a) The Company will pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements incurred in the administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Company will also indemnify the Rights Agent for, and to hold it harmless against, any loss, liability, suit, action, proceeding, or expense, incurred without negligence, bad faith, or willful misconduct on the part of the Rights Agent, for anything done or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement, including the costs and expenses of defending against any claim of liability arising therefrom, directly or indirectly.

(b) The Rights Agent will be protected and will incur no liability for or in respect of any action taken, suffered, or omitted by it in connection with its administration of this Agreement in reliance upon any Right Certificate or certificate evidencing Preferred Shares or other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed, and, where necessary, verified or acknowledged, by the proper Person or Persons.

19. MERGER OR CONSOLIDATION OR CHANGE OF NAME OF RIGHTS AGENT. (a) Any corporation into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent is a party, or any corporation succeeding to the corporate trust business of the Rights Agent or any successor Rights Agent, will be the successor to the Rights Agent under

this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 21. In case at the time such successor Rights Agent succeeds to the agency created by this Agreement, any of the Right Certificates have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Right Certificates so countersigned; and in case at that time any of the Right Certificates have not been countersigned, any successor Rights Agent may countersign such Right Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Right Certificates will have the full force provided in the Right Certificates and in this Agreement.

(b) In case at any time the name of the Rights Agent changes and at such time any of the Right Certificates have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Right Certificates so countersigned; and in case at that time any of the Right Certificates have not been countersigned, the Rights Agent may countersign such Right Certificates either in its prior name or in its changed name; and in all such cases such Right Certificates will have the full force

provided in the Right Certificates and in this Agreement.

20. DUTIES OF RIGHTS AGENT. The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Right Certificates, by their acceptance thereof, will be bound:

(a) The Rights Agent may consult with legal counsel (who may be legal counsel for the Company), and the opinion of such counsel will be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent deems it necessary or desirable that any fact or matter be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by any one of the Chairman of the Board, the President, or any Vice President of the Company and delivered to the Rights Agent, and such certificate will be full authorization to the Rights Agent for any action taken or suffered in

good faith by it under the provisions of this Agreement in reliance upon such certificate.

(c) The Rights Agent will be liable hereunder only for its own negligence, bad faith, or willful misconduct.

(d) The Rights Agent will not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the Right Certificates (except its countersignature thereof) or be required to verify the same, but all such statements and recitals are and will be deemed to have been made by the Company only.

(e) The Rights Agent will not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution and delivery hereof by the Rights Agent) or in respect of the validity or execution of any Right Certificate (except its countersignature thereof); nor will it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Right Certificate; nor will it be responsible for any adjustment required under the provisions of Sections 11 or 13 (including any adjustment which results in Rights becoming void) or responsible for the manner, method, or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights evidenced by Right Certificates after actual notice of any such adjustment); nor will it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any shares of stock or other securities to be issued pursuant to this Agreement or any Right Certificate or as to whether any shares of stock or other securities will, when issued, be validly authorized and issued, fully paid, and nonassessable.

(f) The Company will perform, execute, acknowledge, and deliver or cause to be performed, executed, acknowledged, and delivered all such further and other acts, instruments, and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) The Rights Agent is hereby authorized and directed to

accept instructions with respect to the performance of its duties hereunder from any one of the Chairman of the Board, the President, or any Vice President of the Company, and to apply to such officers for advice or instructions in connection with its

duties, and it will not be liable for any action taken or suffered to be taken by it in good faith in accordance with instructions of any such officer.

(h) The Rights Agent and any stockholder, director, officer, or employee of the Rights Agent may buy, sell, or deal in any of the Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein will preclude the Rights Agent from acting in any other capacity for the Company or for any other Person.

(i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent will not be answerable or accountable for any act, default, neglect, or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, default, neglect, or misconduct, provided reasonable care was exercised in the selection and continued employment thereof. The Rights Agent will not be under any duty or responsibility to ensure compliance with any applicable federal or state securities laws in connection with the issuance, transfer, or exchange of Right Certificates.

(j) If, with respect to any Right Certificate surrendered to the Rights Agent for exercise, transfer, split up, combination, or exchange, the certificate attached to the form of assignment or form of election to purchase, as the case may be, has either not been completed or indicates an affirmative response to clause 1 or 2 thereof, the Rights Agent will not take any further action with respect to such requested exercise, transfer, split up, combination, or exchange without first consulting with the Company.

21. CHANGE OF RIGHTS AGENT. The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Agreement upon 30 calendar days' notice in writing mailed to the Company and to each transfer agent of the Preferred Shares and the Common Shares by registered or certified mail, and to the holders of the Right Certificates by first-class mail. The Company may remove the Rights Agent or any successor Rights Agent upon 30 calendar days' notice in writing, mailed to the Rights Agent or successor Rights Agent, as the case may be, and to each transfer agent of the Preferred Shares and the Common Shares by registered or certified mail, and to the holders of the Right Certificates by first-class mail. If the Rights Agent resigns or is

removed or otherwise becomes incapable of acting, the Company will appoint a successor to the Rights Agent. If the Company fails to make such appointment within a period of 30 calendar days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the

resigning or incapacitated Rights Agent or by the holder of a Right Certificate (who will, with such notice, submit his Right Certificate for inspection by the Company), then the registered holder of any Right Certificate may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, will be a corporation organized and doing business under the laws of the United States or of the States of Ohio or New York (or of any other state of the United States so long as such corporation is authorized to do business as a banking institution in the State of New York), in good standing, having a principal office in the State of New York, which is authorized under such laws to exercise corporate trust powers and is subject to supervision or examination by federal or state authority and which has at the time of its appointment as Rights Agent a combined capital and surplus of at least $50 million. After appointment, the successor Rights Agent will be vested with the same powers, rights, duties, and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent will deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act, or deed necessary for the purpose. Not later than the effective date of any such appointment, the Company will file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Preferred Shares and the Common Shares, and mail a notice thereof in writing to the registered holders of the Right Certificates. Failure to give any notice provided for in this Section 21, however, or any defect therein, will not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

22. ISSUANCE OF NEW RIGHT CERTIFICATES. Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Company may, at its option, issue new Right Certificates evidencing Rights in such form as may be approved by its Board of Directors to reflect any adjustment or change in the Purchase Price per share and the number or kind of securities issuable upon exercise of the Rights made in accordance with the provisions of this Agreement. In addition, in connection with the issuance or sale by the Company of Common Shares following the Distribution Date and prior to the Expiration Date, the Company (a) will, with respect to Common Shares so issued or sold pursuant to the exercise or conversion of securities

issued prior to the Distribution Date which are exercisable for, or convertible into Common Shares, and (b) may, in any other case, if deemed necessary, appropriate or desirable by the Board of Directors of the Company, issue Right Certificates representing an equivalent number of Rights as would have been issued in respect of such Common Shares if they had been issued or sold prior to the Distribution Date, as appropriately adjusted as provided herein as if they had been so issued or sold; PROVIDED, HOWEVER, that (i) no such Right Certificate will be issued if, and to the extent that, in its good faith judgment the Board of Directors of the Company determines that the issuance of such Right Certificate could have a material adverse tax consequence to the Company or to the Person to whom or which such Right Certificate otherwise would be issued and (ii) no such Right Certificate will be issued if, and to the extent that, appropriate adjustment otherwise has been made in lieu of the issuance thereof.

23. REDEMPTION. (a) Prior to the Expiration Date, the Board of Directors of the Company may, at its option, redeem all but not less than all of the then-outstanding Rights at the Redemption Price at any time prior to the Close of Business on the later of (i) the Distribution Date and (ii) the Share Acquisition Date.

(b) Immediately upon the action of the Board of Directors of the Company ordering the redemption of the Rights, and without any further action and without any notice, the right to exercise the Rights will terminate and the only right thereafter of the holders of Rights will be to receive the Redemption Price, without interest thereon. Promptly after the action of its

Board of Directors ordering the redemption of the Rights, the Company will publicly announce such action, and within 10 calendar days thereafter, the Company will give notice of such redemption to the holders of the then-outstanding Rights by mailing such notice to all such holders at their last addresses as they appear upon the registry books of the Company; PROVIDED, HOWEVER, that the failure to give, or any defect in, any such notice will not affect the validity of the redemption of the Rights. Any notice which is mailed in the manner herein provided will be deemed given, whether or not the holder receives the notice. The notice of redemption mailed to the holders of Rights will state the method by which the payment of the Redemption Price will be made. The Company may, at its option, pay the Redemption Price in cash, Common Shares (based upon the current per share market price of the Common Shares (determined pursuant to Section 11(d)) at the time of redemption), or any other form of consideration deemed appropriate by the Board of Directors of the Company (based upon the fair market value of such other consideration, determined by the Board of Directors of the Company in good faith) or any combination thereof. If legal or contractual

restrictions prevent the Company from paying the Redemption Price (in the form of consideration deemed appropriate by the Board of Directors) at the time of redemption, the Company will pay the Redemption Price, without interest, promptly after such time as the Company ceases to be so prevented from paying the Redemption Price.

(c) At any time following the Share Acquisition Date, the Board of Directors of the Company may relinquish the right to redeem the Rights under this Section 23 by duly adopting a resolution to that effect. Immediately upon adoption of such resolution, the rights of the Board of Directors of the Company to redeem the Rights will terminate without further action and without any notice. Promptly after adoption of such a resolution, the Company will publicly announce such action; PROVIDED, HOWEVER, that the failure to give, or any defect in, any such notice will not affect the validity of the action of the Board of Directors of the Company.

24. NOTICE OF CERTAIN EVENTS. (a) In case, after the Distribution Date, the Company proposes (i) to pay any dividend payable in stock of any class to the holders of Preferred Shares or to make any other distribution to the holders of Preferred Shares (other than a regular periodic cash dividend), (ii) to offer to the holders of Preferred Shares rights, options, or warrants to subscribe for or to purchase any additional Preferred Shares or shares of stock of any class or any other securities, rights, or options, (iii) to effect any reclassification of its Preferred Shares (other than a reclassification involving only the subdivision of outstanding Preferred Shares), (iv) to effect any consolidation or merger into or with, or to effect any sale or other transfer (or to permit one or more of its Subsidiaries to effect any sale or other transfer), in one or more transactions, of assets or earning power (including without limitation securities creating any obligation on the part of the Company and/or any of its Subsidiaries) representing more than 50% of the assets and earning power of the Company and its Subsidiaries, taken as a whole, to any other Person or Persons, (v) to effect the liquidation, dissolution, or winding up of the Company, or (vi) to declare or pay any dividend on the Common Shares payable in Common Shares or to effect a subdivision, combination or reclassification of the Common Shares then, in each such case, the Company will give to each holder of a Right Certificate, in accordance with Section 25, a notice of such proposed action, which specifies the record date for the purposes of such stock dividend, distribution, or offering of rights, options, or warrants, or the date on which such reclassification, consolidation, merger, sale, transfer, liquidation, dissolution, or winding up is to take place and the date of participation therein by the holders of the Common Shares and/or Preferred Shares, if any such date is to

be fixed, and such notice will be so given, in the case of any action covered by clause (i) or (ii) above, at least 10 calendar days prior to the record date for determining holders of the Preferred Shares for purposes of such action, and, in the case of any such other action, at least 10 calendar days prior to the date of the taking of such proposed action or the date of participation therein by the holders of the Common Shares and/or Preferred Shares, whichever is the earlier.

(b) In case any Triggering Event occurs, then, in any such case, the Company will as soon as practicable thereafter give to the Rights Agent and each holder of a Right Certificate, in accordance with Section 25, a notice of the occurrence of such event, which specifies the event and the consequences of the event to holders of Rights.

25. NOTICES. (a) Notices or demands authorized by this Agreement to be given or made by the Rights Agent or by the holder of any Right Certificate to or on the Company will be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) as follows:

Federated Department Stores, Inc.
7 West Seventh Street
Cincinnati, Ohio 45202
Attention: General Counsel

(b) Subject to the provisions of Section 21, any notice or demand authorized by this Agreement to be given or made by the Company or by the holder of any Right Certificate to or on the Rights Agent will be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Company) as follows:

The Bank of New York
101 Barclay Street
New York, New York 10286
Attention: William Skinner

(c) Notices or demands authorized by this Agreement to be given or made by the Company or the Rights Agent to the holder of any Right Certificate (or, if prior the Distribution Date, to the holder of any certificate evidencing Common Shares) will be sufficiently given or made if sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as shown on the registry books of the Company.

26. SUPPLEMENTS AND AMENDMENTS. Prior to the Distribution Date and subject to the last sentence of this

Section 26, if the Company so directs, the Company and the Rights Agent will supplement or amend any provision of this Agreement without the approval of any holders of certificates representing Common Shares upon action of the Board of Directors of the Company. From and after the Distribution Date and subject to the last sentence of this Section 26, if the Company so directs, the Company and the Rights Agent will supplement or amend this Agreement without the approval of any holders of Right Certificates upon action of the Board of Directors of the Company in order (i) to cure any ambiguity, (ii) to correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein, (iii) to shorten or lengthen any

time period hereunder, (iv) to change the Redemption Price to another amount not less than $0.01 per Right, or (v) to supplement or amend the provisions hereunder in any manner which the Company may deem desirable, including without limitation the addition of other events requiring adjustment to the Rights under Sections 11 or 13 or procedures relating to the redemption of the Rights, which supplement or amendment will not, in the good faith determination of the Board of Directors of the Company, adversely affect the interests of the holders of Right Certificates (other than an Acquiring Person or an Affiliate or Associate of an Acquiring Person). Without limiting the generality or effect of the foregoing, this Agreement may be supplemented or amended to provide for such voting powers for the Rights and such procedures for the exercise thereof, if any, as the Board of Directors of the Company may determine to be appropriate. Upon the delivery of a certificate from an officer of the Company which states that the proposed supplement or amendment is in compliance with the terms of this Section 26, the Rights Agent will execute such supplement or amendment; PROVIDED, HOWEVER, that the failure or refusal of the Rights Agent to execute such supplement or amendment will not affect the validity of any supplement or amendment adopted by the Company, any of which will be effective in accordance with the terms thereof. Notwithstanding anything in this Agreement to the contrary, no supplement or amendment will be made which decreases the stated Redemption Price to an amount less than $0.01 per Right or the period of time remaining until the Final Expiration Date or which modifies a time period relating to when the Rights may be redeemed at such time as the Rights are not then redeemable.

27. EXCHANGE. (a) The Board of Directors of the Company may, at its option, at any time after the later of the Distribution Date and the first occurrence of a Triggering Event, exchange all or part of the then-outstanding and exercisable Rights (which will not include Rights that have become void pursuant to the provisions of Section 11(a)(ii)) for Common Shares at an exchange ratio of one Common Share per Right, appropriately adjusted to reflect any stock split, stock dividend, or similar transaction

occurring after the date hereof (such exchange ratio being hereinafter referred to as the "Exchange Ratio"). Notwithstanding the foregoing, the Board of Directors will not be empowered to effect such exchange at any time after any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or any such Subsidiary, or any entity holding Common Shares for or pursuant to the terms of any such plan), who or which, together with all Affiliates and Associates of such Person, becomes the Beneficial Owner of 50% or more of the then-outstanding Common Shares.

(b) Immediately upon the action of the Board of Directors of the Company ordering the exchange of any Rights pursuant to Section 27(a), and without any further action and without any notice, the right to exercise such Rights will terminate and the only right with respect to such Rights thereafter of the holder of such Rights will be to receive that number of Common Shares equal to the number of such Rights held by such holder multiplied by the Exchange Ratio. Promptly after the action of the Board of Directors of the Company ordering the exchange of any Rights pursuant to Section 27(a), the Company will publicly announce such action, and within 10 calendar days thereafter will give notice of any such exchange to all of the holders of such Rights at their last addresses as they appear upon the registry books of the Rights Agent; PROVIDED, HOWEVER, that the failure to give, or any defect in, such notice will not affect the validity of such exchange. Any notice which is mailed in the manner herein provided will be deemed given, whether or not the holder receives the notice. Each such notice of exchange will state the method by which the exchange of the Common Shares for Rights will be effected and, in the event of any partial exchange, the number of Rights which will be exchanged. Any partial exchange will be effected pro rata based on the number of Rights (other than Rights which have become void pursuant to the provisions of Section 11(a)(ii)) held by each holder of Rights.

(c) In any exchange pursuant to this Section 27, the Company, at

its option, may substitute for any Common Share exchangeable for a Right, (i) equivalent common shares (as such term is used in Section 11(a)(iii)), (ii) cash, (iii) debt securities of the Company, (iv) other assets, or (v) any combination of the foregoing, in any event having an aggregate value which the Board of Directors of the Company determines in good faith to be equal to the current market value of one Common Share (determined pursuant to Section 11(d)) on the Trading Day immediately preceding the date of exchange pursuant to this Section 27.

28. SUCCESSORS; CERTAIN COVENANTS. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent will be binding on and inure to

the benefit of their respective successors and assigns hereunder.

29. BENEFITS OF THIS AGREEMENT. Nothing in this Agreement will be construed to give to any Person other than the Company, the Rights Agent, and the registered holders of the Right Certificates (and, prior to the Distribution Date, the Common Shares) any legal or equitable right, remedy, or claim under this Agreement. This Agreement will be for the sole and exclusive benefit of the Company, the Rights Agent, and the registered holders of the Right Certificates (or prior to the Distribution Date, the Common Shares).

30. SEVERABILITY. If any term, provision, covenant, or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void, or unenforceable, the remainder of the terms, provisions, covenants, and restrictions of this Agreement will remain in full force and effect and will in no way be affected, impaired, or invalidated.

31. GOVERNING LAW. This Agreement and each Right Certificate issued hereunder will be deemed to be a contract made under the internal substantive laws of the State of Delaware and for all purposes will be governed by and construed in accordance with the internal substantive laws of such State applicable to contracts to be made and performed entirely within such State.

32. COUNTERPARTS. This Agreement may be executed in any number of counterparts and each of such counterparts will for all purposes be deemed to be an original, and all such counterparts will together constitute but one and the same instrument.

33. DESCRIPTIVE HEADINGS, ETC. Descriptive headings of the several Sections of this Agreement are inserted for convenience only and will not control or affect the meaning or construction of any of the provisions hereof. Unless otherwise expressly provided, references herein to Articles, Sections, and Exhibits are to Articles, Sections, and Exhibits of or to this Agreement.

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

[SEAL]

Attest: FEDERATED DEPARTMENT STORES, INC.

/s/ John R. Sims
- - ----------
John R. Sims
Assistant Secretary

By: /s/ Dennis J. Broderick

Dennis J. Broderick
Senior Vice President

[SEAL]

Attest:

THE BANK OF NEW YORK

/s/ Daniel M. Egan
- - ----------
Name: Daniel M. Egan
Title: Assistant Treasurer

By: /s/ John I. Siverrsen

Name: John I. Siverrsen
Title: Vice President

- - ----------

CONFORMED COPY

Federated Department Stores, Inc.

and

The First National Bank of Boston,

Trustee

Third Supplemental Trust Indenture

Dated as of January 23, 1995

Supplementing that certain

Indenture

Dated as of December 15, 1994

Authorizing the Issuance and Delivery of

Senior Securities

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

10% Senior Notes due February 15, 2001

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THIRD SUPPLEMENTAL INDENTURE, dated as of January 23, 1995, between Federated Department Stores, Inc., a corporation duly organized and existing under the laws of the State of Delaware (the "Company"), and The First National Bank of Boston, a national banking association, organized and existing under the laws of the United States of America, as Trustee (the "Trustee"), supplementing that certain Indenture, dated as of December 15, 1994, between the Company and the Trustee (the "Indenture").

RECITALS

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

B. The Indenture provides that the Securities of

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

C. The Company and the Trustee have agreed that the Company shall issue and deliver, and the Trustee shall authenticate, Securities denominated "10% Senior Notes due February 15, 2001" (the "Senior Notes") pursuant to the terms of this Supplemental Indenture and substantially in the form set forth below, in each case with such appropriate insertions, omissions, substitutions, and other variations as are required or permitted by the Indenture and this Supplemental Indenture, and with such letters, numbers, or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of such Securities.

[Form of Face of Security]

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

FEDERATED DEPARTMENT STORES, INC.

10% Senior Note due February 15, 2001

No. R- _____ $_____

Federated Department Stores, Inc., a corporation duly organized and existing under the laws of the State of Delaware (hereinafter called the "Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of $450,000,000 on February 15, 2001, and to pay interest thereon from January 27, 1995 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semiannually on February 15 and August 15 of each year, commencing on August 15, 1995, at the rate of 10% per annum, until the principal hereof is paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date shall, as provided in said Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the February 1 or August 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 calendar days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any

securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

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

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

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

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

FEDERATED DEPARTMENT STORES, INC.

Date Issued:_____ By:_____

Attest:

By:_____

[Form of Reverse of Security]

FEDERATED DEPARTMENT STORES, INC.

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities") issued and to be issued in one or more series under an Indenture, dated as of December 15, 1994 (herein called the "Indenture"), between the Company and The First National Bank of Boston, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties, and immunities thereunder of the Company, the Trustee, and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This

Security is one of the series designated on the face hereof, limited in aggregate principal amount to $450,000,000.

Upon the occurrence of a Change of Control prior to such time as the Company shall have reached Investment Grade Status or, thereafter, upon the occurrence of a Designated Event with respect to the Company and a Rating Decline in connection therewith, the Company is required

to offer to purchase the Securities at a purchase price equal to 101% of the principal amount thereof, together in the case of any such purchase with accrued and unpaid interest to the Purchase Date, but interest installments with a Stated Maturity on or prior to such Purchase Date shall be payable to the Holders of such Securities of record at the close of business on the relevant Record Dates referred to on the face hereof, all as provided in the Indenture.

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

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

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

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

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right

to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default with respect to the Securities of this series, the Holders of not less than 25% in principal amount of the Securities of this series at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of a majority in principal amount of Securities of this series at the time Outstanding a direction inconsistent with such request and shall have failed to institute such proceeding for 60 calendar days after receipt of such notice, request, and offer of indemnity. The foregoing shall apply to any suit instituted by the Holder of this Security for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Security at the times, place, and rate, and in the coin or currency, herein prescribed.

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

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

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

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

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

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

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

[Form of Trustee's Certificate of Authentication for Senior Notes]

Trustee's Certificate of Authentication

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

The First National Bank of Boston, as Trustee

By:_____
Authorized Officer

E. All acts and things necessary to make the Senior Notes, when the Senior Notes have been executed by the Company and authenticated by the Trustee and delivered as provided in the Indenture and this Supplemental Indenture, the valid, binding, and legal obligations of the Company and to constitute these presents a valid indenture and agreement according to its terms, have been done and performed, and the execution and delivery by the Company of the Indenture and this Supplemental Indenture and

the issue hereunder of the Senior Notes have in all respects been duly authorized; and the Company, in the exercise of legal right and power in it vested, is executing and delivering the Indenture and this Supplemental Indenture and proposes to make, execute, issue, and deliver the Senior Notes.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH:

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

ARTICLE I. ISSUANCE OF SENIOR NOTES.

SECTION 1.1. ISSUANCE OF SENIOR NOTES; PRINCIPAL AMOUNT; MATURITY.

(a) On January 27, 1995, the Company shall issue and deliver to the Trustee, and the Trustee shall authenticate, Senior Notes substantially in the form set forth above, in each case with such appropriate insertions, omissions, substitutions, and other variations as are required or permitted by the Indenture and this Supplemental Indenture, and with such letters, numbers, or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Senior Notes, as evidenced by their execution of such Senior Notes.

(b) The Senior Notes shall be issued in the aggregate principal amount of $450,000,000, and shall mature on February 15, 2001.

SECTION 1.2. INTEREST ON THE SENIOR NOTES; PAYMENT OF INTEREST.

(a) The Senior Notes shall bear interest at the rate of 10% per annum from January 27, 1995, except in the case of Senior Notes delivered pursuant to Sections 2.05 or 2.07 of the Indenture, which shall bear interest from the last Interest Payment Date through which interest has been paid.

(b) The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date shall, as provided in such Indenture, be paid to the Person in whose name a Senior Note (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the February 1 or August 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid

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

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

ARTICLE II. CERTAIN DEFINITIONS.

SECTION 2.1. CERTAIN DEFINITIONS.

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

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

"Cash Equivalent" means: (a) obligations unconditionally guaranteed as to principal and interest by the United States of America or by any agency or authority controlled or supervised by and acting as an instrumentality of the United

States of America; (b) obligations (including, but not limited to, demand or time deposits, bankers' acceptances and certificates of deposit) issued by a depository institution or trust company or a wholly owned Subsidiary or branch office of any depository institution or trust company, provided that (i) such depository institution or trust company has, at the time of the Company's or any Restricted Subsidiary's investment therein or contractual commitment providing for such investment, capital, surplus or undivided profits (as of the date of such institution's most recently published financial statements) in excess of $100.0 million and (ii) the commercial paper of such depository institution or trust company, at the time of the

Company's or any Restricted Subsidiary's investment therein or contractual commitment providing for such investment, is rated at least A1 by S&P or P-1 by Moody's; and (c) debt obligations (including, but not limited to, commercial paper and medium term notes) issued or unconditionally guaranteed as to principal and interest by any corporation, state or municipal government or agency or instrumentality thereof, or foreign sovereignty, if the commercial paper of such corporation, state or municipal government or foreign sovereignty, at the time of the Company's or any Restricted Subsidiary's investment therein or contractual commitment providing for such investment, is rated at least A1 by S&P or P-1 by Moody's; (d) repurchase obligations with a term of not more than 7 days for underlying securities of the type described above entered into with a depository institution or trust company meeting the qualifications described in clause (b) above; and (e) Investments in money market or mutual funds that invest predominantly in Cash Equivalents of the type described in clauses (a), (b), (c) and (d) above; PROVIDED, HOWEVER, that, in the case of clauses (a) through (c) above, each such investment has a maturity of one year or less from the date of acquisition thereof.

"Change of Control" means the occurrence of any of the following events: (a) any "Person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the total voting power of all classes of stock of the Company entitled to vote generally in the election of directors ("Voting Stock") of the Company; (b) the Company consolidates with, or merges with or into, another Person or sells, assigns, conveys, transfers, leases, or otherwise disposes of all or substantially all of its assets to any person, or another Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which the outstanding Voting Stock of the Company is converted into or exchanged for cash, securities, or other property, other than any such transaction where (i) the outstanding Voting Stock of the Company is converted into or exchanged for (1) Voting Stock (other than redeemable Voting Stock) of the surviving or transferee corporation, (2) cash, securities, and other property in an amount that could be paid by the Company as a Restricted Payment,

or (3) a combination thereof, and (ii) immediately after such transaction (A) no "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the total Voting Stock of the Company and (B) the holders of equity securities of the Company immediately prior to such transaction hold, immediately following such transaction, a majority of the total Voting Stock of the Person surviving such transaction, (c) during any consecutive two-year period, individuals who at the beginning of such period constituted the Board of Directors (together with any new directors whose election by such Board of Directors or whose nomination for election by the stockholders of the Company was approved by a vote of a majority of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors then in office; or (d) the dissolution or liquidation of the Company.

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

"Debt Rating" means the actual rating assigned to the Notes

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

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

"Designated Restricted Payment Event" means the (i) declaration or payment of any dividend on, or the making of any distribution on account of, the Company's capital stock or (ii) purchase, redemption, or acquisition or retirement for value of any capital stock (including any option, warrant, or right to purchase capital stock) of the Company owned beneficially by a Person other than a wholly owned Subsidiary of the Company, by the Company or any Subsidiary of the Company, directly or indirectly, if, after giving effect to any such action set forth

in clause (i) or (ii), the Consolidated Net Worth of the Company as at the end of the last fiscal quarter for which consolidated financial statements are available is less than $2,750.0 million.

"Effective Date" means December 19, 1994.

"Existing Indebtedness" means all indebtedness under or evidenced by: (a) the Senior Notes; (b) the outstanding principal amount of notes issued pursuant to the Loan Agreement, dated as of December 30, 1987, by and among Allied Stores General Real Estate Company and certain of its Subsidiaries and The Prudential Insurance Company of America; (c) the outstanding principal amount of notes issued pursuant to the Mortgage Note Agreement, dated as of the Effective Date, between Macy's Primary Real Estate, Inc. and Federated Noteholding Corporation; (d) the outstanding principal amount of notes issued pursuant to the Loan Agreement, dated as of May 26, 1994, by and among Joseph Horne Co., Inc., PNC Bank, Ohio, National Association, as agent, and the financial institutions listed on the signature pages thereof; (e) the Capital Lease Obligations of the Company and the Restricted Subsidiaries existing on the date hereof; (f) the outstanding principal amount of uncertificated obligations of the Company owed to the Internal Revenue Service and other taxing authorities; (g) the existing secured mortgage debt assumed pursuant to the Plan; (h) the Note Override Agreement dated as of December 19, 1994, by Kings Plaza Shopping Center of Avenue U, Inc., as Issuer, and The John Hancock Mutual Life Insurance Company, as Noteholder and the Promissory Note, dated as of December 19, 1994, by Macy's Kings Plaza Real Estate, Inc., as Issuer, and The John Hancock Mutual Life Insurance Company, as Noteholder; and (i) the other secured Indebtedness of the Company or secured or unsecured Indebtedness of the Restricted Subsidiaries existing on the date hereof.

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

"Interest Coverage Ratio" means the ratio of (a) the sum of (i) net income (other than net income of any Restricted Subsidiary during a period in which such Restricted Subsidiary is prohibited from paying dividends

pursuant to any provision referred to in clause (ii), (iii), or (iv) of Section 3.5 hereof, (ii) net interest expense, (iii) cash dividends with respect to redeemable preferred stock (to the extent deducted from net income and not included in net interest expense in accordance with GAAP), (iv) income tax expense, (v) depreciation expense,

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

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

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

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

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

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

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

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

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

(c) the applicable Purchase Date;

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

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

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

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

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

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

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

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

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

unpurchased portion of the Senior Note so tendered; and

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

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

"Permitted Indebtedness" means: (a) Existing Indebtedness; (b) Indebtedness under the Bank Facilities in an aggregate principal amount at any one time not to exceed $2,800.0 million, less (i) principal payments actually made by the Company on any term loan facility under such Bank Facilities (other than principal payments made in connection with or pursuant to a refinancing of the Bank Facilities in compliance with clause (l) below) and (ii) any amounts by which any revolving credit facility commitments under the Bank Facilities are permanently reduced (other than permanent reductions made in connection with or pursuant to a refinancing of the Bank Facilities in compliance with clause (l) below) except that under no circumstances shall the total allowable indebtedness under this clause (b) be less than $1,250.0 million (subject to increase from and after the date hereof at a rate, compounded annually, equal to 3% per annum) if incurred for the purpose of providing the Company and its Subsidiaries with working capital including bankers' acceptances, letters of credit, and similar assurances of payment whether as part of the Bank Facilities or otherwise; (c) Indebtedness existing as of the date hereof of any Subsidiary of the Company engaged primarily in the business of owning or leasing real property; (d) Indebtedness incurred for the purpose of financing store construction and remodeling or other capital expenditures; (e) unsecured Indebtedness among the Company and its Subsidiaries; (f) Indebtedness in respect of the deferred

purchase price of property or arising under any conditional sale or other title retention agreement; (g) Indebtedness of a Person acquired by the Company or a Subsidiary of the Company at the time of such acquisition; (h) to the extent deemed to be "Indebtedness," obligations under swap agreements, cap agreements, collar agreements, insurance arrangements, or any other agreement or arrangement, in each case designed to provide protection against fluctuations in interest rates, the cost of currency or the cost of goods (other than inventory); (i) other Indebtedness in outstanding amounts not to exceed $750.0 million in the aggregate incurred by the Company and the Restricted Subsidiaries at any particular time; (j) the uncertificated obligations of certain Subsidiaries of the Company owed to certain former holders of prepetition unsecured claims against such Subsidiaries or their predecessors due February 4, 1995; (k) the indebtedness represented by the convertible notes issued and outstanding pursuant to the Senior Convertible Discount Note Agreement, dated as of February 5, 1992, among the Company, the holders of such Convertible Notes listed on the signature pages thereto, Citibank, N.A., as Convertible Note Agent, and The Sumitomo Bank, Limited, New York Branch, as Convertible Note Co-Agent, and the Indenture, dated as of April 8, 1993, between the Company and The First National Bank of Boston, as trustee; and (l) Indebtedness incurred in connection with any extension, renewal, refinancing, replacement, or refunding (including successive extensions, renewals, refinancings, replacements, or refundings), in whole or in part, of any Indebtedness of the Company or the Restricted Subsidiaries; PROVIDED, HOWEVER, that: (i) the principal amount of the Indebtedness so incurred does not exceed the sum of the principal amount of the Indebtedness so extended, renewed, refinanced, replaced, or refunded, plus all interest accrued thereon

and all related fees and expenses (including any payments made in connection with procuring any required lender or similar consents) and (ii) in the case of the extension, renewal, refinancing, replacement, or refunding of the Indebtedness referred to in clause (k) above, the Indebtedness so incurred is pari passu with or subordinate to the Senior Notes.

"Permitted Investments" means: (a) Cash Equivalents; (b) Investments in another Person, if as a result of such Investment (i) such other Person becomes a Restricted Subsidiary of the Company or (ii) such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all of its assets to, the Company or a Restricted Subsidiary of the Company; (c) Investments in the Company or any Restricted Subsidiary of the Company; (d) Investments represented by accounts receivable created or acquired in the ordinary course of business, extensions of trade credit on commercially reasonable terms in accordance with normal trade practices, or liabilities to the Company or any Restricted Subsidiary represented by customer credit card obligations; (e) commissions and advances to employees of the Company and its Subsidiaries in the ordinary course of business; (f) investments representing notes, securities or other instruments or obligations acquired in

connection with the sale of assets; (g) Investments in the form of the sale (on a "true-sale" non-recourse basis) of receivables transferred from the Company or any Restricted Subsidiary, or transfers of cash, to an Unrestricted Subsidiary as a capital contribution or in exchange for Indebtedness of such Unrestricted Subsidiary or cash; (h) Permitted Joint Venture Investments; (i) Investments representing capital stock or obligations issued to the Company or any Restricted Subsidiary in settlement of claims against any other Person by reason of a composition or readjustment of debt or a reorganization of any debtor of the Company or such Restricted Subsidiary; (j) loans or advances to vendors in connection with in-store merchandising to be repaid either on a lump-sum basis or over a period of time by the delivery of merchandise; (k) loans or advances to sublessees in an aggregate amount not to exceed $5 million at any time outstanding; (l) construction advances to developers; (m) Investments in swap agreements, cap agreements, collar agreements, insurance arrangements or any other agreement or arrangement, in each case designed to provide protection against fluctuations in interest rates, the cost of currency or the cost of goods (other than inventory); and (n) other Investments not to exceed $200.0 million in the aggregate.

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

"Permitted Liens" means: (a) Liens (other than Liens on inventory) securing Indebtedness referred to in any of clauses (a) through (d), clauses (f) through (j) and clause (l) of the definition of "Permitted Indebtedness"; (b) Liens incurred and pledges and deposits made in the

ordinary course of business in connection with liability insurance, workers' compensation, unemployment insurance, old-age pensions, and other social security benefits other than in respect of employee benefit plans subject to the Employee Retirement Income Security Act of 1974, as amended; (c) Liens securing performance, surety, and appeal

bonds and other obligations of like nature incurred in the ordinary course of business; (d) Liens on goods and documents securing trade letters of credit; (e) Liens imposed by law, such as carriers', warehousemen's, mechanics', materialmen's, and vendor's Liens, incurred in the ordinary course of business and securing obligations which are not yet due or which are being contested in good faith by appropriate proceedings; (f) Liens securing the payment of taxes, assessments, and governmental charges or levies, either (i) not delinquent or (ii) being contested in good faith by appropriate legal or administrative proceedings and as to which adequate reserves shall have been established on the books of the relevant Person in conformity with GAAP; (g) zoning restrictions, easements, rights of way, reciprocal easement agreements, operating agreements, covenants, conditions, or restrictions on the use of any parcel of property that are routinely granted in real estate transactions or do not interfere in any material respect with the ordinary conduct of the business of the Company and its Subsidiaries or the value of such property for the purpose of such business; (h) Liens on property existing at the time such property is acquired; (i) purchase money Liens upon or in any property acquired or held in the ordinary course of business to secure Indebtedness incurred solely for the purpose of financing the acquisition of such property; (j) Liens on the assets of any Subsidiary of the Company at the time such Subsidiary is acquired; (k) Liens with respect to obligations in outstanding amounts not to exceed $100.0 million at any particular time and that (i) are not incurred in connection with the borrowing of money or obtaining advances or credit (other than trade credit in the ordinary course of business) and (ii) do not in the aggregate interfere in any material respect with the ordinary conduct of the business of the Company and its Subsidiaries; and (l) without limiting the ability of the Company or any Restricted Subsidiary to create, incur, assume, or suffer to exist any Lien otherwise permitted under any of the foregoing clauses, any extension, renewal, or replacement, in whole or in part, of any Lien described in the foregoing clauses; PROVIDED, HOWEVER, that any such extension, renewal, or replacement Lien is limited to the property or assets covered by the Lien extended, renewed, or replaced or substitute property or assets, the value of which is determined by the Board of Directors of the Company to be not materially greater than the value of the property or assets for which the substitute property or assets are substituted.

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

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

"Purchase Date" means, with respect to any Offer to Purchase, a date specified by the Company in such Offer to Purchase not less than 30 calendar days or more than 60 calendar

days after the date of the mailing of the Notice of such Offer to Purchase (or such other time period as is necessary for the Offer to Purchase to remain open for a sufficient period of time to comply with applicable securities laws).

"Rating Decline" means the occurrence of the following on, or within 90 calendar days after, the date of public disclosure of the occurrence of a Designated Event (which period shall be extended, for a period not to exceed 90 calendar days, so long as the Debt Rating is under publicly announced consideration for possible downgrading by both Moody's and S&P): (i) in the event the Senior Notes are rated Investment Grade by Moody's or S&P on the earlier of the date immediately preceding the date of the public disclosure of (w) the occurrence of a Designated Event or (x) (if applicable) the intention of the Company to effect a Designated Event, the Debt Rating by both Moody's and S&P shall be below Investment Grade; or (ii) in the event the Senior Notes are rated below Investment Grade by both Moody's and S&P on the earlier of the date immediately preceding the date of the public disclosure of (y) the occurrence of a Designated Event or (z) (if applicable) the intention of the Company to effect a Designated Event, the Debt Rating by each of Moody's and S&P shall be decreased by at least one Full Rating Category. In the event that either Moody's or S&P does not make a rating of the Senior Notes publicly available, and the Company selects a Recognized Rating Agency to make such a rating, (i) the terms "Moody's" or "S&P," as the case may be, shall mean such other Recognized Rating Agency; (ii) the term "Full Rating Category" shall mean, with respect to such Recognized Rating Agency, the equivalent of any such category of S&P or Moody's used by such Recognized Rating Agency; and (iii) the term "Investment Grade" shall mean, with respect to such Recognized Rating Agency, the equivalent of a rating of at least BBB- in the case of S&P and at least Baa3 in the case of Moody's, used by such Recognized Rating Agency.

"Restricted Subsidiary" means any direct or indirect subsidiary (as that term is defined in Regulation S-X promulgated by the Securities and Exchange Commission) other than an Unrestricted Subsidiary.

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

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

or are to be advanced by such lender or investor on the security of such property or asset.

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

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

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

Notes.

"Unrestricted Subsidiary" means (a) FDS National Bank, FACS Group, Inc., Federated Credit Holdings Corporation, Prime Credit Card Master Trust (to the extent that it is deemed to be a Subsidiary), Prime Receivables Corporation, Seven Hills Funding Corporation, Ridge Capital Trust II (to the extent that it is deemed to be a Subsidiary), Macy Financial, Inc., R.H. Macy Overseas Finance, N.V., Macy Credit Corp., and Macy's Data and Credit Services Corp., (b) any Subsidiary of the Company the primary business of which consists of, and is restricted by the charter, partnership agreement, or similar organizational document of such Subsidiary to, financing operations on behalf of the Company and its Subsidiaries, and/or purchasing accounts receivable or direct or indirect interests therein, and/or making loans secured by accounts receivable or direct or indirect interests therein (and business related to the foregoing), or which is otherwise primarily engaged in, and restricted by its charter, partnership agreement, or similar organizational document to, the business of a finance company (and business related thereto), which, in accordance with the provisions of this Supplemental Indenture, has been designated by Board Resolution as an Unrestricted Subsidiary, in each case unless and until any of the Subsidiaries of the Company referred to in the foregoing clauses (a) and (b) is, in accordance with the provisions of this Supplemental Indenture, designated by a Board Resolution as a Restricted Subsidiary, and (c) any Subsidiary of the Company of which, in the case of a corporation, more than 50% of the issued and outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation has or might have voting power upon the occurrence of any contingency), or, in the case of any partnership or other legal entity, more than 50% of the ordinary equity capital interests, is at the time directly or indirectly owned or controlled by one or more Unrestricted Subsidiaries and the primary business of which consists of, and is restricted by the charter, partnership agreement or similar organizational document of such Subsidiary

to, financing operations on behalf of the Company and its Subsidiaries, and/or purchasing accounts receivable or direct or indirect interests therein, and/or making loans secured by accounts receivable or direct or indirect interests therein (and business related to the foregoing), or which is otherwise primarily engaged in, and restricted by its charter, partnership agreement or similar organizational document to, the business of a finance company (and business related thereto).

ARTICLE III. CERTAIN COVENANTS.

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

SECTION 3.1. INDEBTEDNESS.

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

incurred at the beginning of the applicable period, to the obligations of the Company and the Restricted Subsidiaries in respect of such Indebtedness.

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

SECTION 3.2. LIENS.

The Company shall not, and shall not permit any Restricted Subsidiary to, create, incur, assume, or suffer to

exist any Liens upon any of their respective assets, other than Permitted Liens, unless the Senior Notes are secured by an equal and ratable Lien on the same assets.

SECTION 3.3. RESTRICTED PAYMENTS.

The Company shall not, and shall not permit any Restricted Subsidiary to, (a) declare or pay any dividend on, or make any other distribution on account of, the Company's capital stock; (b) purchase, redeem, or otherwise acquire or retire for value any capital stock (including any option, warrant, or right to purchase capital stock) of the Company owned beneficially by a Person other than a wholly owned Subsidiary of the Company; (c) purchase, redeem, or otherwise acquire or retire for value the principal of any Subordinated Indebtedness (other than the principal amount of notes outstanding pursuant to the Loan Agreement, dated as of December 30, 1987, by and among Allied Stores General Real Estate Company and certain of its Subsidiaries and The Prudential Insurance Company of America, if deemed to be subordinated by virtue of the Company's guaranty thereof) prior to the scheduled maturity thereof other than pursuant to mandatory scheduled redemptions or repayments; or (d) make any Investment other than Permitted Investments (all such dividends, distributions, purchases, redemptions, or Investments being collectively referred to as "Restricted Payments"); if, at the time of such action, or after giving effect thereto: (i) an Event of Default shall have occurred and is continuing; (ii) the Company could not incur at least $1.00 of additional Indebtedness under the Interest Coverage Ratio test in Section 3.1; or (iii) the cumulative amount of Restricted Payments made subsequent to the Effective Date shall be greater than the sum of: (A) 50% of the Company's cumulative consolidated net income (or a negative amount equal to 100% of the Company's cumulative consolidated net loss, if applicable) from January 29, 1995 through the end of the Company's fiscal quarter next preceding the taking of such action; (B) 100% of the aggregate net cash proceeds received by the Company from the issue or sale of capital stock of the Company (other than redeemable capital stock), including capital stock issued upon the conversion of convertible Indebtedness issued on or after the Effective Date, in exchange for outstanding Indebtedness, or from the exercise of options, warrants, or rights to purchase capital stock of the Company to any Person other than to a Subsidiary of the Company subsequent to the Effective Date (with the Company being deemed, in the case of capital stock issued upon conversion or in exchange for Indebtedness, to have received net cash proceeds equal to the principal amount of the Indebtedness so converted or exchanged); and (C) $250.0 million; PROVIDED, HOWEVER, that (1) the payment of any dividend within

60 calendar days after the date of declaration thereof, if such declaration complied with the foregoing redemption, or other acquisition provisions on the date of such declaration, (2) the purchase, redemption, or other acquisition or retirement for value of any shares of capital stock of the Company in exchange for, or out of the proceeds of,

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

SECTION 3.4. CHANGE OF CONTROL.

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

in connection with a Designated Event is required, the Company shall not be obligated to give such Notice or offer to repurchase the Senior Notes as a result of such Designated Event and Rating Decline.

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

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

SECTION 3.5. PAYMENT RESTRICTIONS AFFECTING RESTRICTED SUBSIDIARIES.

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

SECTION 3.6. ISSUANCE OF SUBSIDIARY PREFERRED STOCK.

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

SECTION 3.7. ASSET SALES.

The Company shall not, and shall not permit any Restricted Subsidiary to, consummate any sale of assets (other than sales of inventories, goods, fixtures, and accounts receivable in the ordinary course of business, and sales of assets to the Company or a wholly owned Subsidiary of the Company) unless such sale is for fair market value and, in the case of individual sales of assets for which the consideration received (including liabilities assumed) is more than $25.0 million at least 75% of the consideration therefor (other than liabilities assumed) consists of either

(a) any combination of cash, cash equivalents, or promissory notes secured by letters of credit or similar assurances of payment issued by commercial banks of recognized standing or (b) capital asset contributions or capital expenditures made for or on behalf of the Company or a Subsidiary by a third party. Asset sales not subject to Section 3.8 below shall be presumed to be for fair market value if the consideration received is less than $25.0 million and shall be conclusively presumed to have been for fair market value if the transaction is determined by the Board of Directors to be fair, from a financial point of view, to the Company. To the extent that the aggregate amount of cash proceeds (net of all legal, title, and recording tax expenses, commissions, and other fees and expenses incurred, and all federal, state, provincial, foreign, and local taxes and reserves required to be accrued as a liability, as a consequence of such sales of assets, and net of all payments made on any Indebtedness which is secured by such assets in accordance with the terms of any Liens upon or with respect to such assets or which must by the terms of such Lien, or in order to obtain a necessary consent to such sale or by applicable law be repaid out of the proceeds from such sales of assets, and net of all distributions and other payments made to minority interest holders in Subsidiaries or joint ventures as a result of such sales of assets) from such sales of assets that shall not have been reinvested in the business of the Company or its Subsidiaries or used to reduce Senior Indebtedness of the Company or its Subsidiaries within 12 months of the receipt of such proceeds (with cash equivalents being deemed to be proceeds upon receipt of such cash equivalents and cash payments under promissory notes secured as aforesaid being deemed to be proceeds upon receipt of such payments) shall exceed $100.0 million ("Excess Sale Proceeds") from time to time, the Company shall offer to repurchase pursuant to an Offer to Purchase Senior Notes with such Excess Sale Proceeds (on a pro rata basis with any other Senior Indebtedness of the Company or its Subsidiaries required by the terms of such Indebtedness to be repurchased with such Excess Sale Proceeds, based on the principal amount of such Senior Indebtedness required to be repurchased) at 100% of principal amount, plus accrued and unpaid interest, and to pay related costs and expenses. Such Offer to Purchase shall be made by mailing of a Notice to the Trustee and to each Holder at the address appearing in the Security Register, by first class mail, postage prepaid, by the Company or, at the Company's request, by

the Trustee in the name and at the expense of the Company, on a date selected by the Company not later than 12 months from the date such Offer to Purchase is required to be made pursuant to the immediately preceding sentence. To the extent that the aggregate purchase price for Senior Notes or other Senior Indebtedness tendered pursuant to such offer to repurchase is less than the aggregate purchase price offered in such offer, an amount of Excess Sale Proceeds equal to such shortfall shall cease to be Excess Sale Proceeds and may thereafter be used for general corporate purposes. On the Purchase Date, the Company shall (i) accept for payment Senior Notes or portions thereof tendered pursuant to the Offer to Purchase in an aggregate principal amount equal to the Purchase Amount (selected by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for purchase of portions (equal to $1,000 or an integral multiple of $1,000) of the principal amount of Senior Notes of a denomination larger than $1,000), (ii) deposit with the Paying Agent money sufficient to pay the purchase price of all Senior Notes or portions thereof so accepted, and (iii) deliver to the Trustee Senior Notes so accepted. The Paying Agent shall promptly mail to the Holders of Senior Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail to such Holders a new Senior Note equal in principal amount to any unpurchased portion of each Senior Note surrendered.

Election of the Offer to Purchase by a Holder shall (unless otherwise provided by law) be irrevocable. The payment of accrued interest as part of any repurchase price on any Purchase Date shall be subject to the right

of Holders of record on the relevant Regular Record Date to receive interest due on an Interest Payment Date that is on or prior to such Purchase Date.

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

SECTION 3.8. TRANSACTIONS WITH AFFILIATES.

The Company shall not, and shall not permit any Restricted Subsidiary to, (a) sell, lease, transfer, or otherwise dispose of any of its properties, assets, or securities to, (b) purchase any property, assets, or securities from, or (c) enter into any contract or agreement with or for the benefit of an Affiliate (as defined below) of the Company or a Subsidiary of the Company (other than the Company or a wholly-owned Subsidiary of the Company) (an "Affiliate Transaction") other than Affiliate Transactions in the ordinary course of business which in the aggregate do not exceed (i) $25.0 million in any one Affiliate Transaction or series of related Affiliate Transactions unless a majority of the disinterested members of the Board of Directors determines that such Affiliate Transaction or series of Affiliate

Transactions is on terms not less favorable to the Company or such Restricted Subsidiary than those that would apply to an arms-length transaction with an unaffiliated party and (ii) $100.0 million in any one Affiliate Transaction or series of related Affiliate Transactions unless the test set forth in clause (i) has been satisfied and the Board of Directors of the Company shall have been advised by an independent financial advisor that, in the opinion of such advisor, such Affiliate Transaction or series of Affiliate Transactions is fair, from a financial point of view, to the Company or such Restricted Subsidiary. Solely for purposes of this Section 3.8, the term "Affiliate" shall have the meaning set forth in Rule 405 promulgated by the Securities and Exchange Commission under the Securities Act of 1933, as amended, PROVIDED, HOWEVER, that there shall be a rebuttable presumption that any Person that holds more than 15% of the stock having ordinary voting power of an entity is an "Affiliate" of such entity.

SECTION 3.9. SALE AND LEASEBACK TRANSACTIONS.

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

SECTION 3.10. MERGER AND CERTAIN OTHER TRANSACTIONS.

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

SECTION 3.11. PERMITTING UNRESTRICTED SUBSIDIARIES TO BECOME RESTRICTED SUBSIDIARIES.

The Company shall not permit any Unrestricted Subsidiary to be designated as a Restricted Subsidiary unless such Subsidiary has outstanding no Indebtedness except such Indebtedness as the Company could permit it to become liable for immediately after becoming a Restricted Subsidiary and such Subsidiary is otherwise in compliance with all provisions of the Indenture and this Supplemental Indenture that apply to Restricted Subsidiaries.

SECTION 3.12. PAYMENT OFFICE.

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

ARTICLE IV. ADDITIONAL EVENTS OF DEFAULT.

SECTION 4.1. ADDITIONAL EVENTS OF DEFAULT.

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

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

(b) any nonpayment at maturity or other default is made under any agreement or instrument relating to any other Indebtedness of the Company or any Restricted Subsidiary (the unpaid principal amount of which is not less than $100.0 million), and, in any such case, such default (i) continues beyond any period of grace provided with respect thereto and (ii) results in such Indebtedness becoming due prior to its stated maturity or occurs at the final maturity of such Indebtedness; PROVIDED, HOWEVER, that, subject to the provisions of Section 9.01 and 8.08 of the Indenture, the Trustee shall not be deemed to have knowledge of such nonpayment or other default unless either (1) a Responsible Officer of the Trustee has actual knowledge of nonpayment or other default or (2) the Trustee has received written notice thereof from the Company, from any Holder, from the holder of any such Indebtedness or from the trustee under the agreement or instrument, relating to such Indebtedness;

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

(d) Events of Default of the type and subject to the conditions set forth in clauses (vi) and (vii) of Section 8.01(a) of the Indenture in respect of any Significant

Subsidiary or, in related events, any group of Subsidiaries which, if considered in the aggregate, would be a Significant Subsidiary of the Company.

ARTICLE V. DEFEASANCE.

SECTION 5.1. APPLICABILITY OF ARTICLE V OF THE INDENTURE.

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

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

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

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

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

ARTICLE VI. MISCELLANEOUS.

SECTION 6.1. REFERENCE TO AND EFFECT ON THE INDENTURE.

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

in this Supplemental Indenture and (ii) ratified, approved and confirmed.

SECTION 6.2. WAIVER OF CERTAIN COVENANTS.

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

SECTION 6.3. SUPPLEMENTAL INDENTURE MAY BE EXECUTED IN COUNTERPARTS.

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

SECTION 6.4. EFFECT OF HEADINGS.

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

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

[Seal] FEDERATED DEPARTMENT STORES, INC.

By: /s/Dennis J. Broderick

Name: Dennis J. Broderick
Title: Senior Vice President

Attest:

/s/Gwyneth G. Stewart
- - ---
Name: Gwyneth G. Stewart
Title: Assistant Secretary

THE FIRST NATIONAL BANK OF BOSTON,
as Trustee

By: /s/Roland S. Gustafsen

Name: Roland S. Gustafsen
Title: Senior Account Manager

Attest:

/s/Kelly K. Caldwell
- - ----------
Name: Kelly K. Caldwell
Title: Assistant Cashier

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

On this 25th day of January, 1995, before me personally came Dennis J. Broderick, to me known, who, being by me duly sworn, did depose and say that he/she is a Senior Vice President of Federated Department Stores, Inc., one of the entities described in and which executed the above instrument; that he/she knows the seal of said entity; that the seal or a facsimile thereof affixed to said instrument is such seal; that it was so affixed by authority of the Board of Directors of said entity, and that he/she signed his/her name thereto by like authority.

In Witness Whereof, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

/s/Carol S. Bruser (Heitfeld)

Notary Public

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

On this 25th day of January 1995, before me personally came Roland S. Gustafsen, to me known, who, being by me duly sworn, did depose and say that he/she is a Senior Account Manager of The First National Bank of Boston, one of the entities described in and which executed the above instrument; that he/she knows the seal of said entity; that the seal or a facsimile thereof affixed to said instrument is such seal; that it was so affixed by authority of the Board of Directors of said entity, and that he/she signed his/her name thereto by like authority.

In Witness Whereof, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

/s/B. L. May

Notary Public

SCHEDULE I

PARTICULAR TERMS OF SENIOR NOTES

MATURITY: The Senior Notes will mature on February 15, 2001.

INTEREST: The interest rate per annum on the Senior Notes shall be 10%.

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

Exhibit 4.5.1

SUPPLEMENTAL INDENTURE TO SENIOR CONVERTIBLE DISCOUNT NOTE INDENTURE

This Supplemental Indenture to Senior Convertible Discount Note Indenture (this "Supplemental Indenture") dated as of December 19, 1994 is between Federated Department Stores, Inc., a Delaware corporation and the surviving entity of the merger of Federated Department Stores, Inc. ("Federated") into R.H. Macy & Co., Inc. ("Macy") (the "Combined Company"), and The First National Bank of Boston, as trustee for the holders of the Senior Convertible Discount Notes due February 15, 2004 (the "Trustee").

PRELIMINARY STATEMENTS:

A. In a merger (the "Merger") that satisfies the conditions of Section 11.01 of the Convertible Note Indenture (as hereinafter defined), Federated merged with and into Macy pursuant to and in the manner described in the Disclosure Statement of R. H. Macy & Co., Inc. and Certain of Its Subsidiaries dated, and filed with the United States Bankruptcy Court for the Southern District of New York on, August 31, 1994.

B. Pursuant to the terms of the Merger, holders of the Common Stock received one share of common stock of the Combined Company for each share of Common Stock held immediately prior to the consummation of the Merger.

C. Pursuant to Section 14.05 of the Convertible Note Indenture, the Combined Company and the Trustee are required to execute and deliver this Supplemental Indenture, in a form satisfactory of the Trustee.

D. In consideration of the premises and to comply with Section 14.05 of the Convertible Note Indenture, the Combined Company and the Trustee hereby agree as follows:

Section 1. DEFINED TERMS. Capitalized terms used and not otherwise defined herein have the meanings assigned such terms in the Indenture dated as of April 8, 1993 (as heretofore amended, waived or otherwise modified, the "Convertible Note Indenture") between Federated and the Trustee.

Section 2. AMENDMENT TO CONVERTIBLE NOTE INDENTURE. Simultaneously with the consummation of the Merger, each reference to the "Company" in the Convertible Note Indenture will be deemed to refer to the "Combined Company".

Section 3. GOVERNING LAW; SEVERABILITY. This Supplemental Indenture will be governed by, and construed in accordance with, the laws of the State of New York without regard to the principles thereof relating to conflict of laws. Wherever possible, each provision of this Supplemental Indenture will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Supplemental Indenture is prohibited by or invalid under applicable law, such provision will be ineffective to the extent of such prohibition or invalidity,

without invalidating the remainder of such provision or the remaining provisions of this Supplemental Indenture.

Section 4. RATIFICATION. The Convertible Note Indenture as hereby supplemented is in all respects ratified and confirmed, and all of the rights and powers created thereby or thereunder shall be and remain in full force and effect.

Section 5. SECTION TITLES. The Section titles contained in this Supplemental Indenture are and will be without substantive meaning or content of any kind whatsoever and shall not effect the construction of this Supplemental Indenture.

Section 6. SUCCESSORS AND ASSIGNS. This Supplemental Indenture shall

be binding upon the Combined Company and its successors and assigns.

IN WITNESS WHEREOF, the undersigned have caused this Supplemental Indenture to be executed by its duly authorized officer as of the date first above written.

FEDERATED DEPARTMENT STORES, INC.

By:/s/ Dennis J. Broderick

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

THE FIRST NATIONAL BANK OF BOSTON,
AS TRUSTEE

By:/s/ Roland S. Gustafsen

Name: Roland S. Gustafsen
Title: Senior Account Manager

SERIES C WARRANT AGREEMENT

This SERIES C WARRANT AGREEMENT, dated as of December 19, 1994 (this "Agreement"), is made and entered into by and between Federated Department Stores, Inc., a Delaware corporation (the "Company"), and The Bank of New York, a New York banking corporation (the "Warrant Agent").

RECITALS

A. A plan of reorganization of R.H. Macy & Co., Inc. (a predecessor of the Company, "Macy") and certain of its subsidiaries (the "Plan") proposed by Macy and Federated Department Stores, Inc. (a predecessor of the Company, "Old Federated") was confirmed by the United States Bankruptcy Court for the Southern District of New York on December 8, 1994;

B. Pursuant to the Plan and an Agreement and Plan of Merger, dated as of August 16, 1994, between Old Federated and Macy, Old Federated and Macy were merged (the "Merger"), with the Company being the surviving corporation in the Merger.

C. The Plan provides for the execution and delivery of this Agreement by the Company.

D. The Company desires to issue the Warrants (as defined below) on the terms and subject to the conditions herein set forth.

NOW, THEREFORE, in consideration of the mutual covenants herein set forth, the parties hereto hereby agree as follows:

1. ISSUANCE OF WARRANTS; FORM OF WARRANTS.

1.1. ISSUANCE OF WARRANTS. On the terms and subject to the conditions set forth in the Plan, the Company will issue and deliver to the holders of Allowed Claims in Classes M-10, MOS-10, M-11, and MOS-11 (as such terms are defined in the Plan) an aggregate of 9,999,841 warrants (the "Warrants"), each Warrant initially representing the right to purchase one share of Common Stock, par value $.01 per share, of the Company (the "Common Stock"). The purchase price per Warrant Share payable upon the exercise of a Warrant (the "Warrant Price") will initially be $25.93. The shares of Common Stock purchasable upon exercise of the Warrants are hereinafter referred to as the "Warrant Shares." The Warrant Price and the number and kind of Warrant Shares purchasable upon exercise of the Warrants are subject to adjustment pursuant to the provisions of Section 4.

1.2. FORM OF WARRANTS. Each Warrant, including without limitation any Warrants that may be issued upon partial exercise, replacement, or transfer of Warrants, will be evidenced by, and subject to the terms of, a Warrant certificate (including the Form of Exercise Notice and Form of Assignment to be printed on the reverse thereof, a "Warrant Certificate") in substantially the form of Exhibit A, with such changes, marks of identification or designation, and such legends, summaries, or endorsements printed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto.

1.3. COUNTERSIGNATURE OF WARRANTS. The Warrant Certificates will be executed on behalf of the Company by the manual or facsimile signature of its Chairman, President, or any Vice President, and attested by its Secretary or any Assistant Secretary. The Warrant Certificates will be countersigned by the Warrant Agent, either manually or by facsimile signature, and will not be valid for any purpose unless so countersigned. In case any officer of the Company who has signed any of the Warrant Certificates ceases to be such officer of the Company before countersignature by the Warrant Agent and issuance and delivery by the Company, such Warrant Certificates, nevertheless, may be countersigned

by the Warrant Agent, and issued and delivered by the Company with the same force and effect as though the person who signed such Warrant Certificates had not ceased to be such officer of the Company; and any Warrant Certificate may be signed on behalf of the Company by any person who, at the actual date of the execution of such Warrant Certificate, is a proper officer of the Company to sign such Warrant Certificate, although on any other date such person was not such an officer.

1.4 REGISTRATION OF WARRANTS. The Warrant Agent will keep or cause to be kept, at the principal office of the Warrant Agent designated for such purpose, books for registration and transfer of the Warrant Certificates issued hereunder. Such books will show the names and addresses of the respective holders of the Warrant Certificates, the number of Warrants evidenced on its face by each of the Warrant Certificates, and the date of each of the Warrant Certificates. The Company and the Warrant Agent will be entitled to treat the registered holder of any Warrant Certificate (the "Holder") as the sole owner of the Warrants represented by such Warrant Certificate for all purposes and will not be bound to recognize any equitable or other claim or interest in such Warrants on the part of any other person. Neither the Company nor the Warrant Agent will be liable for any registration of transfer of any Warrants that are registered or to be registered in the name of a fiduciary or the nominee of a fiduciary.

2. TRANSFER AND EXCHANGE OF WARRANTS.

2.1. TRANSFER AND EXCHANGE. Any Warrant Certificate may be transferred, split up, combined, or exchanged for another Warrant Certificate or Warrant Certificates entitling the Holder thereof to purchase a like aggregate number of Warrant Shares as the

Warrant Certificate or Warrant Certificates surrendered then entitled such Holder (or former Holder in the case of a transfer) to purchase. Any Holder desiring to transfer, split up, combine, or exchange any such Warrant Certificate will make such request in writing delivered to the Warrant Agent, and will surrender the Warrant Certificate or Warrant Certificates to be transferred, split up, combined, or exchanged, with the Form of Assignment duly executed by the Holder thereof, at the principal office of the Warrant Agent designated for such purpose. Thereupon or as promptly as practicable thereafter, the Company will prepare, execute, and deliver to the Warrant Agent, and the Warrant Agent will countersign and deliver, a Warrant Certificate or Warrant Certificates, as the case may be, as so requested. Neither the Company nor the Warrant Agent will be required to issue or deliver any Warrant Certificates in connection with any transfer, split up, combination, or exchange of Warrants or Warrant Certificates unless and until the person or persons requesting the issuance or delivery thereof has paid to the Warrant Agent the amount of any tax or governmental charge that may be payable in connection with such transfer, split up, combination, or exchange or has established to the satisfaction of the Warrant Agent that any tax or governmental charge has been paid. Holders will not be required to pay any other charge in connection with the transfer, split up, combination, or exchange of Warrants.

2.2. LOST, STOLEN, AND MUTILATED WARRANT CERTIFICATES. Upon receipt by the Company and the Warrant Agent of evidence reasonably satisfactory to them of the loss, theft, destruction, or mutilation of a Warrant Certificate, and, in case of loss, theft, or destruction, of indemnity or security reasonably satisfactory to them, and reimbursement to the Company and the Warrant Agent of all reasonable expenses incidental thereto, and upon surrender to the Warrant Agent and cancellation of the Warrant Certificate if mutilated, the Company will prepare, execute, and deliver a new Warrant Certificate of like tenor to the Warrant Agent and the Warrant Agent will countersign and deliver such new Warrant Certificate to the Holder in lieu of the Warrant Certificate so lost, stolen, destroyed, or mutilated.

2.3. PAYMENT OF TAXES. The Company will pay all documentary or stamp taxes, if any, attributable to the initial issuance of the Warrants and the initial issuance of the Warrant Shares upon the exercise of Warrants; PROVIDED, HOWEVER, that the Company's obligations in this regard will in all events be

conditioned upon the Holder cooperating with the Company and the Warrant Agent in any reasonable arrangement designed to minimize or eliminate any such taxes. Neither the Company nor the Warrant Agent will be required to pay any tax or governmental charge that may be payable in connection with any transfer, split up, combination, or exchange of Warrants or Warrant Certificates.

2.4. CANCELLATION AND DESTRUCTION OF WARRANT CERTIFICATES. All Warrant Certificates surrendered for the purpose of exercise, transfer, split up, combination, or exchange will, if surrendered

to the Company, be delivered to the Warrant Agent for cancellation or in canceled form, or, if surrendered to the Warrant Agent, will be canceled by it, and no Warrant Certificates will be issued in lieu thereof except as expressly permitted by this Agreement. The Company will deliver to the Warrant Agent for cancellation and retirement, and the Warrant Agent will so cancel and retire, any other Warrant Certificate purchased or acquired by the Company otherwise than upon the exercise thereof. The Warrant Agent will deliver all canceled Warrant Certificates to the Company, or will, at the written request of the Company, destroy such canceled Warrant Certificates, and in such case will deliver a certificate of destruction thereof to the Company.

3. EXERCISE OF WARRANTS.

3.1. EXERCISE OF WARRANTS. (a) Warrants may be exercised by the Holder thereof, in whole or in part, at any time and from time to time after the date hereof and prior to 5:00 p.m., Cincinnati, Ohio time on the fifth anniversary of the date hereof (the "Expiration Date") by delivering to the Warrant Agent, at its principal office designated for such purpose, the following:

(i) the Warrant Certificate or Warrant Certificates representing the Warrants to be exercised, with the Form of Exercise Notice duly executed by the Holder thereof; and

(ii) cash, a certified or bank cashier's check payable to the order of the Company, or a wire transfer to an account designated by the Company, in each case in an amount equal to the product of (A) the number of Warrant Shares purchasable upon the exercise of the Warrants designated for exercise in the Form of Exercise Notice and (B) the Warrant Price.

(b) As promptly as practicable after an exercise of Warrants in accordance with Section 3.1(a), and in any event within 10 Business Days after such exercise, the Warrant Agent will (i) requisition from any transfer agent for the Common Stock (or make available, if the Warrant Agent is the transfer agent) certificates representing the number of Warrant Shares to be purchased (and the Company hereby irrevocably authorizes and directs its transfer agent to comply with all such requests), (ii) after receipt of such certificates, cause the same to be delivered to or upon the order of the Holder exercising such Warrants, registered in such name or names as may be designated by such Holder, (iii) when appropriate, requisition from the Company the amount of cash to be paid in lieu of the issuance of fractional Warrant Shares in accordance with the provisions of Section 5, and (iv) when appropriate, after receipt, deliver such cash to or upon the order of the Holder exercising such Warrants.

(c) If the number of Warrants represented by a Warrant Certificate are not exercised in full, the Company will prepare,

execute, and deliver to the Warrant Agent a new Warrant Certificate evidencing Warrants equivalent to such Warrants remaining unexercised and the Warrant Agent will countersign and deliver such new Warrant Certificate to or upon the order of the Holder exercising such Warrants, registered in such name or names as may be designated by such Holder.

(d) The Company will take all such action as may be necessary to ensure that all Warrant Shares delivered upon exercise of Warrants, at the time of delivery of the certificates for such Warrant Shares, will (subject to payment of the Warrant Price) be duly and validly authorized and issued, fully paid, and nonassessable and, if shares of Common Stock are then listed on any national securities exchange (as defined in the Securities Exchange Act of 1934, as amended) or qualified for quotation on the National Association of Securities Dealers, Inc. Automated Quotation System, will be duly listed or qualified for quotation thereon, as the case may be.

(e) In the event that the Company is obligated to pay cash in lieu of fractional Warrant Shares pursuant to Section 5 in connection with any exercise of Warrants, it will make all arrangements necessary so that such cash is available for distribution by the Warrant Agent, if and when appropriate.

(f) The Company will pay all expenses, taxes, and other charges payable in connection with the preparation, issuance, and delivery of certificates representing Warrant Shares or Warrant Certificates representing unexercised Warrants in connection with any exercise of Warrants in accordance with Section 3.1(a), except that, if any such certificates representing Warrant Shares or any such Warrant Certificates are to be registered in a name or names other than that of the Holder at the time of any such exercise of Warrants, funds sufficient to pay all transfer or similar taxes payable as a result of such transfer shall be paid by the Holder at the time of such exercise or promptly upon receipt of a written request of the Company for payment thereof. In connection with any exercise of Warrants in accordance with Section 3.1(a), the Warrants will be deemed to have been exercised, any certificate representing Warrant Shares or any Warrant Certificate issued on account thereof will be deemed to have been issued, and the person in whose name any such certificate or Warrant Certificate is issued will be deemed for all purposes to have become a holder of record of the Warrant Shares or Warrants, as the case may be, represented thereby as of the date of such exercise.

3.2. CERTAIN DEFINITIONS. For purposes of this Agreement, (a) the term "Business Day" means any day other than a Saturday, Sunday, or a day on which banking institutions in the state of Ohio are authorized or obligated by law or executive order to close and (b) the term "Trading Day" means any day on which shares of Common Stock are traded on the principal national securities exchange on which the shares of Common Stock are

listed or admitted to trading or, if shares of Common Stock are not so listed or admitted to trading, in the over-the-counter market.

4. ADJUSTMENTS OF WARRANT PRICE AND WARRANT SHARES. The Warrant Price and the number and kind of Warrant Shares purchasable upon exercise of the Warrants will be subject to adjustment from time to time upon the occurrence of certain events as provided in this Section 4.

4.1. MECHANICAL ADJUSTMENTS. The Warrant Price and the number and kind of Warrant Shares purchasable upon exercise of a Warrant will be subject to adjustment as follows:

(a) Subject to Section 4.1(f), if the Company (i) pays a dividend or otherwise distributes to holders of its Common Stock, as such, shares of its capital stock (whether Common Stock or capital stock of any other class), (ii) subdivides its outstanding shares of Common Stock into a greater number of shares of Common Stock, (iii) combines its outstanding shares of Common Stock into a smaller number of shares of Common Stock, or (iv) issues any shares of its capital stock in a reclassification of its outstanding shares of Common Stock (including any such reclassification in connection with a consolidation, merger, or other business combination transaction in which the Company is the continuing or surviving corporation), then the number and kind of Warrant Shares purchasable upon exercise of each Warrant immediately prior thereto will be adjusted so that the Holder of each Warrant will be entitled to receive (A) in the case of a dividend or distribution, the sum of (1) the number of Warrant

Shares that, if such Warrant had been exercised immediately prior to such adjustment, such Holder would have received upon such exercise and (2) the number and kind of additional shares of capital stock that such Holder would have been entitled to receive as a result of such dividend or distribution by virtue of its ownership of such Warrant Shares, (B) in the case of a subdivision or combination, the number of Warrant Shares that, if such Warrant had been exercised immediately prior to such adjustment, such Holder would have received upon such exercise, adjusted to give effect to such subdivision or combination as if such Warrant Shares had been subject thereto, or (C) in the case of an issuance in a reclassification, the sum of (1) the number of Warrant Shares that, if such Warrant had been exercised immediately prior to such adjustment, such Holder would have received upon such exercise and retained after giving effect to such reclassification as if such Warrants Shares had been subject thereto and (2) the number and kind of additional shares of capital stock that such Holder would have been entitled to receive as a result of such reclassification as if such Warrant Shares had been subject thereto. An adjustment made pursuant to this paragraph (a) will become effective immediately after the record date for the

determination of stockholders entitled to receive such dividend or distribution in the case of a dividend or distribution and will become effective immediately after the effective date of such subdivision, combination, or reclassification in the case of a subdivision, combination, or reclassification.

(b) Subject to Section 4.1(f), if the Company distributes to holders of its Common Stock, as such, (i) evidences of indebtedness or assets (excluding regular cash dividends or cash distributions payable out of consolidated retained earnings) of the Company or any corporation or other legal entity a majority of the voting equity securities or equity interests of which are owned, directly or indirectly, by the Company (a "Subsidiary"), (ii) shares of capital stock of any Subsidiary, (iii) securities convertible into or exchangeable for capital stock of the Company (including Common Stock or capital stock of any other class) or any Subsidiary, or (iv) any rights, options, or warrants to purchase any of the foregoing (excluding those described in Section 4.1(c)), then, the number of Warrant Shares thereafter purchasable upon exercise of each Warrant will be adjusted to the number that results from multiplying the number of Warrant Shares purchasable upon the exercise of each Warrant immediately prior to such adjustment by a fraction, the numerator of which will be the Current Market Price per share (as defined in Section 4.1(e)) of Common Stock on the record date for such distribution, and the denominator of which will be such Current Market Price per share of Common Stock less the fair value (as determined in good faith by the Board of Directors of the Company, whose determination will be conclusive if based on the financial advice of a nationally recognized investment banking firm) of the portion of the evidences of indebtedness, assets, securities, or rights, options, or warrants so distributed on account of one share of Common Stock. Such adjustment will be made whenever any such distribution is made, and will become effective immediately after the record date for the determination of stockholders entitled to receive such distribution. Except as provided in Section 4.1(i), no further adjustments of the number of Warrant Shares will be made upon the actual issue of shares of Common Stock upon conversion or exchange of such securities convertible or exchangeable for shares of Common Stock or upon exercise of such rights, warrants, or options for shares of Common Stock.

(c) Subject to Section 4.1(f), if the Company issues rights, options, or warrants to holders of the outstanding shares of Common Stock, as such, entitling the holders of such rights, options, or warrants (for a period expiring within 60 calendar days after the record date mentioned below) to subscribe for or purchase shares of Common Stock at a price per share that is lower on the record date

mentioned below than the Current Market Price per share of Common Stock on such record date, then the number of Warrant Shares thereafter purchasable upon the exercise of each Warrant will be adjusted to the number that results from multiplying the number of Warrant Shares purchasable upon exercise of each Warrant immediately prior to such adjustment by a fraction (not to be less than one), the numerator of which will be the number of shares of Common Stock outstanding on such record date plus the number of additional shares of Common Stock offered by such rights, options, or warrants for subscription or purchase and the denominator of which will be the number of shares of Common Stock outstanding on such record date plus the number of shares of Common Stock which the aggregate subscription or purchase price of the total number of shares of Common Stock so offered would purchase at the Current Market Price per share of Common Stock on such record date. Such adjustment will be made whenever such rights, options, or warrants are issued, and will become effective immediately after the record date for the determination of stockholders entitled to receive such rights, options, or warrants. In case such subscription or purchase price may be paid in a consideration part or all of which is in a form other than cash, the fair value of such consideration will be as determined by the Board of Directors of the Company, whose determination will be conclusive if based on the financial advice of a nationally recognized investment banking firm. Except as provided in Section 4.1(i), no further adjustments of the number of Warrant Shares will be made upon the actual issue of shares of Common Stock upon exercise of such rights, options, or warrants.

(d) Subject to Section 4.1(f), if the Company issues shares of Common Stock or securities convertible into or exchangeable for shares of Common Stock (excluding shares of Common Stock or convertible or exchangeable securities issued in any of the transactions described in paragraph (a), (b), or (c) of this Section 4.1) for a purchase price per share of such Common Stock, or for a conversion or exchange price per share of Common Stock initially deliverable upon conversion or exchange of such securities, that is less than the Current Market Price per share of Common Stock on the date the purchase, conversion, or exchange price of such additional shares of Common Stock are first fixed, then the number of Warrant Shares thereafter purchasable upon the exercise of each Warrant will be adjusted to the number that results from multiplying the number of Warrant Shares purchasable upon exercise of each Warrant immediately prior to such adjustment by a fraction (not to be less than one), the numerator of which will be the number of shares of Common Stock outstanding on such date plus the number of additional shares of Common Stock so issued or issuable upon such conversion or exchange, and the denominator of which will be the number of shares of Common

Stock outstanding on such date plus the number of shares of Common Stock which the aggregate purchase, conversion, or exchange price received or receivable by the Company for such additional shares of Common Stock would purchase at the Current Market Price per share of Common Stock on such date. Such adjustment will be made whenever such shares of Common Stock or convertible or exchangeable securities are issued, and will become effective immediately after the effective date of such event. In case such purchase, conversion, or exchange price may be paid in a consideration part or all of which is in a form other than cash, the fair value of such consideration will be as determined by the Board of Directors of the Company, whose determination will be conclusive if based on the financial advice of a nationally recognized investment banking firm. Except as provided in 4.1(i), no further adjustment will be made upon the actual issue of shares of Common

Stock upon conversion or exchange of such securities convertible into or exchangeable for shares of Common Stock.

(e) For purposes of this Agreement, the "Current Market Price" per share of Common Stock on any date will be the average of the daily closing prices for 20 consecutive Trading Days commencing 30 Trading Days before the date of such computation. The closing price for each day (the "Closing Price") will be the last reported sales price regular way or, in case no such reported sale takes place on such day, the average of the closing bid and asked prices regular way for such day, in each case on the principal national securities exchange on which the shares of Common Stock are listed or admitted to trading or, if not so listed or admitted to trading, the average of the closing bid and asked prices of the shares of Common Stock in the over-the-counter market as reported by the National Association of Securities Dealers, Inc. Automated Quotation System or any comparable system. In the absence of one or more such quotations, the Board of Directors of the Company will determine the Current Market Price in good faith on the basis of such quotations or other relevant information as it considers appropriate.

(f) No adjustment in the number of Warrant Shares purchasable upon the exercise of a Warrant will be required unless such adjustment would require an increase or decrease in the number of Warrant Shares purchasable upon the hypothetical exercise of a Warrant of at least 1%; PROVIDED, HOWEVER, that any adjustments which by reason of this paragraph (f) are not required to be made currently will be carried forward and made at the time and together with the next subsequent adjustment which, together with any adjustments so carried forward, would require an increase or decrease in the number of Warrant Shares purchasable upon the hypothetical exercise of a Warrant of 1% or more. All calculations with respect to the number of Warrant Shares

will be made to the nearest one-thousandth of a share and all calculations with respect to the Warrant Price will be to the nearest whole cent. No adjustment in the number of Warrant Shares purchasable upon the exercise of a Warrant will be made under paragraph (b), (c), or (d) of this Section 4.1 if the Company issues or distributes to each Holder the shares, rights, options, warrants, convertible or exchangeable securities, evidences of indebtedness, assets, or other securities referred to in the applicable paragraph that such Holder would have been entitled to receive had the Warrants been exercised prior to the happening of such event on the record date with respect thereto (provided that, in any case in which such Holder would have been so entitled to receive a fractional interest in any such securities or assets, the Company may distribute to such Holder in lieu of such fractional interest cash in an amount equal to the fair value of such fractional interest as determined in good faith by the Board of Directors of the Company). No adjustment in the number of Warrant Shares purchasable upon the exercise of a Warrant will be made on account of: (1) any issuance of shares of Common Stock, or of options, rights, or warrants to purchase, or securities convertible into or exchangeable for, shares of Common Stock, pursuant to the Plan, (2) any issuance of shares of Common Stock upon the exercise of options, rights, or warrants or upon the conversion or exchange of convertible or exchangeable securities, in either case issued pursuant to the Plan or outstanding as of the date hereof, (3) any issuance of shares of Common Stock, or of options, rights, or warrants to purchase, or securities exchangeable for or convertible into, shares of Common Stock, in accordance with any plan for the benefit of the employees or Directors of the Company existing as of the date hereof, contemplated by the Plan, or assumed by the Company as a result of or in connection with the Merger, or any other plan adopted by the Directors of the Company for the benefit of the employees or Directors of the Company or any of its Subsidiaries, (4) any issuance of shares of Common Stock in connection with a Company-sponsored plan for reinvestment of dividends or interest, (5) any issuance of share

purchase rights pursuant to the New Combined Company Share Purchase Rights Agreement, as from time to time amended, or any similar successor or replacement share purchase rights plan, or (6) any issuance of shares of Common Stock or securities convertible into or exchangeable for shares of Common Stock pursuant to an underwritten public offering for a price per share of Common Stock in the case of an issuance of shares of Common Stock, or for a price per share of Common Stock initially deliverable upon conversion or exchange of such securities, that is equal to or greater than 95% of the Closing Price per share of Common Stock on the date the offering, conversion, or exchange price of such additional shares of Common Stock is first fixed. No adjustment in the number of

Warrant Shares will be made for a change in the par value of the shares of Common Stock.

(g) Whenever the number of Warrant Shares purchasable upon the exercise of each Warrant is adjusted as herein provided, the Warrant Price will be adjusted by multiplying the Warrant Price in effect immediately prior to such adjustment by a fraction, the numerator of which will be the number of Warrant Shares purchasable upon the exercise of each Warrant immediately prior to such adjustment, and the denominator of which will be the number of Warrant Shares so purchasable immediately thereafter.

(h) For the purpose of this Section 4, the term "Common Stock" means (i) the class of shares designated as the Common Stock of the Company as of the date of this Agreement, (ii) all shares of any class or classes (however designated) of the Company, now or hereafter authorized, the holders of which have the right, without limitation as to amount, either to all or to a part of the balance of current dividends and liquidating dividends after the payment of dividends and distributions on any shares entitled to preference, and the holders of which are ordinarily entitled to vote generally in the election of directors of the Company, or (iii) any other class of shares resulting from successive changes or reclassifications of such shares consisting solely of changes in par value, or from par value to no par value, or from no par value to par value. In the event that at any time, as a result of an adjustment made pursuant to Section 4.1(a), the Warrants become exercisable to purchase Warrant Shares other than shares of Common Stock, thereafter the number of such other shares so purchasable upon exercise of each Warrant and the Warrant Price payable in respect of such other shares upon the exercise of each Warrant will be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Warrant Shares and the Warrant Price contained in this Section 4.1.

(i) Upon the expiration of any rights, options, warrants, or conversion or exchange privileges, if any thereof have not been exercised, the Warrant Price and the number of Warrant Shares purchasable upon the exercise of each Warrant will, upon such expiration, be readjusted and will thereafter be such as it would have been had it been originally adjusted (or had the original adjustment not been required, as the case may be) as if (i) the only shares of Common Stock so issued were the shares of Common Stock, if any, actually issued or sold upon the exercise of such rights, options, warrants, or conversion or exchange rights and (ii) such shares of Common Stock, if any, were issued or sold for the consideration actually received by the Company upon such exercise, conversion, or exchange plus the aggregate consideration, if any, actually received by the

Company for the issuance, sale, or grant of all such rights, options, warrants, or conversion or exchange rights whether or not exercised; PROVIDED, HOWEVER, that no such readjustment will have the effect of increasing the Warrant Price or decreasing the number of Warrant Shares purchasable upon the exercise of each Warrant by an amount in excess of the amount of the adjustment initially made in respect of the issuance, sale, or grant of such rights, options, warrants, or conversion or exchange privileges.

4.2. NOTICE OF ADJUSTMENT. Whenever the Warrant Price or the number or kind of Warrant Shares purchasable upon exercise of the Warrants is adjusted pursuant to any of the provisions of this Agreement, the Company will promptly give notice to the Holders of such adjustment or adjustments, together with a certificate of a firm of independent public accountants selected by the Company (who may be the regular accountants employed by the Company) setting forth the adjustments in the Warrant Price and the number or kind of Warrant Shares purchasable upon exercise of each Warrant, and also setting forth a brief statement of the facts requiring such adjustments and the computations upon which such adjustments are based. Such certificate will be conclusive evidence of the correctness of such adjustments.

4.3. NO ADJUSTMENT FOR DIVIDENDS. Except as provided in Section 4.1, no adjustment or payment in respect of any dividends will be made at any time.

4.4. PRESERVATION OF PURCHASE RIGHTS UPON MERGER, CONSOLIDATION, ETC. In case of any consolidation of the Company with or merger of the Company into another corporation or in case of any sale, transfer, or lease to another corporation of all or substantially all the property of the Company, the Company or such successor or purchasing corporation, as the case may be, will execute an agreement providing that each Holder will have the right thereafter, upon payment of an amount equal to the amount payable upon the exercise of a Warrant immediately prior thereto, to purchase upon exercise of each Warrant the kind and amount of securities or property that it would have owned or have been entitled to receive after giving effect to such consolidation, merger, sale, transfer, or lease on account of the Warrant Shares that would have been purchasable upon the exercise of such Warrant had such Warrant been exercised immediately prior thereto (provided that, to the extent that such Holder would have been so entitled to receive cash on account of such Warrant Shares, such Holder may elect in connection with the exercise of a Warrant in accordance with Section 3.1 to reduce the amount of cash that it would be entitled to receive upon such exercise in exchange for a corresponding reduction in the amount payable upon such exercise); PROVIDED, HOWEVER, that no adjustment in respect of dividends, interest, or other income on or from such shares or other securities or property will be made during the term of a Warrant or upon the exercise of a Warrant. Such agreement will

provide for adjustments that will be as nearly equivalent as may be practicable to the adjustments provided for in this Section 4. The provisions of this Section 4.4 will similarly apply to successive consolidations, mergers, sales, transfers, or leases.

4.5. WARRANT CERTIFICATES. Whether or not any adjustments in the Warrant Price or the number or kind of Warrant Shares purchasable upon the exercise of the Warrants has been made, Warrant Certificates theretofore or thereafter issued may continue to express the same Warrant Price and number and kind of Warrant Shares as are stated in the Warrant Certificate initially issued.

5. FRACTIONAL INTERESTS. Neither the Company nor the Warrant Agent will be required to issue fractional Warrant Shares or fractional interests in any other securities on the exercise of the Warrants. If any fraction of a Warrant Share or other security would, except for the provisions of this Section 5, be issuable upon the exercise of the Warrants, the Company will pay an amount in cash (a) in lieu of a fractional Warrant Share, equal to the Current Market Price for one share of Common Stock, as defined in Section 4.1(e), on the Trading Day immediately preceding the date on which the Warrants are presented for exercise, multiplied by such fraction of a Warrant Share, or (b) in lieu of a fractional interest in any other security, equal to the fair

value of such fractional interest, determined in a manner as similar as possible, taking into account the difference in the fractional interest being valued, to the calculation described in clause (a) of this Section 5.

6. WARRANT AGENT MATTERS.

6.1. APPOINTMENT OF WARRANT AGENT. The Company hereby appoints the Warrant Agent to act as agent for the Company and the Holders in accordance with the terms and conditions hereof, and the Warrant Agent hereby accepts such appointment and hereby certifies that it complies with the requirements of the New York Stock Exchange governing transfer agents and registrars.

6.2. CONCERNING THE WARRANT AGENT. (a) The Company will pay to the Warrant Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Warrant Agent, its reasonable expenses and counsel fees and other disbursements incurred in the administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Company will indemnify the Warrant Agent for, and hold it harmless against, any loss, liability, suit, action, proceeding, or expense, incurred without negligence, bad faith, or willful misconduct on the part of the Warrant Agent, for anything done or omitted by the Warrant Agent in connection with the acceptance and administration of this Agreement, including the costs and expenses of defending against any claim of liability arising therefrom, directly or indirectly.

(b) The Warrant Agent will be protected and will incur no liability for or in respect of any action taken, suffered, or omitted by it in connection with its administration of this Agreement in reliance upon any Warrant Certificate or certificate evidencing Common Stock or other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed, and, where necessary, verified or acknowledged, by the proper person or persons.

6.3. MERGER OR CONSOLIDATION OR CHANGE OF NAME OF WARRANT AGENT. Any corporation into which the Warrant Agent or any successor Warrant Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Warrant Agent or any successor Warrant Agent is a party, or any corporation succeeding to the corporate trust business of the Warrant Agent or any successor Warrant Agent, will be the successor to the Warrant Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor Warrant Agent under the provisions of Section 6.5.

6.4. DUTIES OF WARRANT AGENT. The Warrant Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the Holders, by their acceptance of Warrant Certificates, will be bound:

(a) The Warrant Agent may consult with legal counsel (who may be legal counsel for the Company), and the opinion of such counsel will be full and complete authorization and protection to the Warrant Agent as to any action taken or omitted by it in good faith and in accordance with such opinion.

(b) Whenever in the performance of its duties under this Agreement the Warrant Agent deems it necessary or desirable that any fact or matter be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by any one of the Chairman of the Board, the President, or any Vice President of the Company and delivered to the Warrant Agent; and such certificate will be full authorization to the Warrant Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

(c) The Warrant Agent will be liable hereunder only for its own

negligence, bad faith, or willful misconduct.

(d) The Warrant Agent will not be liable for or by reason of any of the statements of fact or recitals contained in this

Agreement or in the Warrant Certificates or be required to verify the same, but all such statements and recitals are and will be deemed to have been made by the Company only.

(e) The Warrant Agent will not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution and delivery hereof by the Warrant Agent) or in respect of the validity or execution of any Warrant Certificate (except the due countersignature thereof by the Warrant Agent); nor will it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Warrant Certificate; nor will it be responsible for any adjustment required under the provisions of Section 4 hereof or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Warrants evidenced by Warrant Certificates after actual notice of any such adjustment); nor will it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any shares of stock or other securities to be issued pursuant to this Agreement or any Warrant Certificate or as to whether any shares of stock or other securities will, when issued, be validly authorized and issued, fully paid, and nonassessable.

(f) The Company will perform, execute, acknowledge, and deliver or cause to be performed, executed, acknowledged, and delivered all such further and other acts, instruments, and assurances as may reasonably be required by the Warrant Agent for the carrying out or performing by the Warrant Agent of the provisions of this Agreement.

(g) The Warrant Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any one of the Chairman of the Board, the President, or any Vice President of the Company, and to apply to such officers for advice or instructions in connection with its duties, and it will not be liable for any action taken or suffered to be taken by it in good faith in accordance with instructions of any such officer.

(h) The Warrant Agent and any stockholder, director, officer, or employee of the Warrant Agent may buy, sell, or deal in any of the Warrants or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Warrant Agent under this Agreement. Nothing herein will preclude the Warrant Agent from acting in any other capacity for the Company or for any other legal entity.

(i) The Warrant Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents,

and the Warrant Agent will not be answerable or accountable for any act, default, neglect, or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, default, neglect, or misconduct, provided reasonable care was exercised in the selection and continued employment thereof. The Warrant Agent will not be under any duty or responsibility to insure compliance with any applicable federal or state securities laws in connection with the issuance, transfer, or exchange of Warrant Certificates.

6.5. CHANGE OF WARRANT AGENT. The Warrant Agent or any successor Warrant Agent may resign and be discharged from its duties under this Agreement upon 30 calendar days' notice in writing mailed to the Company and to each transfer agent of the Common Stock by registered or certified mail, and to the Holders by first-class mail. The Company may remove the Warrant Agent or any successor Warrant Agent upon 30 calendar days' notice in writing, mailed to the Warrant Agent or successor Warrant Agent, as the case may be, and to each transfer agent of the Common Stock by registered or certified mail, and to the Holders by first-class mail. If the Warrant Agent resigns or is removed or otherwise becomes incapable of acting, the Company will appoint a successor to the Warrant Agent. If the Company fails to make such appointment within a period of 30 calendar days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Warrant Agent or by any Holder (who will, with such notice, submit his Warrant Certificate for inspection by the Company), then any Holder may apply to any court of competent jurisdiction for the appointment of a successor Warrant Agent. Any successor Warrant Agent, whether appointed by the Company or by such a court, will be a corporation organized and doing business under the laws of the United States or of the State of Ohio or New York (or of any other state of the United States so long as such corporation is authorized to do business as a banking institution in the State of Ohio or New York), in good standing, having a principal office in the State of Ohio or New York, which is authorized under such laws to exercise corporate trust powers and is subject to supervision or examination by federal or state authority and which has at the time of its appointment as Warrant Agent a combined capital and surplus of at least $50 million. After appointment, the successor Warrant Agent will be vested with the same powers, rights, duties, and responsibilities as if it had been originally named as Warrant Agent without further act or deed; but the predecessor Warrant Agent will deliver and transfer to the successor Warrant Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act, or deed necessary for the purpose. Not later than the effective date of any such appointment, the Company will file notice thereof in writing with the predecessor Warrant Agent and each transfer agent of the Common Stock, and mail by first class mail a notice thereof to each Holder. Failure to give any notice provided for in this Section 6.5, however, or any defect therein, will not affect the

legality or validity of the resignation or removal of the Warrant Agent or the appointment of the successor Warrant Agent, as the case may be. Notwithstanding anything to the contrary contained herein, no resignation or removal of the Warrant Agent or any successor Warrant Agent will become effective prior to the effectiveness of the appointment of a successor Warrant Agent therefor.

7.1 NO RIGHTS AS A STOCKHOLDER; NOTICES TO HOLDERS. Nothing contained in this Agreement or in the Warrant Certificate will be construed as conferring upon the Holders or their transferees the right to vote, or to receive dividends, or to consent or to receive notice as a stockholder in respect of any meeting of stockholders for the election of directors of the Company or any other matter, or any rights whatsoever as a stockholder of the Company; PROVIDED, HOWEVER, that if, at any time prior to the Expiration Date and prior to the exercise of all of the Warrants, any of the following events occur:

(a) The Company declares any dividend payable in any securities upon its shares of Common Stock or makes any distribution (other than a regular cash dividend payable out of consolidated retained earnings) to the holders of its shares of Common Stock;

(b) The Company offers to the holders of its Common Stock any shares of capital stock of the Company or any Subsidiary or securities convertible into or exchangeable for shares of capital stock of the Company or any Subsidiary or any option, right, or warrant to subscribe for or purchase any thereof;

(c) The Company distributes to the holders of its Common Stock evidences of indebtedness or assets (including any cash dividend which would result in an adjustment under Section 4.1) of the Company

or any Subsidiary;

(d) Any reclassification of the Common Stock, any consolidation of the Company with or merger of the Company into another corporation, any sale, transfer, or lease to another corporation of all or substantially all the property of the Company, or any proposal of the Company to effect any of the foregoing transactions that has been publicly announced by the Company; or

(e) Any proposal by the Company to effect a dissolution, liquidation, or winding up of the Company that has been publicly announced by the Company;

then in any one or more of such events the Company will give notice of such event to the Holders, as provided in Section 11 hereof, such giving of notice to be completed at least ten days prior to the date fixed as a record date or the date of closing

the transfer books for the determination of the stockholders entitled to such dividend, distribution, or subscription rights, or for the determination of stockholders entitled to vote on such proposed reclassification, consolidation, merger, sale, transfer or lease, dissolution, liquidation, or winding up; PROVIDED, HOWEVER, that no such notice will be required in respect of any of the matters referred to in the penultimate sentence of Section 4.1(f). Such notice will specify such record date or the date of closing the transfer books, as the case may be, for such event. Failure to mail or receive such notice or any defect therein or in the mailing thereof will not affect the validity of any action taken in connection with such event.

7.2. REPORTS TO HOLDERS. To the extent such documents are required to be sent by the Company to the holders of outstanding Common Stock, the Company will file with the Warrant Agent and provide each Holder, within 15 calendar days after it files them with the Securities and Exchange Commission (the "SEC"), copies of its annual report and of the information, documents, and other reports (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe) which the Company is required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act.

7.3. AGREEMENTS RESPECTING WARRANTS. The Company will not enter into any agreement or instrument which would preclude the exercise of the Warrants as herein provided.

8. AGREEMENT OF WARRANT HOLDERS. Every Holder by accepting a Warrant Certificate consents and agrees with the Company and the Warrant Agent and with every other Holder that:

(a) The Warrant Certificates are transferable only in accordance with the terms of this Agreement and only on the registry books of the Warrant Agent if surrendered at the principal office of the Warrant Agent designated for such purpose, duly endorsed or accompanied by a proper instrument of transfer, and otherwise in compliance with Section 2;

(b) The Company and the Warrant Agent may deem and treat the person in whose name the Warrant Certificate is registered as the absolute owner thereof and of the Warrants evidenced thereby (notwithstanding any notations of ownership or writing on the Warrant Certificate made by anyone other than the Company or the Warrant Agent) for all purposes whatsoever, and neither the Company nor the Warrant Agent will be affected by any notice to the contrary;

(c) Such Holder expressly waives any right to receive any fractional Warrants and any fractional securities upon exercise or exchange of a Warrant; and

(d) Notwithstanding anything in this Agreement to the contrary, neither the Company nor the Warrant Agent will have any

liability to any Holder or other person as a result of its inability to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, decree, or ruling issued by a court of competent jurisdiction or by a governmental, regulatory, or administrative agency or commission, or any statute, rule, regulation, or executive order promulgated or enacted by any governmental authority, prohibiting or otherwise restraining performance of such obligation; PROVIDED, HOWEVER, that the Company will use reasonable efforts to have any such order, decree, or ruling lifted or otherwise overturned as soon as possible.

9. RESERVATION OF COMMON STOCK. The Company will, for so long as Warrants remain outstanding, reserve and keep available, solely for issuance and delivery upon the exercise of Warrants, a number of shares of Common Stock (or, if applicable, other securities) sufficient to provide for the exercise of all outstanding Warrants. The transfer agent for the Common Stock (or, if applicable, other securities) will be irrevocably authorized and directed at all times until the exercise or expiration of the Warrants to reserve such number of authorized shares of Common Stock (or, if applicable, other securities) as necessary for such purpose. The Company will keep copies of this Agreement on file with the transfer agent and will supply the transfer agent with duly executed stock certificates for such purpose.

10. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company hereby represents and warrants to the Warrant Agent that:

(a) The Company is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to execute, deliver, and perform its obligations hereunder and to consummate the transactions contemplated hereby;

(b) The execution, delivery, and performance of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of the Company;

(c) The execution, delivery, and performance of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby in accordance with the terms hereof will not conflict with, violate, or constitute a breach of any material contract, agreement, or instrument by which the Company is bound or any judgment, order, decree, law, statute, rule, regulation, or other judicial or governmental restriction to which the Company is subject;

(d) This Agreement constitutes the legal, valid, and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as the enforceability hereof may be limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights generally; and

(e) The Warrants, when issued and delivered to the initial Holders as provided in this Agreement, and the Warrant Shares issued upon exercise of the Warrants, when issued, paid for, and delivered as provided in this Agreement, will be duly and validly issued and outstanding, fully paid, and nonassessable.

11. NOTICES. All notices, requests, waivers, releases, consents, and other communications required or permitted by this Agreement (collectively, "Notices") must be in writing. Except as expressly otherwise provided herein with respect to manner of delivery, notices will be deemed sufficiently given for all purposes when delivered in person, when dispatched by telegram or electronic facsimile transmission, when sent by first-class mail, postage prepaid, or upon confirmation of receipt when dispatched by a nationally recognized overnight courier service to the appropriate party as follows: (a)

if to a Holder, at the address of such Holder as shown in the registry books maintained by the Warrant Agent; (b) if to the Company, at 7 West Seventh Street, Cincinnati, Ohio 45202, Telecopy No. (513) 579-7897 (marked for the attention of the Chief Financial Officer and the General Counsel), or at such other address as the Company may have furnished to the Holders and the Warrant Agent in writing; and (c) if to the Warrant Agent, at 101 Barclay Street, New York, New York 10286, Telecopy No. (212) 815-3201 (marked for the attention of William Skinner) or at such other address as the Warrant Agent may have furnished to the Company and the Holders in writing.

12. AMENDMENT AND WAIVER. No failure or delay of the Holder in exercising any power or right hereunder (other than a failure to exercise Warrants in accordance with the provisions hereof) will operate as a waiver thereof, nor will any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No notice or demand on the Company in any case will entitle the Company to any other or future notice or demand in similar or other circumstances. Subject to the last sentence of this Section 12, (a) if the Company so directs, the Company and the Warrant Agent will supplement or amend this Agreement without the approval of any Holders in order to cure any ambiguity or correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein and (b) the Company and the Warrant Agent may from time to time supplement or amend this Agreement, with the consent of Holders of at least 50% of the Warrants then

outstanding, for any other for purpose. Notwithstanding anything in this Agreement to the contrary, no supplement or amendment which increases the Warrant Price, decreases the period of time remaining during which the Warrants may be exercised, or changes in a manner adverse to Holders the number of Warrant Shares purchasable upon the exercise of Warrants will be made without the consent of all Holders. Any such amendment, modification, or waiver effected pursuant to and in accordance with the provisions of this Section 12 will be binding upon all Holders and upon each future Holder, the Company, and the Warrant Agent. In the event of any such amendment, modification, or waiver, the Company will given prompt notice thereof to all Holders and, if appropriate, notation thereof will be made on all Warrant Certificates thereafter surrendered for registration of transfer or exchange.

13. SUCCESSORS AND ASSIGNS. This Agreement will be binding upon and inure to the benefit of the parties hereto, their respective successors and permitted assigns, and, subject to Sections 1.4 and 8(d), all Holders, but will not be assignable or delegable by any party without the prior written consent of the other party. In the absence of such prior written consent, any purported assignment or delegation of any right or obligation hereunder will be null and void.

14. RIGHTS OF THE PARTIES. Except as provided in Section 13, nothing expressed or implied in this Agreement is intended or will be construed to confer upon or give any person or entity other than the parties hereto and the Holders any rights or remedies under or by reason of this Agreement or any transaction contemplated hereby. All rights of action in respect of this Agreement are vested in the Holders, and any Holder without the consent of the Warrant Agent or any other Holder may, on such Holder's own behalf and for such Holder's own benefit, enforce such Holder's rights hereunder, including the right to exercise, exchange, or surrender for transfer such Holder's Warrant Certificates in accordance with the provisions hereof.

15. TITLES AND HEADINGS. Titles and headings to Sections herein are inserted for convenience of reference only, and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

16. CERTAIN INTERPRETIVE MATTERS AND DEFINITIONS.

(a) Unless the context otherwise requires, (i) all references to Sections or Exhibits are to Sections or Exhibits of or to this Agreement, (ii) each term defined in this Agreement has the meaning assigned to it, (iii) "or" is disjunctive but not necessarily

exclusive, and (iv) words in the singular include the plural and VICE VERSA. All references to "$" or dollar amounts are to lawful currency of the United States of America.

(b) No provision of this Agreement will be interpreted in favor of, or against, any party hereto by reason of the extent to which such party or its counsel participated in the drafting thereof or by reason of the extent to which any such provision is inconsistent with any prior draft hereof or thereof.

17. ENTIRE AGREEMENT. This Agreement, together with its Exhibits, constitutes the entire agreement among the parties hereto with respect to the subject matter hereof, and there are no agreements among the parties hereto with respect thereto except as expressly set forth herein.

18. SEVERABILITY. In case any provision contained in this Agreement is invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions will not in any way be affected or impaired thereby. The Company and the Warrant Agent will endeavor in good faith to replace the invalid, illegal, or unenforceable provisions with valid, legal, and enforceable provisions the economic effect of which comes as close as possible to that of the invalid, illegal, or unenforceable provisions.

19. GOVERNING LAW. This Agreement will be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the principles of conflict of laws thereof.

20. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which so executed will be deemed to be an original; such counterparts will together constitute but one agreement.

21. REFERENCES TO THE PLAN. Terms used herein with initial capital letters that are not otherwise defined are used herein as defined in the Plan.

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

FEDERATED DEPARTMENT STORES, INC.

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick

Title: Senior Vice President

THE BANK OF NEW YORK

By: /s/ John I. Siverrsen Name:

Name: John I. Siverrsen

Title: Vice President

EXHIBIT A

WARRANT CERTIFICATE

THE WARRANTS REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS AND CONDITIONS SET FORTH IN THE WARRANT AGREEMENT (AS HEREINAFTER DEFINED), A COPY OF WHICH WILL BE MADE AVAILABLE BY THE ISSUER UPON REQUEST. THE TRANSFER OR EXCHANGE OF THESE WARRANTS MUST BE REGISTERED IN ACCORDANCE WITH THE WARRANT AGREEMENT.

NO. _____ WARRANTS _____

VOID AFTER 5:00 P.M. CINCINNATI TIME
ON DECEMBER 19, 1999

Federated Department Stores, Inc. Series C Warrant Certificate

THIS CERTIFIES THAT for value received, _____, or its registered assigns (the "Holder"), is the owner of the number of Warrants set forth above that initially entitle it to purchase from Federated Department Stores, Inc., a Delaware corporation (the "Company"), at any time and from time to time on or prior to 5:00 p.m. Cincinnati time on December 19, 1999 (the "Expiration Date"), a like number of fully paid and nonassessable shares of the Common Stock, par value $.01 per share, of the Company (the "Common Stock") at an initial purchase price of $25.93 per share (the "Warrant Price"), subject to adjustment as provided in the Warrant Agreement. The shares of Common Stock purchasable upon exercise of the Warrants are hereinafter referred to as the "Warrant Shares." Subject to the terms and conditions of the Warrant Agreement, the Warrants may be exercised by surrendering to the Warrant Agent (as hereinafter defined) this Warrant Certificate, with the Form of Exercise Notice on the reverse side hereof duly executed, together with cash, a certified or bank cashier's check payable to the order of the Company, or a wire transfer to an account designated by the Company, in each case in an amount of lawful currency of the United States of America equal to the product of (a) the number of Warrant Shares purchasable upon the exercise of the Warrants designated for exercise in the Form of Exercise Notice and (b) the Warrant Price.

The number and kind of Warrant Shares that may be purchased upon exercise of the Warrants evidenced by this Warrant Certificate are the number as of the date of the original issue of such Warrants, based on the shares of Common Stock of the Company as constituted at such date. As provided in the Warrant Agreement, the Warrant Price and the number and kind of Warrant

Shares purchasable upon exercise of the Warrants are subject to adjustment.

This Warrant Certificate and the Warrants it represents are subject to, and entitled to the benefits of, all of the terms, provisions, and conditions of the Warrant Agreement, dated as of December 19, 1994 (the "Warrant Agreement"), by and between the Company and The Bank of New York, a New York banking corporation (the "Warrant Agent"), which Warrant Agreement is hereby incorporated herein by reference and made a part hereof and to which Warrant Agreement reference is hereby made for a full description of the rights, limitation of rights, obligations, and duties hereunder of the Company and the Holder. A copy of the Warrant Agreement will be made available to the Holders by the Company upon request of the Holders.

Subject to the provisions set forth in the Warrant Agreement or in this Certificate, this Warrant Certificate, with or without other Warrant

Certificates, may be transferred, split up, combined, or exchanged for another Warrant Certificate or Warrant Certificates, entitling the Holder to purchase a like aggregate number of Warrant Shares as the Warrant Certificate or Warrant Certificates surrendered entitled such Holder (or former Holder in the case of a transfer) to purchase, upon presentation and surrender hereof at the principal office of the Warrant Agent designated for such purpose, with the Form of Assignment (if appropriate) and the related Certificate duly executed.

The Company will not be required to issue fractional Warrant Shares or other fractional interests in securities upon the exercise of any Warrants evidenced by this Warrant Certificate, but in lieu thereof a cash payment will be made, as provided in the Warrant Agreement.

Nothing contained in the Warrant Agreement or in this Warrant Certificate will be construed as conferring upon the holder of this Warrant Certificate the right to vote, or to receive dividends, or to consent or (except as provided in the Warrant Agreement) to receive notice in respect of any meeting of stockholders for the election of directors of the Company or any other matter, or any rights whatsoever as a stockholder of the Company.

This Warrant Certificate will not be valid or obligatory for any purpose until it has been countersigned by the Warrant Agent.

IN WITNESS WHEREOF, the Company has caused this Warrant Certificate to be executed by its corporate officers duly authorized.

Attest: FEDERATED DEPARTMENT STORES, INC.

By:

- - ---------- ----------

[Name, title] [Name, title]

Dated: ,

---------- ----

Countersigned:

THE BANK OF NEW YORK

By:

[Authorized Signature]

Form of Reverse Side of Warrant Certificate

FORM OF ASSIGNMENT

(To be executed if the Holder desires to transfer Warrants)

FOR VALUE RECEIVED, _____
hereby sells, assigns, and transfers unto _____

_____

(Please print name and address of transferee)

_____

this Warrant Certificate, together with all right, title, and interest therein,
and does hereby irrevocably constitute and appoint _____
Attorney, to transfer the within Warrant Certificate on the books of the

within-named Company, with full power of substitution.

Dated: _____, _____

_____
Signature

Signature Guaranteed:

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FORM OF EXERCISE NOTICE

(To be executed if the Holder desires to exercise Warrants)

TO FEDERATED DEPARTMENT STORES, INC.:

The undersigned hereby irrevocably elects to exercise _____ Warrants evidenced by this Warrant Certificate to purchase the Warrant Shares issuable upon the exercise of such Warrants and requests that certificates for such Warrant Shares be issued in the name of:

_____

(Please print name and address)

_____

Please insert social security or other identifying number: _____

If such number of Warrants is not all the Warrants evidenced by this Warrant Certificate, a new Warrant Certificate for the balance remaining of such Warrants will be registered in the name of and delivered to:

_____

(Please print name and address)

_____

Please insert social security or other identifying number: _____

Dated: _____, _____

_____
Signature

Signature Guaranteed:

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NOTICE

Signatures on the foregoing Form of Assignment and Form of Exercise Notice and in the related Warrant Certificates must correspond to the name as written upon the face of this Warrant Certificate in every particular, without alternation or enlargement or any change whatsoever.

Signatures must be guaranteed by a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the United States.

SERIES D WARRANT AGREEMENT

This SERIES D WARRANT AGREEMENT, dated as of December 19, 1994 (this "Agreement"), is made and entered into by and between Federated Department Stores, Inc., a Delaware corporation (the "Company"), and The Bank of New York, a New York banking corporation (the "Warrant Agent").

RECITALS

A. A plan of reorganization of R.H. Macy & Co., Inc. (a predecessor of the Company, "Macy") and certain of its subsidiaries (the "Plan") proposed by Macy and Federated Department Stores, Inc. (a predecessor of the Company, "Old Federated") was confirmed by the United States Bankruptcy Court for the Southern District of New York on December 8, 1994.

B. Pursuant to the Plan and an Agreement and Plan of Merger, dated as of August 16, 1994, between Old Federated and Macy, Old Federated and Macy were merged (the "Merger"), with the Company being the surviving corporation in the Merger.

C. The Plan provides for the execution and delivery of this Agreement by the Company.

D. The Company desires to issue the Warrants (as defined below) on the terms and subject to the conditions herein set forth.

NOW, THEREFORE, in consideration of the mutual covenants herein set forth, the parties hereto hereby agree as follows:

1. ISSUANCE OF WARRANTS; FORM OF WARRANTS.

1.1. ISSUANCE OF WARRANTS. On the terms and subject to the conditions set forth in the Plan, the Company will issue and deliver to the holders of Allowed Claims in Classes M-10, MOS-10, M-11, and MOS-11 (as such terms are defined in the Plan) an aggregate of 9,999,841 warrants (the "Warrants"), each Warrant initially representing the right to purchase one share of Common Stock, par value $.01 per share, of the Company (the "Common Stock"). The purchase price per Warrant Share payable upon the exercise of a Warrant (the "Warrant Price") will initially be $29.92. The shares of Common Stock purchasable upon exercise of the Warrants are hereinafter referred to as the "Warrant Shares." The Warrant Price and the number and kind of Warrant Shares purchasable upon exercise of the Warrants are subject to adjustment pursuant to the provisions of Section 4.

1.2. FORM OF WARRANTS. Each Warrant, including without limitation any Warrants that may be issued upon partial exercise, replacement, or transfer of Warrants, will be evidenced by, and subject to the terms of, a Warrant certificate (including the Form of Exercise Notice and Form of Assignment to be printed on the reverse thereof, a "Warrant Certificate") in substantially the form of Exhibit A, with such changes, marks of identification or designation, and such legends, summaries, or endorsements printed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto.

1.3. COUNTERSIGNATURE OF WARRANTS. The Warrant Certificates will be executed on behalf of the Company by the manual or facsimile signature of its Chairman, President, or any Vice President, and attested by its Secretary or any Assistant Secretary. The Warrant Certificates will be countersigned by the Warrant Agent, either manually or by facsimile signature, and will not be valid for any purpose unless so countersigned. In case any officer of the Company who has signed any of the Warrant Certificates ceases to be such officer of the Company before countersignature by the Warrant Agent and issuance and delivery by the Company, such Warrant Certificates, nevertheless, may be countersigned by the Warrant Agent, and issued and delivered by the Company with the same force and effect as though the person who signed such Warrant Certificates had not ceased to be such officer of the Company; and any Warrant Certificate may be signed on behalf of the Company by any person who, at the actual date of the

execution of such Warrant Certificate, is a proper officer of the Company to sign such Warrant Certificate, although on any other date such person was not such an officer.

1.4 REGISTRATION OF WARRANTS. The Warrant Agent will keep or cause to be kept, at the principal office of the Warrant Agent designated for such purpose, books for registration and transfer of the Warrant Certificates issued hereunder. Such books will show the names and addresses of the respective holders of the Warrant Certificates, the number of Warrants evidenced on its face by each of the Warrant Certificates, and the date of each of the Warrant Certificates. The Company and the Warrant Agent will be entitled to treat the registered holder of any Warrant Certificate (the "Holder") as the sole owner of the Warrants represented by such Warrant Certificate for all purposes and will not be bound to recognize any equitable or other claim or interest in such Warrants on the part of any other person. Neither the Company nor the Warrant Agent will be liable for any registration of transfer of any Warrants that are registered or to be registered in the name of a fiduciary or the nominee of a fiduciary.

2. TRANSFER AND EXCHANGE OF WARRANTS.

2.1. TRANSFER AND EXCHANGE. Any Warrant Certificate may be transferred, split up, combined, or exchanged for another Warrant Certificate or Warrant Certificates entitling the Holder thereof to purchase a like aggregate number of Warrant Shares as the Warrant Certificate or Warrant Certificates surrendered then

entitled such Holder (or former Holder in the case of a transfer) to purchase. Any Holder desiring to transfer, split up, combine, or exchange any such Warrant Certificate will make such request in writing delivered to the Warrant Agent, and will surrender the Warrant Certificate or Warrant Certificates to be transferred, split up, combined, or exchanged, with the Form of Assignment duly executed by the Holder thereof, at the principal office of the Warrant Agent designated for such purpose. Thereupon or as promptly as practicable thereafter, the Company will prepare, execute, and deliver to the Warrant Agent, and the Warrant Agent will countersign and deliver, a Warrant Certificate or Warrant Certificates, as the case may be, as so requested. Neither the Company nor the Warrant Agent will be required to issue or deliver any Warrant Certificates in connection with any transfer, split up, combination, or exchange of Warrants or Warrant Certificates unless and until the person or persons requesting the issuance or delivery thereof has paid to the Warrant Agent the amount of any tax or governmental charge that may be payable in connection with such transfer, split up, combination, or exchange or has established to the satisfaction of the Warrant Agent that any tax or governmental charge has been paid. Holders will not be required to pay any other charge in connection with the transfer, split up, combination, or exchange of Warrants.

2.2. LOST, STOLEN, AND MUTILATED WARRANT CERTIFICATES. Upon receipt by the Company and the Warrant Agent of evidence reasonably satisfactory to them of the loss, theft, destruction, or mutilation of a Warrant Certificate, and, in case of loss, theft, or destruction, of indemnity or security reasonably satisfactory to them, and reimbursement to the Company and the Warrant Agent of all reasonable expenses incidental thereto, and upon surrender to the Warrant Agent and cancellation of the Warrant Certificate if mutilated, the Company will prepare, execute, and deliver a new Warrant Certificate of like tenor to the Warrant Agent and the Warrant Agent will countersign and deliver such new Warrant Certificate to the Holder in lieu of the Warrant Certificate so lost, stolen, destroyed, or mutilated.

2.3. PAYMENT OF TAXES. The Company will pay all documentary or stamp taxes, if any, attributable to the initial issuance of the Warrants and the initial issuance of the Warrant Shares upon the exercise of Warrants; PROVIDED, HOWEVER, that the Company's obligations in this regard will in all events be conditioned upon the Holder cooperating with the Company and the Warrant Agent in any reasonable arrangement designed to minimize or eliminate any such taxes. Neither the Company nor the Warrant Agent will be required to pay any tax or governmental charge that may be payable in connection with any transfer, split

up, combination, or exchange of Warrants or Warrant Certificates.

2.4. CANCELLATION AND DESTRUCTION OF WARRANT CERTIFICATES. All Warrant Certificates surrendered for the purpose of exercise, transfer, split up, combination, or exchange will, if surrendered to the Company, be delivered to the Warrant Agent for

cancellation or in canceled form, or, if surrendered to the Warrant Agent, will be canceled by it, and no Warrant Certificates will be issued in lieu thereof except as expressly permitted by this Agreement. The Company will deliver to the Warrant Agent for cancellation and retirement, and the Warrant Agent will so cancel and retire, any other Warrant Certificate purchased or acquired by the Company otherwise than upon the exercise thereof. The Warrant Agent will deliver all canceled Warrant Certificates to the Company, or will, at the written request of the Company, destroy such canceled Warrant Certificates, and in such case will deliver a certificate of destruction thereof to the Company.

3. EXERCISE OF WARRANTS.

3.1. EXERCISE OF WARRANTS. (a) Warrants may be exercised by the Holder thereof, in whole or in part, at any time and from time to time after the date hereof and prior to 5:00 p.m., Cincinnati, Ohio time on the seventh anniversary of the date hereof (the "Expiration Date") by delivering to the Warrant Agent, at its principal office designated for such purpose, the following:

(i) the Warrant Certificate or Warrant Certificates representing the Warrants to be exercised, with the Form of Exercise Notice duly executed by the Holder thereof; and

(ii) cash, a certified or bank cashier's check payable to the order of the Company, or a wire transfer to an account designated by the Company, in each case in an amount equal to the product of (A) the number of Warrant Shares purchasable upon the exercise of the Warrants designated for exercise in the Form of Exercise Notice and (B) the Warrant Price.

(b) As promptly as practicable after an exercise of Warrants in accordance with Section 3.1(a), and in any event within 10 Business Days after such exercise, the Warrant Agent will (i) requisition from any transfer agent for the Common Stock (or make available, if the Warrant Agent is the transfer agent) certificates representing the number of Warrant Shares to be purchased (and the Company hereby irrevocably authorizes and directs its transfer agent to comply with all such requests), (ii) after receipt of such certificates, cause the same to be delivered to or upon the order of the Holder exercising such Warrants, registered in such name or names as may be designated by such Holder, (iii) when appropriate, requisition from the Company the amount of cash to be paid in lieu of the issuance of fractional Warrant Shares in accordance with the provisions of Section 5, and (iv) when appropriate, after receipt, deliver such cash to or upon the order of the Holder exercising such Warrants.

(c) If the number of Warrants represented by a Warrant Certificate are not exercised in full, the Company will prepare,

execute, and deliver to the Warrant Agent a new Warrant Certificate evidencing Warrants equivalent to such Warrants remaining unexercised and the Warrant Agent will countersign and deliver such new Warrant Certificate to or upon the order of the Holder exercising such Warrants, registered in such name or names as may be designated by such Holder.

(d) The Company will take all such action as may be necessary to ensure that all Warrant Shares delivered upon exercise of Warrants, at the time of delivery of the certificates for such Warrant Shares, will (subject to

payment of the Warrant Price) be duly and validly authorized and issued, fully paid, and nonassessable and, if shares of Common Stock are then listed on any national securities exchange (as defined in the Securities Exchange Act of 1934, as amended) or qualified for quotation on the National Association of Securities Dealers, Inc. Automated Quotation System, will be duly listed or qualified for quotation thereon, as the case may be.

(e) In the event that the Company is obligated to pay cash in lieu of fractional Warrant Shares pursuant to Section 5 in connection with any exercise of Warrants, it will make all arrangements necessary so that such cash is available for distribution by the Warrant Agent, if and when appropriate.

(f) The Company will pay all expenses, taxes, and other charges payable in connection with the preparation, issuance, and delivery of certificates representing Warrant Shares or Warrant Certificates representing unexercised Warrants in connection with any exercise of Warrants in accordance with Section 3.1(a), except that, if any such certificates representing Warrant Shares or any such Warrant Certificates are to be registered in a name or names other than that of the Holder at the time of any such exercise of Warrants, funds sufficient to pay all transfer or similar taxes payable as a result of such transfer shall be paid by the Holder at the time of such exercise or promptly upon receipt of a written request of the Company for payment thereof. In connection with any exercise of Warrants in accordance with Section 3.1(a), the Warrants will be deemed to have been exercised, any certificate representing Warrant Shares or any Warrant Certificate issued on account thereof will be deemed to have been issued, and the person in whose name any such certificate or Warrant Certificate is issued will be deemed for all purposes to have become a holder of record of the Warrant Shares or Warrants, as the case may be, represented thereby as of the date of such exercise.

3.2. CERTAIN DEFINITIONS. For purposes of this Agreement, (a) the term "Business Day" means any day other than a Saturday, Sunday, or a day on which banking institutions in the state of Ohio are authorized or obligated by law or executive order to close and (b) the term "Trading Day" means any day on which shares of Common Stock are traded on the principal national securities exchange on which the shares of Common Stock are

listed or admitted to trading or, if shares of Common Stock are not so listed or admitted to trading, in the over-the-counter market.

4. ADJUSTMENTS OF WARRANT PRICE AND WARRANT SHARES. The Warrant Price and the number and kind of Warrant Shares purchasable upon exercise of the Warrants will be subject to adjustment from time to time upon the occurrence of certain events as provided in this Section 4.

4.1. MECHANICAL ADJUSTMENTS. The Warrant Price and the number and kind of Warrant Shares purchasable upon exercise of a Warrant will be subject to adjustment as follows:

(a) Subject to Section 4.1(f), if the Company (i) pays a dividend or otherwise distributes to holders of its Common Stock, as such, shares of its capital stock (whether Common Stock or capital stock of any other class), (ii) subdivides its outstanding shares of Common Stock into a greater number of shares of Common Stock, (iii) combines its outstanding shares of Common Stock into a smaller number of shares of Common Stock, or (iv) issues any shares of its capital stock in a reclassification of its outstanding shares of Common Stock (including any such reclassification in connection with a consolidation, merger, or other business combination transaction in which the Company is the continuing or surviving corporation), then the number and kind of Warrant Shares purchasable upon exercise of each Warrant immediately prior thereto will be adjusted so that the Holder of each Warrant will be entitled to receive (A) in the case of a dividend or distribution, the sum of (1) the number of Warrant Shares that, if such Warrant had been exercised immediately prior to such adjustment, such Holder would have received upon such exercise and (2) the number and kind of additional shares of capital stock that such Holder would have been entitled to receive as a result of such

dividend or distribution by virtue of its ownership of such Warrant Shares, (B) in the case of a subdivision or combination, the number of Warrant Shares that, if such Warrant had been exercised immediately prior to such adjustment, such Holder would have received upon such exercise, adjusted to give effect to such subdivision or combination as if such Warrant Shares had been subject thereto, or (C) in the case of an issuance in a reclassification, the sum of (1) the number of Warrant Shares that, if such Warrant had been exercised immediately prior to such adjustment, such Holder would have received upon such exercise and retained after giving effect to such reclassification as if such Warrants Shares had been subject thereto and (2) the number and kind of additional shares of capital stock that such Holder would have been entitled to receive as a result of such reclassification as if such Warrant Shares had been subject thereto. An adjustment made pursuant to this paragraph (a) will become effective immediately after the record date for the

determination of stockholders entitled to receive such dividend or distribution in the case of a dividend or distribution and will become effective immediately after the effective date of such subdivision, combination, or reclassification in the case of a subdivision, combination, or reclassification.

(b) Subject to Section 4.1(f), if the Company distributes to holders of its Common Stock, as such, (i) evidences of indebtedness or assets (excluding regular cash dividends or cash distributions payable out of consolidated retained earnings) of the Company or any corporation or other legal entity a majority of the voting equity securities or equity interests of which are owned, directly or indirectly, by the Company (a "Subsidiary"), (ii) shares of capital stock of any Subsidiary, (iii) securities convertible into or exchangeable for capital stock of the Company (including Common Stock or capital stock of any other class) or any Subsidiary, or (iv) any rights, options, or warrants to purchase any of the foregoing (excluding those described in Section 4.1(c)), then, the number of Warrant Shares thereafter purchasable upon exercise of each Warrant will be adjusted to the number that results from multiplying the number of Warrant Shares purchasable upon the exercise of each Warrant immediately prior to such adjustment by a fraction, the numerator of which will be the Current Market Price per share (as defined in Section 4.1(e)) of Common Stock on the record date for such distribution, and the denominator of which will be such Current Market Price per share of Common Stock less the fair value (as determined in good faith by the Board of Directors of the Company, whose determination will be conclusive if based on the financial advice of a nationally recognized investment banking firm) of the portion of the evidences of indebtedness, assets, securities, or rights, options, or warrants so distributed on account of one share of Common Stock. Such adjustment will be made whenever any such distribution is made, and will become effective immediately after the record date for the determination of stockholders entitled to receive such distribution. Except as provided in Section 4.1(i), no further adjustments of the number of Warrant Shares will be made upon the actual issue of shares of Common Stock upon conversion or exchange of such securities convertible or exchangeable for shares of Common Stock or upon exercise of such rights, warrants, or options for shares of Common Stock.

(c) Subject to Section 4.1(f), if the Company issues rights, options, or warrants to holders of the outstanding shares of Common Stock, as such, entitling the holders of such rights, options, or warrants (for a period expiring within 60 calendar days after the record date mentioned below) to subscribe for or purchase shares of Common Stock at a price per share that is lower on the record date

mentioned below than the Current Market Price per share of Common Stock on such record date, then the number of Warrant Shares thereafter purchasable upon the exercise of each Warrant will be adjusted to the number that results from multiplying the number of Warrant Shares purchasable upon exercise of each Warrant immediately prior to such adjustment by a fraction (not to be less than one), the numerator of which will be the number of shares of Common Stock outstanding on such record date plus the number of additional shares of Common Stock offered by such rights, options, or warrants for subscription or purchase and the denominator of which will be the number of shares of Common Stock outstanding on such record date plus the number of shares of Common Stock which the aggregate subscription or purchase price of the total number of shares of Common Stock so offered would purchase at the Current Market Price per share of Common Stock on such record date. Such adjustment will be made whenever such rights, options, or warrants are issued, and will become effective immediately after the record date for the determination of stockholders entitled to receive such rights, options, or warrants. In case such subscription or purchase price may be paid in a consideration part or all of which is in a form other than cash, the fair value of such consideration will be as determined by the Board of Directors of the Company, whose determination will be conclusive if based on the financial advice of a nationally recognized investment banking firm. Except as provided in Section 4.1(i), no further adjustments of the number of Warrant Shares will be made upon the actual issue of shares of Common Stock upon exercise of such rights, options, or warrants.

(d) Subject to Section 4.1(f), if the Company issues shares of Common Stock or securities convertible into or exchangeable for shares of Common Stock (excluding shares of Common Stock or convertible or exchangeable securities issued in any of the transactions described in paragraph (a), (b), or (c) of this Section 4.1) for a purchase price per share of such Common Stock, or for a conversion or exchange price per share of Common Stock initially deliverable upon conversion or exchange of such securities, that is less than the Current Market Price per share of Common Stock on the date the purchase, conversion, or exchange price of such additional shares of Common Stock are first fixed, then the number of Warrant Shares thereafter purchasable upon the exercise of each Warrant will be adjusted to the number that results from multiplying the number of Warrant Shares purchasable upon exercise of each Warrant immediately prior to such adjustment by a fraction (not to be less than one), the numerator of which will be the number of shares of Common Stock outstanding on such date plus the number of additional shares of Common Stock so issued or issuable upon such conversion or exchange, and the denominator of which will be the number of shares of Common

Stock outstanding on such date plus the number of shares of Common Stock which the aggregate purchase, conversion, or exchange price received or receivable by the Company for such additional shares of Common Stock would purchase at the Current Market Price per share of Common Stock on such date. Such adjustment will be made whenever such shares of Common Stock or convertible or exchangeable securities are issued, and will become effective immediately after the effective date of such event. In case such purchase, conversion, or exchange price may be paid in a consideration part or all of which is in a form other than cash, the fair value of such consideration will be as determined by the Board of Directors of the Company, whose determination will be conclusive if based on the financial advice of a nationally recognized investment banking firm. Except as provided in 4.1(i), no further adjustment will be made upon the actual issue of shares of Common Stock upon conversion or exchange of such securities convertible into or exchangeable for shares of Common Stock.

(e) For purposes of this Agreement, the "Current Market

Price" per share of Common Stock on any date will be the average of the daily closing prices for 20 consecutive Trading Days commencing 30 Trading Days before the date of such computation. The closing price for each day (the "Closing Price") will be the last reported sales price regular way or, in case no such reported sale takes place on such day, the average of the closing bid and asked prices regular way for such day, in each case on the principal national securities exchange on which the shares of Common Stock are listed or admitted to trading or, if not so listed or admitted to trading, the average of the closing bid and asked prices of the shares of Common Stock in the over-the-counter market as reported by the National Association of Securities Dealers, Inc. Automated Quotation System or any comparable system. In the absence of one or more such quotations, the Board of Directors of the Company will determine the Current Market Price in good faith on the basis of such quotations or other relevant information as it considers appropriate.

(f) No adjustment in the number of Warrant Shares purchasable upon the exercise of a Warrant will be required unless such adjustment would require an increase or decrease in the number of Warrant Shares purchasable upon the hypothetical exercise of a Warrant of at least 1%; PROVIDED, HOWEVER, that any adjustments which by reason of this paragraph (f) are not required to be made currently will be carried forward and made at the time and together with the next subsequent adjustment which, together with any adjustments so carried forward, would require an increase or decrease in the number of Warrant Shares purchasable upon the hypothetical exercise of a Warrant of 1% or more. All calculations with respect to the number of Warrant Shares

will be made to the nearest one-thousandth of a share and all calculations with respect to the Warrant Price will be to the nearest whole cent. No adjustment in the number of Warrant Shares purchasable upon the exercise of a Warrant will be made under paragraph (b), (c), or (d) of this Section 4.1 if the Company issues or distributes to each Holder the shares, rights, options, warrants, convertible or exchangeable securities, evidences of indebtedness, assets, or other securities referred to in the applicable paragraph that such Holder would have been entitled to receive had the Warrants been exercised prior to the happening of such event on the record date with respect thereto (provided that, in any case in which such Holder would have been so entitled to receive a fractional interest in any such securities or assets, the Company may distribute to such Holder in lieu of such fractional interest cash in an amount equal to the fair value of such fractional interest as determined in good faith by the Board of Directors of the Company). No adjustment in the number of Warrant Shares purchasable upon the exercise of a Warrant will be made on account of: (1) any issuance of shares of Common Stock, or of options, rights, or warrants to purchase, or securities convertible into or exchangeable for, shares of Common Stock, pursuant to the Plan, (2) any issuance of shares of Common Stock upon the exercise of options, rights, or warrants or upon the conversion or exchange of convertible or exchangeable securities, in either case issued pursuant to the Plan or outstanding as of the date hereof, (3) any issuance of shares of Common Stock, or of options, rights, or warrants to purchase, or securities exchangeable for or convertible into, shares of Common Stock, in accordance with any plan for the benefit of the employees or Directors of the Company existing as of the date hereof, contemplated by the Plan, or assumed by the Company as a result of or in connection with the Merger, or any other plan adopted by the Directors of the Company for the benefit of the employees or Directors of the Company or any of its Subsidiaries, (4) any issuance of shares of Common Stock in connection with a Company-sponsored plan for reinvestment of dividends or interest, (5) any issuance of share purchase rights pursuant to the New Combined Company Share Purchase Rights Agreement, as from time to time amended, or any similar successor or replacement share purchase rights plan, or (6) any issuance of shares of Common Stock or securities convertible into or

exchangeable for shares of Common Stock pursuant to an underwritten public offering for a price per share of Common Stock in the case of an issuance of shares of Common Stock, or for a price per share of Common Stock initially deliverable upon conversion or exchange of such securities, that is equal to or greater than 95% of the Closing Price per share of Common Stock on the date the offering, conversion, or exchange price of such additional shares of Common Stock is first fixed. No adjustment in the number of

Warrant Shares will be made for a change in the par value of the shares of Common Stock.

(g) Whenever the number of Warrant Shares purchasable upon the exercise of each Warrant is adjusted as herein provided, the Warrant Price will be adjusted by multiplying the Warrant Price in effect immediately prior to such adjustment by a fraction, the numerator of which will be the number of Warrant Shares purchasable upon the exercise of each Warrant immediately prior to such adjustment, and the denominator of which will be the number of Warrant Shares so purchasable immediately thereafter.

(h) For the purpose of this Section 4, the term "Common Stock" means (i) the class of shares designated as the Common Stock of the Company as of the date of this Agreement, (ii) all shares of any class or classes (however designated) of the Company, now or hereafter authorized, the holders of which have the right, without limitation as to amount, either to all or to a part of the balance of current dividends and liquidating dividends after the payment of dividends and distributions on any shares entitled to preference, and the holders of which are ordinarily entitled to vote generally in the election of directors of the Company, or (iii) any other class of shares resulting from successive changes or reclassifications of such shares consisting solely of changes in par value, or from par value to no par value, or from no par value to par value. In the event that at any time, as a result of an adjustment made pursuant to Section 4.1(a), the Warrants become exercisable to purchase Warrant Shares other than shares of Common Stock, thereafter the number of such other shares so purchasable upon exercise of each Warrant and the Warrant Price payable in respect of such other shares upon the exercise of each Warrant will be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Warrant Shares and the Warrant Price contained in this Section 4.1.

(i) Upon the expiration of any rights, options, warrants, or conversion or exchange privileges, if any thereof have not been exercised, the Warrant Price and the number of Warrant Shares purchasable upon the exercise of each Warrant will, upon such expiration, be readjusted and will thereafter be such as it would have been had it been originally adjusted (or had the original adjustment not been required, as the case may be) as if (i) the only shares of Common Stock so issued were the shares of Common Stock, if any, actually issued or sold upon the exercise of such rights, options, warrants, or conversion or exchange rights and (ii) such shares of Common Stock, if any, were issued or sold for the consideration actually received by the Company upon such exercise, conversion, or exchange plus the aggregate consideration, if any, actually received by the

Company for the issuance, sale, or grant of all such rights, options, warrants, or conversion or exchange rights whether or not exercised; PROVIDED, HOWEVER, that no such readjustment will have the effect of increasing the Warrant Price or decreasing the number of Warrant

Shares purchasable upon the exercise of each Warrant by an amount in excess of the amount of the adjustment initially made in respect of the issuance, sale, or grant of such rights, options, warrants, or conversion or exchange privileges.

4.2. NOTICE OF ADJUSTMENT. Whenever the Warrant Price or the number or kind of Warrant Shares purchasable upon exercise of the Warrants is adjusted pursuant to any of the provisions of this Agreement, the Company will promptly give notice to the Holders of such adjustment or adjustments, together with a certificate of a firm of independent public accountants selected by the Company (who may be the regular accountants employed by the Company) setting forth the adjustments in the Warrant Price and the number or kind of Warrant Shares purchasable upon exercise of each Warrant, and also setting forth a brief statement of the facts requiring such adjustments and the computations upon which such adjustments are based. Such certificate will be conclusive evidence of the correctness of such adjustments.

4.3. NO ADJUSTMENT FOR DIVIDENDS. Except as provided in Section 4.1, no adjustment or payment in respect of any dividends will be made at any time.

4.4. PRESERVATION OF PURCHASE RIGHTS UPON MERGER, CONSOLIDATION, ETC. In case of any consolidation of the Company with or merger of the Company into another corporation or in case of any sale, transfer, or lease to another corporation of all or substantially all the property of the Company, the Company or such successor or purchasing corporation, as the case may be, will execute an agreement providing that each Holder will have the right thereafter, upon payment of an amount equal to the amount payable upon the exercise of a Warrant immediately prior thereto, to purchase upon exercise of each Warrant the kind and amount of securities or property that it would have owned or have been entitled to receive after giving effect to such consolidation, merger, sale, transfer, or lease on account of the Warrant Shares that would have been purchasable upon the exercise of such Warrant had such Warrant been exercised immediately prior thereto (provided that, to the extent that such Holder would have been so entitled to receive cash on account of such Warrant Shares, such Holder may elect in connection with the exercise of a Warrant in accordance with Section 3.1 to reduce the amount of cash that it would be entitled to receive upon such exercise in exchange for a corresponding reduction in the amount payable upon such exercise); PROVIDED, HOWEVER, that no adjustment in respect of dividends, interest, or other income on or from such shares or other securities or property will be made during the term of a Warrant or upon the exercise of a Warrant. Such agreement will

provide for adjustments that will be as nearly equivalent as may be practicable to the adjustments provided for in this Section 4. The provisions of this Section 4.4 will similarly apply to successive consolidations, mergers, sales, transfers, or leases.

4.5. WARRANT CERTIFICATES. Whether or not any adjustments in the Warrant Price or the number or kind of Warrant Shares purchasable upon the exercise of the Warrants has been made, Warrant Certificates theretofore or thereafter issued may continue to express the same Warrant Price and number and kind of Warrant Shares as are stated in the Warrant Certificate initially issued.

5. FRACTIONAL INTERESTS. Neither the Company nor the Warrant Agent will be required to issue fractional Warrant Shares or fractional interests in any other securities upon the exercise of the Warrants. If any fraction of a Warrant Share or other security would, except for the provisions of this Section 5, be issuable upon the exercise of the Warrants, the Company will pay an amount in cash (a) in lieu of a fractional Warrant Share, equal to the Current Market Price for one share of Common Stock, as defined in Section 4.1(e), on the Trading Day immediately preceding the date on which the Warrants are presented for exercise, multiplied by such fraction of a Warrant Share, or (b) in lieu of a fractional interest in any other security, equal to the fair value of such fractional interest, determined in a manner as similar as possible, taking into account the difference in the fractional interest being valued, to the calculation described in clause (a) of this Section 5.

6. WARRANT AGENT MATTERS.

6.1. APPOINTMENT OF WARRANT AGENT. The Company hereby appoints the Warrant Agent to act as agent for the Company and the Holders in accordance with the terms and conditions hereof, and the Warrant Agent hereby accepts such appointment and hereby certifies that it complies with the requirements of the New York Stock Exchange governing transfer agents and registrars.

6.2. CONCERNING THE WARRANT AGENT. (a) The Company will pay to the Warrant Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Warrant Agent, its reasonable expenses and counsel fees and other disbursements incurred in the administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Company will indemnify the Warrant Agent for, and hold it harmless against, any loss, liability, suit, action, proceeding, or expense, incurred without negligence, bad faith, or willful misconduct on the part of the Warrant Agent, for anything done or omitted by the Warrant Agent in connection with the acceptance and administration of this Agreement, including the costs and expenses of defending against any claim of liability arising therefrom, directly or indirectly.

(b) The Warrant Agent will be protected and will incur no liability for or in respect of any action taken, suffered, or omitted by it in connection with its administration of this Agreement in reliance upon any Warrant Certificate or certificate evidencing Common Stock or other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed, and, where necessary, verified or acknowledged, by the proper person or persons.

6.3. MERGER OR CONSOLIDATION OR CHANGE OF NAME OF WARRANT AGENT. Any corporation into which the Warrant Agent or any successor Warrant Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Warrant Agent or any successor Warrant Agent is a party, or any corporation succeeding to the corporate trust business of the Warrant Agent or any successor Warrant Agent, will be the successor to the Warrant Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor Warrant Agent under the provisions of Section 6.5.

6.4. DUTIES OF WARRANT AGENT. The Warrant Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the Holders, by their acceptance of Warrant Certificates, will be bound:

(a) The Warrant Agent may consult with legal counsel (who may be legal counsel for the Company), and the opinion of such counsel will be full and complete authorization and protection to the Warrant Agent as to any action taken or omitted by it in good faith and in accordance with such opinion.

(b) Whenever in the performance of its duties under this Agreement the Warrant Agent deems it necessary or desirable that any fact or matter be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by any one of the Chairman of the Board, the President, or any Vice President of the Company and delivered to the Warrant Agent; and such certificate will be full authorization to the Warrant Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

(c) The Warrant Agent will be liable hereunder only for its own negligence, bad faith, or willful misconduct.

(d) The Warrant Agent will not be liable for or by reason of any of the statements of fact or recitals contained in this

Agreement or in the Warrant Certificates or be required to verify the same, but all such statements and recitals are and will be deemed to have been made by the Company only.

(e) The Warrant Agent will not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution and delivery hereof by the Warrant Agent) or in respect of the validity or execution of any Warrant Certificate (except the due countersignature thereof by the Warrant Agent); nor will it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Warrant Certificate; nor will it be responsible for any adjustment required under the provisions of Section 4 hereof or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Warrants evidenced by Warrant Certificates after actual notice of any such adjustment); nor will it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any shares of stock or other securities to be issued pursuant to this Agreement or any Warrant Certificate or as to whether any shares of stock or other securities will, when issued, be validly authorized and issued, fully paid, and nonassessable.

(f) The Company will perform, execute, acknowledge, and deliver or cause to be performed, executed, acknowledged, and delivered all such further and other acts, instruments, and assurances as may reasonably be required by the Warrant Agent for the carrying out or performing by the Warrant Agent of the provisions of this Agreement.

(g) The Warrant Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any one of the Chairman of the Board, the President, or any Vice President of the Company, and to apply to such officers for advice or instructions in connection with its duties, and it will not be liable for any action taken or suffered to be taken by it in good faith in accordance with instructions of any such officer.

(h) The Warrant Agent and any stockholder, director, officer, or employee of the Warrant Agent may buy, sell, or deal in any of the Warrants or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Warrant Agent under this Agreement. Nothing herein will preclude the Warrant Agent from acting in any other capacity for the Company or for any other legal entity.

(i) The Warrant Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents,

and the Warrant Agent will not be answerable or accountable for any act, default, neglect, or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, default, neglect, or misconduct, provided reasonable care was exercised in the selection and continued employment thereof. The Warrant Agent will not be under any duty or responsibility to insure compliance with any applicable federal or state securities laws in connection with the issuance, transfer, or exchange of Warrant Certificates.

6.5. CHANGE OF WARRANT AGENT. The Warrant Agent or any successor Warrant Agent may resign and be discharged from its duties under this Agreement upon 30 calendar days' notice in writing mailed to the Company and to each transfer agent of the Common Stock by registered or certified mail, and to the

Holders by first-class mail. The Company may remove the Warrant Agent or any successor Warrant Agent upon 30 calendar days' notice in writing, mailed to the Warrant Agent or successor Warrant Agent, as the case may be, and to each transfer agent of the Common Stock by registered or certified mail, and to the Holders by first-class mail. If the Warrant Agent resigns or is removed or otherwise becomes incapable of acting, the Company will appoint a successor to the Warrant Agent. If the Company fails to make such appointment within a period of 30 calendar days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Warrant Agent or by any Holder (who will, with such notice, submit his Warrant Certificate for inspection by the Company), then any Holder may apply to any court of competent jurisdiction for the appointment of a successor Warrant Agent. Any successor Warrant Agent, whether appointed by the Company or by such a court, will be a corporation organized and doing business under the laws of the United States or of the State of Ohio or New York (or of any other state of the United States so long as such corporation is authorized to do business as a banking institution in the State of Ohio or New York), in good standing, having a principal office in the State of Ohio or New York, which is authorized under such laws to exercise corporate trust powers and is subject to supervision or examination by federal or state authority and which has at the time of its appointment as Warrant Agent a combined capital and surplus of at least $50 million. After appointment, the successor Warrant Agent will be vested with the same powers, rights, duties, and responsibilities as if it had been originally named as Warrant Agent without further act or deed; but the predecessor Warrant Agent will deliver and transfer to the successor Warrant Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act, or deed necessary for the purpose. Not later than the effective date of any such appointment, the Company will file notice thereof in writing with the predecessor Warrant Agent and each transfer agent of the Common Stock, and mail by first class mail a notice thereof to each Holder. Failure to give any notice provided for in this Section 6.5, however, or any defect therein, will not affect the

legality or validity of the resignation or removal of the Warrant Agent or the appointment of the successor Warrant Agent, as the case may be. Notwithstanding anything to the contrary contained herein, no resignation or removal of the Warrant Agent or any successor Warrant Agent will become effective prior to the effectiveness of the appointment of a successor Warrant Agent therefor.

7.1 NO RIGHTS AS A STOCKHOLDER; NOTICES TO HOLDERS. Nothing contained in this Agreement or in the Warrant Certificate will be construed as conferring upon the Holders or their transferees the right to vote, or to receive dividends, or to consent or to receive notice as a stockholder in respect of any meeting of stockholders for the election of directors of the Company or any other matter, or any rights whatsoever as a stockholder of the Company; PROVIDED, HOWEVER, that if, at any time prior to the Expiration Date and prior to the exercise of all of the Warrants, any of the following events occur:

(a) The Company declares any dividend payable in any securities upon its shares of Common Stock or makes any distribution (other than a regular cash dividend payable out of consolidated retained earnings) to the holders of its shares of Common Stock;

(b) The Company offers to the holders of its Common Stock any shares of capital stock of the Company or any Subsidiary or securities convertible into or exchangeable for shares of capital stock of the Company or any Subsidiary or any option, right, or warrant to subscribe for or purchase any thereof;

(c) The Company distributes to the holders of its Common Stock evidences of indebtedness or assets (including any cash dividend which would result in an adjustment under Section 4.1) of the Company or any Subsidiary;

(d) Any reclassification of the Common Stock, any consolidation of the Company with or merger of the Company into

another corporation, any sale, transfer, or lease to another corporation of all or substantially all the property of the Company, or any proposal of the Company to effect any of the foregoing transactions that has been publicly announced by the Company; or

(e) Any proposal by the Company to effect a dissolution, liquidation, or winding up of the Company that has been publicly announced by the Company;

then in any one or more of such events the Company will give notice of such event to the Holders, as provided in Section 11 hereof, such giving of notice to be completed at least ten days prior to the date fixed as a record date or the date of closing

the transfer books for the determination of the stockholders entitled to such dividend, distribution, or subscription rights, or for the determination of stockholders entitled to vote on such proposed reclassification, consolidation, merger, sale, transfer or lease, dissolution, liquidation, or winding up; PROVIDED, HOWEVER, that no such notice will be required in respect of any of the matters referred to in the penultimate sentence of Section 4.1(f). Such notice will specify such record date or the date of closing the transfer books, as the case may be, for such event. Failure to mail or receive such notice or any defect therein or in the mailing thereof will not affect the validity of any action taken in connection with such event.

7.2. REPORTS TO HOLDERS. To the extent such documents are required to be sent by the Company to the holders of outstanding Common Stock, the Company will file with the Warrant Agent and provide each Holder, within 15 calendar days after it files them with the Securities and Exchange Commission (the "SEC"), copies of its annual report and of the information, documents, and other reports (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe) which the Company is required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act.

7.3. AGREEMENTS RESPECTING WARRANTS. The Company will not enter into any agreement or instrument which would preclude the exercise of the Warrants as herein provided.

8. AGREEMENT OF WARRANT HOLDERS. Every Holder by accepting a Warrant Certificate consents and agrees with the Company and the Warrant Agent and with every other Holder that:

(a) The Warrant Certificates are transferable only in accordance with the terms of this Agreement and only on the registry books of the Warrant Agent if surrendered at the principal office of the Warrant Agent designated for such purpose, duly endorsed or accompanied by a proper instrument of transfer, and otherwise in compliance with Section 2;

(b) The Company and the Warrant Agent may deem and treat the person in whose name the Warrant Certificate is registered as the absolute owner thereof and of the Warrants evidenced thereby (notwithstanding any notations of ownership or writing on the Warrant Certificate made by anyone other than the Company or the Warrant Agent) for all purposes whatsoever, and neither the Company nor the Warrant Agent will be affected by any notice to the contrary;

(c) Such Holder expressly waives any right to receive any fractional Warrants and any fractional securities upon exercise or exchange of a Warrant; and

(d) Notwithstanding anything in this Agreement to the contrary, neither the Company nor the Warrant Agent will have any

liability to any Holder or other person as a result of its inability to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, decree, or ruling issued by a court of competent jurisdiction or by a governmental, regulatory, or administrative agency or commission, or any statute, rule, regulation, or executive order promulgated or enacted by any governmental authority, prohibiting or otherwise restraining performance of such obligation; PROVIDED, HOWEVER, that the Company will use reasonable efforts to have any such order, decree, or ruling lifted or otherwise overturned as soon as possible.

9. RESERVATION OF COMMON STOCK. The Company will, for so long as Warrants remain outstanding, reserve and keep available, solely for issuance and delivery upon the exercise of Warrants, a number of shares of Common Stock (or, if applicable, other securities) sufficient to provide for the exercise of all outstanding Warrants. The transfer agent for the Common Stock (or, if applicable, other securities) will be irrevocably authorized and directed at all times until the exercise or expiration of the Warrants to reserve such number of authorized shares of Common Stock (or, if applicable, other securities) as necessary for such purpose. The Company will keep copies of this Agreement on file with the transfer agent and will supply the transfer agent with duly executed stock certificates for such purpose.

10. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company hereby represents and warrants to the Warrant Agent that:

(a) The Company is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to execute, deliver, and perform its obligations hereunder and to consummate the transactions contemplated hereby;

(b) The execution, delivery, and performance of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of the Company;

(c) The execution, delivery, and performance of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby in accordance with the terms hereof will not conflict with, violate, or constitute a breach of any material contract, agreement, or instrument by which the Company is bound or any judgment, order, decree, law, statute, rule, regulation, or other judicial or governmental restriction to which the Company is subject;

(d) This Agreement constitutes the legal, valid, and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as the enforceability hereof may be limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights generally; and

(e) The Warrants, when issued and delivered to the initial Holders as provided in this Agreement, and the Warrant Shares issued upon exercise of the Warrants, when issued, paid for, and delivered as provided in this Agreement, will be duly and validly issued and outstanding, fully paid, and nonassessable.

11. NOTICES. All notices, requests, waivers, releases, consents, and other communications required or permitted by this Agreement (collectively, "Notices") must be in writing. Except as expressly otherwise provided herein with respect to manner of delivery, notices will be deemed sufficiently given for all purposes when delivered in person, when dispatched by telegram or electronic facsimile transmission, when sent by first-class mail, postage prepaid, or upon confirmation of receipt when dispatched by a nationally recognized overnight courier service to the appropriate party as follows: (a) if to a Holder, at the address of such Holder as shown in the registry books maintained by the Warrant Agent; (b) if to the Company, at 7 West Seventh

Street, Cincinnati, Ohio 45202, Telecopy No. (513) 579-7897 (marked for the attention of the Chief Financial Officer and the General Counsel), or at such other address as the Company may have furnished to the Holders and the Warrant Agent in writing; and (c) if to the Warrant Agent, at 101 Barclay Street, New York, New York 10286, Telecopy No. (212) 815-3201 (marked for the attention of William Skinner) or at such other address as the Warrant Agent may have furnished to the Company and the Holders in writing.

12. AMENDMENT AND WAIVER. No failure or delay of the Holder in exercising any power or right hereunder (other than a failure to exercise Warrants in accordance with the provisions hereof) will operate as a waiver thereof, nor will any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No notice or demand on the Company in any case will entitle the Company to any other or future notice or demand in similar or other circumstances. Subject to the last sentence of this Section 12, (a) if the Company so directs, the Company and the Warrant Agent will supplement or amend this Agreement without the approval of any Holders in order to cure any ambiguity or correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein and (b) the Company and the Warrant Agent may from time to time supplement or amend this Agreement, with the consent of Holders of at least 50% of the Warrants then

outstanding, for any other for purpose. Notwithstanding anything in this Agreement to the contrary, no supplement or amendment which increases the Warrant Price, decreases the period of time remaining during which the Warrants may be exercised, or changes in a manner adverse to Holders the number of Warrant Shares purchasable upon the exercise of Warrants will be made without the consent of all Holders. Any such amendment, modification, or waiver effected pursuant to and in accordance with the provisions of this Section 12 will be binding upon all Holders and upon each future Holder, the Company, and the Warrant Agent. In the event of any such amendment, modification, or waiver, the Company will given prompt notice thereof to all Holders and, if appropriate, notation thereof will be made on all Warrant Certificates thereafter surrendered for registration of transfer or exchange.

13. SUCCESSORS AND ASSIGNS. This Agreement will be binding upon and inure to the benefit of the parties hereto, their respective successors and permitted assigns, and, subject to Sections 1.4 and 8(d), all Holders, but will not be assignable or delegable by any party without the prior written consent of the other party. In the absence of such prior written consent, any purported assignment or delegation of any right or obligation hereunder will be null and void.

14. RIGHTS OF THE PARTIES. Except as provided in Section 13, nothing expressed or implied in this Agreement is intended or will be construed to confer upon or give any person or entity other than the parties hereto and the Holders any rights or remedies under or by reason of this Agreement or any transaction contemplated hereby. All rights of action in respect of this Agreement are vested in the Holders, and any Holder without the consent of the Warrant Agent or any other Holder may, on such Holder's own behalf and for such Holder's own benefit, enforce such Holder's rights hereunder, including the right to exercise, exchange, or surrender for transfer such Holder's Warrant Certificates in accordance with the provisions hereof.

15. TITLES AND HEADINGS. Titles and headings to Sections herein are inserted for convenience of reference only, and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

16. CERTAIN INTERPRETIVE MATTERS AND DEFINITIONS.

(a) Unless the context otherwise requires, (i) all references to Sections or Exhibits are to Sections or Exhibits of or to this Agreement, (ii) each term defined in this Agreement has the meaning assigned to it, (iii) "or" is disjunctive but not necessarily exclusive, and (iv) words in the singular include the plural and VICE VERSA. All references to "$" or dollar amounts are to lawful currency

of the United States of America.

(b) No provision of this Agreement will be interpreted in favor of, or against, any party hereto by reason of the extent to which such party or its counsel participated in the drafting thereof or by reason of the extent to which any such provision is inconsistent with any prior draft hereof or thereof.

17. ENTIRE AGREEMENT. This Agreement, together with its Exhibits, constitutes the entire agreement among the parties hereto with respect to the subject matter hereof, and there are no agreements among the parties hereto with respect thereto except as expressly set forth herein.

18. SEVERABILITY. In case any provision contained in this Agreement is invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions will not in any way be affected or impaired thereby. The Company and the Warrant Agent will endeavor in good faith to replace the invalid, illegal, or unenforceable provisions with valid, legal, and enforceable provisions the economic effect of which comes as close as possible to that of the invalid, illegal, or unenforceable provisions.

19. GOVERNING LAW. This Agreement will be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the principles of conflict of laws thereof.

20. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which so executed will be deemed to be an original; such counterparts will together constitute but one agreement.

21. REFERENCES TO THE PLAN. Terms used herein with initial capital letters that are not otherwise defined are used herein as defined in the Plan.

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

FEDERATED DEPARTMENT STORES, INC.

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick

Title: Senior Vice President

THE BANK OF NEW YORK

By: /s/ John I. Siverrsen Name:

Name: John I. Siverrsen

Title: Vice President

EXHIBIT A

WARRANT CERTIFICATE

THE WARRANTS REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS AND CONDITIONS SET FORTH IN THE WARRANT AGREEMENT (AS HEREINAFTER DEFINED), A COPY OF WHICH WILL BE MADE AVAILABLE BY THE ISSUER UPON REQUEST. THE TRANSFER OR EXCHANGE OF THESE WARRANTS MUST BE REGISTERED IN ACCORDANCE WITH THE WARRANT AGREEMENT.

NO. _____ WARRANTS _____

VOID AFTER 5:00 P.M. CINCINNATI TIME
ON December 19, 2001

Federated Department Stores, Inc. Series D Warrant Certificate

THIS CERTIFIES THAT for value received, _____, or its registered assigns (the "Holder"), is the owner of the number of Warrants set forth above that initially entitle it to purchase from Federated Department Stores, Inc., a Delaware corporation (the "Company"), at any time and from time to time prior to 5:00 p.m. Cincinnati time on December 19, 2001 (the "Expiration Date"), a like number of fully paid and nonassessable shares of the Common Stock, par value $.01 per share, of the Company (the "Common Stock") at an initial purchase price of $29.92 per share (the "Warrant Price"), subject to adjustment as provided in the Warrant Agreement. The shares of Common Stock purchasable upon exercise of the Warrants are hereinafter referred to as the "Warrant Shares." Subject to the terms and conditions of the Warrant Agreement, the Warrants may be exercised by surrendering to the Warrant Agent (as hereinafter defined) this Warrant Certificate, with the Form of Exercise Notice on the reverse side hereof duly executed, together with cash, a certified or bank cashier's check payable to the order of the Company, or a wire transfer to an account designated by the Company, in each case in an amount of lawful currency of the United States of America equal to the product of (a) the number of Warrant Shares purchasable upon the exercise of the Warrants designated for exercise in the Form of Exercise Notice and (b) the Warrant Price.

The number and kind of Warrant Shares that may be purchased upon exercise of the Warrants evidenced by this Warrant Certificate are the number as of the date of the original issue of such Warrants, based on the shares of Common Stock of the Company as constituted at such date. As provided in the Warrant Agreement, the Warrant Price and the number and kind of Warrant

Shares purchasable upon exercise of the Warrants are subject to adjustment.

This Warrant Certificate and the Warrants it represents are subject to, and entitled to the benefits of, all of the terms, provisions, and conditions of the Warrant Agreement, dated as of December 19, 1994 (the "Warrant Agreement"), by and between the Company and The Bank of New York, a New York banking corporation (the "Warrant Agent"), which Warrant Agreement is hereby incorporated herein by reference and made a part hereof and to which Warrant Agreement reference is hereby made for a full description of the rights, limitation of rights, obligations, and duties hereunder of the Company and the Holder. A copy of the Warrant Agreement will be made available to the Holders by the Company upon request of the Holders.

Subject to the provisions set forth in the Warrant Agreement or in this Certificate, this Warrant Certificate, with or without other Warrant Certificates, may be transferred, split up, combined, or exchanged for another Warrant Certificate or Warrant Certificates, entitling the Holder to purchase a

like aggregate number of Warrant Shares as the Warrant Certificate or Warrant Certificates surrendered entitled such Holder (or former Holder in the case of a transfer) to purchase, upon presentation and surrender hereof at the principal office of the Warrant Agent designated for such purpose, with the Form of Assignment (if appropriate) and the related Certificate duly executed.

The Company will not be required to issue fractional Warrant Shares or other fractional interests in securities upon the exercise of any Warrants evidenced by this Warrant Certificate, but in lieu thereof a cash payment will be made, as provided in the Warrant Agreement.

Nothing contained in the Warrant Agreement or in this Warrant Certificate will be construed as conferring upon the holder of this Warrant Certificate the right to vote, or to receive dividends, or to consent or (except as provided in the Warrant Agreement) to receive notice in respect of any meeting of stockholders for the election of directors of the Company or any other matter, or any rights whatsoever as a stockholder of the Company.

This Warrant Certificate will not be valid or obligatory for any purpose until it has been countersigned by the Warrant Agent.

IN WITNESS WHEREOF, the Company has caused this Warrant Certificate to be executed on this ____ day of _____, ____, by its corporate officers duly authorized.

Attest: FEDERATED DEPARTMENT STORES, INC.

By:

- - ---------- ----------

[Name, title] [Name, title]

Dated:

---------, ----

Countersigned:

THE BANK OF NEW YORK

By:

[Authorized Signature]

Form of Reverse Side of Warrant Certificate

FORM OF ASSIGNMENT

(To be executed if the Holder desires to transfer Warrants)

FOR VALUE RECEIVED, _____ hereby sells, assigns, and transfers unto _____

_____

(Please print name and address of transferee)

_____

this Warrant Certificate, together with all right, title, and interest therein, and does hereby irrevocably constitute and appoint _____ Attorney, to transfer the within Warrant Certificate on the books of the within-named Company, with full power of substitution.

Dated: _____, _____

_____
Signature

Signature Guaranteed:

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FORM OF EXERCISE NOTICE

(To be executed if the Holder desires to exercise Warrants)

TO FEDERATED DEPARTMENT STORES, INC.:

The undersigned hereby irrevocably elects to exercise _____ Warrants evidenced by this Warrant Certificate to purchase the Warrant Shares issuable upon the exercise of such Warrants and requests that certificates for such Warrant Shares be issued in the name of:

_____
(Please print name and address)
_____

Please insert social security or other identifying number: _____

If such number of Warrants is not all the Warrants evidenced by this Warrant Certificate, a new Warrant Certificate for the balance remaining of such Warrants will be registered in the name of and delivered to:

_____
(Please print name and address)
_____

Please insert social security or other identifying number: _____

Dated: _____, _____

_____
Signature

Signature Guaranteed:

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NOTICE

Signatures on the foregoing Form of Assignment and Form of Exercise Notice and in the related Warrant Certificates must correspond to the name as written upon the face of this Warrant Certificate in every particular, without alternation or enlargement or any change whatsoever.

Signatures must be guaranteed by a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the United States.

EXECUTION COPY

$2,800,000,000

CREDIT AGREEMENT

Dated as of December 19, 1994

Among

FEDERATED DEPARTMENT STORES, INC.

As Borrower

---

and

THE INITIAL LENDERS NAMED HEREIN

As Initial Lenders

---

and

CITIBANK, N.A.

as Administrative Agent

---

and

CHEMICAL BANK

As Agent

---

and

CITICORP SECURITIES, INC.

As Arranger

---

and

CHEMICAL SECURITIES INC.

As Co-Arranger

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Exhibit E - Form of Security Agreement

Exhibit F - Form of Guaranty

Exhibit G-1 - Form of Opinion of Counsel for the Loan Parties

Exhibit G-2 - Form of Opinion of General Counsel to the Borrower

CREDIT AGREEMENT

CREDIT AGREEMENT dated as of December 19, 1994 among FEDERATED DEPARTMENT STORES, INC., a Delaware corporation ("FEDERATED", and together with the Surviving Corporation (as hereinafter defined) following the Merger, the "BORROWER"), the banks, financial institutions and other institutional lenders (the "INITIAL LENDERS") listed on the signature pages hereof, CITIBANK, N.A. ("CITIBANK"), as administrative agent (together with any successor appointed pursuant to Article VII, the "ADMINISTRATIVE AGENT") for the Lender Parties (as hereinafter defined), CHEMICAL BANK ("CHEMICAL"), as agent (the "AGENT"), CITICORP SECURITIES, INC., as arranger (the "ARRANGER"), and CHEMICAL SECURITIES INC., as co-arranger (the "CO-ARRANGER").

PRELIMINARY STATEMENTS:

(1) R. H. Macy & Co., Inc., a Delaware corporation (the "COMPANY"), and certain of its Subsidiaries (as hereinafter defined) (together with the Company, the "DEBTORS") are debtors and debtors in possession under Chapter 11 of the Bankruptcy Code (11 U.S.C. Section Section 101 ET SEQ.; the "BANKRUPTCY CODE") in the United States Bankruptcy Court for the Southern District of New York (the "BANKRUPTCY COURT").

(2) The Debtors have filed an amended joint plan of reorganization (as amended or otherwise modified from time to time in accordance with its terms, to the extent permitted in accordance with the Loan Documents (as hereinafter defined), the "PLAN OF REORGANIZATION") for the resolution of the outstanding creditor claims against and equity interests in the Company and the other Debtors.

(3) The Plan of Reorganization contemplates, among other things, that Federated and the Company will merge.

(4) Pursuant to the Agreement and Plan of Merger dated as of August 16, 1994 (as amended or otherwise modified from time to time in accordance with its terms, to the extent permitted in accordance with the Loan Documents, the "MERGER AGREEMENT") between Federated and the Company, Federated has agreed to consummate a merger (the "MERGER") with the Company in which the Company will be the surviving corporation (the "SURVIVING CORPORATION"). At the time of the Merger, the Borrower will be reorganized (the "REORGANIZATION"), with certain divisions and certain other business units of the Borrower constituting direct or indirect wholly owned Subsidiaries of the Surviving Corporation holding all assets of such divisions and units material or necessary to the conduct of the business of

such divisions and units, substantially as described on pages 47 and 48 of the Disclosure Statement (as hereinafter defined).

(5) Upon consummation of the Merger and the Reorganization, the Surviving Corporation will change its name from R. H. Macy & Co., Inc. to Federated Department Stores, Inc.

(6) The Borrower has requested that, immediately upon the consummation of the Merger and the Reorganization, the Lenders lend to the Surviving Corporation up to $2,800,000,000 in order to pay to certain creditors of the Debtors the cash consideration for their claims against the Debtors, pay transaction fees and expenses, refinance certain Existing Debt (as hereinafter defined) of Federated and provide working capital for the Surviving Corporation and its Subsidiaries. The Lenders have indicated their willingness to agree to lend such amounts on the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements contained herein, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. CERTAIN DEFINED TERMS. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"ADJUSTED DEBT" means, at any time, the amount by which (a) Consolidated Debt (other than Debt of the type referred to in clauses (f) and (h) in the definition of "DEBT") of the Borrower and its Subsidiaries exceeds (b) the sum of (to the extent otherwise included in the calculation of Consolidated Debt under clause (a) above) (i) non-recourse Debt of Ridge Capital Trust II outstanding under the May Note Monetization Facility and (ii) non-recourse Debt and Debt consisting of indemnification obligations and guaranties thereof, in each case of the Borrower or any of its Subsidiaries outstanding under the Receivables Financing Facility, in each case calculated on a Consolidated basis in accordance with GAAP.

"ADMINISTRATIVE AGENT" has the meaning specified in the recital of parties to this Agreement.

"ADMINISTRATIVE AGENT'S ACCOUNT" means the account of the Administrative Agent maintained by Citibank at its office at 399 Park Avenue, New York, New York 10043, Account No. 36852248, Account Name: Medium Term Finance, Reference: Federated.

"ADVANCE" means a Term Advance, a Working Capital Advance, a Competitive Bid Advance, a Swing Line Advance or a Letter of Credit Advance.

"AFFILIATE" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term "control" (including the terms "controlling," "controlled by" and "under common control with") of a Person means the possession, direct or indirect, of the power to vote 5% or more of the Voting Stock of such Person or to direct or cause the direction of the management and policies of such Person,

whether through the ownership of Voting Stock, by contract or otherwise.

"AGENT" has the meaning specified in the recital of parties to this Agreement.

"ALTERNATIVE CURRENCY" means lawful money of Austria, Belgium, the Federal Republic of Germany, France, Italy, the Swiss Confederation, the United Kingdom and such other lawful currencies other than Dollars that are freely transferable and convertible into Dollars as the Borrower, with the consent of the Administrative Agent and the applicable Issuing Bank, shall designate.

"APPLICABLE LENDING OFFICE" means, with respect to each Lender and each Issuing Bank, such Lender's or such Issuing Bank's Domestic Lending Office in the case of a Base Rate Advance and such Lender's Eurodollar Lending Office in the case of a Eurodollar Rate Advance and, in the case of a Competitive Bid Advance, the office of such Lender notified by such Lender to the Administrative Agent as its Applicable Lending Office with respect to such Competitive Bid Advance.

"APPLICABLE MARGIN" means, as of any date, 0% per annum for Base Rate Advances, and (a) from the date hereof until July 31, 1995, the percentage per annum for Eurodollar Rate Advances set forth below for level 5 and the percentage per annum for Trade Letters of Credit set forth below for level 5 and (b) thereafter, a percentage per annum for Eurodollar Rate Advances and Trade Letters of Credit determined by reference to the Interest Coverage Ratio and Debt Rating as set forth below:

<TABLE>
<CAPTION>

LEVEL	INTEREST COVERAGE RATIO	DEBT RATING S&P	DEBT RATING MOODY'S	EURODOLLAR RATE ADVANCES	TRADE LETTERS OF CREDIT
1	4.50:1 or greater	BBB+ or above	Baa1 or above	0.375%	0.250%
2	Less than 4.50:1 but greater than or equal to 4.25:1	BBB	Baa2	0.500%	0.375%
3	Less than 4.25:1 but greater than or equal to 3.75:1	BBB-	Baa3	0.625%	0.425%
4	Less than 3.75:1 but greater than or equal to 3.25:1	BB+	Ba1	0.750%	0.500%
5	Less than 3.25:1	BB or below	Ba2 or below	1.000%	0.625%

</TABLE>

The Applicable Margin for each Eurodollar Rate Advance and each Trade Letter of Credit shall be determined by reference to the Interest Coverage Ratio and Debt Rating in effect from time to time; PROVIDED, HOWEVER, that

(A) if the applicable Debt Ratings established by S&P and Moody's shall be the same grade and shall fall within the same level, and the Interest Coverage Ratio falls within a different level, the Applicable Margin shall be a percentage per annum equal to the lower of the two applicable percentages for such levels,

(B) if the applicable Debt Ratings established by S&P and Moody's shall be different grades, (i) if such grades are one grade apart, the Applicable Margin shall be a percentage per annum equal to the lower of (x) the lower of the two applicable percentages for such grades and (y) the percentage for the applicable Interest Coverage Ratio and (ii) if such grades are more than one grade apart, the Applicable Margin shall be a percentage per annum equal to the lower of (x) the applicable percentage for the grade that is one grade below the Debt Rating with the higher grade and (y) the percentage for the applicable Interest Coverage Ratio,

(C) if only one of S&P and Moody's shall have in effect a Debt Rating, the Applicable Margin shall be a percentage per annum equal to the lower of (x) so long as both S&P and Moody's are engaged in the business of rating Debt, the applicable percentage for the grade that is one grade below the available Debt Rating, or if either S&P or Moody's is no longer engaged in the business of rating Debt, the applicable percentage for the available Debt Rating and (y) the percentage for the applicable Interest Coverage Ratio,

(D) if neither S&P nor Moody's shall have in effect a Debt Rating, the Applicable Margin shall be determined by reference to the Interest Coverage Ratio,

(E) no change in the Applicable Margin shall be effective until five Business Days after the date on which the Administrative Agent receives financial statements pursuant to Section 5.03(c) or (d), in the case of a change in the Applicable Margin due to an increase in the Interest Coverage Ratio, and, in any case, a certificate of the chief financial officer of the Borrower demonstrating such Interest Coverage Ratio and Debt Rating, and no change in the Applicable Margin shall be effective, in the case of a change in the Applicable Margin due to a decrease in the Interest Coverage Ratio, until five Business Days after the date on which the Administrative Agent should have received financial statements pursuant to Section 5.03(c) or (d) and a certificate of the chief financial officer of the Borrower demonstrating such Interest Coverage Ratio and Debt Rating,

(F) for the period from the date hereof until February 4, 1996, the Applicable Margin shall not decrease by more than one level and thereafter, the Applicable Margin shall not decrease by more than one level in any three-month period,

(G) during such time as the most recently available Consolidated financial statements of the Borrower are those for the second fiscal quarter in the Fiscal Year ending on February 3, 1996, (i) if EBITDA for the Measurement Period ending on the last day of such fiscal quarter shall exceed $410,000,000 and the Interest Coverage Ratio for such Measurement Period shall exceed 1.9:1, the applicable percentage for such Interest Coverage Ratio shall be deemed to be at level 4, and (ii) in all other cases, the applicable percentage for such Interest Coverage Ratio shall be deemed to

be at level 5, and

(H) during such time as the most recently available Consolidated financial statements of the Borrower are those for the third fiscal quarter in the Fiscal Year ending on February 3, 1996, (i) if EBITDA for the Measurement Period ending on the last day of such fiscal quarter shall exceed $700,000,000 and the Interest Coverage Ratio for such Measurement Period shall exceed 2.13:1, the applicable percentage for such Interest Coverage Ratio shall be deemed to be at level 4, and (ii) in all other cases, the applicable percentage for such Interest Coverage Ratio shall be deemed to be at level 5;

PROVIDED FURTHER, HOWEVER, that the foregoing is subject to the requirements contained in the definition of "DEBT RATING". For purposes of this definition, the term "grades" refers to the grades of the Debt Ratings established by S&P and the equivalent grades of the Debt Ratings established by Moody's.

"APPLICABLE PERCENTAGE" means, as of any date, (a) from the date hereof until July 31, 1995, 1/4 of 1% per annum, and (b) thereafter, a percentage per annum determined by reference to the Applicable Margin Level as set forth below:

<TABLE>
<CAPTION>

APPLICABLE MARGIN LEVEL	APPLICABLE PERCENTAGE
<S>	<C>
1	0.1500%
2	0.1875%
3	0.2000%
4	0.2500%
5	0.3125%

</TABLE>

The Applicable Percentage shall be determined by reference to the applicable level for the Applicable Margin in effect from time to time.

"APPROPRIATE LENDER" means, at any time, with respect to (a) the Term Facility or the Working Capital Facility, a Lender that has a Commitment with respect to such Facility at such time, (b) the Letter of Credit Facility, (i) any Issuing Bank and (ii) if the other Working Capital Lenders have made Letter of Credit Advances pursuant to

Section 2.14(c) that are outstanding at such time, each such other Working Capital Lender and (c) the Swing Line Facility, (i) any Swing Line Bank and (ii) if the other Working Capital Lenders have made Swing Line Advances pursuant to Section 2.02(b) that are outstanding at such time, each such other Working Capital Lender.

"ARRANGER" has the meaning specified in the recital of parties to this Agreement.

"ASGREC" means Allied Stores General Real Estate Company, a Delaware corporation and a direct wholly owned Subsidiary of the Borrower.

"ASSIGNMENT AND ACCEPTANCE" means an assignment and acceptance entered into by a Lender Party and an Eligible Assignee, and accepted by the Administrative Agent, in accordance with Section 8.07 and in substantially the form of Exhibit C hereto.

"AVAILABLE AMOUNT" of any Letter of Credit or any Documentary L/C means, at any time, the maximum amount available to be drawn under such Letter of Credit or Documentary L/C at such time (assuming compliance at such time with all conditions to drawing), provided that with respect to any Letter of Credit denominated in an Alternative Currency, such maximum amount shall be calculated as the equivalent Dollar amount, determined in accordance with Section 1.04, of the stated maximum amount.

"BANK HEDGE AGREEMENT" means any interest rate Hedge Agreement required or permitted under Article V that is entered into by and between the Borrower and any Lender.

"BANKRUPTCY CODE" has the meaning specified in the Preliminary Statements.

"BANKRUPTCY COURT" has the meaning specified in the Preliminary Statements.

"BASE RATE" means a fluctuating interest rate per annum in effect from time to time, which rate per annum shall at all times be equal to the highest of:

(a) the rate of interest announced publicly by Citibank in New York, New York, from time to time, as Citibank's base rate;

(b) the sum (adjusted to the nearest 1/4 of 1% or, if there is no nearest 1/4 of 1%, to the next higher 1/4 of 1%) of (i) 1/2 of 1% per annum, plus (ii) the rate obtained by dividing (A) the latest three-week moving average of secondary market morning offering rates in the United States for three-month

certificates of deposit of major United States money market banks, such three-week moving average (adjusted to the basis of a year of 360 days) being determined weekly on each Monday (or, if such day is not a Business Day, on the next succeeding Business Day) for the three-week period ending on the previous Friday by the Administrative Agent on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication

shall be suspended or terminated, on the basis of quotations for such rates received by the Administrative Agent from three New York certificate of deposit dealers of recognized standing selected by the Administrative Agent, by (B) a percentage equal to 100% minus the average of the daily percentages specified during such three-week period by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, but not limited to, any emergency, supplemental or other marginal reserve requirement) for the Administrative Agent with respect to liabilities consisting of or including (among other liabilities) three-month U.S. dollar non-personal time deposits in the United States, PLUS (iii) the average during such three-week period of the annual assessment rates estimated by the Administrative Agent for determining the then current annual assessment payable by the Administrative Agent to the Federal Deposit Insurance Corporation (or any successor) for insuring U.S. dollar deposits of the Administrative Agent in the United States; and

(c) 1/2 of one percent per annum above the Federal Funds Rate.

"BASE RATE ADVANCE" means a Regular Advance that bears interest as provided in Section 2.07(a)(i).

"BORROWER" has the meaning specified in the recital of parties to this Agreement.

"BORROWER'S ACCOUNT" means the account of the Borrower maintained by the Borrower with Citibank at its office at 399 Park Avenue, New York, New York 10043, Account No. 405-448-38.

"BORROWING" means a Term Borrowing, a Working Capital Borrowing, a Competitive Bid Borrowing or a Swing Line Borrowing.

"BUSINESS DAY" means a day of the year on which banks are not required or authorized by law to close in New York City and, if the applicable Business Day

relates to any Eurodollar Rate Advances, on which dealings are carried on in the London interbank market.

"CAPITAL EXPENDITURES" means, for any Person for any period, the sum of (a) all expenditures (other than interest capitalized during construction) made, directly or indirectly, by such Person and its Subsidiaries during such period for equipment, fixed assets, real property or improvements, or for replacements or substitutions therefor or additions thereto, that have been or should be, in accordance with GAAP, reflected as additions to property, plant or equipment on a Consolidated balance sheet of such Person plus (b) the aggregate principal amount of all Debt (including obligations under Capitalized Leases) assumed or incurred in connection with any such expenditures. For purposes of this definition, the purchase price of equipment that is purchased simultaneously with the trade-in of existing equipment or with insurance proceeds shall be included in Capital Expenditures only to the extent of the gross amount of such purchase price less the credit granted by the seller of such equipment for the equipment being traded in at such time or the amount of such proceeds, as the case may be.

"CAPITALIZED LEASES" means all leases that have been or should be, in accordance with GAAP, recorded as capitalized leases.

"CARRY-OVER AMOUNT" has the meaning specified in Section 5.02(o).

"CASH CAPITAL EXPENDITURES" means Capital Expenditures other than those referred to in clause (b) of the definition of "CAPITAL EXPENDITURES".

"CASH EQUIVALENTS" means any of the following, to the extent owned by the Borrower or any of its Subsidiaries free and clear of all Liens and having a maturity of not greater than one year from the date of acquisition thereof:

(a) readily marketable direct obligations of the Government of the United States or any agency or instrumentality thereof or obligations unconditionally guaranteed by the full faith and credit of the Government of the United States,

(b) certificates of deposit, eurodollar time deposits, overnight bank deposits and bankers' acceptances of any commercial bank organized under the laws of the United States or any State thereof or any branch of a foreign bank that (i) is a Lender or a member of the Federal Reserve System, (ii) issues (or the parent of which issues) commercial paper rated as described in clause (c) below, and (iii) has combined capital and surplus of at least $100,000,000, to

the extent Cash Equivalents under this clause (b) do not exceed $10,000,000 in the aggregate, or at least $500,000,000, to the extent such Cash Equivalents exceed $10,000,000 in the aggregate,

(c) commercial paper in an aggregate amount of no more than $75,000,000 per issuer outstanding at any time, issued by any corporation organized under the laws of any State of the United States and rated at least "Prime-1" (or the then equivalent grade) by Moody's or "A-1" (or the then equivalent grade) by S&P, or carrying an equivalent rating by a nationally recognized rating agency if both S&P and Moody's cease publishing ratings of investments,

(d) repurchase obligations with a term of not more than seven days for underlying securities of the type described in clause (a) above entered into with any commercial bank organized under the laws of the United States or any State thereof or any branch of a foreign bank that (i) is a Lender or a member of the Federal Reserve System, (ii) issues (or the parent of which issues) commercial paper rated as described in clause (c) above or has a short term Debt rating of at least "Prime-1" (or the then equivalent grade) by Moody's or "A-1" (or the then equivalent grade) by S&P, and (iii) has combined capital and surplus of at least $500,000,000, or

(e) Investments in money market or mutual funds that invest primarily in Cash Equivalents of the type described in clauses (a), (b) and (c) above.

"CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended from time to time.

"CERCLIS" means the Comprehensive Environmental Response, Compensation and Liability Information System maintained by the U.S. Environmental Protection Agency.

"CHEMICAL" has the meaning specified in the recital of parties to this Agreement.

"CITIBANK" has the meaning specified in the recital of parties to this Agreement.

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

Capital Commitments on the first day of such Clean-Down Period exceeds $900,000,000 and (b) for each Clean-Down Period occurring thereafter, the amount by which the aggregate amount of the Working Capital Commitments on the first day of such Clean-Down Period exceeds $1,000,000,000.

"CLEAN-DOWN PERIOD" means, for each consecutive 12-month period commencing on December 1 of each year, a period of 30 consecutive days commencing between December 1 and March 1 of such 12-month period, with the first such Clean-Down Period commencing no later than March 1, 1996, provided that if a Clean-Down Period has not commenced prior to March 1 of any such 12-month period, a Clean-Down Period shall commence on such date.

"CO-ARRANGER" has the meaning specified in the recital of parties to this Agreement.

"COLLATERAL" means all "Collateral" referred to in the Collateral Documents and all other property that is or is intended to be subject to any Lien in favor of the Administrative Agent for its benefit and the benefit of the Agent, the Lender Parties and the Hedge Banks.

"COLLATERAL DOCUMENTS" means the Security Agreement and any other agreement that creates or purports to create a Lien in favor of the Administrative Agent for its benefit and the benefit of the Agent, the Lender Parties and the Hedge Banks.

"COMMITMENT" means a Term Commitment, a Working Capital Commitment or a Letter of Credit Commitment.

"COMPANY" has the meaning specified in the Preliminary Statements.

"COMPETITIVE BID ADVANCE" means an advance by a Working Capital Lender to the Borrower as part of a Competitive Bid Borrowing resulting from the competitive bidding procedure described in Section 2.03 and refers to a Fixed Rate Advance or a LIBO Rate Advance.

"COMPETITIVE BID AMOUNT" means, at any time, the aggregate amount of the Competitive Bid Advances then outstanding.

"COMPETITIVE BID BORROWING" means a borrowing consisting of simultaneous Competitive Bid Advances from each of the Working Capital

make one or more Competitive Bid Advances as part of such borrowing has been accepted under the competitive bidding procedure described in Section 2.03.

"COMPETITIVE BID NOTE" means a promissory note of the Borrower payable to the order of any Working Capital Lender, in substantially the form of Exhibit A-3 hereto, evidencing the indebtedness of the Borrower to such Lender resulting from a Competitive Bid Advance made by such Lender.

"CONFIDENTIAL INFORMATION" means all information about the Borrower, the Company and their respective Subsidiaries that has been furnished by the Borrower, the Company or any of their respective Subsidiaries to the Administrative Agent, the Agent or any Lender Party whether furnished before or after the date of this Agreement, and regardless of the manner in which it is furnished, but does not include any such information that (a) is or becomes generally available to the public other than as a result of a disclosure by the Administrative Agent, the Agent or any Lender Party not permitted by this Agreement, (b) was available to the Administrative Agent, the Agent or any Lender Party on a non-confidential basis prior to its disclosure to the Administrative Agent, the Agent or such Lender Party or (c) becomes available to the Administrative Agent, the Agent or any Lender Party on a non-confidential basis from a Person other than the Borrower or any of its Subsidiaries that is not, to the best of the Administrative Agent's, the Agent's or such Lender Party's knowledge, acting in violation of a confidentiality agreement with the Borrower or any of its Subsidiaries or is not otherwise prohibited from disclosing the information to the Administrative Agent, the Agent or such Lender Party.

"CONFIRMATION ORDER" has the meaning specified in Section 3.01(m)(ii).

"CONSOLIDATED" refers to the consolidation of accounts in accordance with GAAP.

"CONVERSION", "CONVERT" and "CONVERTED" each refer to a conversion of Regular Advances of one Type into Regular Advances of the other Type pursuant to Section 2.09 or 2.10.

"CONVERTIBLE DEBENTURES" means the Senior Convertible Discount Notes due February 15, 2004 issued by the Borrower pursuant to the Senior Convertible Discount Note Agreement dated as of February 5, 1992, among the Borrower, the financial institutions party thereto and Citibank, as agent, and the Indenture dated as of April 8, 1993 between the Borrower and The First National Bank of Boston, as trustee.

"CURRENT ASSETS" of any Person means all assets of such Person that would, in accordance with GAAP, be classified as current assets of a company conducting a business the same as or similar to that of such Person, after deducting adequate reserves in each case in which a reserve is proper in accordance with GAAP.

"CURRENT LIABILITIES" of any Person means (a) all Debt of such Person that by its terms is payable on demand or matures within one year after the date of determination (excluding any Debt renewable or extendible, at the option of such Person, to a date more than one year from such date or arising under a revolving credit or similar agreement that obligates the lender or lenders to extend credit during a period of more than one year from such date) and (b) all other items (including taxes accrued as estimated) that in accordance with GAAP would be classified as current liabilities of such Person.

"DEBT" of any Person means, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all Obligations of such Person for the deferred purchase price of property or services (other than Obligations for property (excluding real property, capital stock and property subject to Capitalized Leases) and services purchased, and expense accruals and deferred compensation items arising, in the ordinary course of such Person's business), (c) all Obligations of such Person evidenced by notes, bonds, debentures or other similar instruments (other than performance, surety and appeals bonds arising in the ordinary course of business), (d) all payment Obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (unless the rights and remedies of the seller, lessor or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all payment Obligations of such Person as lessee under Capitalized Leases, (f) all Obligations, contingent or otherwise, of such Person under acceptance, letter of credit or similar facilities, (g) all Obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any capital stock of or other ownership or profit interest in such Person or any other Person or any warrants, rights or options to acquire such capital stock (other than Obligations of such Person in respect of employee stock plans), valued, in the case of Redeemable Preferred Stock, at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends, (h) all Obligations of such Person in respect of Hedge Agreements, (i) all Debt of others referred to in clauses (a) through (h) above or clause (j) below guaranteed directly or indirectly in any manner by such Person, or in effect guaranteed directly or indirectly by such Person through an agreement (i) to pay or purchase such Debt or to advance or supply funds for the payment or purchase of such Debt, (ii) to purchase, sell or lease (as lessee or lessor) property, or to purchase or sell services,

primarily for the purpose of enabling the debtor to make payment of such Debt or to assure the holder of such Debt against loss, (iii) to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether such property is received or such services are rendered) or (iv) otherwise to assure a creditor against loss, and (j) all Debt referred to in clauses (a) through (i) above of another Person secured by (or for which the holder of such Debt has an existing right, contingent or

otherwise, to be secured by) any Lien on property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Debt; PROVIDED that the amount of Debt of the type referred to in clauses (i) and (j) above will be included within the definition of "DEBT" only to the extent of the amount of the obligations so guaranteed or otherwise supported.

"DEBTORS" has the meaning specified in the Preliminary Statements.

"DEBT RATING" means, as of any date, the lowest rating that has been most recently announced by either S&P or Moody's, as the case may be, for any class of long-term senior unsecured Debt issued by the Borrower or, if applicable, the rating assigned (in writing) by either S&P or Moody's, as the case may be, to the "implied rating" of the Borrower's long-term senior unsecured Debt. For purposes of the foregoing, (a) if any rating established by S&P or Moody's shall be changed, such change shall be effective as of the date on which such change is first announced publicly by the rating agency making such change, and (b) if S&P or Moody's shall change the basis on which ratings are established, each reference to the Debt Rating announced by S&P or Moody's, as the case may be, shall refer to the then equivalent rating by S&P or Moody's, as the case may be.

"DEFAULT" means any Event of Default or any event that would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

"DEFAULTED ADVANCE" means, with respect to any Lender at any time, the portion of any Advance required to be made by such Lender to the Borrower pursuant to Section 2.01 or 2.02 at or prior to such time which has not been made by such Lender or by the Administrative Agent for the account of such Lender pursuant to Section 2.02(e) as of such time. In the event that a portion of a Defaulted Advance shall be deemed made pursuant to Section 2.16(a), the remaining portion of such Defaulted Advance shall be considered a Defaulted Advance originally required to be made pursuant to Section 2.01 on the same date as the Defaulted Advance so deemed made in part.

"DEFAULTED AMOUNT" means, with respect to any Lender at any time, any amount required to be paid by such Lender to the Administrative Agent, any other Lender or any Issuing Bank hereunder or under any other Loan Document at or prior to such time which has not been so paid as of such time, including, without limitation, any amount required to be paid by such Lender to (a) any Swing Line Bank pursuant to Section 2.02(b) to purchase a portion of a Swing Line Advance made by such Swing Line Bank, (b) any Issuing Bank pursuant to Section 2.14(c) to purchase a portion of a Letter of Credit Advance made by such Issuing Bank, (c) the Administrative Agent pursuant to Section 2.02(e) to reimburse the Administrative Agent for the amount of any Advance made by the Administrative Agent for the account of such Lender, (d) any other Lender pursuant to Section 2.13 to purchase any participation in Advances owing to such other Lender or an Issuing Bank and (e) the Administrative Agent or any Issuing Bank pursuant to Section 7.05 to reimburse the Administrative Agent or such Issuing Bank for such Lender's ratable share of any amount required to be paid by the Lenders to the Administrative Agent or such Issuing Bank as provided therein. In the event that a portion of a Defaulted Amount shall be deemed paid pursuant to Section 2.16(b), the remaining

portion of such Defaulted Amount shall be considered a Defaulted Amount originally required to be paid hereunder or under any other Loan Document on the same date as the Defaulted Amount so deemed paid in part.

"DEFAULTING LENDER" means, at any time, any Lender that, at such time, (a) owes a Defaulted Advance or a Defaulted Amount or (b) shall take any action or be the subject of any action or proceeding of a type described in Section 6.01(f).

"DESIGNATED BIDDER" means (a) an Eligible Assignee or (b) a special purpose corporation that is engaged in making, purchasing or otherwise investing in commercial loans in the ordinary course of its business and that issues (or the parent of which issues) commercial paper rated at least "Prime-1" (or the then equivalent grade) by Moody's or "A-1" (or the then equivalent grade) by S&P that, in the case of either clause (a) or (b), (i) is organized under the laws of the United States or any State thereof, (ii) shall have become a party hereto pursuant to Section 8.07(f), (g) and (h) and (iii) is not otherwise a Working Capital Lender.

"DESIGNATION AGREEMENT" means a designation agreement entered into by a Working Capital Lender (other than a Designated Bidder) and a Designated Bidder, and accepted by the Administrative Agent, in substantially the form of Exhibit D hereto.

"DISCLOSED LITIGATION" has the meaning specified in Section 3.01(g).

"DISCLOSURE STATEMENT" means the Disclosure Statement dated October 21, 1994 and filed with the Bankruptcy Court by the Debtors.

"DOCUMENTARY L/C" means any letter of credit (other than a Letter of Credit issued pursuant to this Agreement) that is issued for the benefit of a supplier of inventory to the Borrower or any of its Subsidiaries to effect payment for such inventory.

"DOCUMENTARY L/C AMOUNT" means, at any time during a Non-Investment Grade Period, the Available Amount of Documentary L/Cs outstanding at such time and at any time during an Investment Grade Period, zero.

"DOLLARS" and the sign "$" each means lawful money of the United States.

"DOMESTIC LENDING OFFICE" means, with respect to any Lender Party, the office of such Lender Party specified as its "Domestic Lending Office" opposite its name on Schedule I hereto or in the Assignment and Acceptance pursuant to which it became a Lender Party, or such other office of such Lender Party as such Lender Party may from time to time specify to the Borrower and the Administrative Agent.

"EBITDA" means, for any period, (i) the sum, determined on a Consolidated basis, of (a) net income (or net loss), (b) Net Interest Expense, (c) income tax expense, (d) depreciation expense, (e) amortization expense (including, without limitation, amortization of (1) excess of cost over net assets acquired, (2) reorganization value in excess of amounts allocable to identifiable assets and (3) unearned restricted stock) and (f) unusual and extraordinary losses less (ii) unusual and extraordinary gains, in each case of the Borrower and its

Subsidiaries determined in accordance with GAAP for such period.

"ELECTRONIC ISSUING BANK" has the meaning specified in Section 2.14(a).

"ELECTRONIC L/C" and "ELECTRONIC L/C RESERVE" each has the meaning specified in Section 2.14(a).

"ELIGIBLE ASSIGNEE" means (a) with respect to the Term Facility, (i) a Lender; (ii) an Affiliate of a Lender; or (iii) any other Person approved by the Administrative Agent and, so long as no Event of Default shall have occurred and be continuing, the Borrower, such approval not to be unreasonably withheld or delayed, (b) with respect to the Working Capital Facility, (i) a Working Capital Lender; (ii) an Affiliate of a Working Capital Lender; or (iii) any other Person approved by the Administrative

Agent, the Agent and, so long as no Event of Default shall have occurred and be continuing, the Borrower, such approval not to be unreasonably withheld or delayed and (c) with respect to the Letter of Credit Facility, any Person approved by the Administrative Agent, the Agent and, so long as no Event of Default shall have occurred and be continuing, the Borrower, such approval not to be unreasonably withheld or delayed; PROVIDED, HOWEVER, that neither any Loan Party nor any Affiliate of any Loan Party shall qualify as an Eligible Assignee under this definition.

"ENVIRONMENTAL ACTION" means any administrative, regulatory or judicial action, suit, demand, demand letter, claim, notice of non-compliance or violation, notice of liability or potential liability, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law, any Environmental Permit or Hazardous Material or arising from alleged injury or threat to health, safety or the environment by Hazardous Material, including, without limitation, (a) by any governmental or regulatory authority for enforcement, cleanup, removal, response, remedial or other actions or damages and (b) by any governmental or regulatory authority or third party for damages, contribution, indemnification, cost recovery, compensation or injunctive relief.

"ENVIRONMENTAL LAW" means any federal, state, local or (to the extent applicable) foreign statute, law, ordinance, rule, regulation, code, order, writ, judgment, injunction, decree or judicial or agency interpretation, policy or guidance, relating to the environment, health, safety or Hazardous Materials.

"ENVIRONMENTAL PERMIT" means any permit, approval, identification number, license or other authorization required under any Environmental Law.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ERISA AFFILIATE" means any Person that for purposes of Title IV of ERISA is a member of the controlled group of any Loan Party, or under common control with any Loan Party, within the meaning of Section 414 of the Internal Revenue Code.

"ERISA EVENT" means (a) the occurrence of a Reportable Event with respect to any Plan; (b) the application for a minimum funding

waiver with respect to a Plan; (c) the provision by the administrator of any Plan of a notice of intent to terminate such Plan, pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA); (d) the cessation of

operations at a facility of any Loan Party or any ERISA Affiliate in the circumstances described in Section 4062(e) of ERISA; (e) the withdrawal by any Loan Party or any ERISA Affiliate from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (f) the failure by any Loan Party or any ERISA Affiliate to make a payment to a Plan required under Section 302(f)(1) of ERISA; (g) the adoption of an amendment to a Plan requiring the provision of security to such Plan, pursuant to Section 307 of ERISA; or (h) the institution by the PBGC of proceedings to terminate a Plan, pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that could constitute grounds for the termination of, or the appointment of a trustee to administer, such Plan.

"EUROCURRENCY LIABILITIES" has the meaning specified in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"EURODOLLAR LENDING OFFICE" means, with respect to any Lender, the office of such Lender specified as its "Eurodollar Lending Office" opposite its name on Schedule I hereto or in the Assignment and Acceptance pursuant to which it became a Lender (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to the Borrower and the Administrative Agent.

"EURODOLLAR RATE" means, for any Interest Period for all Eurodollar Rate Advances comprising part of the same Borrowing, an interest rate per annum equal to the rate per annum obtained by dividing (a) the rate per annum at which deposits in U.S. dollars are offered by the principal office of the Administrative Agent in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to the Administrative Agent's Eurodollar Rate Advance comprising part of such Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period by (b) a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage for such Interest Period.

"EURODOLLAR RATE ADVANCE" means a Regular Advance that bears interest as provided in Section 2.07(a)(ii).

"EURODOLLAR RATE RESERVE PERCENTAGE" for any Interest Period for all Eurodollar Rate Advances or LIBO Rate Advances comprising part of the same Borrowing means the reserve percentage applicable two Business Days before the first day of such Interest Period under regulations issued from time to time by the Board of Governors

of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for a member bank of the Federal Reserve System in New York City with respect to liabilities or assets consisting of or including Eurocurrency Liabilities (or with respect to any other category of liabilities that includes deposits by reference to which the interest rate on Eurodollar Rate Advances or LIBO Rate Advances is determined) having a term equal to such Interest Period.

"EVENTS OF DEFAULT" has the meaning specified in Section 6.01.

"EXCESS CASH FLOW" means, for any Fiscal Year, an amount equal to Consolidated EBITDA of the Borrower and its Subsidiaries for such Fiscal Year,

plus (A) (without duplication) the sum of

(i) if there was a net increase in Consolidated Current Liabilities (excluding, to the extent otherwise included therein, income taxes payable, Funded Debt and non-recourse Debt under the Receivables Financing Facility) of the Borrower and its Subsidiaries during such Fiscal Year, the amount of such net increase,

(ii) if there was a net decrease in Consolidated Current Assets (excluding, to the extent otherwise included therein, cash, Cash Equivalents, deferred income tax assets, Debt outstanding under the note receivable monetized pursuant to the May Note Monetization Facility and receivables sold under the Receivables Financing Facility) of the Borrower and its Subsidiaries during such Fiscal Year, the amount of such net decrease,

(iii) an amount equal to the lesser of (A) the Carry-Over Amount (if any) for such Fiscal Year and (B) the amount by which the Maximum Permitted Amount for such Fiscal Year exceeds the Cash Capital Expenditures actually made by the Borrower and its Subsidiaries on a Consolidated basis during such Fiscal Year, and

(iv) the amount (if any) of unusual and extraordinary cash gains during such Fiscal Year

LESS (b) (without duplication) the sum of

(i) if there was a net decrease in Consolidated Current Liabilities (excluding, to the extent otherwise included therein, income taxes payable, Funded Debt and non-recourse Debt under the Receivables Financing Facility) of the Borrower and its Subsidiaries during such Fiscal Year, the amount of such net decrease,

(ii) if there was a net increase in Consolidated Current Assets (excluding, to the extent otherwise included

therein, cash, Cash Equivalents, deferred income tax assets, Debt outstanding under the note receivable monetized pursuant to the May Note Monetization Facility and receivables sold under the Receivables Financing Facility) of the Borrower and its Subsidiaries during such Fiscal Year, the amount of such net increase,

(iii) the amount of Cash Capital Expenditures actually made by the Borrower and its Subsidiaries on a Consolidated basis during such Fiscal Year,

(iv) the Carry-Over Amount (if any) for the immediately succeeding Fiscal Year,

(v) the amount (if any) of unusual and extraordinary cash losses during such Fiscal Year,

(vi) the amount of cash income taxes actually paid by the Borrower and its Subsidiaries on a Consolidated basis during such Fiscal Year,

(vii) the amount of Net Cash Interest and financing fees actually paid by the Borrower and its Subsidiaries on a Consolidated basis during such Fiscal Year, and

(viii) Funded Debt (excluding Funded Debt under the May Note Monetization Facility) of the Borrower and its Subsidiaries permanently repaid or prepaid by any of them (to the extent such Debt is not refunded or refinanced (other than with proceeds of the Advances) and to the extent such repayment or prepayment is permitted, in each case in accordance with the Loan Documents) during such Fiscal Year.

"EXISTING DEBT" means Debt of the Company, Federated and their respective Subsidiaries outstanding immediately before giving effect to the Merger.

"EXISTING LETTERS OF CREDIT" has the meaning specified in Section 2.14(g).

"FACILITY" means the Term Facility, the Working Capital Facility, the Swing Line Facility or the Letter of Credit Facility.

"FDS NATIONAL BANK" means FDS National Bank, a national banking association and an indirect wholly owned Subsidiary of the Borrower.

"FEDERAL FUNDS RATE" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"FEDERATED" has the meaning specified in the recital of parties to the Agreement.

"FISCAL YEAR" means a fiscal year of the Borrower and its Consolidated Subsidiaries ending on the Saturday closest to January 31 in any calendar year.

"FIXED RATE ADVANCES" has the meaning specified in Section 2.03(a)(i).

"FNC" means Federated Noteholding Corporation, a Delaware corporation and a direct wholly owned Subsidiary of the Borrower.

"FRH" means Federated Retail Holdings, Inc., a Delaware corporation and a direct wholly owned Subsidiary of the Borrower.

"FUNDED DEBT" of any Person means Debt in respect of the Advances, in the case of the Borrower, and all other Debt of such Person that by its terms matures more than one year after the date of its creation or matures within one year from such date but is renewable or extendible, at the option of such Person, to a date more than one year after such date or arises under a revolving credit or similar agreement that obligates the lender or lenders to extend credit during a period of more than one year after such date, including, without limitation, all amounts of Funded Debt of such Person required to be paid or prepaid within one year after the date of determination.

"GAAP" means generally accepted accounting principles in the United States of America as in effect from time to time set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Board, or in such other statements by any successor entity as may be in general use by significant segments of the accounting profession, which are applicable to the circumstances as of the date of determination; PROVIDED that, with respect to the calculation of the financial ratios and the terms used in the covenants contained in this Agreement and the definitions related thereto, "GAAP" means generally accepted accounting principles in effect in the United States on the date of the financial statements referred to in Section 4.01(f), it being understood that, upon any change in GAAP as at such date that affects in any material respect the financial ratios and the covenants contained in this Agreement, the Borrower and the Administrative Agent will negotiate in good faith to adapt or conform any such financial ratios and covenants and the definitions related thereto to any such changes in GAAP to the extent necessary to maintain the original economic terms of such financial ratios and covenants as in effect under this Agreement on the date hereof, the Administrative Agent shall promptly notify the Lenders in writing of the negotiated changes to such financial ratios, covenants and definitions, and if, by the 30th day after the date such notice is given (i) the Required Lenders shall not have objected in writing to such changes, such changes shall be deemed to be effective, and this Agreement shall be deemed to be amended accordingly, as of such 30th day, without further action on the part of any party hereto or (ii) the Required Lenders shall have objected to such changes, then, until this Agreement shall be amended in accordance with the terms of Section 8.01 to reflect such changes as may be necessary to maintain the original economic terms of such financial ratios and covenants, the financial ratios and covenants immediately in effect prior to such amendment shall remain in effect.

"GUARANTORS" means the Subsidiaries of the Borrower listed on

Schedule II hereto and each other Subsidiary of the Borrower that shall be required to execute and deliver a guaranty pursuant to Section 5.01(l).

"GUARANTY" has the meaning specified in Section 3.01(m)(ix).

"HAZARDOUS MATERIALS" means (a) petroleum or petroleum products, byproducts or breakdown products, radioactive materials, asbestos-containing materials and radon gas and (b) any other chemicals, materials or substances designated, classified or regulated as being "hazardous" or "toxic" or words of similar import under any Environmental Law.

"HEDGE AGREEMENTS" means interest rate swap, cap or collar agreements, interest rate future or option contracts, currency swap agreements, currency future or option contracts and other similar agreements.

"HEDGE BANK" means any Lender in its capacity as a party to a Bank Hedge Agreement.

"INDEMNIFIED PARTY" has the meaning specified in Section 8.04(b).

"INFORMATION MEMORANDUM" means, collectively, the information memoranda dated September 1994 and October 1994 used by the Arranger and Co-Arranger in connection with the syndication of the Commitments.

"INITIAL EXTENSION OF CREDIT" means the earlier to occur of the initial Borrowing and the initial issuance of a Letter of Credit hereunder.

"INITIAL LENDERS" has the meaning specified in the recital of parties to this Agreement.

"INSUFFICIENCY" means, with respect to any Plan, the amount, if any, of its unfunded benefit liabilities, as defined in Section 4001(a)(18) of ERISA.

"INTEREST COVERAGE RATIO" means, at any date of determination, the ratio of Consolidated EBITDA for the Measurement Period then most recently ended to Net Interest Expense for such Measurement Period determined in accordance with GAAP.

"INTEREST PERIOD" means, for each Eurodollar Rate Advance comprising part of the same Regular Borrowing and each LIBO Rate Advance comprising part of the same Competitive Bid Borrowing, the period commencing on the date of such Eurodollar Rate Advance or LIBO Rate Advance or the date of the Conversion of any Base Rate Advance into such Eurodollar Rate Advance, and ending on the last day of the period selected by the Borrower pursuant to the provisions below and, thereafter, with respect to Eurodollar Rate Advances, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower pursuant to the provisions below. The duration of each such Interest Period shall be one, two, three or six months, as the Borrower may, upon notice received by the Administrative Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the first day of such Interest Period, select; PROVIDED, HOWEVER, that at any time when a Default (but not an Event of Default)

has

occurred and is continuing, the Borrower may only select Interest Periods of one month; PROVIDED FURTHER, HOWEVER, that:

(a) the Borrower may not select any Interest Period with respect to any Eurodollar Rate Advance under a Facility that ends after any principal repayment installment date for such Facility unless, after giving effect to such selection, the aggregate principal amount of Base Rate Advances and of Eurodollar Rate Advances having Interest Periods that end on or prior to such principal repayment installment date for such Facility shall be at least equal to the aggregate principal amount of Advances under such Facility due and payable on or prior to such date;

(b) the Borrower may not select any Interest Period with respect to any LIBO Rate Advance that ends after the Termination Date;

(c) Interest Periods commencing on the same date for Eurodollar Rate Advances comprising part of the same Regular Borrowing or for LIBO Rate Advances comprising part of the same Competitive Bid Borrowing shall be of the same duration; PROVIDED, HOWEVER, that the Borrower may select up to three separate Interest Periods of different durations in connection with (i) the initial refinancing of the Regular Advances made as part of the Initial Extension of Credit, and (ii) the prepayment on or prior to January 31, 1995 of the Series A Notes, Series B Notes and Series C Notes issued pursuant to the Plan of Reorganization, in each case so long as each Regular Borrowing with an Interest Period of any specified duration consists of Advances made by the Appropriate Lenders ratably according to their Commitments under the relevant Facility;

(d) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, PROVIDED, HOWEVER, that, if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day; and

(e) whenever the first day of any Interest Period occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar month that succeeds such initial calendar month by the number of months equal to the number of months in such Interest Period, such Interest Period shall end on the last Business Day of such succeeding calendar month.

"INTERNAL REVENUE CODE" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"INVESTMENT" in any Person means any loan or advance to such Person, any purchase or other acquisition of any capital stock or other ownership or profit interest, warrants, rights, options, obligations or other securities of such Person or any capital contribution to such Person.

"INVESTMENT GRADE PERIOD" means any period during which an Investment Grade Rating shall be in effect.

"INVESTMENT GRADE RATING" means a Debt Rating of (a) BBB- or above from S&P and Ba1 or above from Moody's or (b) Baa3 or above from Moody's and BB+ or above from S&P.

"ISSUING BANK" means Citibank, Chemical, any other Working Capital Lender that has a Letter of Credit Commitment set forth opposite its name on Schedule I hereto, any other Working Capital Lender approved as an Issuing Bank by the Administrative Agent, the Agent and, so long as no Event of Default shall have occurred and be continuing, the Borrower (such approval not to be unreasonably withheld or delayed) and each Eligible Assignee to which a Letter of Credit Commitment hereunder has been assigned pursuant to Section 8.07 so long as each such Working Capital Lender or Eligible Assignee expressly agrees to perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as an Issuing Bank and notifies the Administrative Agent of its Applicable Lending Office and the amount of its Letter of Credit Commitment (which information shall be recorded by the Administrative Agent in the Register).

"L/C CASH COLLATERAL ACCOUNT" means the "L/C Cash Collateral Account" as defined in the Security Agreement or any other account established by the Borrower with the Administrative Agent for purposes of cash collateralizing Letters of Credit, on terms and conditions and subject to documentation satisfactory to the Administrative Agent.

"L/C RELATED DOCUMENTS" has the meaning specified in Section 2.14(e).

"LENDER PARTY" means any Lender, any Issuing Bank or any Swing Line Bank.

"LENDERS" means the Initial Lenders and each Person that shall become a party hereto pursuant to Section 8.07(a), (b), (c), (d) and (e) and, except when used in reference to a Regular Advance, a Regular Borrowing, a Note (other than a Competitive Bid Note), a Commitment or a related term, each Designated Bidder.

"LETTER OF CREDIT" has the meaning specified in Section 2.14(a).

"LETTER OF CREDIT ADVANCE" means an advance made by any

Issuing Bank or any Working Capital Lender pursuant to Section 2.14(c).

"LETTER OF CREDIT AGREEMENT" has the meaning specified in Section 2.14(b)(i).

"LETTER OF CREDIT COMMITMENT" means, with respect to any Issuing Bank at any time, the amount set forth opposite such Issuing Bank's name on Schedule I hereto under the caption "Letter of Credit Commitment" or, if such Issuing Bank has entered into one or more Assignments and Acceptances or if a Working Capital Lender has otherwise become an Issuing Bank, set forth for such Issuing Bank in the Register maintained by the Administrative Agent pursuant to Section 8.07(i) as such Issuing Bank's "Letter of Credit Commitment", as such amount may be reduced at or prior to such time pursuant to Section 2.05.

"LETTER OF CREDIT FACILITY" means, at any time, an amount equal to the lesser of (a) the aggregate amount of the Issuing Banks' Letter of Credit Commitments and (b) $500,000,000, as such amount may be reduced at or prior to such time pursuant to Section 2.05.

"LEVERAGE RATIO" means, at any date of determination, the ratio of Adjusted Debt to the sum of Adjusted Debt plus Consolidated net worth of the Borrower and its Subsidiaries calculated on a Consolidated basis in accordance with GAAP.

"LIBO RATE" means, for any Interest Period for all LIBO Rate Advances comprising part of the same Competitive Bid Borrowing, an interest rate per annum equal to the rate per annum obtained by dividing (a) the rate per annum at which deposits in U.S. dollars are offered by the principal office of the Administrative Agent in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to the amount that would be the Administrative Agent's Pro Rata Share of such Borrowing if such Borrowing were to be a Regular Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period

by (b) a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage for such Interest Period.

"LIBO RATE ADVANCES" has the meaning specified in Section 2.03(a)(i).

"LIEN" means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, including, without limitation, the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property.

"LOAN DOCUMENTS" means (a) for purposes of this Agreement and the Notes and any amendments or modifications hereof or thereof and for all other purposes other than for purposes of the Collateral Documents and the Guaranty, (i) this Agreement, (ii) the Notes, (iii) the Guaranty, (iv) the Collateral Documents and (v) each Letter of and (b) for purposes of the Collateral Documents and the Guaranty, (i) this Agreement, (ii) the Notes, (iii) the Guaranty, (iv) the Collateral Documents, (v) each Letter of and (vi) each Bank Hedge Agreement, in the case of each of the foregoing agreements referred to in clause (a) or (b), as it may be amended or

otherwise modified from time to time.

"LOAN PARTIES" means the Borrower, the Guarantors and the Pledgors.

"MARGIN STOCK" has the meaning specified in Regulation U.

"MATERIAL ADVERSE EFFECT" means an effect that causes or results in or has a reasonable likelihood of causing or resulting in any material adverse change in (a) the financial condition, business, results of operations or prospects of the Borrower and its Subsidiaries taken as a whole, (b) the legality, validity or enforceability of any Loan Document, (c) the attachment, perfection or priority of the liens and security interests created under the Loan Documents, (d) the ability of any Loan Party to perform its Obligations under any Loan Document or Related Document to which it is or is to be a party or (e) the rights and remedies of the Administrative Agent or any Lender Party under any Loan Document or Related Document.

"MATERIAL CONTRACT" means a "material contract", as defined in Item 601(b)(10) of Regulation S-K promulgated by the Securities and Exchange Commission, of any Loan Party or any of its Subsidiaries.

"MAXIMUM PERMITTED AMOUNT" has the meaning specified in Section 5.02(o).

"MAY NOTE MONETIZATION FACILITY" means the monetization facility established July 26, 1988, between the Borrower and a grantor trust of which the Borrower is the beneficiary, pursuant to which such grantor trust distributed approximately $352,000,000 to the Borrower.

"MEASUREMENT PERIOD" means, at any date of determination, the period of the four consecutive fiscal quarters of the Borrower then most recently ended; provided that, for the first three fiscal quarters of the Fiscal Year ending on February 3, 1996, "MEASUREMENT PERIOD" means the period commencing on the first day of such Fiscal Year and ending on the last day of such fiscal quarter.

"MERGER" has the meaning specified in the Preliminary Statements.

"MERGER AGREEMENT" has the meaning specified in the Preliminary Statements.

"MINOR SUBSIDIARY" means any Subsidiary of the Borrower other than a Loan Party or a Pledged Subsidiary.

"MOODY'S" means Moody's Investors Service, Inc.

"MULTIEMPLOYER PLAN" means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which any Loan Party or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"MULTIPLE EMPLOYER PLAN" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of any Loan Party or any ERISA Affiliate and at least one Person other than the Loan Parties and the ERISA Affiliates or (b) was

so maintained and in respect of which any Loan Party or any ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"NET CASH INTEREST" means, for any period, the amount (if any) by which (a) Net Interest Expense exceeds (b) to the extent included in clause (a), amortization of deferred financing fees and debt discount in respect of Debt of the Borrower and its Subsidiaries for such period, calculated on a Consolidated basis in accordance with GAAP.

"NET CASH PROCEEDS" means, with respect to any sale, lease, transfer or other disposition of any asset or the sale or issuance of any Debt or capital stock or other

ownership or profit interest, any securities convertible into or exchangeable for capital stock or other ownership or profit interest or any warrants, rights, options or other securities to acquire capital stock or other ownership or profit interest by any Person, the aggregate amount of cash received from time to time (whether as initial consideration or through payment or disposition of deferred consideration) by or on behalf of such Person in connection with such transaction after deducting therefrom only (without duplication) (a) reasonable and customary brokerage commissions, underwriting fees and discounts, legal fees, finder's fees and other similar fees and commissions, (b) the amount of taxes payable in connection with or as a result of such transaction and (c) the amount of any Debt owing to a Person that is not a Loan Party or any of its Subsidiaries or any of their respective Affiliates secured by a Lien on such asset that, by the terms of such transaction, is required to be repaid upon such disposition, in each case to the extent, but only to the extent, that the amounts so deducted are, at the time of receipt of such cash, actually paid to a Person that is not an Affiliate of such Person or any Loan Party and are properly attributable to such transaction or to the asset that is the subject thereof.

"NET INTEREST EXPENSE" means, for any period, the amount (if any) by which (a) interest payable on all Debt (including, without limitation, the interest component of Capitalized Leases) and amortization of deferred financing fees and debt discount in respect of all Debt exceeds (b) interest income, in each case of the Borrower and its Subsidiaries for such period, calculated on a Consolidated basis in accordance with GAAP.

"NON-INVESTMENT GRADE PERIOD" means any period during which an Investment Grade Rating shall not be in effect.

"NOTE" means a Term Note, a Working Capital Note or a Competitive Bid Note.

"NOTICE OF BORROWING" has the meaning specified in Section 2.02(a).

"NOTICE OF COMPETITIVE BID BORROWING" has the meaning specified in Section 2.03(a)(i).

"NOTICE OF ISSUANCE" has the meaning specified in Section 2.14(b)(i).

"NOTICE OF RENEWAL" has the meaning specified in Section 2.14(a).

"NOTICE OF SWING LINE BORROWING" has the meaning specified in Section 2.02(b).

"NOTICE OF TERMINATION" has the meaning specified in Section 2.14(a).

"NPL" means the National Priorities List under CERCLA.

"OBLIGATION" means, with respect to any Person, any payment, performance or other obligation of such Person of any kind, including, without limitation, any liability of such Person on any claim, whether or not the right of any creditor to payment in respect of such claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, disputed, undisputed, legal, equitable, secured or unsecured, and whether or not such claim is discharged, stayed or otherwise affected by any proceeding referred to in Section 6.01(f). Without limiting the generality of the foregoing, the Obligations of the Loan Parties under the Loan Documents include (a) the obligation to pay principal, interest, Letter of Credit commissions, charges, expenses, fees, attorneys' fees and disbursements, indemnities and other amounts payable by any Loan Party under any Loan Document and (b) the obligation of any Loan Party to reimburse any amount in respect of any of the foregoing that any Lender, in its sole discretion, may elect to pay or advance on behalf of such Loan Party.

"OECD" means the Organization for Economic Cooperation and Development.

"OPEN YEAR" has the meaning specified in Section 4.01(bb).

"OTHER TAXES" has the meaning specified in Section 2.12(b).

"PBGC" means the Pension Benefit Guaranty Corporation.

"PERMITTED LIENS" means such of the following as to which no enforcement, collection, execution, levy or foreclosure proceeding shall have been commenced: (a) Liens for taxes, assessments and governmental charges or levies to the extent not required to be paid under Section 5.01(b) hereof; (b) Liens imposed by law, such as materialmen's, mechanics', carriers', workmen's and repairmen's Liens and other similar Liens arising in the ordinary course of business securing obligations that are not overdue for a period of more than 30 days or that are being contested in good faith by appropriate proceedings; (c) Liens (if any) arising by operation of law and pledges or deposits made in the ordinary course of business in connection with liability insurance, workers' compensation, unemployment insurance, old-age pensions and other social

security benefits, other than in respect of employee benefit plans subject to ERISA; and (d) zoning restrictions, easements, rights of way, reciprocal easement agreements, operating agreements, covenants, conditions or restrictions on the use of any real property that do not interfere in any material respect with the ordinary conduct of the business of the Borrower and its Subsidiaries or materially adversely affect the value of such property for the purpose of such business.

"PERSON" means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"PLAN" means a Single Employer Plan or a Multiple Employer Plan.

"PLAN OF REORGANIZATION" has the meaning specified in the Preliminary Statements.

"PLEDGED SUBSIDIARY" means any Subsidiary of the Borrower the capital stock of which has been, or is required to be under the terms of the Loan Documents, pledged to the Administrative Agent as Collateral.

"PLEDGORS" means the Borrower, FRH and each Subsidiary of the Borrower that shall be required to execute and deliver a security agreement pursuant to Section 5.01(l).

"PREFERRED STOCK" means, with respect to any corporation, capital stock issued by such corporation that is entitled to a preference or priority over any other capital stock issued by such corporation upon any distribution of such corporation's assets, whether by dividend or upon liquidation.

"PRO RATA SHARE" of any amount means, with respect to any Working Capital Lender at any time, the product of such amount times a fraction the numerator of which is the amount of such Lender's Working Capital Commitment at such time and the denominator of which is the Working Capital Facility at such time.

"RECEIVABLES FINANCING FACILITY" means the receivables financing facility established by the Borrower in 1992 and any replacement thereof that is on terms no less favorable, taken as a whole, to the Borrower and its Subsidiaries, pursuant to which certain Subsidiaries of the Borrower issue non-recourse public term Debt and commercial paper secured by certain receivables of the Borrower and its Subsidiaries.

"REDEEMABLE" means, with respect to any capital stock or other ownership or profit interest, Debt or other right or Obligation, any such right or Obligation that (a) the issuer has undertaken to redeem at a fixed or determinable date or dates, whether by operation of a sinking fund or otherwise, or upon the occurrence of a condition not solely within the control of the issuer or (b) is redeemable at the option of the holder.

"REDUCTION AMOUNT" has the meaning specified in Section 2.06(b)(vii).

"REGISTER" has the meaning specified in Section 8.07(i).

"REGULAR ADVANCE" means any Advance other than a Competitive Bid Advance.

"REGULAR BORROWING" means a Term Borrowing, a Working Capital Borrowing or a Swing Line Borrowing.

"REGULATION U" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"RELATED DOCUMENTS" means the Merger Agreement, the Plan of Reorganization and the Tax Agreement.

"RELEASE DATE" means the earlier of (a) the later of (i) the Termination Date and (ii) the payment in full of the Obligations of the Loan Parties under the Loan Documents and (b) the earlier of (i) the date on which the Administrative Agent receives evidence satisfactory to it that an Investment Grade Rating shall have been in effect continuously for six months and is then in effect and (ii) the date on which the Administrative Agent receives evidence satisfactory to it that a Debt Rating of BBB- or above from S&P and Baa3 or above from Moody's shall have been in effect continuously for three months and is then in effect, PROVIDED that the Borrower was not placed on "credit watch" (or any like designation by S&P or Moody's from time to time) by either S&P or Moody's at any time during such six-month or three-month period, as the case may be, PROVIDED FURTHER that no Default shall have occurred and shall be continuing on such date.

"REORGANIZATION" has the meaning specified in the Preliminary Statements.

"REPORTABLE EVENT" has the meaning specified in Section 4043 of ERISA, excluding any event with respect to which the 30-day notice requirement has been waived.

"REQUIRED LENDERS" means at any time Lenders owed or holding at least a majority in interest of the sum of (a) the aggregate principal amount of the Regular Advances outstanding at such time, (b) the aggregate Available Amount of all Letters of Credit outstanding at such time, (c) the aggregate unused Term Commitments at such time and (d) the aggregate Unused Working Capital Commitments at such time; PROVIDED, HOWEVER, that if any Lender shall be a Defaulting Lender at such time, there shall be excluded from the determination of Required Lenders at such time (i) the aggregate principal amount of the Regular Advances made by such Lender (in its capacity as a Lender) and outstanding at such time, (ii) if such Lender shall be an Issuing Bank, the aggregate Available Amount of all Letters of Credit issued by such Lender and outstanding at such time, (iii) the unused Term Commitment of such Lender at such time and (iv) the Unused Working Capital Commitment of such Lender at such time. For purposes of this definition, the aggregate principal amount of Swing Line Advances owing to any Swing Line Bank and of Letter of Credit Advances owing to any Issuing Bank and the Available Amount of each Letter of Credit shall be considered to be owed to the Working Capital Lenders ratably in accordance with their respective Working Capital Commitments.

"RESPONSIBLE OFFICER" means any executive officer of the Borrower or any of its Subsidiaries or any other officer of the Borrower or any of its Subsidiaries responsible for overseeing or reviewing compliance with this Agreement or any other Loan Document.

"S&P" means Standard & Poor's, a division of McGraw-Hill, Inc.

"SECURED OBLIGATIONS" has the meaning specified in the Security Agreement.

"SECURITY AGREEMENT" has the meaning specified in Section 3.01(m)(viii).

"SINGLE EMPLOYER PLAN" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of any Loan Party or any ERISA Affiliate and no Person other than the Loan Parties and the ERISA Affiliates or (b) was so maintained and in respect of which any Loan Party or any ERISA Affiliate could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

"SOLVENT" and "SOLVENCY" mean, with respect to any Person on a particular date, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such Person, (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay such debts and liabilities as they mature and (d) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute an unreasonably small capital. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"STANDBY LETTER OF CREDIT" means any Letter of Credit issued under the Letter of Credit Facility, other than a Trade Letter of Credit.

"SUBSIDIARY" of any Person means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (b) the interest in the capital or profits of such limited liability company, partnership or joint venture or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries.

"SURVIVING CORPORATION" has the meaning specified in the Preliminary Statements.

"SURVIVING DEBT" means Existing Debt that will remain outstanding immediately after giving effect to the Merger.

"SWING LINE ADVANCE" means an advance made by (a) any Swing Line Bank pursuant to Section 2.01(c) or (b) any Working Capital Lender pursuant to Section 2.02(b).

"SWING LINE BANK" means each of Citibank, Chemical and up to three additional Working Capital Lenders as may be designated by the Borrower from time

to time (with the consent of any Lender so designated), PROVIDED that any of Citibank, Chemical or any other Lender as shall have been so designated may resign upon 30 days' prior written notice to the Borrower and the Administrative Agent.

"SWING LINE BORROWING" means a borrowing consisting of a Swing Line Advance made by any Swing Line Bank.

"SWING LINE FACILITY" has the meaning specified in Section 2.01(c).

"TAX AGREEMENT" means the Tax Sharing Agreement dated as of February 5, 1992 among the Borrower and the "Members" referred to therein, as amended or otherwise modified from time to time in accordance with its terms, to the extent permitted in accordance with the Loan Documents.

"TAXES" has the meaning specified in Section 2.12(a).

"TERM ADVANCE" has the meaning specified in Section 2.01(a).

"TERM BORROWING" means a borrowing consisting of simultaneous Term Advances of the same Type made by the Term Lenders.

"TERM COMMITMENT" means, with respect to any Term Lender at any time, the amount set forth opposite such Lender's name on Schedule I hereto under the caption "Term Commitment" or, if such Lender has entered into one or more Assignments and Acceptances, set forth for such Lender in the Register maintained by the Administrative Agent pursuant to Section 8.07(i) as such Lender's "Term Commitment", as such amount may be reduced at or prior to such time pursuant to Section 2.05.

"TERM FACILITY" means, at any time, the aggregate amount of the Term Lenders' Term Commitments at such time.

"TERM LENDER" means any Lender that has a Term Commitment.

"TERM NOTE" means a promissory note of the Borrower payable to the order of any Term Lender, in substantially the form of Exhibit A-1 hereto, evidencing the indebtedness of the Borrower to such Lender resulting from the Term Advance made by such Lender.

"TERMINATION DATE" means the earlier of March 31, 2000 and the date of termination in whole of the Term Commitments, the Working Capital Commitments,

the Letter of Credit Commitments and the Swing Line Facility pursuant to Section 2.05 or 6.01.

"TRADE LETTER OF CREDIT" means any Letter of Credit that is issued under the Letter of Credit Facility for the benefit of a supplier of inventory to the Borrower or any of its Subsidiaries to effect payment for such inventory, the conditions to drawing under which include the presentation to the Issuing Bank that issued such Letter of Credit of negotiable bills of lading, invoices and related documents sufficient, in the judgment of such Issuing Bank, to create a valid and perfected lien on or security interest in such inventory, bills of lading, invoices and related documents in favor of such Issuing Bank.

"TYPE" refers to the distinction between Regular Advances bearing interest at the Base Rate and Regular Advances bearing interest at the Eurodollar Rate.

"UNUSED WORKING CAPITAL COMMITMENT" means, with respect to any Working Capital Lender at any time,

(a) such Lender's Working Capital Commitment at such time MINUS

(b) the sum of

(i) the aggregate principal amount of all Working Capital Advances, Swing Line Advances and Letter of Credit Advances made by such Lender, in each case in its capacity as a Lender, and outstanding at such time, and

(ii) such Lender's Pro Rata Share of

(A) the aggregate Available Amount of all Letters of Credit outstanding at such time,

(B) the Competitive Bid Amount at such time,

(C) to the extent not included in clause (b)(i) of this definition, the aggregate principal amount of all Letter of Credit Advances made by the Issuing Banks pursuant to Section 2.14(c) and outstanding at such time and

(D) to the extent not included in clause (b)(i) of this definition, the aggregate principal amount of all Swing Line Advances made by the Swing Line Banks pursuant to Section 2.01(c) and outstanding at such time.

"VOTING STOCK" means capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the

election of directors (or persons performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

"WELFARE PLAN" means a welfare plan, as defined in Section 3(1) of ERISA.

"WITHDRAWAL LIABILITY" has the meaning specified in Part I of Subtitle E of Title IV of ERISA.

"WORKING CAPITAL ADVANCE" has the meaning specified in Section 2.01(b).

"WORKING CAPITAL BORROWING" means a borrowing consisting of simultaneous Working Capital Advances of the same Type made by the Working Capital Lenders.

"WORKING CAPITAL COMMITMENT" means, with respect to any Working Capital Lender at any time, the amount set forth opposite such Lender's name on Schedule I hereto under the caption "Working Capital Commitment" or, if such Lender has entered into one or more Assignments and Acceptances, set forth for such Lender in the Register maintained by the Administrative Agent pursuant to Section 8.07(i) as such Lender's "Working Capital Commitment", as such amount may be reduced at or prior to such time pursuant to Section 2.05.

"WORKING CAPITAL FACILITY" means, at any time, the aggregate amount of the Working Capital Lenders' Working Capital Commitments at such time.

"WORKING CAPITAL LENDER" means any Lender that has a Working Capital Commitment and, except when used in reference to a Regular Advance, a Regular Borrowing, a Note (other than a Competitive Bid Note), a Commitment or a related term, any Designated Bidder.

"WORKING CAPITAL NOTE" means a promissory note of the Borrower payable to the order of any Working Capital Lender, in substantially the form of Exhibit A-2

hereto, evidencing the aggregate indebtedness of the Borrower to such Lender resulting from the Working Capital Advances made by such Lender.

SECTION 1.02. COMPUTATION OF TIME PERIODS. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

SECTION 1.03. ACCOUNTING TERMS. All accounting terms not specifically defined herein shall be construed in accordance with GAAP.

SECTION 1.04 CURRENCY EQUIVALENTS GENERALLY. For all purposes of this Agreement except as otherwise specifically provided herein, the equivalent in any Alternative Currency of an amount in Dollars shall be determined at the rate of exchange quoted by Citibank in New York City, at 9:00 A.M. (New York City time) on the date of determination, to prime banks in New York City for the spot purchase in the New York foreign exchange market of such amount of Dollars with such Alternative Currency. Citibank's determination of each spot rate of exchange pursuant to this Agreement shall be final and conclusive absent manifest error.

ARTICLE II

AMOUNTS AND TERMS OF THE ADVANCES
AND THE LETTERS OF CREDIT

SECTION 2.01. THE REGULAR ADVANCES.

(a) THE TERM ADVANCES. Each Term Lender severally agrees, on the terms and conditions hereinafter set forth, to make a single advance (a "TERM ADVANCE") to the Borrower on any Business Day during the period from the date hereof until January 31, 1995 in an amount not to exceed such Lender's Term Commitment at such time. The Term Borrowing shall consist of Term Advances made by the Term Lenders ratably according to their Term Commitments. Amounts borrowed under this Section 2.01(a) and repaid or prepaid may not be reborrowed.

(b) THE WORKING CAPITAL ADVANCES. Each Working Capital Lender severally agrees, on the terms and conditions hereinafter set forth, to make advances (each a "WORKING CAPITAL ADVANCE") to the Borrower from time to time on any Business Day during the period from the date hereof until the Termination Date in an amount for each such Advance not to exceed an amount equal to such Lender's Unused Working Capital

Commitment at such time less such Lender's Pro Rata Share of the Documentary L/C Amount at such time. Each Working Capital Borrowing shall be in an aggregate amount of $5,000,000 or an integral multiple of $1,000,000 in excess thereof (other than a Borrowing the proceeds of which shall be used solely to repay or prepay in full outstanding Swing Line Advances made by any Swing Line Bank or outstanding Letter of Credit Advances made by any Issuing Bank) or, if less, an aggregate amount equal to the amount by which the aggregate amount of a proposed Competitive Bid Borrowing requested by the Borrower exceeds the aggregate amount of Competitive Bid Advances offered to be made by the Working Capital Lenders and accepted by the Borrower in respect of such Competitive Bid Borrowing, if such Competitive Bid Borrowing is made on the same date as such Working Capital Borrowing. Each Working Capital Borrowing shall consist of Working Capital Advances made by the Working Capital Lenders ratably according to their Working Capital Commitments. Within the limits referred to in the first sentence of this Section 2.01(b), the Borrower may borrow under this Section 2.01(b), prepay pursuant to Section 2.06(a) and reborrow under this Section 2.01(b).

(c) THE SWING LINE ADVANCES. Each Swing Line Bank severally agrees, on the terms and conditions hereinafter set forth, to make Swing Line Advances to the Borrower from time to time on any Business Day during the period from the date hereof until the Termination Date (i) in an aggregate amount for all Swing Line Advances owing to such Swing Line Bank (in its capacity as such) not to exceed at any time outstanding $25,000,000, (ii) in an aggregate amount owing to all Swing Line Banks not to exceed at any time outstanding $50,000,000, as such amount may be reduced from time to time pursuant to Section 2.05 (the "SWING LINE FACILITY") and (iii) in an amount for each such Borrowing not to exceed an amount equal to the aggregate of the Unused Working Capital Commitments of the Working Capital Lenders at such time less the Documentary L/C Amount at such time; PROVIDED, HOWEVER, that if at any time of receipt by any Swing Line Bank of a Notice of Swing Line Borrowing, (x) any Working Capital Lender shall be a Defaulting Lender or such Swing Line Bank determines in good faith that any Lender is reasonably likely to become a Defaulting Lender within the next 30 days (a "POTENTIAL DEFAULTING LENDER") and (y) the aggregate Unused Working Capital Commitments of the Working Capital Lenders (other than Working Capital Lenders that are Defaulting Lenders or Potential Defaulting Lenders) shall be less than the amount of the requested

Swing Line Borrowing, such Swing Line Bank shall not be required to, but may, if in its sole discretion it elects to do so, make the Swing Line Advance requested in such Notice of Swing Line Borrowing. No Swing Line Advance shall be used for the purpose of funding the payment of principal of any other Swing Line Advance. Each Swing Line Borrowing shall be in an amount of $5,000,000 or an integral multiple of $1,000,000 in excess thereof and shall be made as a Base Rate Advance. Within the limits of the Swing Line Facility and within the limits referred to in clauses (i) and (iii) above (and if at the time of receipt by any Swing Line Bank of a Notice of Swing Line Borrowing, any Lender shall be a Defaulting Lender or a Potential Defaulting Lender, so long as any Swing Line

Bank, in its sole discretion, elects to make Swing Line Advances), the Borrower may borrow under this Section 2.01(c), repay pursuant to Section 2.04(c) or prepay pursuant to Section 2.06(a) and reborrow under this Section 2.01(c).

(d) CLEAN-DOWN. Notwithstanding the provisions of Sections 2.01(b), 2.01(c), 2.03(a) and 2.14(a), no Borrowings may be made under Section 2.01(b), 2.01(c) or 2.03(a), and no Standby Letters of Credit may be issued under Section 2.14(a), during any Clean-Down Period, unless the aggregate principal amount of Working Capital Advances, Letter of Credit Advances, Swing Line Advances and Competitive Bid Advances plus the aggregate Available Amount of Standby Letters of Credit outstanding after giving effect to such Borrowing or the issuance of such Standby Letter of Credit does not exceed the Clean-Down Amount.

SECTION 2.02. MAKING THE REGULAR ADVANCES. (a) Except as otherwise provided in Section 2.02(b) or 2.14, each Regular Borrowing shall be made on notice, given not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Borrowing in the case of a Borrowing consisting of Eurodollar Rate Advances, or the first Business Day prior to the date of the proposed Borrowing in the case of a Borrowing consisting of Base Rate Advances, by the Borrower to the Administrative Agent, which shall give to each Appropriate Lender prompt notice thereof by telex or telecopier. Each such notice of a Regular Borrowing (a "NOTICE OF BORROWING") shall be by telephone, confirmed immediately in writing, or telex or telecopier, in substantially the form of Exhibit B-1 hereto, specifying therein the requested (i) date of such Borrowing, (ii) Facility under which such Borrowing is to be made, (iii) Type of Advances comprising such Borrowing, (iv) aggregate amount of such Borrowing and (v) in the case of a Borrowing consisting of Eurodollar Rate Advances, initial Interest Period for each such Advance. Each Appropriate Lender shall, before 11:00 A.M. (New York City time) on the date of such Borrowing, make available for the account of its Applicable Lending Office to the Administrative Agent at the Administrative Agent's Account, in same day funds, such Lender's ratable portion of such Borrowing in accordance with the respective Commitments under the applicable Facility of such Lender and the other Appropriate Lenders. After the Administrative Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Administrative Agent will make such funds available to the Borrower by crediting the Borrower's Account; PROVIDED, HOWEVER, that, in the case of any Working Capital Borrowing, the Administrative Agent shall first make a portion of such funds equal to the aggregate principal amount of any Swing Line Advances and Letter of Credit Advances made by any Swing Line Bank or any Issuing Bank, as the case may be, and by any other Working Capital Lender and outstanding on the date of such Working Capital Borrowing, plus interest accrued and unpaid thereon to and as of such date, available to such Swing Line Bank or such Issuing

Bank, as the case may be, and such other Working Capital Lenders for repayment of such Swing Line Advances and Letter of Credit Advances.

(b) Each Swing Line Borrowing shall be made on notice, given not later than 11:00 A.M. (New York City time) on the date of the proposed Swing Line Borrowing, by the Borrower to any Swing Line Bank and the Administrative Agent. Each such notice of a Swing Line Borrowing (a "NOTICE OF SWING LINE BORROWING") shall be by telephone, confirmed immediately in writing, or telex or telecopier, specifying therein the requested (i) date of such Borrowing, (ii) amount of such Borrowing and (iii) maturity of such Borrowing (which maturity shall be no later than the seventh day after the requested date of such Borrowing). If, in accordance with Section 2.01(c), it makes the requested Swing Line Advance, such Swing Line Bank will make the amount thereof available to the Administrative Agent at the Administrative Agent's Account, in same day funds. After the Administrative Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Administrative Agent will make such funds available to the Borrower by crediting the Borrower's Account. Upon written demand by any Swing Line Bank with an outstanding Swing Line Advance, with a copy of such demand to the Administrative Agent, each other Working Capital Lender shall purchase from such Swing Line Bank, and such Swing Line Bank shall sell and assign to each such other Working Capital Lender, such other Lender's Pro Rata Share of such outstanding Swing Line Advance as of the date of such demand, by making available for the account of its Applicable Lending Office to the Administrative Agent for the account of such Swing Line Bank, by deposit to the Administrative Agent's Account, in same day funds, an amount equal to the portion of the outstanding principal amount of such Swing Line Advance to be purchased by such Lender. The Borrower hereby agrees to each such sale and assignment. Each Working Capital Lender agrees to purchase its Pro Rata Share of an outstanding Swing Line Advance on (i) the Business Day on which demand therefor is made by the Swing Line Bank that made such Advance, provided that notice of such demand is given not later than 11:00 A.M. (New York City time) on such Business Day or (ii) the first Business Day next succeeding such demand if notice of such demand is given after such time. Upon any such assignment by a Swing Line Bank to any other Working Capital Lender of a portion of a Swing Line Advance, such Swing Line Bank represents and warrants to such other Lender that such Swing Line Bank is the legal and beneficial owner of such interest being assigned by it, but makes no other representation or warranty and assumes no responsibility with respect to such Swing Line Advance, the Loan Documents or any Loan Party. If and to the extent that any Working Capital Lender shall not have so made the amount of such Swing Line Advance available to the Administrative Agent, such Working Capital Lender agrees to pay to the Administrative Agent forthwith on demand such amount together with interest thereon, for each day from the date of demand by such Swing Line Bank until the date such amount is paid to the Administrative Agent, at the Federal Funds Rate. If such Lender shall pay to the Administrative Agent such amount for the account

of such Swing Line Bank on any Business Day, such amount so paid in respect of principal shall constitute a Swing Line Advance made by such Lender on such Business Day for purposes of this Agreement, and the outstanding principal amount of the Swing Line Advance made by such Swing Line Bank shall be reduced

by such amount on such Business Day.

(c) Anything in subsection (a) above to the contrary notwithstanding, (i) the Borrower may not select Eurodollar Rate Advances for the initial Borrowing hereunder or for any Borrowing if the aggregate amount of such Borrowing is less than $25,000,000 or if the obligation of the Appropriate Lenders to make Eurodollar Rate Advances shall then be suspended pursuant to Section 2.09 or 2.10 and (ii) the Eurodollar Rate Advances may not be outstanding as part of more than 10 separate Borrowings.

(d) Each Notice of Borrowing and Notice of Swing Line Borrowing shall be irrevocable and binding on the Borrower. In the case of any Borrowing that the related Notice of Borrowing specifies is to be comprised of Eurodollar Rate Advances, the Borrower shall indemnify each Appropriate Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in such Notice of Borrowing for such Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Advance to be made by such Lender as part of such Borrowing when such Advance, as a result of such failure, is not made on such date.

(e) Unless the Administrative Agent shall have received notice from an Appropriate Lender prior to the date of any Regular Borrowing under a Facility under which such Lender has a Commitment that such Lender will not make available to the Administrative Agent such Lender's ratable portion of such Borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the date of such Borrowing in accordance with subsection (a) or (b) of this Section 2.02 and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such ratable portion available to the Administrative Agent, the Borrower and such Lender severally agree to repay or pay to the Administrative Agent forthwith on demand such corresponding amount and to pay interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid or paid to the Administrative Agent, at (i) in the case of the Borrower, the interest rate applicable at such time under Section 2.07 to Advances comprising such Borrowing and (ii) in the case of such Lender, the Federal Funds Rate. If such Lender shall pay to the Administrative Agent such corresponding amount, such amount so paid shall constitute such Lender's Advance as part of such Borrowing for purposes of this Agreement. If the Borrower shall repay to the

Administrative Agent such corresponding amount, such payment shall not relieve such Lender of any obligation it may have to the Borrower hereunder.

(f) The failure of any Lender to make the Advance to be made by it as part of any Regular Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Advance on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Advance to be made by such other Lender on the date of any Borrowing.

SECTION 2.03. THE COMPETITIVE BID ADVANCES. (a) Each Lender severally agrees that the Borrower may make Competitive Bid Borrowings under this Section 2.03 from time to time on any Business Day during the period from the date hereof until the date occurring 30 days prior to the Termination Date in the manner set forth below; provided that (x) such Competitive Bid Borrowing shall not exceed an amount equal to the aggregate Unused Working Capital Commitments of the Lenders in effect immediately prior to giving effect to such

Competitive Bid Borrowing less the Documentary L/C Amount at such time and (y) following the making of each Competitive Bid Borrowing, (I) the aggregate amount of the Competitive Bid Advances of all Lenders then outstanding shall not exceed $1,000,000,000 and (II) the aggregate amount of the Competitive Bid Advances of any one Lender then outstanding shall not exceed the greater of (x) the Working Capital Commitment of such Lender and (y) $50,000,000.

(i) The Borrower may request a Competitive Bid Borrowing under this Section 2.03 by delivering to the Administrative Agent, by telecopier or telex, a notice of a Competitive Bid Borrowing (a "NOTICE OF COMPETITIVE BID BORROWING"), in substantially the form of Exhibit B-2 hereto, specifying therein the requested (v) date of such proposed Competitive Bid Borrowing, (w) aggregate amount of such proposed Competitive Bid Borrowing, (x) in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances, Interest Period, or in the case of a Competitive Bid Borrowing consisting of Fixed Rate Advances, maturity date for repayment of each Fixed Rate Advance to be made as part of such Competitive Bid Borrowing (which maturity date may not be earlier than the date occurring 7 days and not later than 180 days after the date of such Competitive Bid Borrowing), (y) interest payment date or dates relating thereto, and (z) other terms (if any) to be applicable to such Competitive Bid Borrowing, not later than 10:00 A.M. (New York City time) (A) at least one Business Day prior to the date of the proposed Competitive Bid Borrowing, if the Borrower shall specify in the Notice of Competitive Bid Borrowing that the rates of interest to be offered by the Working Capital Lenders shall be fixed rates per annum (the Advances comprising any such Competitive Bid Borrowing being referred to herein as "FIXED RATE ADVANCES") and (B) at least four Business Days prior to the date

of the proposed Competitive Bid Borrowing, if the Borrower shall instead specify in the Notice of Competitive Bid Borrowing that the rates of interest to be offered by the Working Capital Lenders are to be based on the LIBO Rate (the Advances comprising such Competitive Bid Borrowing being referred to herein as "LIBO RATE ADVANCES"). The Administrative Agent shall in turn promptly notify each Working Capital Lender of each request for a Competitive Bid Borrowing received by it from the Borrower by sending such Lender a copy of the related Notice of Competitive Bid Borrowing.

(ii) Each Working Capital Lender may, if, in its sole discretion, it elects to do so, irrevocably offer to make one or more Competitive Bid Advances to the Borrower as part of such proposed Competitive Bid Borrowing at a rate or rates of interest specified by such Lender in its sole discretion, by notifying the Administrative Agent (which shall give prompt notice thereof to the Borrower), before 10:00 A.M. (New York City time) on the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of Fixed Rate Advances, and three Business Days before the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances, of the minimum amount and maximum amount of each Competitive Bid Advance which such Lender would be willing to make as part of such proposed Competitive Bid Borrowing (which amounts may, subject to the proviso to the first sentence of this Section 2.03(a), exceed such Lender's Working Capital Commitment, if any), the rate or rates of interest therefor and such Lender's Applicable Lending Office with respect to such Competitive Bid Advance; PROVIDED that if the Administrative Agent in its capacity as a Working Capital Lender shall, in its sole discretion, elect to make any such offer, it shall notify the Borrower of such offer before 9:00 A.M. (New York City time) on the date on

which notice of such election is to be given to the Administrative Agent by the other Working Capital Lenders. If any Working Capital Lender shall elect not to make such an offer, such Lender shall so notify the Administrative Agent, before 10:00 A.M. (New York City time) on the date on which notice of such election is to be given to the Administrative Agent by the other Working Capital Lenders, and such Lender shall not be obligated to, and shall not, make any Competitive Bid Advance as part of such Competitive Bid Borrowing; PROVIDED that the failure by any Lender to give such notice shall not cause such Lender to be obligated to make any Competitive Bid Advance as part of such proposed Competitive Bid Borrowing.

(iii) The Borrower shall, in turn, before 11:00 A.M. (New York City time) on the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of Fixed Rate Advances, and before 1:00 P.M. (New York City time) three Business Days before the date of such proposed Competitive Bid

Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances, either:

(x) cancel such Competitive Bid Borrowing by giving the Administrative Agent notice to that effect, or

(y) accept one or more of the offers made by any Lender or Lenders pursuant to paragraph (ii) above, in its sole discretion, by giving notice to the Administrative Agent of the amount of each Competitive Bid Advance (which amount shall be equal to or greater than the minimum amount, and equal to or less than the maximum amount, notified to the Borrower by the Administrative Agent on behalf of such Lender for such Competitive Bid Advance pursuant to paragraph (ii) above) to be made by each Lender as part of such Competitive Bid Borrowing, and reject any remaining offers made by Lenders pursuant to paragraph (ii) above by giving the Administrative Agent notice to that effect. The Borrower shall accept the offers made by any Lender or Lenders to make Competitive Bid Advances in order of the lowest to the highest rates of interest offered by such Lenders. If two or more Lenders have offered the same interest rate, the amount to be borrowed at such interest rate will be allocated among such Lenders in proportion to the amount that each such Lender offered at such interest rate.

(iv) If the Borrower notifies the Administrative Agent that such Competitive Bid Borrowing is cancelled pursuant to paragraph (iii)(x) above, the Administrative Agent shall give prompt notice thereof to the Working Capital Lenders and such Competitive Bid Borrowing shall not be made.

(v) If the Borrower accepts one or more of the offers made by any Lender or Lenders pursuant to paragraph (iii)(y) above, the Administrative Agent shall in turn promptly notify (A) each Lender that has made an offer as described in paragraph (ii) above, of the date and aggregate amount of such Competitive Bid Borrowing and whether or not any offer or offers made by such Lender pursuant to paragraph (ii) above have been accepted by the Borrower, (B) each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing, of the amount of each Competitive Bid Advance to be made by such Lender as part of such Competitive Bid Borrowing, and (C) each Lender that is to make a Competitive Bid

Advance as part of such Competitive Bid Borrowing, upon receipt, that the Administrative Agent has received forms of documents appearing to fulfill the applicable conditions set forth in Article III. Each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing shall, before 12:00 noon (New York City time) on the date

of such Competitive Bid Borrowing specified in the notice received from the Administrative Agent pursuant to clause (A) of the preceding sentence or any later time when such Lender shall have received notice from the Administrative Agent pursuant to clause (C) of the preceding sentence, make available for the account of its Applicable Lending Office to the Administrative Agent at the Administrative Agent's Account, in same day funds, such Lender's portion of such Competitive Bid Borrowing. Upon fulfillment of the applicable conditions set forth in Article III and after receipt by the Administrative Agent of such funds, the Administrative Agent will make such funds available to the Borrower by crediting the Borrower's Account. Promptly after each Competitive Bid Borrowing the Administrative Agent will notify each Working Capital Lender of the amount and maturity of the Competitive Bid Borrowing and the consequent Competitive Bid Amount.

(vi) If the Borrower notifies the Administrative Agent that it accepts one or more of the offers made by any Lender or Lenders pursuant to paragraph (iii)(y) above, such notice of acceptance shall be irrevocable and binding on the Borrower. The Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in the related Notice of Competitive Bid Borrowing for such Competitive Bid Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Competitive Bid Advance to be made by such Lender as part of such Competitive Bid Borrowing when such Competitive Bid Advance, as a result of such failure, is not made on such date.

(b) Each Competitive Bid Borrowing shall be in an aggregate amount of $25,000,000 or an integral multiple of $1,000,000 in excess thereof and, following the making of each Competitive Bid Borrowing, the Borrower and each Lender shall be in compliance with the limitations set forth in the proviso to the first sentence of subsection (a) above.

(c) Within the limits and on the conditions set forth in this Section 2.03, the Borrower may from time to time borrow under this Section 2.03, repay or prepay pursuant to subsection (d) below, and reborrow under this Section 2.03, PROVIDED that a Competitive Bid Borrowing shall not be made within three Business Days of the date of any other Competitive Bid Borrowing; PROVIDED, HOWEVER, that notwithstanding the immediately preceding proviso, up to three Competitive Bid Borrowings may be made within three Business Days of any other Competitive Bid Borrowing in connection with (i) the initial refinancing of the Regular Advances made as part of the Initial Extension of Credit and (ii) the prepayment on or prior to

January 31, 1995 of the Series A Notes, the Series B Notes and the Series C Notes issued pursuant to the Plan of Reorganization.

(d) The Borrower shall repay to the Administrative Agent for the account of each Lender that has made a Competitive Bid Advance, on the maturity date of each Competitive Bid Advance (such maturity date being that specified by the Borrower for repayment of such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a)(i) above and provided in the Competitive Bid Note evidencing such Competitive Bid Advance), the then unpaid principal amount of such Competitive Bid Advance. The Borrower shall have no right to prepay any principal amount of any Competitive Bid Advance unless, and then only on the terms, specified by the Borrower for such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a)(i) above and set forth in the Competitive Bid Note evidencing such Competitive Bid Advance.

(e) The Borrower shall pay interest on the unpaid principal amount of each Competitive Bid Advance from the date of such Competitive Bid Advance to the date the principal amount of such Competitive Bid Advance is repaid in full, at the rate of interest for such Competitive Bid Advance specified by the Lender making such Competitive Bid Advance in its notice with respect thereto delivered pursuant to subsection (a)(ii) above, payable on the interest payment date or dates specified by the Borrower for such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a)(i) above, as provided in the Competitive Bid Note evidencing such Competitive Bid Advance. Upon the occurrence and during the continuance of an Event of Default, the Borrower shall pay interest on the amount of unpaid principal of and interest on each Competitive Bid Advance owing to a Lender, payable in arrears on the date or dates interest is payable thereon, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on such Competitive Bid Advance under the terms of the Competitive Bid Note evidencing such Competitive Bid Advance unless otherwise agreed in such Competitive Bid Note.

(f) The indebtedness of the Borrower resulting from each Competitive Bid Advance made to the Borrower as part of a Competitive Bid Borrowing shall be evidenced by a separate Competitive Bid Note of the Borrower payable to the order of the Lender making such Competitive Bid Advance.

(g) Upon delivery of each Notice of Competitive Bid Borrowing, the Borrower shall pay a non-refundable competitive bid fee of $3,000 to the Administrative Agent for its own account.

SECTION 2.04. REPAYMENT OF REGULAR ADVANCES.

(a) TERM ADVANCES. The Borrower shall repay to the Administrative Agent for the ratable account of the Term Lenders the aggregate outstanding principal amount of the Term Advances on the dates and in the amounts indicated on Schedule 2.04(a) hereto.

(b) WORKING CAPITAL ADVANCES. The Borrower shall repay to the Administrative Agent for the ratable account of the Working Capital Lenders on the Termination Date the aggregate principal amount of the Working Capital Advances then outstanding.

(c) SWING LINE ADVANCES. The Borrower shall repay to the Administrative Agent for the account of each Swing Line Bank and each other Working Capital Lender that has made a Swing Line Advance the outstanding principal amount of each Swing Line Advance made by each of them on the earlier of the maturity date specified in the applicable Notice of Swing Line Borrowing (which maturity shall be no later than the seventh day after the requested date of such Borrowing) and the Termination Date.

(d) LETTER OF CREDIT ADVANCES. The Borrower shall repay to the Administrative Agent for the account of each Issuing Bank and each other Working Capital Lender that has made a Letter of Credit Advance the outstanding principal amount of each Letter of Credit Advance made by each of them on demand.

SECTION 2.05. TERMINATION OR REDUCTION OF THE COMMITMENTS. (a) OPTIONAL. The Borrower may, upon at least three Business Days' notice to the Administrative Agent, terminate in whole or reduce in part the unused portions of the Term Commitments, the Letter of Credit Facility and the Swing Line Facility and the Unused Working Capital Commitments; PROVIDED, HOWEVER, that each partial reduction of a Facility (i) shall be in an aggregate amount of $5,000,000 or an integral multiple of $1,000,000 in excess thereof and (ii) shall be made ratably among the Appropriate Lenders in accordance with their Commitments with respect to such Facility.

(b) MANDATORY. (i) The Working Capital Facility shall be automatically and permanently reduced on a pro rata basis on each date on which prepayment thereof is required to be made pursuant to Section 2.06(b)(i) or (ii) in an amount equal to the applicable Reduction Amount, PROVIDED that each such reduction of the Working Capital Facility shall be made ratably among the Working Capital Lenders in accordance with their Working Capital Commitments, PROVIDED FURTHER, HOWEVER, that notwithstanding the foregoing and Section 2.06(b)(vii), in no event shall the Working Capital Facility be reduced, pursuant to this Section 2.05(b)(i), to less than $1,100,000,000.

(ii) The Letter of Credit Facility and the Swing Line Facility shall be permanently reduced from time to time on the date of each reduction in the Working Capital Facility by the amounts, if any, by which the aggregate amounts of the Letter of Credit Facility and the Swing Line Facility, respectively, exceed the Working Capital Facility after giving effect to such reduction of the Working Capital Facility.

(iii) On the date of the Term Borrowing, after giving effect to such Term Borrowing, and from time to time thereafter upon each repayment or prepayment of the Term Advances, the aggregate Term Commitments of the Term Lenders shall be automatically and permanently reduced, on a pro rata basis, by an amount equal to the amount by which the aggregate Term Commitments immediately prior to such reduction exceed the aggregate unpaid principal amount of the Term Advances then outstanding.

SECTION 2.06. PREPAYMENTS OF REGULAR ADVANCES. (a) OPTIONAL. The Borrower may, upon at least three Business Days' notice in the case of Eurodollar Rate Advances and same day notice in the case of Base Rate Advances, in each case to the Administrative Agent stating the proposed date and aggregate principal amount of the prepayment, and if such notice is given the Borrower shall, prepay the outstanding aggregate principal amount of the Regular Advances comprising part of the same Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the aggregate principal amount prepaid; PROVIDED, HOWEVER, that (x) each partial prepayment shall be in an aggregate principal amount of $5,000,000 or an

integral multiple of $1,000,000 in excess thereof and (y) if any prepayment of a Eurodollar Rate Advance is made other than on the last day of an Interest Period for such Advance, the Borrower shall also pay any amounts owing pursuant to Section 8.04(c). With respect to each such prepayment of any Term Advances, 50% of such prepayment shall be applied to the installments thereof pro rata and the remaining 50% of such prepayment shall be applied to the installments thereof in inverse order of maturity.

(b) MANDATORY. (i) If on the 90th day following the end of any Fiscal Year, an Investment Grade Rating shall not be in effect, the Borrower shall, on or before such 90th day, commencing with the Fiscal Year ending on February 3, 1996, prepay an aggregate principal amount of the Regular Advances comprising part of the same Borrowings in an amount equal to (x) 35%, if the Interest Coverage Ratio at the end of such Fiscal Year is greater than 3.75:1 or (y) 50%, in all other cases, in each case of the amount of Excess Cash Flow for such Fiscal Year. Each such prepayment shall be applied ratably FIRST to the Term Facility, with 50% of such prepayment applied to the installments thereof pro rata and the remaining 50% of such prepayment applied to the installments thereof in inverse order of maturity and SECOND to the Working Capital Facility as set forth in clause (vii) below.

(ii) During each Non-Investment Grade Period, the Borrower shall, on the date of receipt of the Net Cash Proceeds by the Borrower or any of its Subsidiaries from (A) the sale, lease, transfer or other disposition of any assets of the Borrower or any of its Subsidiaries (other than any sale, lease, transfer or other disposition of assets pursuant to clause (i), (ii), (iii), (v) or (vi) of Section 5.02(d)) and (B) the incurrence or issuance by the Borrower or any of its Subsidiaries of any Debt (other than Debt incurred or issued pursuant to clause (i)(A), (B) or (D), (ii) or (iii) of Section 5.02(b)), prepay an aggregate principal amount of the Advances comprising part of the same Borrowings in an amount equal to 50% of the amount of such Net Cash Proceeds. Each such prepayment shall be applied FIRST to the Term Facility, with 50% of such prepayment applied to the installments thereof pro rata and the remaining 50% of such prepayment applied in inverse order of maturity and SECOND to the Working Capital Facility as set forth in clause (vii) below.

(iii) The Borrower shall, on each Business Day, prepay an aggregate principal amount of the Working Capital Advances comprising part of the same Borrowings, the Letter of Credit Advances and the Swing Line Advances equal to the amount by which (A) the sum of the aggregate principal amount of (w) the Working Capital Advances, (x) the Letter of Credit Advances, (y) the Swing Line Advances and (z) the Competitive Bid Advances then outstanding plus the aggregate Available Amount of all Letters of Credit then outstanding exceeds (B) the Working Capital Facility on such Business Day.

(iv) The Borrower shall, on each Business Day and on the Termination Date, pay to the Administrative Agent for deposit in the L/C Cash Collateral Account an amount sufficient to cause the aggregate amount on deposit in such Account to equal the amount by which the aggregate Available Amount of all Letters of Credit then outstanding exceeds the Letter of Credit Facility on such Business Day or the Termination Date, as the case may be, PROVIDED that with respect to any payment to be made under this clause (iv) on the Termination Date, the Borrower shall make such payment or, at its option, provide a "back-to-back" letter of credit to the Issuing Banks that issued the Letters of Credit outstanding at such time in a form satisfactory to such Issuing Banks and the Administrative Agent in their sole discretion, issued by a bank satisfactory to such Issuing Banks and the Administrative Agent in their sole discretion, in an amount equal to the aggregate Available Amount of the Letters of Credit then outstanding.

(v) The Borrower shall pay to the Administrative Agent, on the first day of each Clean-Down Period, an amount equal to the amount by which the aggregate principal amount of the Working Capital Advances, the Letter of Credit Advances, the Swing Line Advances and the Competitive Bid Advances plus the aggregate Available Amount of outstanding Standby Letters of Credit exceeds the Clean-Down Amount, FIRST to be applied to

prepay the Working Capital Advances, the Letter of Credit Advances and the Swing Line Advances and SECOND to be deposited in the L/C Cash Collateral Account.

(vi) The Borrower shall, on or within the 30 Business Days immediately preceding the date of any prepayment, redemption, purchase or defeasance of Debt by the Borrower or any of its Subsidiaries pursuant to clause (viii) of Section 5.02(j), prepay an aggregate principal amount of the Advances comprising part of the same Borrowings in an amount equal to the aggregate principal amount of the other Debt being so prepaid, redeemed, purchased or defeased. Each such prepayment shall be applied ratably to the Term Facility, with 50% of such prepayment applied to the installments thereof pro rata and the remaining 50% of such prepayment applied to the installments thereof in inverse order of maturity.

(vii) Prepayments of the Working Capital Facility made pursuant to clause (i), (ii), (iii) or (v) above shall be FIRST applied to prepay Letter of Credit Advances then outstanding until such Advances are paid in full, SECOND applied to prepay Swing Line Advances then outstanding until such Advances are paid in full, THIRD applied to prepay Working Capital Advances then outstanding comprising part of the same Borrowings until such Advances are paid in full and FOURTH deposited in the L/C Cash Collateral Account to cash collateralize 100% of the Available Amount of the Letters of Credit then outstanding; and, in the case of prepayments of the Working Capital Facility required pursuant to clause (i) or (ii) above, the amount remaining (if any) after the prepayment in full of the Advances then outstanding and the 100% cash collateralization of the aggregate Available Amount of Letters of Credit then outstanding (the sum of such prepayment amounts, cash collateralization amounts and remaining amount being referred to herein as the "REDUCTION AMOUNT") may be retained by the Borrower and the Working Capital Facility shall be permanently reduced as set forth in Section 2.05(b)(i). Upon the drawing of any Letter of Credit for which funds are on deposit in the L/C Cash Collateral Account, such funds shall be applied to reimburse the relevant Issuing Bank or Working Capital Lenders, as applicable.

(viii) All prepayments under this subsection (b) shall be made together with accrued interest to the date of such prepayment on the principal amount prepaid.

SECTION 2.07. INTEREST ON REGULAR ADVANCES. (a) SCHEDULED INTEREST. The Borrower shall pay interest on the unpaid principal amount of each Regular Advance owing to each Lender from the date of such Advance until such principal amount shall be paid in full, at the following rates per annum:

(i) BASE RATE ADVANCES. During such periods as such Advance is a Base Rate Advance, a rate per annum equal at all times to the sum of (A) the Base Rate in effect from time to time and (B) the Applicable Margin in effect from time to time,

payable in arrears quarterly on the last day of each March, June, September and December during such periods and on the date such Base Rate Advance shall be Converted or paid in full.

(ii) EURODOLLAR RATE ADVANCES. During such periods as such Advance is a Eurodollar Rate Advance, a rate per annum equal at all times during each Interest Period for such Advance to the sum of (A) the Eurodollar Rate for such Interest Period for such Advance and (B) the Applicable Margin in effect from time to time, payable in arrears on the last day of such Interest Period and, if such Interest Period has a duration of six months, on the day that occurs during such Interest Period three months after the first day of such Interest Period and on the date such Eurodollar Rate Advance shall be Converted or paid in full.

(b) DEFAULT INTEREST. Upon the occurrence and during the continuance of an Event of Default, the Borrower shall pay interest on (i) the unpaid principal amount of each Regular Advance owing to each Lender, payable in arrears on the dates referred to in clause (a)(i) or (a)(ii) above and on demand, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on such Advance pursuant to clause (a)(i) or (a)(ii) above and (ii) to the fullest extent permitted by law, the amount of any interest, fee or other amount payable hereunder that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid, in the case of interest, on the Type of Advance on which such interest has accrued pursuant to clause (a)(i) or (a)(ii) above, and, in all other cases, on Base Rate Advances pursuant to clause (a)(i) above.

(c) NOTICE OF INTEREST RATE. Promptly after receipt of a Notice of Borrowing pursuant to Section 2.02(a), the Administrative Agent shall give notice to the Borrower and each Appropriate Lender of the applicable interest rate determined by the Administrative Agent for purposes of clause (a)(i) or (a)(ii) above.

SECTION 2.08. FEES. (a) COMMITMENT FEE. The Borrower shall pay to the Administrative Agent for the account of the Lenders a commitment fee on the average daily unused portion of each Appropriate Lender's Term Commitment and on the sum of the average daily Unused Working Capital Commitment of such Lender plus its Pro Rata Share of the average daily outstanding Swing Line Advances PLUS its Pro Rata Share of the average daily outstanding Competitive Bid Advances (in each case, such average to be calculated for the period commencing on the due date of the most recent such payment (or the date of the Initial Extension of Credit in the case of the first such payment) and ending on the date such payment is due) from the date of the Initial Extension of Credit in the case of each Initial

Lender and from the effective date specified in the Assignment and Acceptance pursuant to which it became a Lender in the case of each other Lender until the Termination Date at a rate per annum equal to the Applicable Percentage in effect from time to time, payable in arrears, on March 31, 1995, and thereafter, quarterly on the last Business Day of each March, June, September

and December, and on the Termination Date; PROVIDED, HOWEVER, that any commitment fee accrued with respect to any of the Commitments of a Defaulting Lender during the period prior to the time such Lender became a Defaulting Lender and unpaid at such time shall not be payable by the Borrower so long as such Lender shall be a Defaulting Lender except to the extent that such commitment fee shall otherwise have been due and payable by the Borrower prior to such time; and PROVIDED FURTHER that no commitment fee shall accrue on any of the Commitments of a Defaulting Lender so long as such Lender shall be a Defaulting Lender.

(b) UTILIZATION FEE. During each Non-Investment Grade Period, for each day on which the sum of the aggregate outstanding Advances plus the aggregate Available Amount of outstanding Letters of Credit plus the aggregate Available Amount of outstanding Documentary L/Cs exceeds 50% of the sum of (i) the Term Commitments on such day plus (ii) the Working Capital Commitments on such day, the Borrower shall pay to the Administrative Agent for the account of each Lender (other than the Designated Bidders) a utilization fee on the sum of the aggregate amount of the Advances outstanding and owing to such Lender plus such Lender's Pro Rata Share of the aggregate Available Amount of all outstanding Standby Letters of Credit at the rate of 0.25% per annum, payable in arrears on March 31, 1995, and thereafter, quarterly on the last Business Day of each March, June, September and December and on the Termination Date; PROVIDED, HOWEVER, that any utilization fee accrued with respect to any of the Advances of a Defaulting Lender during the period prior to the time such Lender became a Defaulting Lender and unpaid at such time shall not be payable by the Borrower so long as such Lender shall be a Defaulting Lender except to the extent that such utilization fee shall otherwise have been due and payable by the Borrower prior to such time; and PROVIDED FURTHER that no utilization fee shall accrue on any of the Advances of a Defaulting Lender so long as such Lender shall be a Defaulting Lender.

(c) ADMINISTRATIVE AGENT'S FEES. The Borrower shall pay to the Administrative Agent for its own account such fees as may from time to time be agreed between the Borrower and the Administrative Agent.

SECTION 2.09. CONVERSION OF REGULAR ADVANCES. (a) OPTIONAL. The Borrower may on any Business Day, upon notice given to the Administrative Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Conversion in the case of a Conversion to Eurodollar Rate Advances, or the first Business Day prior to the date of the proposed Conversion in the case of a Conversion to Base

Rate Advances and subject to the provisions of Section 2.10, Convert all or any portion of the Regular Advances of one Type comprising the same Borrowing into Regular Advances of the other Type; PROVIDED, HOWEVER, that any Conversion of Eurodollar Rate Advances into Base Rate Advances shall be made only on the last day of an Interest Period for such Eurodollar Rate Advances, any Conversion of Base Rate Advances into Eurodollar Rate Advances shall be in an amount not less than the minimum amount specified in Section 2.02(c) and no Conversion of any Advances shall result in more separate Borrowings than permitted under Section 2.02(c). Each such notice of Conversion shall, within the restrictions specified above, specify (i) the date of such Conversion, (ii) the Advances to be Converted and (iii) if such Conversion is into Eurodollar Rate Advances, the duration of the initial Interest Period for such Advances. Each notice of Conversion shall be irrevocable and binding on the Borrower.

(b) MANDATORY. (i) On the date on which the aggregate unpaid principal amount of Eurodollar Rate Advances comprising any Borrowing shall be reduced, by payment or prepayment or otherwise, to less than $25,000,000, such Advances shall automatically Convert into Base Rate Advances.

(ii) If the Borrower shall fail to select the duration of any Interest Period for any Eurodollar Rate Advances in accordance with the provisions contained in the definition of "INTEREST PERIOD" in Section 1.01, the Administrative Agent will forthwith so notify the Borrower and the Appropriate Lenders, whereupon each such Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance.

(iii) Upon the occurrence and during the continuance of any Event of Default, (x) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance and (y) the obligation of the Lenders to make, or to Convert Advances into, Eurodollar Rate Advances shall be suspended.

SECTION 2.10. INCREASED COSTS, ETC. (a) If, due to either (i) the introduction of or any change (other than any change by way of imposition or increase of reserve requirements included in the Eurodollar Rate Reserve Percentage) in or in the interpretation of any law or regulation or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the cost to any Lender of agreeing to make or of making, funding or maintaining Eurodollar Rate Advances or LIBO Rate Advances or of agreeing to issue or of issuing or maintaining Letters of Credit, then the Borrower shall from time to time, upon demand by such Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender additional amounts sufficient to

compensate such Lender for such increased cost; PROVIDED, HOWEVER, that a Lender claiming additional amounts under this Section 2.10(a) agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Applicable Lending Office if the making of such a designation would avoid the need for, or reduce the amount of, such increased cost that may thereafter accrue and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender. A certificate as to the amount of such increased cost, submitted to the Borrower by such Lender, shall be conclusive and binding for all purposes, absent manifest error. If the Borrower so notifies the Administrative Agent within ten Business Days after any Lender notifies the Borrower of any increased cost pursuant to the foregoing provisions of this Section 2.10(a), the Borrower may, upon payment of such increased cost to such Lender, replace such Lender with a Person that is an Eligible Assignee in accordance with the terms of Section 8.07 (and the Lender being so replaced shall take all action as may be necessary to assign its rights and obligations under this Agreement to such Eligible Assignee).

(b) If any Lender Party (other than the Designated Bidders) determines that compliance with any law or regulation or any guideline or request from any central bank or other governmental authority (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Lender Party or any corporation controlling such Lender Party and that the amount of such capital is increased by or based upon the existence of such Lender Party's commitment to lend or to issue Letters of Credit hereunder and other commitments of such type or the issuance or maintenance of the Letters of Credit (or similar contingent obligations), then, upon demand by such Lender Party (with a copy of such demand to the Administrative Agent), the Borrower shall pay to the Administrative Agent for the account of such Lender Party, from time to time as specified by such Lender Party, additional amounts sufficient to compensate such Lender Party in the light of such circumstances, to the extent that such

Lender Party reasonably determines such increase in capital to be allocable to the existence of such Lender Party's commitment to lend or to issue Letters of Credit hereunder or to the issuance or maintenance of any Letters of Credit. A certificate as to such amounts submitted to the Borrower by such Lender Party shall be conclusive and binding for all purposes, absent manifest error.

(c) If, with respect to any Eurodollar Rate Advances under any Facility, Lenders owed at least a majority in interest of the then aggregate unpaid principal amount thereof notify the Administrative Agent that the Eurodollar Rate for any Interest Period for such Advances will not adequately reflect the cost to such Lenders of making, funding or maintaining their Eurodollar Rate Advances for such Interest Period, the Administrative Agent shall forthwith so notify the Borrower and the Appropriate Lenders, whereupon (i) each such Eurodollar Rate Advance under such Facility will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance and (ii) the obligation of

the Appropriate Lenders to make, or to Convert Advances into, Eurodollar Rate Advances shall be suspended until the Administrative Agent shall notify the Borrower that such Lenders have determined that the circumstances causing such suspension no longer exist.

(d) Notwithstanding any other provision of this Agreement, if the introduction of or any change in or in the interpretation of any law or regulation shall make it unlawful, or any central bank or other governmental authority shall assert that it is unlawful, for any Lender or its Eurodollar Lending Office to perform its obligations hereunder to make Eurodollar Rate Advances or LIBO Rate Advances or to continue to fund or maintain Eurodollar Rate Advances or LIBO Rate Advances hereunder, then, on notice thereof and demand therefor by such Lender to the Borrower through the Administrative Agent, (i) each Eurodollar Rate Advance under each Facility under which such Lender has a Commitment or LIBO Rate Advance, as the case may be, will automatically, upon such demand, Convert into a Base Rate Advance or an Advance that bears interest at the rate set forth in Section 2.07(a)(i), as the case may be, and (ii) the obligation of the Appropriate Lenders to make, or to Convert Regular Advances into, Eurodollar Rate Advances shall be suspended until the Administrative Agent shall notify the Borrower that such Lender has determined that the circumstances causing such suspension no longer exist.

SECTION 2.11. PAYMENTS AND COMPUTATIONS. (a) The Borrower shall make each payment hereunder and under the Notes, irrespective of any right of counterclaim or set-off (except as otherwise provided in Section 2.16), not later than 12:00 Noon (New York City time) on the day when due in U.S. dollars to the Administrative Agent at the Administrative Agent's Account in same day funds. The Administrative Agent will promptly thereafter cause like funds to be distributed (i) if such payment by the Borrower is in respect of principal, interest, commitment fees, utilization fees or any other Obligation then payable hereunder and under the Notes to more than one Lender or Issuing Bank, to such Lenders or such Issuing Banks, as the case may be, for the account of their respective Applicable Lending Offices ratably in accordance with the amounts of such respective Obligations then payable to such Lenders or Issuing Banks and (ii) if such payment by the Borrower is in respect of any Obligation then payable hereunder to one Lender or one Issuing Bank, to such Lender or such Issuing Bank for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 8.07(i), from and after the effective date of such Assignment and Acceptance, the Administrative Agent shall make all payments hereunder and under the Notes in respect of the interest assigned thereby to the Lender assignee or Issuing

Bank assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) If the Administrative Agent receives funds for application to the Obligations under the Loan Documents under circumstances for which the Loan Documents do not specify the Advances or the Facility to which, or the manner in which, such funds are to be applied, the Administrative Agent may, but shall not be obligated to, elect to distribute such funds to each Lender ratably in accordance with such Lender's proportionate share of the principal amount of all outstanding Advances and the Available Amount of all Letters of Credit then outstanding, in repayment or prepayment of such of the outstanding Advances or other Obligations owed to such Lender, and for application to such principal installments, as the Administrative Agent shall direct.

(c) The Borrower hereby authorizes each Lender Party, if and to the extent payment owed to such Lender Party is not made when due hereunder or, in the case of a Lender, under the Note held by such Lender, to charge from time to time against any or all of the Borrower's accounts with such Lender Party any amount so due.

(d) All computations of interest, fees and Letter of Credit commissions shall be made by the Administrative Agent on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest, fees or commissions are payable. Each determination by the Administrative Agent of an interest rate, fee or commission hereunder shall be conclusive and binding for all purposes, absent manifest error.

(e) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest, commitment fee or utilization fee, as the case may be; PROVIDED, HOWEVER, that, if such extension would cause payment of interest on or principal of Eurodollar Rate Advances or LIBO Rate Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(f) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to any Lender or any Issuing Bank hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each such Lender or such Issuing Bank on such due date an amount equal to the amount then due each such Lender or such Issuing Bank, as the case may be. If and to the extent the Borrower shall not have so made such payment in full to the Administrative Agent, each such Lender or such Issuing Bank, as the case may be, shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender or such Issuing Bank

together with interest thereon, for each day from the date such amount is distributed to such Lender or such Issuing Bank until the date such Lender or such Issuing Bank repays such amount to the Administrative Agent, at the Federal Funds Rate.

SECTION 2.12. TAXES. (a) Any and all payments by the Borrower hereunder or under the Notes shall be made, in accordance with Section 2.11, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, EXCLUDING, in the case of each Lender Party and the Administrative Agent, net income taxes that are imposed by the United States and franchise taxes and net income taxes that are imposed on such Lender Party or the Administrative Agent by the state or foreign jurisdiction under the laws of which such Lender Party or the Administrative Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Lender Party, franchise taxes and net income taxes that are imposed on such Lender Party by the state or foreign jurisdiction of such Lender Party's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "TAXES"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to any Lender Party or the Administrative Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.12) such Lender Party or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any present or future stamp, documentary, excise, property or similar taxes, charges or levies that arise from any payment made hereunder or under the Notes or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or the Notes (hereinafter referred to as "OTHER TAXES").

(c) The Borrower shall indemnify each Lender Party and the Administrative Agent for the full amount of Taxes and Other Taxes, and for the full amount of taxes imposed by any jurisdiction on amounts payable under this Section 2.12, paid by such Lender Party or the Administrative Agent (as the case may be) and any liability (including penalties, additions to tax, interest and expenses) arising therefrom or with respect thereto. This indemnification shall be made within 30 days from the date such Lender Party or the Administrative Agent (as the case may be) makes written demand therefor.

(d) Within 30 days after the date of any payment of Taxes, the Borrower shall furnish to the Administrative Agent, at its address referred to in Section 8.02, the original receipt of payment thereof or a certified copy of such receipt. In the case of any payment hereunder or under the Notes by or on behalf of the Borrower through an account or branch outside the United States or on behalf of the Borrower by a payor that is not a United States person, if the Borrower determines that no Taxes are payable in respect thereof, the Borrower shall furnish, or shall cause such payor to furnish, to the Administrative Agent, at such address, an opinion of counsel acceptable to the Administrative Agent stating that such payment is exempt from Taxes. For

purposes of this subsection (d) and subsection (e), the terms "UNITED STATES" and "UNITED STATES PERSON" shall have the meanings specified in Section 7701 of the Internal Revenue Code.

(e) Each Lender Party organized under the laws of a jurisdiction outside the United States shall, on or prior to the date of its execution and delivery of this Agreement in the case of each Initial Lender or initial Issuing Bank, as the case may be, and on the date of the Assignment and Acceptance pursuant to which it became a Lender Party in the case of each other Lender Party, and from time to time thereafter if requested in writing by the Borrower or the Administrative Agent (but only so long thereafter as such Lender Party remains lawfully able to do so), provide the Administrative Agent and the Borrower with Internal Revenue Service form 1001 or 4224, as appropriate, or any successor or other form prescribed by the Internal Revenue Service, certifying that such Lender Party is exempt from or is entitled to a reduced rate of United States withholding tax on payments under this Agreement or the Notes. To the extent permitted by law, as an alternative to form 1001 or 4224, each such Lender Party may provide the Administrative Agent with two duly completed copies of Internal Revenue Service Form W-8, or any successor form prescribed by the Internal Revenue Service, certifying that such Lender Party is exempt from United States federal withholding tax pursuant to Section 871(h) or 881(c) of the Internal Revenue Code, together with an annual certificate stating that such Lender Party is not a "person" described in Section 871(h)(3) or 881(c)(3) of the Internal Revenue Code. If the form provided by a Lender Party at the time such Lender Party first becomes a party to this Agreement indicates a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from Taxes unless and until such Lender Party provides the appropriate form certifying that a lesser rate applies, whereupon withholding tax at such lesser rate only shall be considered excluded from Taxes for periods governed by such form; PROVIDED, HOWEVER, that, if at the date of the Assignment and Acceptance pursuant to which a Lender Party assignee becomes a party to this Agreement, the Lender Party assignor was entitled to payments under subsection (a) in respect of United States withholding tax with respect to interest paid at such date, then, to such extent, the term Taxes shall include (in addition to withholding taxes that may be imposed in the future or other amounts otherwise includable in Taxes) United States withholding tax, if any, applicable with respect to the Lender Party assignee on such date. If

any form or document referred to in this subsection (e) requires the disclosure of information, other than information necessary to compute the tax payable and information required on the date hereof by Internal Revenue Service form 1001, 4224 or W-8, that the Lender Party reasonably considers to be confidential, the Lender Party shall give notice thereof to the Borrower and shall not be obligated to include in such form or document such confidential information.

(f) For any period with respect to which a Lender Party has failed to provide the Borrower with the appropriate form described in subsection (e) (OTHER THAN if such failure is due to a change in law occurring after the date on which a form originally was required to be provided or if such form otherwise is not required under subsection (e)), such Lender Party shall not be entitled to indemnification under subsection (a) or (c) with respect to Taxes imposed by the United States; PROVIDED, HOWEVER, that should a Lender Party become subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps as such Lender Party shall reasonably request to assist such Lender Party to recover such Taxes.

(g) Any Lender Party claiming any additional amounts payable pursuant to this Section 2.12 agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to change the jurisdiction of its Eurodollar Lending Office if the making of such a change would avoid the need for, or reduce the amount of, any such additional amounts that may thereafter accrue and would not, in the reasonable judgment of such Lender Party, be otherwise disadvantageous to such Lender Party.

SECTION 2.13. SHARING OF PAYMENTS, ETC. If any Lender or any Issuing Bank shall obtain at any time any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) (a) on account of Obligations due and payable to such Lender or Issuing Bank hereunder and under the Notes at such time in excess of its ratable share (according to the proportion of (i) the amount of such Obligations due and payable to such Lender or Issuing Bank at such time to (ii) the aggregate amount of the Obligations due and payable to all Lenders and all Issuing Banks hereunder and under the Notes at such time) of payments on account of the Obligations due and payable to all Lenders and all Issuing Banks hereunder and under the Notes at such time obtained by all the Lenders at such time or (b) on account of Obligations owing (but not due and payable) to such Lender or Issuing Bank hereunder and under the Notes at such time in excess of its ratable share (according to the proportion of (i) the amount of such Obligations owing to such Lender or Issuing Bank at such time to (ii) the aggregate amount of the Obligations owing (but not due and payable) to all Lenders and all Issuing Banks hereunder and under the Notes at such time) of payments on account of the Obligations owing (but not due and payable) to all Lenders and all Issuing Banks hereunder and under the Notes at such time obtained by all of the Lenders and all of the

Issuing Banks at such time, such Lender or Issuing Bank shall forthwith purchase from the other Lenders and the other Issuing Banks such participations in the Obligations due and payable or owing to them, as the case may be, as shall be necessary to cause such purchasing Lender or Issuing Bank to share the excess payment ratably with each of them; PROVIDED, HOWEVER, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender or Issuing Bank, such purchase from each other Lender and each other Issuing Bank shall be rescinded and such other Lender or Issuing Bank shall repay to the purchasing Lender or Issuing Bank the purchase price to the extent of such other Lender's or Issuing Bank's ratable share (according to the proportion of (i) the purchase price paid to such Lender or Issuing Bank to (ii) the aggregate purchase price paid to all Lenders or Issuing Banks) of such recovery together with an amount equal to such Lender's or Issuing Bank's ratable share (according to the proportion of (i) the amount of such other Lender's or Issuing Bank's required repayment to (ii) the total amount so recovered from the purchasing Lender or Issuing Bank) of any interest or other amount paid or payable by the purchasing Lender or Issuing Bank in respect of the total amount so recovered. The Borrower agrees that any Lender or Issuing Bank so purchasing a participation from another Lender or Issuing Bank pursuant to this Section 2.13 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender or Issuing Bank were the direct creditor of the Borrower in the amount of such participation.

SECTION 2.14. LETTERS OF CREDIT. (a) THE LETTER OF CREDIT FACILITY. Each Issuing Bank severally agrees, on the terms and conditions hereinafter set forth, to issue letters of credit (together with the Existing Letters of Credit referred to in Section 2.14(g), the "LETTERS OF CREDIT") for the account of the Borrower or the Borrower and any Guarantor specified by the Borrower from time to time on any Business Day during the period from the date hereof until 10 days before the Termination Date (i) in an aggregate Available Amount for all Letters of Credit issued by such Issuing Bank not to exceed at any time such Issuing Bank's Letter of Credit Commitment (or such greater amount as such Issuing Bank shall agree) and (ii) in an Available Amount for each such Letter of Credit not to exceed an amount equal to (1) the lesser of (x) the Letter of Credit Facility at such time and (y) an amount equal to the Unused Working Capital Commitments of the Working Capital Lenders at such time less (2) the sum of (I) the Electronic L/C Reserve then in effect and (II) the Documentary L/C Amount then in effect, provided that no Standby Letters of

Credit shall be denominated in an Alternative Currency and no Trade Letter of Credit denominated in an Alternative Currency shall be issued if the aggregate Available Amount of all outstanding Letters of Credit denominated in Alternative Currencies shall exceed the equivalent Dollar amount, determined in accordance with Section 1.04, of $10,000,000. No Letter of Credit shall have an expiration date (including all rights of the Borrower or the beneficiary to require renewal) later than the earlier of (A) in the case of a Letter of Credit denominated in an Alternative Currency, 60

days before the Termination Date, and in all other cases, 10 days before the Termination Date and (B) (1) in the case of a Standby Letter of Credit, one year after the date of issuance thereof (but such Standby Letter of Credit may by its terms be automatically renewable annually upon notice (a "NOTICE OF RENEWAL") given to the Issuing Bank that issued such Standby Letter of Credit and the Administrative Agent on or prior to any date for notice of renewal set forth in such Letter of Credit but in any event at least three Business Days prior to the date of the proposed renewal of such Standby Letter of Credit and upon fulfillment of the applicable conditions set forth in Article III unless such Issuing Bank has notified the Borrower (with a copy to the Administrative Agent) on or prior to the date for notice of termination set forth in such Letter of Credit but in any event at least 30 Business Days prior to the date of automatic renewal of its election not to renew such Standby Letter of Credit (a "NOTICE OF TERMINATION")) and (2) in the case of a Trade Letter of Credit, one year after the date of issuance thereof; provided that the terms of each Standby Letter of Credit that is automatically renewable annually shall (x) require the Issuing Bank that issued such Standby Letter of Credit to give the beneficiary named in such Standby Letter of Credit notice of any Notice of Termination, (y) permit such beneficiary, upon receipt of such notice, to draw under such Standby Letter of Credit prior to the date such Standby Letter of Credit otherwise would have been automatically renewed and (z) not permit the expiration date (after giving effect to any renewal) of such Standby Letter of Credit in any event to be extended to a date after the dates referred to in clause (A) above. If either a Notice of Renewal is not given by the Borrower or a Notice of Termination is given by the relevant Issuing Bank pursuant to the immediately preceding sentence, such Standby Letter of Credit shall expire on the date on which it otherwise would have been automatically renewed; PROVIDED, HOWEVER, that even in the absence of receipt of a Notice of Renewal the relevant Issuing Bank may in its discretion, unless instructed to the contrary by the Administrative Agent or the Borrower, deem that a Notice of Renewal had been timely delivered and in such case, a Notice of Renewal shall be deemed to have been so delivered for all purposes under this Agreement. Within the limits of the Letter of Credit Facility, and subject to the limits referred to above, the Borrower may request the issuance of Letters of Credit under this Section 2.14(a), repay any Letter of Credit Advances resulting from drawings thereunder pursuant to Section 2.14(c) and request the issuance of additional Letters of Credit under this Section 2.14(a). The Borrower and any one Issuing Bank (the "ELECTRONIC ISSUING BANK") may from time to time agree to reserve under the Letter of Credit Facility an amount (the "ELECTRONIC L/C RESERVE") not to exceed $400,000,000, which reserve shall (i) be available solely for electronically issued Trade Letters of Credit from time to time in accordance with customary procedures applicable thereto and each such electronically issued Letter of Credit (an "ELECTRONIC L/C") shall be considered a Letter of Credit for all purposes under this Agreement and (ii) be established or revised upon not less than 2 Business Days' prior written notice thereof from the Borrower to the Administrative Agent, PROVIDED, that upon the occurrence and during the continuance of a Default, the ability to establish and

maintain the Electronic L/C Reserve and the ability of an Issuing Bank to electronically issue Trade Letters of Credit under this Agreement shall be suspended.

(b) REQUEST FOR ISSUANCE. (i) Each Letter of Credit shall be issued upon notice, given not later than 11:00 A.M. (New York City time) on the second Business Day prior to the date of the proposed issuance of such Letter of Credit, by the Borrower to any Issuing Bank or by such later date as may be agreed by the Borrower and such Issuing Bank (subject to the proviso to the last sentence in Section 2.14(a)), which shall give to the Administrative Agent and each Working Capital Lender prompt notice thereof by telex or telecopier; PROVIDED, HOWEVER, that the Borrower may request (and if such request is made, the Borrower shall represent and warrant that after giving effect to such issuance, the aggregate Available Amount of Trade Letters of Credit outstanding does not exceed $400,000,000) and the Electronic Issuing Bank may issue, up to $400,000,000 in the aggregate of Electronic L/Cs without the giving of notice thereof by such Issuing Bank to the Administrative Agent and each Working Capital Lender unless and until the Administrative Agent has notified such Issuing Bank that it must give such notice prior to any issuance of Letters of Credit and, PROVIDED FURTHER that the amount, if any, of the Electronic L/C Reserve shall reduce the amount of non-electronically issued Trade Letters of Credit that may be issued. Each such notice of issuance of a Letter of Credit (a "NOTICE OF ISSUANCE") shall be by telephone, confirmed immediately in writing, or telex or telecopier (or, in the case of Electronic L/Cs, transmitted electronically), specifying therein the requested (A) date of such issuance (which shall be a Business Day), (B) Available Amount of such Letter of Credit, (C) expiration date of such Letter of Credit, (D) name and address of the beneficiary of such Letter of Credit and (E) form of such Letter of Credit, and shall be accompanied by such application and agreement for letter of credit as such Issuing Bank may specify to the Borrower for use in connection with such requested Letter of Credit or, in the case of Electronic L/Cs, shall be subject to the agreement entered into with the Electronic Issuing Bank with respect thereto (in each case, a "LETTER OF CREDIT AGREEMENT"). If (x) the requested form of such Letter of Credit is reasonably acceptable to such Issuing Bank in its sole discretion and (y) it has not received notice of objection to such issuance on the grounds that the Borrower has failed to satisfy the conditions set forth in Section 3.02 from Lenders holding at least a majority in interest of the Working Capital Commitments, such Issuing Bank will, upon fulfillment of the applicable conditions set forth in Article III, make such Letter of Credit available to the Borrower at its office referred to in Section 8.02 or as otherwise agreed with the Borrower in connection with such issuance. In the event and to the extent that the provisions of any Letter of shall conflict with this Agreement, the provisions of this Agreement shall govern.

(ii) Each Issuing Bank shall furnish (A) to the Administrative Agent on the first Business Day of each week a written report summarizing issuance and expiration dates of Letters of Credit issued by such Issuing Bank during the previous week and drawings during

such week under all Letters of Credit issued by such Issuing Bank, (B) to each Working Capital Lender on the first Business Day of each month a written report summarizing issuance and expiration dates of Letters of Credit issued by such Issuing Bank during the preceding month and drawings during such month under all Letters of Credit issued by such Issuing Bank and (C) to the Administrative Agent and each Working Capital Lender on the first Business Day of each calendar quarter a written report setting forth the average daily aggregate Available Amount during the preceding calendar quarter of all Letters of Credit issued by such Issuing Bank.

(c) DRAWING AND REIMBURSEMENT. Unless the Borrower shall have paid the Administrative Agent for the account of the applicable Issuing Bank simultaneously with or prior to such Issuing Bank's payment of a draft drawn under a Letter of Credit issued by it in accordance with the terms of Section 2.14(a) an amount equal to the amount of such payment (such amount to be notified to the Borrower by the Issuing Bank on the Business Day immediately preceding any such payment), the payment by such Issuing Bank of a draft drawn under any such Letter of Credit shall constitute for all purposes of this Agreement the making by such Issuing Bank of a Letter of Credit Advance, which shall be a Base Rate Advance, in the amount of such draft or, in the case of any such Letter of Credit denominated in an Alternative Currency, an amount equal to the Dollar equivalent of such draft. Upon written demand by any Issuing Bank with an outstanding Letter of Credit Advance, with a copy of such demand to the Administrative Agent, each Working Capital Lender shall purchase from such Issuing Bank, and such Issuing Bank shall sell and assign to each such Working Capital Lender, such Lender's Pro Rata Share of such outstanding Letter of Credit Advance as of the date of such purchase, by making available for the account of its Applicable Lending Office to the Administrative Agent for the account of such Issuing Bank, by deposit to the Administrative Agent's Account, in same day funds, an amount equal to the portion of the outstanding principal amount of such Letter of Credit Advance to be purchased by such Lender. The Borrower hereby agrees to each such sale and assignment. Each Working Capital Lender agrees to purchase its Pro Rata Share of an outstanding Letter of Credit Advance on (i) the Business Day on which demand therefor is made by the Issuing Bank which made such Advance, provided notice of such demand is given not later than 11:00 A.M. (New York City time) on such Business Day or (ii) the first Business Day next succeeding such demand if notice of such demand is given after such time. Upon any such assignment by an Issuing Bank to any Working Capital Lender of a portion of a Letter of Credit Advance, such Issuing Bank represents and warrants to such Lender that such Issuing Bank is the legal and beneficial owner of such interest being assigned by it, free and clear of any liens, but makes no other representation or warranty and assumes no responsibility with respect to such Letter of Credit Advance, the Loan Documents or any Loan Party. If and to the extent that any Working Capital Lender shall not have so made the amount of such Letter of Credit Advance available to the Administrative Agent, such Working Capital Lender agrees to pay to

the Administrative Agent forthwith on demand such amount together with interest thereon, for each day from the date of demand by such Issuing Bank until the date such amount is paid to the Administrative Agent, at the Federal Funds Rate for its account or the account of such Issuing Bank, as applicable. If such Lender shall pay to the Administrative Agent such amount for the account of such Issuing Bank on any Business Day, such amount so paid in respect of principal shall constitute a Letter of Credit Advance made by such Lender on such Business Day for purposes of this Agreement, and the outstanding principal amount of the Letter of Credit Advance made by such Issuing Bank shall be reduced by such amount on such Business Day. For purposes of this subsection (c), the equivalent Dollar amount of any reimbursement obligation of the

Borrower in respect of any Letter of Credit denominated in an Alternative Currency, and of any obligation of the Working Capital Lenders to pay to the applicable Issuing Bank their Pro Rata Share of drafts drawn under any Letter of Credit that is denominated in an Alternative Currency, shall be determined by using the quoted spot rate at which the applicable Issuing Bank offers to exchange Dollars for such Alternative Currency at the office where the draft giving rise to such reimbursement obligation was presented at 11:00 a.m. local time for such office on the date on which the applicable Issuing Bank honors a draft drawn under such Letter of Credit. The applicable Issuing Bank's determination of each spot rate of exchange pursuant to this Section 2.14(c) shall be final and conclusive in the absence of manifest error.

(d) FAILURE TO MAKE LETTER OF CREDIT ADVANCES. The failure of any Lender to make the Letter of Credit Advance to be made by it on the date specified in Section 2.14(c) shall not relieve any other Lender of its obligation hereunder to make its Letter of Credit Advance on such date, but no Lender shall be responsible for the failure of any other Lender to make the Letter of Credit Advance to be made by such other Lender on such date.

(e) OBLIGATIONS ABSOLUTE. The Obligations of the Borrower under this Agreement, any Letter of and any other agreement or instrument relating to any Letter of Credit shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement, such Letter of and such other agreement or instrument under all circumstances, including, without limitation, the following circumstances:

(i) any lack of validity or enforceability of any Loan Document, any Letter of , any Letter of Credit or any other agreement or instrument relating thereto (all of the foregoing being, collectively, the "L/C RELATED DOCUMENTS");

(ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations of the Borrower in respect of any L/C Related

Document or any other amendment or waiver of or any consent to departure from all or any of the L/C Related Documents;

(iii) the existence of any claim, set-off, defense or other right that the Borrower may have at any time against any beneficiary or any transferee of a Letter of Credit (or any Persons for whom any such beneficiary or any such transferee may be acting), any Issuing Bank or any other Person, whether in connection with the transactions contemplated by the L/C Related Documents or any unrelated transaction;

(iv) any statement or any other document presented under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(v) payment by any Issuing Bank under a Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit, unless such draft or certificate is substantially different from the applicable form specified by such Letter of Credit;

(vi) any exchange, release or non-perfection of any Collateral or other collateral, or any release or amendment or waiver of or consent to departure from the Guaranty or any other guarantee,

for all or any of the Obligations of the Borrower in respect of the L/C Related Documents; or

(vii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including, without limitation, any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower or a guarantor.

(f) COMPENSATION. (i) The Borrower shall pay to the Administrative Agent for the account of each Working Capital Lender a commission on such Lender's Pro Rata Share of the average daily aggregate Available Amount of (A) all Standby Letters of Credit outstanding from time to time at a rate per annum equal to the Applicable Margin in effect from time to time for Eurodollar Rate Advances and (B) all Trade Letters of Credit outstanding from time to time at a rate per annum equal to the Applicable Margin in effect from time to time for Trade Letters of Credit, in each case payable in arrears quarterly on the last Business Day of each March, June, September and December, commencing March 31, 1995, and on the Termination Date.

(ii) The Borrower shall pay to each Issuing Bank, for its own account, such commissions, issuance fees, fronting fees, transfer fees and other fees and charges in

connection with the issuance or administration of each Letter of Credit as the Borrower and such Issuing Bank shall agree.

(g) EXISTING LETTERS OF CREDIT. Effective as of the first date on which the conditions set forth in Sections 3.01 and 3.02 shall have been satisfied, (i) the letters of credit issued for the account of the Borrower prior to such date by Persons that are Issuing Banks hereunder and set forth on Schedule 2.14(g) hereto (such letters of credit being the "EXISTING LETTERS OF CREDIT") in an aggregate face amount not exceeding the total amount set forth on such Schedule will be deemed to have been issued as, and be, Letters of Credit hereunder and (ii) the Existing Letters of Credit and the reimbursement obligations in respect thereof shall be Obligations hereunder and shall no longer be Obligations under the documents pursuant to which such Existing Letters of Credit were initially issued.

SECTION 2.15. USE OF PROCEEDS. The proceeds of the Advances shall be available (and the Borrower agrees that it shall use such proceeds) solely to pay to certain creditors of the Debtors the cash consideration for their claims against the Debtors, purchase the claims of The Prudential Insurance Company of America against the Company pursuant to an option to do so held by FNC, refinance the Series A Notes, the Series B Notes and the Series C Notes to be issued pursuant to the Plan of Reorganization, pay transaction fees and expenses, refinance certain Existing Debt of Federated and provide working capital for the Borrower and its Subsidiaries and for other general corporate purposes, including, without limitation, non-hostile acquisitions.

SECTION 2.16. DEFAULTING LENDERS. (a) In the event that, at any one time, (i) any Lender shall be a Defaulting Lender, (ii) such Defaulting Lender shall owe a Defaulted Advance to the Borrower and (iii) the Borrower shall be required to make any payment hereunder or under any other Loan Document to or for the account of such Defaulting Lender, then the Borrower may, so long as no Default shall occur or be continuing at such time and to the fullest extent permitted by applicable law: (x) replace such Lender with a Person that is an Eligible Assignee in accordance with the terms of Section 8.07 (and the Lender being so replaced shall take all action as may be necessary to assign its rights and obligations under this Agreement to such Eligible Assignee) and (y) set off and otherwise apply the Obligation of the Borrower to make such payment to or for the account of such Defaulting Lender

against the obligation of such Defaulting Lender to make such Defaulted Advance. In the event that, on any date, the Borrower shall so set off and otherwise apply its Obligation to make any such payment against the obligation of such Defaulting Lender to make any such Defaulted Advance on or prior to such date, the amount so set off and otherwise applied by the Borrower shall constitute for all purposes of this Agreement and the other Loan Documents an Advance by such Defaulting Lender made on such date under the Facility pursuant to which such Defaulted Advance was originally required to have been made pursuant to Section 2.01. Such Advance

shall be a Base Rate Advance and shall be considered, for all purposes of this Agreement, to comprise part of the Borrowing in connection with which such Defaulted Advance was originally required to have been made pursuant to Section 2.01, even if the other Advances comprising such Borrowing shall be Eurodollar Rate Advances on the date such Advance is deemed to be made pursuant to this subsection (a). The Borrower shall notify the Administrative Agent at any time the Borrower exercises its right of set-off pursuant to this subsection (a) and shall set forth in such notice (A) the name of the Defaulting Lender and the Defaulted Advance required to be made by such Defaulting Lender and (B) the amount set off and otherwise applied in respect of such Defaulted Advance pursuant to this subsection (a). Any portion of such payment otherwise required to be made by the Borrower to or for the account of such Defaulting Lender which is paid by the Borrower, after giving effect to the amount set off and otherwise applied by the Borrower pursuant to this subsection (a), shall be applied by the Administrative Agent as specified in subsection (b) or (c) of this Section 2.16.

(b) In the event that, at any one time, (i) any Lender shall be a Defaulting Lender, (ii) such Defaulting Lender shall owe a Defaulted Amount to the Administrative Agent or any of the other Lenders and (iii) the Borrower shall make any payment hereunder or under any other Loan Document to the Administrative Agent for the account of such Defaulting Lender, then the Administrative Agent may, on its behalf or on behalf of such other Lenders and to the fullest extent permitted by applicable law, apply at such time the amount so paid by the Borrower to or for the account of such Defaulting Lender to the payment of each such Defaulted Amount to the extent required to pay such Defaulted Amount. In the event that the Administrative Agent shall so apply any such amount to the payment of any such Defaulted Amount on any date, the amount so applied by the Administrative Agent shall constitute for all purposes of this Agreement and the other Loan Documents payment, to such extent, of such Defaulted Amount on such date. Any such amount so applied by the Administrative Agent shall be retained by the Administrative Agent or distributed by the Administrative Agent to such other Lenders, ratably in accordance with the respective portions of such Defaulted Amounts payable at such time to the Administrative Agent and such other Lenders and, if the amount of such payment made by the Borrower shall at such time be insufficient to pay all Defaulted Amounts owing at such time to the Administrative Agent and the other Lenders, in the following order of priority:

(i) FIRST, to the Administrative Agent for any Defaulted Amount then owing to the Administrative Agent; and

(ii) SECOND, to any other Lenders for any Defaulted Amounts then owing to such other Lenders, ratably in accordance with such respective Defaulted Amounts then owing to such other Lenders.

Any portion of such amount paid by the Borrower for the account of such Defaulting Lender remaining, after giving effect to the amount applied by the Administrative Agent pursuant to this subsection (b), shall be applied by the Administrative Agent as specified in subsection (c) of this Section 2.16.

(c) In the event that, at any one time, (i) any Lender shall be a Defaulting Lender, (ii) such Defaulting Lender shall not owe a Defaulted Advance or a Defaulted Amount and (iii) the Borrower, the Administrative Agent or any other Lender shall be required to pay or distribute any amount hereunder or under any other Loan Document to or for the account of such Defaulting Lender, then the Borrower or such other Lender shall pay such amount to the Administrative Agent to be held by the Administrative Agent, to the fullest extent permitted by applicable law, in escrow or the Administrative Agent shall, to the fullest extent permitted by applicable law, hold in escrow such amount otherwise held by it. Any funds held by the Administrative Agent in escrow under this subsection (c) shall be deposited by the Administrative Agent in an account with Citibank, in the name and under the control of the Administrative Agent, but subject to the provisions of this subsection (c). The terms applicable to such account, including the rate of interest payable with respect to the credit balance of such account from time to time, shall be Citibank's standard terms applicable to escrow accounts maintained with it. Any interest credited to such account from time to time shall be held by the Administrative Agent in escrow under, and applied by the Administrative Agent from time to time in accordance with the provisions of, this subsection (c). The Administrative Agent shall, to the fullest extent permitted by applicable law, apply all funds so held in escrow from time to time to the extent necessary to make any Advances required to be made by such Defaulting Lender and to pay any amount payable by such Defaulting Lender hereunder and under the other Loan Documents to the Administrative Agent or any other Lender, as and when such Advances or amounts are required to be made or paid and, if the amount so held in escrow shall at any time be insufficient to make and pay all such Advances and amounts required to be made or paid at such time, in the following order of priority:

(i) FIRST, to the Administrative Agent for any amount then due and payable by such Defaulting Lender to the Administrative Agent hereunder;

(ii) SECOND, to any other Lenders for any amount then due and payable by such Defaulting Lender to such other Lenders hereunder, ratably in accordance with such respective amounts then due and payable to such other Lenders; and

(iii) THIRD, to the Borrower for any Advance then required to be made by such Defaulting Lender pursuant to a Commitment of such Defaulting Lender.

In the event that such Defaulting Lender shall, at any time, cease to be a Defaulting Lender, any funds held by the Administrative Agent in escrow at such time with respect to such Defaulting Lender shall be distributed by the Administrative Agent to such Defaulting Lender and applied by such Defaulting Lender to the Obligations owing to such Lender at such time under this Agreement and the other Loan Documents ratably in accordance with the respective amounts of such Obligations outstanding at such time.

(d) The rights and remedies against a Defaulting Lender under this Section 2.16 are in addition to other rights and remedies that the Borrower may have against such Defaulting Lender with respect to any Defaulted Advance and that the Administrative Agent or any Lender may have against such Defaulting Lender with respect to any Defaulted Amount.

ARTICLE III

CONDITIONS OF LENDING

SECTION 3.01. CONDITIONS PRECEDENT TO INITIAL EXTENSION OF CREDIT. The obligation of each Lender to make an Advance or of any Issuing Bank to issue a Letter of Credit on the occasion of the Initial Extension of Credit hereunder is subject to the satisfaction of the following conditions precedent before or concurrently with the Initial Extension of Credit:

(a) The Merger Agreement shall be in full force and effect; and the Merger shall have been consummated substantially in accordance with the terms of the Merger Agreement, without any waiver or amendment not consented to by the Lenders (such consent not to be unreasonably withheld or delayed) of any material term, provision or condition set forth therein, and in compliance in all material respects with all applicable laws.

(b) The Reorganization shall have been consummated substantially in accordance with the terms described in the Disclosure Statement or the Plan of Reorganization.

(c) The Plan of Reorganization shall have been confirmed by the Bankruptcy Court in substantially the form of the draft dated October 21, 1994 furnished to the Lenders prior to the date hereof, without any waiver or amendment not consented to by the Lenders (such consent not to be unreasonably withheld or delayed) of any term, provision or condition set forth therein, and in compliance in all material respects with

all applicable laws; and the Confirmation Order shall be in full force and effect, and shall not have been reversed, modified or amended in any respect, and (i) all applicable appeal periods shall have expired without the pendency of any appeal or the entry of any stay or (ii) the "Effective Date" (as defined in the Plan of Reorganization) shall have occurred.

(d) The Lender Parties shall be satisfied with the corporate and legal structure of each Loan Party and each of its Subsidiaries and the capitalization of Federated and each of its Subsidiaries as set forth in the financial statements referred to in Section 4.01(f), including the terms and conditions of the charter, bylaws and each class of capital stock of each Loan Party and of each agreement or instrument relating to such corporate and legal structure.

(e) The Lender Parties shall be satisfied that all Existing Debt, other than the Surviving Debt (which is identified on Schedule 3.01(e)), has been prepaid, redeemed or defeased in full or otherwise satisfied and extinguished and that all Surviving Debt shall be on terms and conditions described in the Information Memorandum or the Disclosure Statement or otherwise satisfactory to the Lender

Parties.

(f) Before giving effect to the Merger, the Reorganization and the other transactions contemplated by this Agreement, there shall have occurred no material adverse change in the business, financial condition, results of operations, or prospects of Federated or any of its Subsidiaries since January 29, 1994 or of the Company or any of its Subsidiaries since July 30, 1994.

(g) There shall exist no action, suit, investigation, litigation or proceeding affecting any Loan Party or any of its Subsidiaries pending or threatened before any court, governmental agency or arbitrator that (i) would be reasonably likely to have a Material Adverse Effect other than the matters described on Schedule 3.01(g) (the "DISCLOSED LITIGATION") or (ii) purports to affect the legality, validity or enforceability of the Merger, the Reorganization, this Agreement, any Note, any other Loan Document, any Related Document or the consummation of the transactions contemplated hereby, and there shall have been no adverse change in the status, or financial effect on any Loan Party or any of its Subsidiaries, of the Disclosed Litigation from that described on Schedule 3.01(g).

(h) The Lender Parties shall have completed a due diligence investigation of the Loan Parties and their Subsidiaries in scope, and with results, satisfactory to the Lender Parties, and nothing shall have come to the attention of the Lender Parties

during the course of such due diligence investigation to lead them to believe (i) that the Information Memorandum was or has become misleading, incorrect or incomplete in any material respect, (ii) that, following the consummation of the Merger and the Reorganization, the Borrower and its Subsidiaries would not have good title to all material assets of the Company and its Subsidiaries reflected in the Information Memorandum and (iii) that the Merger or the Reorganization will have a Material Adverse Effect; without limiting the generality of the foregoing, the Lender Parties shall have been given such access to the management, records, books of account, contracts and properties of the Loan Parties and their Subsidiaries as they shall have requested.

(i) All of the Collateral shall be owned by the Borrower or one or more of the Borrower's Subsidiaries, in each case free and clear of any lien, charge or encumbrance; the Administrative Agent shall have a valid and perfected first priority lien on and security interest in the Collateral for the benefit of itself and the benefit of the Agent, the Lender Parties and the Hedge Banks; and all filings, recordations and searches necessary or desirable in connection with such liens and security interests shall have been duly made.

(j) All governmental and third party consents and approvals necessary in connection with the Loan Documents and the transactions contemplated thereby shall have been obtained (without the imposition of any conditions that are not acceptable to the Lender Parties) and shall remain in effect to the extent that a failure to obtain any such consents and approvals could not reasonably be expected to have a Material Adverse Effect; all applicable waiting periods shall have expired without any action being taken by any competent authority; and no law or regulation shall be applicable in the judgment of the Lender Parties that restrains, prevents or imposes materially adverse conditions upon the Loan Documents or the transactions contemplated thereby.

(k) The Lender Parties shall be satisfied (i) that the Borrower and its Subsidiaries, after giving effect to the transactions contemplated by the Loan Documents, will be able to meet their obligations under all Welfare Plans, (ii) that the employee benefit plans of the Loan Parties and the ERISA Affiliates have been, in all material respects, funded not less than in accordance with the applicable minimum statutory requirements, (iii) that no Reportable Event has occurred that would cause a material liability to any Loan Party or any ERISA Affiliate and (iv) that no termination of, or withdrawal from, any employee benefit plan of any Loan Party or any ERISA Affiliate has occurred, is reasonably expected to occur or is contemplated that could result in a material liability to any Loan Party or any ERISA Affiliate.

(l) The Borrower shall have paid all accrued fees and expenses of the Administrative Agent and the Lender Parties (including the accrued fees and expenses of counsel to the Administrative Agent and the Agent).

(m) The Administrative Agent shall have received on or before the day of the Initial Extension of Credit the following, each dated such day (unless otherwise specified), in form and substance satisfactory to the Lender Parties (unless otherwise specified) and (except for the Revolving Credit Notes and the Term Notes) in sufficient copies for each Lender Party:

(i) The Working Capital Notes and the Term Notes payable to the order of the Lenders.

(ii) A certified copy of an order of the Bankruptcy Court approving the Plan of Reorganization (the "CONFIRMATION ORDER").

(iii) Certified copies of the resolutions of the Board of Directors of the Company approving the Merger, the Merger Agreement and the Plan of Reorganization and of the Borrower and each other Loan Party approving the Merger, the Reorganization, this Agreement, the Notes, each other Loan Document and each Related Document to which it is or is to be a party, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to the Merger, the Reorganization, this Agreement, the Notes, each other Loan Document and each Related Document.

(iv) A copy of a certificate of the Secretary of State of the jurisdiction of its incorporation, dated reasonably near the date of the Initial Extension of Credit, listing the charter of the Borrower and each other Loan Party and each amendment thereto on file in his office and certifying that (A) such amendments are the only amendments to the Borrower's or such other Loan Party's charter on file in his office, (B) the Borrower and each other Loan Party have paid all franchise taxes to the date of such certificate and (C) the Borrower and each other Loan Party are duly incorporated and in good standing or presently subsisting under the laws of the state of the jurisdiction of its incorporation.

(v) Certified copies of a certificate of merger

or other confirmation from the Secretary of State of the State of Delaware satisfactory to the Administrative Agent of the consummation of the Merger.

(vi) A certificate of the Borrower and each other Loan Party, signed on behalf of the Borrower and such other Loan Party by its President or a Vice President and its Secretary or an Assistant Secretary, dated the date of the Initial Extension of Credit (the statements made in which certificate shall be true on and as of the date of the Initial Extension of Credit), certifying as to (A) the absence of any amendments to the charter of the Borrower or such other Loan Party since the date of the Secretary of State's certificate referred to in Section 3.01(m)(iv), (B) a true and correct copy of the bylaws of the Borrower and such other Loan Party as in effect on the date of the Initial Extension of Credit, (C) the due incorporation and good standing of the Borrower and such other Loan Party as a corporation organized under the laws of the state of the jurisdiction of its incorporation, and the absence of any proceeding for the dissolution or liquidation of the Borrower or such other Loan Party, (D) the truth of the representations and warranties contained in the Loan Documents as though made on and as of the date of the Initial Extension of Credit and (E) the absence of any event occurring and continuing, or resulting from the Initial Extension of Credit, that constitutes a Default.

(vii) A certificate of the Secretary or an Assistant Secretary of the Borrower and each other Loan Party certifying the names and true signatures of the officers of the Borrower and such other Loan Party authorized to sign this Agreement, the Notes, each other Loan Document and each Related Document to which they are or are to be parties and the other documents to be delivered hereunder and thereunder.

(viii) A security agreement in substantially the form of Exhibit E (together with each other security agreement delivered pursuant to Section 5.01(l), in each case as amended from time to time in accordance with its terms, the "SECURITY AGREEMENT"), duly executed by each Pledgor, together with certificates representing the Pledged Shares referred to therein accompanied by undated stock powers executed in blank and instruments evidencing the Pledged Debt referred to therein indorsed in blank and evidence that all other action that the Administrative Agent may deem necessary or desirable in order to perfect and protect the liens and security interests created under the Security Agreement has been taken.

(ix) A guaranty in substantially the form of Exhibit F (together with each other guaranty delivered pursuant to Section 5.01(l), in each case as amended from time to time in accordance with its terms, the "GUARANTY"), duly executed by each Guarantor.

(x) Certified copies of each of the Related Documents, duly executed by the parties thereto and in form and substance reasonably satisfactory to the Lender Parties, together with all agreements, instruments and other documents delivered in connection therewith.

(xi) Such financial, business and other information regarding each Loan Party and its Subsidiaries as the Lender Parties shall have requested, including, without limitation, information as to possible contingent liabilities, tax matters, environmental matters, obligations under ERISA and Welfare Plans, collective bargaining agreements and other arrangements with employees, annual financial statements of Federated and its Subsidiaries dated January 29, 1994, annual financial statements of the Company and its Subsidiaries dated July 30, 1994, interim financial statements dated the end of the most recent fiscal quarter for which financial statements are available (or, in the event the Lender Parties' due diligence review reveals material changes since such financial statements, as of a later date within 45 days of the day of the Initial Extension of Credit), forecasted financial information prepared by management of the Borrower, in form and substance satisfactory to the Administrative Agent and the Agent on a quarterly basis for the first two years following the day of the Initial Extension of Credit.

(xii) A letter, in form and substance satisfactory to the Administrative Agent, from KPMG Peat Marwick LLP, the Borrower's independent certified public accountants, to the Borrower, acknowledging that the Lender Parties have relied and will rely upon the financial statements of the Borrower examined by such accountants in determining whether to enter into, and to take action or refrain from taking action under, the Loan Documents.

(xiii) A favorable opinion of Jones, Day, Reavis & Pogue, counsel for the Loan Parties, in substantially the form of Exhibit G-1 hereto and a favorable opinion of Dennis J. Broderick, General Counsel to the Borrower, in substantially the form of Exhibit G-2 hereto and, in each case, as to such other matters as the Administrative Agent may reasonably request.

(xiv) A favorable opinion of Shearman & Sterling, counsel for the Administrative Agent and the Agent, in form and substance satisfactory to the Administrative Agent and the Agent.

SECTION 3.02. CONDITIONS PRECEDENT TO EACH REGULAR BORROWING, ISSUANCE AND RENEWAL. The obligation of each Appropriate Lender to make a Regular Advance (other than a Letter of Credit Advance made by an Issuing Bank or a Working Capital Lender pursuant to Section 2.14(c), a Swing Line Advance made by a Working Capital Lender pursuant to Section 2.02(b), or a Working

Capital Advance made by a Working Capital Lender pursuant to Section 2.02(a) so long as the proceeds thereof are used solely for purposes of repaying or prepaying outstanding Swing Line Advances) on the occasion of each Regular Borrowing (including the initial Borrowing) and the obligation of each Issuing Bank to issue a Letter of Credit (including the initial issuance) or renew a Standby Letter of Credit, and the right of the Borrower to request a Swing Line Borrowing, shall be subject to the further conditions precedent that on the date of such Borrowing, issuance or renewal (a) the following statements shall be true (and each of the giving of the applicable Notice of Borrowing, Notice of Issuance, Notice of Swing Line Borrowing or Notice of Renewal and the acceptance by the Borrower of the proceeds of such Borrowing or of such Letter of Credit or the renewal of such Standby Letter of Credit shall constitute a representation and warranty by the Borrower that on the date of such Borrowing, issuance or renewal such statements are true):

(i) the representations and warranties contained in each Loan Document are correct on and as of the date of such Borrowing, issuance or renewal, before and after giving effect to such Borrowing, issuance or renewal and to the application of the proceeds therefrom, as though made on and as of such date other than any such representations or warranties that, by their terms, refer to a specific date other than the date of such Borrowing, issuance or renewal, in which case as of such specific date;

(ii) no event has occurred and is continuing, or would result from such Borrowing, issuance or renewal or from the application of the proceeds therefrom, that constitutes a Default; and

(iii) in the case of a Borrowing (other than any Term Borrowing) or the issuance or renewal of a Letter of Credit, the aggregate amount of such Borrowing, issuance or renewal and all other Borrowings (other than any Term Borrowing), issuances and renewals to be made on the same day does not exceed an amount equal to the aggregate Unused Working Capital Commitments LESS the Documentary L/C Amount;

and (b) the Administrative Agent shall have received such other approvals, opinions or documents as any Appropriate Lender (other than the Designated Bidders) through the Administrative Agent may reasonably request.

SECTION 3.03. CONDITIONS PRECEDENT TO EACH COMPETITIVE BID BORROWING. The obligation of each Lender that is to make a Competitive Bid Advance on the occasion of a Competitive Bid Borrowing to make such Competitive Bid Advance as part of such Competitive Bid Borrowing is subject to the conditions precedent that (i) the Administrative Agent shall have received the written confirmatory Notice of Competitive Bid Borrowing with respect thereto, (ii) on or before the date of such Borrowing, but prior to such Borrowing, the Administrative Agent shall have received a Competitive Bid Note payable to the order of such Lender for each of the one or more Competitive Bid Advances to be made by such Lender as part of such Borrowing, in a principal amount equal to the principal amount of the Competitive Bid Advance to be evidenced thereby and otherwise on such terms as were agreed to for such Competitive Bid Advance in accordance with Section 2.03, and (iii) on the date of such Borrowing the following statements shall be true (and each of the giving of the applicable Notice of Competitive Bid Borrowing and the acceptance by the Borrower of the proceeds of such Borrowing shall constitute a representation and warranty by the Borrower that on the date of such Borrowing such statements are true):

(a) the representations and warranties contained in each Loan Document are correct on and as of the date of such Borrowing,

before and after giving effect to such Borrowing and to the application of the proceeds therefrom, as though made on and as of such date other than any such representations or warranties that, by their terms, refer to a specific date other than the date of such Borrowing or issuance, in which case as of such specific date;

(b) no event has occurred and is continuing, or would result from such Borrowing or from the application of the proceeds therefrom, that constitutes a Default;

(c) no event has occurred and no circumstance exists as a result of which the information concerning the Borrower that has been provided to the Administrative Agent and each Lender by the Borrower in connection herewith would include an untrue statement of a material fact or omit to state any material fact or any fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading; and

(d) the aggregate amount of such Borrowing and all other Borrowings (other than any Term Borrowing) and issuances and renewals of Letters of Credit to be made on the same day does not exceed an amount equal to the aggregate Unused Working Capital Commitments LESS the Documentary L/C Amount.

SECTION 3.04. DETERMINATIONS UNDER SECTION 3.01. For purposes of determining compliance with the conditions specified in Section 3.01, each Lender Party shall be

deemed to have consented to, approved or accepted or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to the Lender Parties unless an officer of the Administrative Agent responsible for the transactions contemplated by the Loan Documents shall have received notice from such Lender Party prior to the Initial Extension of Credit specifying its objection thereto and if the Initial Extension of Credit consists of a Borrowing, such Lender Party shall not have made available to the Administrative Agent such Lender Party's ratable portion of such Borrowing.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01. REPRESENTATIONS AND WARRANTIES OF THE BORROWER. The Borrower represents and warrants as follows (and for purposes of the Initial Extension of Credit, such representations and warranties shall be deemed to have been made immediately after giving effect to the Merger and the Reorganization):

(a) Each Loan Party (i) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, (ii) is duly qualified and in good standing as a foreign corporation in each other jurisdiction in which it owns or leases property or in which the conduct of its business requires it to so qualify or be licensed except where the failure to so qualify or be licensed is not reasonably likely to have a Material Adverse Effect and (iii) has all requisite corporate power and authority to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted. All of

the outstanding capital stock of the Guarantors has been validly issued, is fully paid and non-assessable and is directly or indirectly owned by the Borrower free and clear of all Liens except those created under the Loan Documents.

(b) Set forth on Schedule 4.01(b) hereto is a complete and accurate list of all Subsidiaries of each Loan Party, showing as of the date hereof (as to each such Subsidiary) the jurisdiction of its incorporation, the number of shares of each class of capital stock authorized, and the number outstanding, on the date hereof and the percentage of the outstanding shares of each such class owned (directly or indirectly) by such Loan Party and the number of shares covered by all outstanding options, warrants, rights of conversion or purchase and similar rights at the date hereof. All of the outstanding capital stock of all of such Subsidiaries has been validly issued, is fully paid and non-assessable and is owned by such Loan Party or one or more of its Subsidiaries free and clear of all Liens, except those created under the Loan

Documents. Each such Subsidiary (i) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, (ii) is duly qualified and in good standing as a foreign corporation in each other jurisdiction in which it owns or leases property or in which the conduct of its business requires it to so qualify or be licensed except where the failure to so qualify or be licensed is not reasonably likely to have a Material Adverse Effect and (iii) has all requisite corporate power and authority to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted.

(c) The execution, delivery and performance by each Loan Party of this Agreement, the Notes, each other Loan Document and each Related Document to which it is or is to be a party, and the consummation of the Merger, the Reorganization and the other transactions contemplated hereby, are within such Loan Party's corporate powers, have been duly authorized by all necessary corporate action, and do not (i) contravene such Loan Party's charter or bylaws, (ii) violate any law (including, without limitation, the Securities Exchange Act of 1934 and the Racketeer Influenced and Corrupt Organizations Chapter of the Organized Crime Control Act of 1970), rule, regulation (including, without limitation, Regulation X of the Board of Governors of the Federal Reserve System), order, writ, judgment, injunction, decree, determination or award, (iii) conflict with or result in the breach of, or constitute a default under, any contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument binding on or affecting any Loan Party, any of its Subsidiaries or any of their properties or (iv) except for the Liens created under the Loan Documents, result in or require the creation or imposition of any Lien upon or with respect to any of the properties of any Loan Party or any of its Subsidiaries. No Loan Party or any of its Subsidiaries is in violation of any such law, rule, regulation, order, writ, judgment, injunction, decree, determination or award or in breach of any such contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument, the violation or breach of which is reasonably likely to have a Material Adverse Effect.

(d) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for (i) the due execution, delivery, recordation, filing or performance by any Loan Party of this Agreement, the Notes, any other Loan Document or any Related Document

to which it is or is to be a party, (ii) the consummation of the Merger, the Reorganization or the other transactions contemplated hereby, (iii) the grant by any Loan Party of the Liens granted by it pursuant to the Collateral Documents, (iv) the perfection or maintenance of the Liens created by the Collateral Documents (including the first priority nature thereof) or (v) the exercise by the Administrative Agent, the Agent or any Lender Party of its rights under the Loan Documents or the remedies in

respect of the Collateral pursuant to the Collateral Documents, except for the authorizations, approvals, actions, notices and filings listed on Schedule 4.01(d), all of which have been duly obtained, taken, given or made and are in full force and effect other than, with respect to clause (ii) above, those authorizations, approvals, actions, notices and filings which the failure to obtain, take, give or make, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. All applicable waiting periods in connection with the Merger, the Reorganization and the other transactions contemplated hereby have expired without any action having been taken by any competent authority restraining, preventing or imposing materially adverse conditions upon the Merger or the Reorganization or the rights of the Loan Parties or their Subsidiaries freely to transfer or otherwise dispose of, or to create any Lien on, any properties now owned or hereafter acquired by any of them.

(e) This Agreement has been, and each of the Notes, each other Loan Document and each Related Document when delivered hereunder will have been, duly executed and delivered by each Loan Party party thereto. This Agreement is, and each of the Notes, each other Loan Document and each Related Document when delivered hereunder will be, the legal, valid and binding obligation of each Loan Party party thereto, enforceable against such Loan Party in accordance with its terms.

(f) The Consolidated and consolidating balance sheets of Federated and its Subsidiaries as at January 29, 1994, and the related Consolidated and consolidating statements of income and the related Consolidated statement of cash flows of Federated and its Subsidiaries for the fiscal year then ended, accompanied by an opinion of KPMG Peat Marwick LLP, independent public accountants, and the Consolidated and consolidating balance sheets of Federated and its Subsidiaries as at October 29, 1994, and the related Consolidated and consolidating statements of income and the related Consolidated statement of cash flows of Federated and its Subsidiaries for the nine months then ended, duly certified by the chief financial officer of Federated, copies of which have been furnished to each Lender Party, fairly present, subject, in the case of said balance sheets as at October 29, 1994, and said statements of income and cash flows for the nine months then ended, to year-end audit adjustments, the Consolidated and consolidating financial condition of Federated and its Subsidiaries as at such dates and the Consolidated and consolidating results of the operations of Federated and its Subsidiaries for the periods ended on such dates, in the case of such Consolidated financial statements, all in accordance with generally accepted accounting principles applied on a consistent basis, and in the case of such Consolidated and consolidating financial statements, all consistent with past practices. Since January 29, 1994, (i) there has been no material adverse change, as of the date of this Agreement, in the

business, financial condition, results of operations or prospects of any Loan Party or any of its Subsidiaries, and (ii) there has been no material adverse change in the business, financial condition, results of operations or prospects of the Borrower or the Borrower and its Subsidiaries taken as a whole.

(g) The Consolidated balance sheet of the Company and its Subsidiaries as at July 30, 1994, and the related Consolidated statements of income and cash flows of the Company and its Subsidiaries for the fiscal year then ended, accompanied by an opinion of Deloitte & Touche LLP, independent public accountants, copies of which are set forth in the Disclosure Statement furnished to each Lender Party prior to the date hereof, and the Consolidated balance sheet of the Company and its Subsidiaries as at October 29, 1994, and the related Consolidated statements of income and cash flows of the Company and its Subsidiaries for the three months then ended, duly certified by the chief financial officer of the Company, copies of which have been furnished to each Lender Party, fairly present, subject, in the case of said balance sheets as at October 29, 1994, and said statements of income and cash flows for the three months then ended, to year-end audit adjustments, the Consolidated financial condition of the Company and its Subsidiaries as at such dates and the Consolidated results of the operations of the Company and its Subsidiaries for the periods ended on such dates, all in accordance with generally accepted accounting principles applied on a consistent basis. Since July 30, 1994, there has been no material adverse change, as of the date of this Agreement, in the business, financial condition, results of operations or prospects of the Company or any of its Subsidiaries.

(h) The Consolidated projected balance sheets, income statements and cash flows statements of the Borrower and its Subsidiaries delivered to the Lender Parties pursuant to Section 3.01(m)(xi) or 5.03(e) (collectively, the PROJECTIONS") were prepared in good faith on the basis of the assumptions stated therein, which assumptions were, in the opinion of the management of the Borrower, fair in the light of conditions existing at the time of delivery of such forecasts; and at the time of delivery, the management of the Borrower believed that the forecasts of the Borrower's future financial performance set forth in the Projections were reasonable and attainable.

(i) Neither the Information Memorandum nor any other written information, exhibit or report furnished by any Loan Party to the Administrative Agent or any Lender Party in connection with the negotiation of the Loan Documents or pursuant to the terms of the Loan Documents (other than the Projections) contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein not misleading.

(j) There is no action, suit, investigation, litigation or proceeding affecting any Loan Party or any of its Subsidiaries, including any Environmental Action, pending or threatened before any court, governmental agency or arbitrator that (i) would be reasonably likely to have a Material Adverse Effect (other than the Disclosed Litigation) or (ii) purports to affect the legality, validity or enforceability of the Merger, the Reorganization, this Agreement, any Note, any other Loan Document or any Related Document or the consummation of the transactions contemplated hereby, and there has been no adverse change in the status, or financial effect on any Loan Party or any of its Subsidiaries, of the Disclosed Litigation from that described on Schedule 3.01(g).

(k) No proceeds of any Advance will be used to acquire any equity security of a class that is registered pursuant to Section 12 of the Securities Exchange Act of 1934 (other than, to the extent applicable, in connection with (i) the acquisition of the Company and its Subsidiaries pursuant to the Merger Agreement or (ii) an acquisition of a company, so long as (x) the board of directors of such company shall have approved such acquisition at the time such acquisition is first publicly announced, (y) if such company shall have been soliciting bids for its acquisition, the board of directors of such company shall not have determined either to accept no offer or to accept an offer other than the Borrower's offer or (z) if such company shall not have been soliciting bids for its acquisition or if the board of directors of such company shall have solicited bids for its acquisition but shall have determined either to accept no offer or to accept an offer other than the Borrower's offer, the existence, amount and availability for the acquisition of such company of the Facilities hereunder shall not have been disclosed, orally or in writing, until after such time as the board of directors of such company shall have approved such acquisition by the Borrower and so long as, in any case, such acquisition is otherwise permitted hereunder).

(l) The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying Margin Stock, and no proceeds of any Advance will be used to purchase or carry any Margin Stock or to extend credit to others for the purpose of purchasing or carrying any Margin Stock (other than, to the extent applicable, in connection with the acquisitions referred to in clauses (i) and (ii) of Section 4.01(k)).

(m) Following application of the proceeds of each Advance, not more than 25 percent of the value of the assets (either of the Borrower only or of the Borrower and its Subsidiaries on a Consolidated basis) subject to the provisions of Section 5.02(a) or 5.02(d) or subject to any restriction contained in any agreement or

instrument between the Borrower and any Lender Party or any Affiliate of any Lender Party relating to Debt and within the scope of Section 6.01(d) will be Margin Stock.

(n) Set forth on Schedule 4.01(n) hereto is a complete and accurate list of all Plans, Multiemployer Plans and Welfare Plans with respect to any employees of any Loan Party or any of its Subsidiaries.

(o) No ERISA Event has occurred or is reasonably expected

to occur with respect to any Plan (other than the Reportable Event described in Department of Labor Regulation Section 2615.21 with respect to the Debtors' Chapter 11 proceedings under the Bankruptcy Code) that has resulted in or could be reasonably expected to result in a material liability of any Loan Party or any ERISA Affiliate.

(p) As of the last annual actuarial valuation date, the current liability (as defined in Section 412 of the Internal Revenue Code) under each Plan does not exceed the fair market value of the assets of such Plan and there has been no material adverse change in the funding status of any such Plan since such date.

(q) Schedule B (Actuarial Information) to the most recent annual report (Form 5500 Series) for each Plan, copies of which have been filed with the Internal Revenue Service and furnished to the Lender Parties, is complete and accurate and fairly presents the funding status of such Plan, and since the date of such Schedule B there has been no material adverse change in such funding status.

(r) Neither any Loan Party nor any ERISA Affiliate has incurred or is reasonably expected to incur any Withdrawal Liability to any Multiemployer Plan that could be reasonably expected to result in a material liability of any Loan Party or any ERISA Affiliate.

(s) Neither any Loan Party nor any ERISA Affiliate has been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title IV of ERISA, which reorganization or termination could be reasonably expected to result in a material liability of any Loan Party or any ERISA Affiliate, and no such Multiemployer Plan is reasonably expected to be in reorganization or to be terminated, within the meaning of Title IV of ERISA, which reorganization or termination could be reasonably expected to result in a material liability of any Loan Party or any ERISA Affiliate.

(t) Except as set forth in the financial statements referred to in this Section 4.01 or Section 5.03, the Borrower and its Subsidiaries have no material liability with

respect to "expected post retirement benefit obligations" within the meaning of Statement of Financial Accounting Standards No. 106.

(u) Neither the business nor the properties of any Loan Party or any of its Subsidiaries are affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (whether or not covered by insurance) that would be reasonably likely to have a Material Adverse Effect.

(v) The operations and properties of each Loan Party and each of its Subsidiaries comply with all Environmental Laws, all necessary Environmental Permits have been obtained and are in effect for the operations and properties of each Loan Party and its Subsidiaries, each Loan Party and its Subsidiaries are in compliance with all such Environmental Permits, except, in any case, where the failure to so comply with or perform any of the foregoing, either individually or in the aggregate, could not be reasonably expected to have a Material Adverse Effect, and no circumstances exist that would be reasonably likely to (i) form the basis of an Environmental Action against any Loan Party or any of its Subsidiaries or any of their

properties that could have a Material Adverse Effect or (ii) cause any such property to be subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law that could have a Material Adverse Effect.

(w) None of the properties currently or formerly owned or operated by any Loan Party or any of its Subsidiaries is listed or proposed for listing on the NPL or on the CERCLIS or any analogous foreign, state or local list of sites, and no underground storage tanks, as such term is defined in 42 U.S.C. Section 6991, are owned or operated by any Loan Party or any of its Subsidiaries; and Hazardous Materials have not been released or disposed of on any property currently or formerly owned or operated by any Loan Party or any of its Subsidiaries, except, in any case under this Section 4.01(w), where the consequence of any of the foregoing, either individually or in the aggregate, could not be reasonably expected to have a Material Adverse Effect.

(x) Neither any Loan Party nor any of its Subsidiaries has transported or arranged for the transportation of any Hazardous Materials to any location that is listed or proposed for listing on the NPL or on the CERCLIS or any analogous foreign, state or local list, and all Hazardous Materials generated, used, treated, handled or stored at, or transported to or from, any property currently or formerly owned or operated by any Loan Party or any of its Subsidiaries have been disposed of in a manner that could result in an Environmental Action, except, in any case, where the consequence of any

of the foregoing, either individually or in the aggregate, could not be reasonably expected to have a Material Adverse Effect.

(y) Neither any Loan Party nor any of its Subsidiaries is a party to any indenture, loan or credit agreement or any lease or other agreement or instrument or subject to any charter or corporate restriction that would be reasonably likely to have a Material Adverse Effect.

(z) The Collateral Documents create a valid and perfected first priority security interest in the Collateral, securing the payment of the Secured Obligations, and all filings and other actions necessary or desirable to perfect and protect such security interest have been duly taken. The Loan Parties are the legal and beneficial owners of the Collateral free and clear of any Lien, except for the liens and security interests created or permitted under the Loan Documents.

(aa) Each Loan Party and each of its Subsidiaries and Affiliates has filed, has caused to be filed or has been included in all tax returns (Federal, state, local and foreign) required to be filed and has paid all taxes shown thereon to be due, together with applicable interest and penalties, except to the extent such taxes are being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained and to the extent that such non-payments, either individually or in the aggregate, could not be reasonably expected to have a Material Adverse Effect.

(bb) Set forth on Schedule 4.01(bb) hereto is a complete and accurate list, as of the date hereof, of each taxable year of the Borrower and each of its Subsidiaries and Affiliates for which Federal

income tax returns have been filed and for which the expiration of the applicable statute of limitations for assessment or collection has not occurred by reason of extension or otherwise (an "OPEN YEAR").

(cc) The aggregate unpaid amount, as of the date hereof, of adjustments to the Federal income tax liability of the Borrower and its Subsidiaries and Affiliates proposed by the Internal Revenue Service with respect to Open Years, if required to be paid, could not reasonably be expected to have a Material Adverse Effect. No issues have been raised by the Internal Revenue Service in respect of Open Years that, in the aggregate, would be reasonably likely to have a Material Adverse Effect.

(dd) The aggregate unpaid amount, as of the date hereof, of adjustments to the state, local and foreign tax liability of the Borrower and its Subsidiaries and Affiliates proposed by all state, local and foreign taxing authorities (other than amounts arising from adjustments to Federal income tax returns), if required to be paid, could

not reasonably be expected to have a Material Adverse Effect. No issues have been raised by such taxing authorities that, in the aggregate, would be reasonably likely to have a Material Adverse Effect.

(ee) Neither the Merger nor the Reorganization will generate taxable income to the Borrower or any of its Subsidiaries or Affiliates for federal income tax purposes other than income the recognition of which is deferred under the consolidated return regulations.

(ff) Except as a result of the Merger, no "ownership change" as defined in Section 382(g) of the Internal Revenue Code, and no event that would result in the application of the "separate return limitation year" or "consolidated return change of ownership" limitations under the Federal income tax consolidated return regulations, has occurred with respect to the Borrower since February 4, 1992. The Borrower and its Subsidiaries have, as of the date hereof, net operating loss carryforwards for U.S. Federal income tax purposes equal in the aggregate to at least $600,000,000. Set forth on Schedule 4.01(ff) hereto is the extent to which the net operating loss carryforwards are expected to be subject to the limits imposed by Section 382 of the Internal Revenue Code as a result of the Merger or any other event that would earlier have triggered an ownership change under Section 382(g) of the Internal Revenue Code.

(gg) No Loan Party is an "investment company," or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended. Neither the making of any Advances, nor the issuance of any Letters of Credit, nor the application of the proceeds or repayment thereof by the Borrower, nor the consummation of the other transactions contemplated hereby, will violate any provision of such Act or any rule, regulation or order of the Securities and Exchange Commission thereunder.

(hh) The Borrower is, individually and together with its Subsidiaries, Solvent and as of the date of the Initial Extension of Credit, each Loan Party is, individually and together with its Subsidiaries, Solvent.

(ii) The payment obligations (whether contingent, deferred or otherwise) of the Borrower and its Subsidiaries under the employment agreements and compensation arrangements to which any of them is a party could not, individually or in the aggregate, be reasonably expected to result in a Material Adverse Effect.

(jj) Set forth on Schedule 4.01(jj) hereto is a complete and accurate list of all Existing Debt (other than Surviving Debt), showing as of the date hereof the principal amount outstanding thereunder.

(kk) Set forth on Schedule 3.01(e) hereto is a complete and accurate list of all Surviving Debt, showing as of the date hereof the principal amount outstanding thereunder.

(ll) Set forth on Schedule 4.01(ll) hereto is a complete and accurate list of all Investments held by any Loan Party or any of its Subsidiaries, showing as of the date hereof the amount, obligor or issuer and maturity, if any, thereof.

ARTICLE V

COVENANTS OF THE BORROWER

SECTION 5.01. AFFIRMATIVE COVENANTS. So long as any Advance shall remain unpaid, any Letter of Credit shall be outstanding (and not cash collateralized or for which a "back-to-back" letter of credit shall not have been issued pursuant to Section 2.06(b)(iv)) or any Lender Party shall have any Commitment hereunder, the Borrower will:

(a) COMPLIANCE WITH LAWS, ETC. Comply, and cause each of its Subsidiaries to comply, in all material respects, with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, compliance with ERISA and the Racketeer Influenced and Corrupt Organizations Chapter of the Organized Crime Control Act of 1970, except, in any case, where the failure so to comply, either individually or in the aggregate, could not be reasonably expected to have a Material Adverse Effect.

(b) PAYMENT OF TAXES, ETC. Pay and discharge, and cause each of its Subsidiaries to pay and discharge, before the same shall become delinquent, (i) all taxes, assessments and governmental charges or levies imposed upon it or upon its property and (ii) all lawful claims that, if unpaid, might by law become a Lien upon its property; PROVIDED, HOWEVER, that neither the Borrower nor any of its Subsidiaries shall be required to pay or discharge any such tax, assessment, charge or claim (x) that is being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained, unless and until any Lien resulting therefrom attaches to any portion of the Collateral or any property of any Pledged Subsidiary and becomes enforceable against its other creditors and (y) if such non-payments, either individually

or in the aggregate, could not be reasonably expected to have a Material Adverse Effect.

(c) COMPLIANCE WITH ENVIRONMENTAL LAWS. Comply, and cause each of its Subsidiaries and all lessees and other Persons operating or occupying its properties to comply, in all material respects, with all applicable Environmental Laws and Environmental Permits; obtain and renew and cause each of its Subsidiaries to obtain and renew all Environmental Permits necessary for its operations and properties; and conduct, and cause each of its Subsidiaries to conduct, any investigation, study, sampling and testing, and undertake any cleanup, removal, remedial or other action necessary to remove and clean up all Hazardous Materials from any of its properties, in accordance with the requirements of all Environmental Laws, except, in any case under this subsection (c), where the failure so to comply with or perform any of the foregoing, either individually or in the aggregate, could not be reasonably expected to have a Material Adverse Effect; PROVIDED, HOWEVER, that neither the Borrower nor any of its Subsidiaries shall be required to undertake any such cleanup, removal, remedial or other action to the extent that its obligation to do so is being contested in good faith and by proper proceedings and appropriate reserves are being maintained with respect to such circumstances.

(d) MAINTENANCE OF INSURANCE. Maintain, and cause each of its Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or such Subsidiary operates, except where failure to maintain such insurance could not be reasonably expected to have a Material Adverse Effect.

(e) PRESERVATION OF CORPORATE EXISTENCE, ETC. Preserve and maintain, and cause each of its Subsidiaries to preserve and maintain, its corporate existence, rights (charter and statutory), permits, licenses, approvals, privileges and franchises, except, with respect to such rights, permits, licenses, approvals and privileges, where the failure to do so could not be reasonably expected to have a Material Adverse Effect; PROVIDED, HOWEVER, that the Borrower and its Subsidiaries may consummate the Merger and the Reorganization and any other merger or consolidation permitted under Section 5.02(c); PROVIDED FURTHER that neither the Borrower nor any of its Subsidiaries shall be required to preserve or maintain (i) the corporate existence of any Minor Subsidiary if the Board of Directors of the parent of such Minor Subsidiary, or an executive officer of such parent to whom such Board of Directors has delegated the requisite authority, shall determine that the preservation and maintenance thereof is no longer desirable in the conduct of the business of such parent and that the loss thereof

is not disadvantageous in any material respect to the Borrower, such

parent, the Administrative Agent or the Lender Parties or (ii) any right, permit, license, approval, privilege or franchise if the preservation and maintenance thereof is no longer desirable in the conduct of the business of the Borrower or such Subsidiary, as the case may be, and the loss thereof is not disadvantageous in any material respect to the Borrower, such Subsidiary, the Administrative Agent or the Lender Parties.

(f) VISITATION RIGHTS. At any reasonable time and from time to time, (i) permit the Administrative Agent, the Agent or any of the Lender Parties or any agents or representatives thereof (x) to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Borrower and any of its Subsidiaries, and (y) to discuss the affairs, finances and accounts of the Borrower and any of its Subsidiaries with any of their officers or directors and with their independent certified public accountants, PROVIDED, HOWEVER, that with respect to the Lender Parties and their rights described in clause (x) above, so long as no Default shall have occurred and be continuing, such Lender Parties shall exercise such rights at the same time (such time to be arranged by the Administrative Agent with the Borrower) and (ii) take such action as may be necessary to authorize its independent certified public accountants to disclose to the Persons described in clause (i) above any and all financial statements and other information of any kind, including, without limitation, copies of any management letter, or the substance of any information that such accountants may have with respect to the business, financial condition or results of operations of the Borrower or any of its Subsidiaries.

(g) KEEPING OF BOOKS. Keep, and cause each of its Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Borrower and each such Subsidiary in accordance with generally accepted accounting principles in effect from time to time.

(h) MAINTENANCE OF PROPERTIES, ETC. Maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, all of its properties that are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted, except as otherwise permitted pursuant to Section 5.02(d) or where the failure to do so, either individually or in the aggregate, could not be reasonably expected to have a Material Adverse Effect.

(i) PERFORMANCE OF RELATED DOCUMENTS, MATERIAL CONTRACTS AND LEASES. Perform and observe all of the terms and provisions of each Related Document, each Material Contract and each lease of real property to which the Borrower or any of its

Subsidiaries is a party to be performed or observed by it, maintain each such Related Document, Material Contract and lease in full force and effect and not allow, with respect to any such leases, such leases to lapse or be terminated or any rights to renew such leases to be forfeited or cancelled, enforce each such Related Document, Material Contract and lease in accordance with its terms, except, in any case, where the failure to do so, either individually or in the aggregate, could not be reasonably expected to have a Material Adverse Effect.

(j) TRANSACTIONS WITH AFFILIATES. Conduct, and cause each of its Subsidiaries to conduct, all transactions otherwise permitted under the Loan Documents with any of their Affiliates on economic terms that are fair and reasonable and no less favorable to the Borrower or such Subsidiary than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate, other than, so long as no Default shall have occurred and be continuing, transactions in the ordinary course of business (i) during any Non-Investment Grade Period, (A) between or among Minor Subsidiaries, (B)

between or among Loan Parties (other than the Borrower) involving cash or other consideration of less than $30,000,000, PROVIDED that such transaction could not reasonably be expected to materially impair the value of the Collateral or the Guaranty or (C) between or among Loan Parties (other than the Borrower) involving cash or other consideration of $30,000,000 or more, PROVIDED that such transaction could not reasonably be expected to materially impair the value of the Collateral or the Guaranty and a majority of the disinterested members of the Board of Directors of the applicable Loan Parties determines that such transaction could not reasonably be expected to have a Material Adverse Effect or materially impair the value of the Collateral or the Guaranty, or (ii) during any Investment Grade Period, between or among the Borrower and any of its Subsidiaries, PROVIDED that, in the case of clause (i) or (ii) above, such transaction could not reasonably be expected to have a Material Adverse Effect.

(k) INTEREST RATE HEDGING. Enter into prior to the Initial Extension of Credit hereunder, and maintain at all times thereafter, interest rate Hedge Agreements with Persons approved by the Administrative Agent and the Agent (such approval not to be unreasonably withheld or delayed), covering a notional amount in an amount such that not less than 75%, during any period during which the Borrower shall not have a Debt Rating of at least BBB- from S&P and at least Baa3 from Moody's, of the Consolidated Funded Debt (calculated, in the case of the Fiscal Year ending on January 31, 1995, based on the pro forma balance sheet furnished to the Lenders prior to the date hereof, and for each Fiscal Year thereafter, as at the end of the immediately preceding Fiscal Year) of the Borrower and its Subsidiaries is maintained at a fixed rate of interest and providing for such Persons to make payments thereunder for a period of no less than two years (i) for the first three years after the date hereof, to the extent that the sum of

the Applicable Margin for Eurodollar Rate Advances in effect on the date any such Hedge Agreement is entered into PLUS the Eurodollar Rate in effect from time to time for an Interest Period of three months equals or exceeds 10% per annum and (ii) thereafter, to the extent that the Eurodollar Rate in effect from time to time for an Interest Period of three months equals or exceeds 10% per annum.

(l) COVENANT TO GUARANTEE OBLIGATIONS AND TO GIVE SECURITY. Prior to the date on which an Investment Grade Rating is established, and after such date if such Investment Grade Rating shall cease to be in effect and the Release Date shall not have occurred, and at the expense of the Borrower, at such time as any new direct or indirect Subsidiaries of the Borrower are formed or acquired or any existing Subsidiary of the Borrower that did not previously hold any operating assets or real property acquires any operating assets or real property or any existing Subsidiary of the Borrower that previously was prohibited under the terms of its certificate of incorporation from issuing guaranties or pledging its assets is no longer so prohibited, (i) if such Subsidiary holds any operating assets or real property or if such Subsidiary is not prohibited under the terms of its certificate of incorporation from doing so, within 15 Business Days thereafter, cause such Subsidiary, and cause each direct and indirect parent (other than the Borrower) of such Subsidiary, if it has not already done so, to duly execute and deliver to the Administrative Agent a guaranty, in substantially the form of Exhibit F hereto and otherwise in form and substance satisfactory to the

Administrative Agent, guaranteeing the Borrower's Obligations under the Loan Documents, (ii) if such Subsidiary is not prohibited under the terms of its certificate of incorporation from doing so, within 15 Business Days thereafter, duly execute and deliver, and cause each Subsidiary that is a direct or indirect parent of such Subsidiary, if it has not already done so, to duly execute and deliver to the Administrative Agent a security agreement, in substantially the form of Exhibit E hereto and otherwise in form and substance satisfactory to the Administrative Agent, securing the Borrower's Obligations under the Loan Documents or such parent Subsidiary's Obligations under the Guaranty, as the case may be, and take, or cause such parent Subsidiary to take, whatever action as may be necessary or advisable in the reasonable opinion of the Administrative Agent to vest in the Administrative Agent valid and subsisting liens on and security interests in the Collateral purported to be subject to such security agreement and (iii) within 30 days thereafter, deliver to the Administrative Agent a signed copy of a favorable opinion, addressed to the Administrative Agent and the Lender Parties, of internal counsel to the Loan Parties or other counsel for the Loan Parties acceptable to the Administrative Agent as to the matters contained in clauses (i) and (ii) above, as to such guaranty and security agreement being legal, valid and binding Obligations of the Loan Party party thereto enforceable in accordance with their terms and as to such other matters as the Administrative Agent may reasonably

request; PROVIDED, HOWEVER, that nothing contained in this Section 5.01(l) shall require that the charter of any present or future Subsidiary of the Borrower be amended to permit such Subsidiary to issue guaranties or pledge its assets, except that no such charter shall restrict the issuance of Debt or the pledging of assets if the principal purpose of the adoption of such restriction would be to avoid the issuance of guaranties and the pledging of assets pursuant to this Section 5.01(l); PROVIDED FURTHER, HOWEVER, that notwithstanding anything contained herein to the contrary, no indirect Subsidiary of the Borrower the primary assets of which are real property shall be required to issue a guaranty so long as its capital stock shall have been pledged to the Administrative Agent as Collateral by its direct parent and such parent shall have executed and delivered a guaranty hereunder.

SECTION 5.02. NEGATIVE COVENANTS. So long as any Advance shall remain unpaid, any Letter of Credit shall be outstanding (and not cash collateralized or for which a "back-to-back" letter of credit shall not have been issued pursuant to Section 2.06(b)(iv)) or any Lender Party shall have any Commitment hereunder, the Borrower will not, at any time:

(a) LIENS, ETC. Create, incur, assume or suffer to exist, or permit any of its Subsidiaries to create, incur, assume or suffer to exist, any Lien on or with respect to any of its properties of any character (including, without limitation, accounts) whether now owned or hereafter acquired, or sign or file, or permit any of its Subsidiaries to sign or file, under the Uniform Commercial Code of any jurisdiction, a financing statement that names the Borrower or any of its Subsidiaries as debtor, or sign, or permit any of its Subsidiaries to sign, any security agreement authorizing any secured party thereunder to file such financing statement, or assign, or permit any of its Subsidiaries to assign, any accounts or other right to receive income, EXCLUDING, HOWEVER, from the operation of the foregoing restrictions the following:

(i) Liens created under the Loan Documents;

(ii) Permitted Liens;

(iii) the Liens existing on the date hereof and described on Schedule 5.02(a) hereto;

(iv) purchase money Liens upon or in real property or equipment acquired or held by the Borrower or any of its Subsidiaries in the ordinary course of business to secure the purchase price of such property or equipment or to secure Debt incurred solely for the purpose of financing the acquisition, construction or improvement of any such property or equipment to be subject to

such Liens, or Liens existing on any such property or equipment at the time of acquisition (other than any such Liens created in contemplation of such acquisition that were not incurred to finance the acquisition of such property or equipment), or extensions, renewals or replacements of any of the foregoing for the same or a lesser amount; PROVIDED, HOWEVER, that no such Lien shall extend to or cover any properties of any character other than the real property or equipment being acquired, constructed or improved (except that Liens incurred in connection with the construction or improvement of real property may extend to additional real property immediately contiguous to such property being constructed or improved) and no such extension, renewal or replacement shall extend to or cover any such properties not theretofore subject to the Lien being extended, renewed or replaced;

(v) Liens arising in connection with Capitalized Leases permitted under Section 5.02(b)(iii)(C); PROVIDED that no such Lien shall extend to or cover any assets other than the assets subject to such Capitalized Leases;

(vi) Liens on property of a Person existing at the time such Person is merged into or consolidated with the Borrower or any Subsidiary of the Borrower or becomes a Subsidiary of the Borrower; PROVIDED that such Liens (other than replacement Liens permitted under clause (xii) below) were not created in contemplation of such merger, consolidation or investment and do not extend to any assets other than those of the Person merged into or consolidated with the Borrower or such Subsidiary or acquired by the Borrower or such Subsidiary;

(vii) Liens on accounts receivable and other related assets arising solely in connection with the sale or other disposition of such accounts receivable pursuant to Section 5.02(d)(v);

(viii) cash collateral securing Surviving Debt consisting of letters of credit outstanding in an aggregate amount not to exceed $2,000,000;

(ix) Liens securing Documentary L/Cs permitted under Section 5.02(b)(iii)(F) or Trade Letters of Credit; PROVIDED that no such Lien shall extend to or cover any assets

of the Borrower or any of its Subsidiaries other than the inventory (and bills of lading and other documents related thereto) being financed by any such Documentary L/C or Trade Letter of Credit, as the case may be;

(x) Liens in respect of goods consigned to the Borrower or any of its Subsidiaries in the ordinary course of business; PROVIDED that such Liens are limited to the goods so consigned;

(xi) financing statements filed in the ordinary course of business solely for notice purposes in respect of operating leases and in-store retail licensing arrangements entered into in the ordinary course of business; and

(xii) the replacement, extension or renewal of any Lien permitted by clause (iii), (v) or (vi) above upon or in the same property theretofore subject thereto or, in the case of Liens on real property and related personal property of the Borrower or any of its Subsidiaries other than ASGREC, upon or in substitute property of like kind of the Borrower or such Subsidiary, as the case may be, determined in good faith by the Board of Directors of the Borrower or such Subsidiary to be of the same or lesser value than the property theretofore subject thereto, or the replacement, extension or renewal (without increase in the amount or change in any direct or contingent obligor) of the Debt secured thereby.

(b) DEBT. Create, incur, assume or suffer to exist, or permit any of its Subsidiaries to create, incur, assume or suffer to exist, any Debt other than:

(i) in the case of the Borrower,

(A) Debt owed to a wholly owned Subsidiary of the Borrower, PROVIDED that if the Release Date shall not have occurred, such Debt may be incurred only to the extent that (1) such Debt arises out of the conduct of the Borrower's ordinary course of business pursuant to and in accordance with the Borrower's cash management system described on Schedule 5.02(b) hereto or (2) such Debt, together with dividends received by the Borrower from its Subsidiaries, is incurred and remains outstanding solely to the extent necessary for the Borrower to make scheduled payments and prepayments permitted hereunder of principal of and interest on its Debt owing to Persons other than its Affiliates and to pay necessary administrative expenses of the Borrower on a timely basis and at the time of incurrence or issuance of such Debt, no Default shall have occurred and be continuing;

(B) Debt in respect of Hedge Agreements designed to hedge against fluctuations in interest rates or foreign exchange rates incurred in

the ordinary course of business and consistent with prudent business practices, PROVIDED that such Hedge Agreements shall be non-speculative in nature (including, without limitation, with respect to the term and purpose thereof);

(C) unsecured Debt in an aggregate amount not to exceed $200,000,000; PROVIDED that the Net Cash Proceeds thereof shall be applied to prepay the Advances pursuant to and in accordance with Section 2.06(b)(ii); and

(D) during any Investment Grade Period, unsecured Debt in an aggregate amount not to exceed $500,000,000 at any one time outstanding; PROVIDED, HOWEVER, that after giving effect to the incurrence or issuance of such Debt, the Interest Coverage Ratio, calculated on a pro forma basis, shall equal or exceed 3.75:1 and the Leverage Ratio shall not exceed 0.45:1; PROVIDED FURTHER, HOWEVER, that at the time of the incurrence or issuance of such Debt, the Borrower shall not be on "credit watch" (or any like designation by S&P or Moody's from time to time) for downgrading of its Debt Rating to BB+ or below by S&P or Ba1 or below by Moody's; PROVIDED FURTHER that if, subsequent to the incurrence or issuance of any such Debt, the Debt Rating shall cease to be an Investment Grade Rating, such outstanding Debt shall be deemed to be permitted hereunder; and

(ii) in the case of any of its Subsidiaries,

(A) during any Non-Investment Grade Period, in the case of any such Subsidiary that is a Guarantor or, during any Investment Grade Period, in the case of any such Subsidiary, Debt owed to the Borrower or to a wholly owned Subsidiary of the Borrower;

(B) in the case of FDS National Bank, Debt owed to the Borrower, Debt incurred in connection with the financing of accounts receivable in an aggregate principal amount not to exceed $200,000,000 at any time outstanding, PROVIDED that such Debt is evidenced by senior intercompany notes pledged to the Administrative Agent as Collateral in accordance with the terms of the Loan Documents; and

(C) in the case of Macy's Primary Real Estate, Inc., Debt owed to FNC in an aggregate principal amount not to exceed

$550,926,100, PROVIDED that such Debt shall not be pledged to any Person except to the extent permitted or required under Section 5.01(l); and

(D) in the case of any such Subsidiary that is not a Guarantor (other than FDS National Bank and FNC), Debt owed to the Borrower or to a wholly owned Subsidiary of the Borrower (1) arising out of the conduct of the Borrower's business pursuant to and in accordance with the Borrower's cash management system described on Schedule 5.02(b) hereto, (2) evidenced by intercompany notes executed by such Subsidiary solely for purposes and arising out of transactions consistent with past practices, so long as such notes are pledged to the Administrative Agent as Collateral to the extent required by, and in accordance with the terms of, the Loan Documents or (3) in a principal amount not to exceed $25,000,000 in the aggregate for all such Subsidiaries from the date hereof; and

(iii) in the case of the Borrower and any of its Subsidiaries (other than FNC),

(A) Debt under the Loan Documents;

(B) Debt secured by Liens permitted by Section 5.02(a)(iv) not to exceed in the aggregate (i) during any Non-Investment Grade Period, $50,000,000 at any time outstanding and (ii) during any Investment Grade Period, $100,000,000 at any time outstanding, PROVIDED that if, subsequent to the incurrence of such Debt, the Debt Rating shall cease to be an Investment Grade Rating, such outstanding Debt shall be deemed to be permitted hereunder to the extent not permitted under subclause (i) above;

(C) (i) Capitalized Leases not to exceed in the aggregate (x) during any Non-Investment Grade Period, $50,000,000 at any time outstanding and (y) during any Investment Grade Period, $100,000,000 at any time outstanding, PROVIDED that if, subsequent to entering into such Capitalized Leases, the Debt Rating shall cease to be an Investment Grade Rating, such outstanding Capitalized Leases shall be deemed to be permitted hereunder to the extent not permitted under subclause (x) above, and (ii) in the case of Capitalized Leases to which any Subsidiary of the Borrower is a party, Debt of the Borrower of the type described in

clause (i) of the definition of "DEBT" guaranteeing the Obligations of such Subsidiary under such Capitalized Leases;

(D) the Surviving Debt, and any Debt extending the maturity of, or refunding or refinancing, in whole or in part, any Surviving Debt; PROVIDED that the terms (including, without

limitation, principal amount, interest rate, limitations on liens, if any, guaranties, if any, collateral, if any, and subordination terms, if any) taken as a whole of any such extending, refunding or refinancing Debt, and of any agreement entered into and of any instrument issued in connection therewith, are no less favorable to the Loan Parties or the Lender Parties, as determined by the Administrative Agent in its reasonable discretion, than the terms governing the Debt so extended, refunded or refinanced PROVIDED that no unsecured Debt shall be refunded or refinanced by secured Debt); PROVIDED, HOWEVER, that any such refunding or refinancing Debt may provide for an earlier maturity than the Debt being so refunded or refinanced so long as such earlier maturity is no earlier than six months after the Termination Date, PROVIDED FURTHER that the principal amount of such Surviving Debt shall not be increased above the principal amount thereof outstanding immediately prior to such extension, refunding or refinancing, and the direct and contingent obligors therefor shall not be changed, as a result of or in connection with such extension, refunding or refinancing, PROVIDED STILL FURTHER that nothing contained in this subclause (D) shall prohibit the prepayment of the Series B Notes issued pursuant to the Plan of Reorganization with the Net Cash Proceeds from the sale or other financing of accounts receivable to the extent otherwise permitted under this Agreement;

(E) Debt incurred in connection with the sale or other disposition of accounts receivable pursuant to Section 5.02(d)(v) arising in connection with the Receivables Financing Facility, including, without limitation, Debt consisting of indemnification obligations of the Borrower's Subsidiaries and the Borrower's guaranty thereof and Debt in respect of Hedge Agreements, PROVIDED that such Hedge Agreements shall be subject to the limitations described in Section 5.02(b)(i)(B);

(F) Debt in respect of Documentary L/Cs in an aggregate Available Amount not to exceed $250,000,000 at any time outstanding and, together with the aggregate Available Amount of outstanding Trade Letters of Credit, not to exceed $400,000,000 at any time outstanding;

(G) Debt of any Person that becomes a Subsidiary of the Borrower after the date hereof in accordance with the terms of Section 5.02(e) that is existing at the time such Person becomes a Subsidiary of the Borrower (other than Debt incurred solely in contemplation of such Person becoming a Subsidiary of the Borrower); and

(H) indorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business.

(c) MERGERS, ETC. Merge into or consolidate with any Person or permit any Person to merge into it, or permit any of its Subsidiaries to do so, except that (i) the Borrower and its Subsidiaries may consummate the Merger and the Reorganization, (ii) any Subsidiary of the Borrower may merge into or consolidate with any other Subsidiary of the Borrower, PROVIDED that, in the case of any such merger or consolidation under this clause (ii), (x) the Person formed by such merger or consolidation shall be a wholly owned Subsidiary of the Borrower, and (y) if the capital stock of either such Subsidiary is Collateral, the capital stock of the resulting Subsidiary shall be pledged as Collateral pursuant to Section 5.01(l) and (iii) any Minor Subsidiary may merge into or consolidate with the Borrower; PROVIDED, HOWEVER, that in each case, immediately after giving effect thereto, no event shall occur and be continuing that constitutes a Default and, in the case of any such merger to which the Borrower is a party, the Borrower is the surviving corporation.

(d) SALES, ETC. OF ASSETS. Sell, lease, transfer or otherwise dispose of, or permit any of its Subsidiaries to sell, lease, transfer or otherwise dispose of, any assets or grant any option or other right to purchase, lease or otherwise acquire any assets other than:

(i) sales of inventory, equipment and fixtures in the ordinary course of its business;

(ii) in a transaction authorized by subsection (c) of this Section;

(iii) sales of assets for cash or senior promissory notes or for other assets consisting of real property and equipment to be used in the business of the Borrower and its Subsidiaries, in each case for fair value, in an aggregate amount not to exceed $100,000,000 in any Fiscal Year, PROVIDED that the Net Cash Proceeds thereof shall be reinvested as Capital Expenditures for the businesses of the Borrower and its Subsidiaries to the extent permitted under the

Loan Documents, PROVIDED FURTHER that any notes received in connection with any sale of assets pursuant to this clause (iii) shall be payable within five years of such sale and shall not exceed, in the aggregate, $30,000,000 in principal amount in any Fiscal Year;

(iv) sales of assets for cash and for fair value in an aggregate amount not to exceed $250,000,000 in any Fiscal Year and in an aggregate amount from the date hereof not to exceed $500,000,000, PROVIDED, HOWEVER, that sales of assets in connection with sale-leaseback transactions shall not exceed, in any Fiscal Year, the sum of (x) $100,000,000 PLUS (y) an amount equal to the aggregate amount of assets permitted under the terms of this Agreement to be sold in connection with sale- leaseback transactions in any prior Fiscal Year to the extent such asset sales and related sale-leaseback transactions shall not have been consummated in such prior Fiscal Year;

(v) the sale or other disposition of accounts receivable and related charge accounts in the ordinary course of business of the Borrower and its Subsidiaries substantially

as conducted on the date hereof pursuant to the Receivables Financing Facility and the sale of certain accounts receivable to General Electric Capital Corporation in connection with the transfer of certain stores operated on the date hereof by Abraham & Straus, Inc. to Macy's East, Inc., a wholly owned Subsidiary of the Borrower; and

(vi) the grant of any option or other right to purchase any asset in a transaction which would be permitted under the provisions of clause (iii), (iv) or (v) above;

PROVIDED that in the case of sales of assets pursuant to clause (iv) above, the Borrower shall, on the date of receipt by the Borrower or any of its Subsidiaries of the Net Cash Proceeds from such sale, prepay the Advances pursuant to, and in the amount and the order of priority set forth in, Section 2.06(b)(ii), as specified therein.

(e) INVESTMENTS IN OTHER PERSONS. Make or hold, or permit any of its Subsidiaries to make or hold, any Investment in any Person other than:

(i) Investments by the Borrower and its Subsidiaries in their Subsidiaries outstanding on the date hereof and additional Investments in wholly owned Subsidiaries that are not Loan Parties, which during any Non-Investment Grade Period, shall be in an amount invested from the date hereof not to exceed $5,000,000 individually and $25,000,000 in the aggregate for all such

Subsidiaries, PROVIDED that if, subsequent to the making of any such Investment during any Investment Grade Period, the Debt Rating shall cease to be an Investment Grade Rating, any such Investment shall be deemed to be permitted hereunder, and additional Investments in wholly owned Subsidiaries that are Loan Parties;

(ii) loans and advances to employees in the ordinary course of the business of the Borrower and its Subsidiaries as presently conducted in an aggregate principal amount not to exceed $10,000,000 at any time outstanding;

(iii) Investments by the Borrower and its Subsidiaries in Cash Equivalents in an aggregate principal amount not to exceed $300,000,000 at any time outstanding;

(iv) Investments by the Borrower and its Subsidiaries in Hedge Agreements permitted under Section 5.02(b)(i)(B) or 5.02(b)(iii)(E);

(v) Investments consisting of intercompany Debt permitted under Section 5.02(b)(i)(A);

(vi) loans and advances in the ordinary course of business to vendors of the Borrower and its Subsidiaries in connection with in-store merchandising;

(vii) loans and advances in the ordinary course of business to sublessees and licensees of the Borrower and its Subsidiaries and Investments in overseas manufacturers in the ordinary course of business in an aggregate amount not to

exceed $20,000,000 at any time outstanding;

(viii) construction advances made in the ordinary course of business to developers that are not Affiliates of the Borrower or any of its Subsidiaries in connection with store renovations;

(ix) Investments existing on the date hereof and described on Schedule 4.01(ll) hereto;

(x) Investments consisting of Cash Capital Expenditures permitted under Section 5.02(o) to the extent not otherwise permitted under clause (xii) below;

(xi) Investments evidenced by senior promissory notes representing assets and property of the Borrower and its Subsidiaries sold pursuant to Section 5.02(d)(iii);

(xii) other Investments in an aggregate amount invested (in any combination of cash and securities of the Borrower) not to exceed, together with the aggregate amount of Debt incurred pursuant to Section 5.02(b)(i)(D) and Cash Capital Expenditures made in connection with the acquisition of any business pursuant to an asset purchase, from the date hereof until the Termination Date:

(a) $250,000,000 during such time as the Debt Rating is not an Investment Grade Rating, and

(b) $500,000,000 during such time as the Debt Rating is an Investment Grade Rating; PROVIDED that if, subsequent to the making of any such Investments permitted under this subclause (b), the Debt Rating shall cease to be an Investment Grade Rating, such Investment shall be deemed to be permitted hereunder;

PROVIDED FURTHER that with respect to Investments made under this clause (xii):

(1) no more than $200,000,000 may be invested in any Fiscal Year,

(2) the aggregate amount of such Investments shall not exceed $500,000,000 from the date hereof,

(3) any newly acquired or created Subsidiary of the Borrower or any of its Subsidiaries shall be a wholly owned Subsidiary thereof,

(4) immediately before and after giving effect thereto, no Default shall have occurred and be continuing or would result therefrom,

(5) during any Non-Investment Grade Period, immediately before and after giving effect to such Investment, the Interest Coverage Ratio, calculated on a pro forma basis, shall equal or exceed 3.25:1 and the Leverage Ratio, calculated on a

pro forma basis, shall not exceed 0.49:1,

(6) during any Investment Grade Period, immediately before and after giving effect to such Investment, the Interest Coverage Ratio, calculated on a pro forma basis, shall equal or exceed 4.0:1 (unless S&P and Moody's shall have established a Debt Rating of at least BBB- and Baa3, respectively, in which case such Interest Coverage Ratio shall equal or exceed 3.75:1) and the Leverage Ratio, calculated on a pro forma basis, shall not exceed 0.45:1 and

(7) any business acquired or invested in pursuant to this clause (xii) shall be in the same or a similar line of business as the business of the Borrower or any of its Subsidiaries;

PROVIDED STILL FURTHER that (1) within the aggregate limits contained in subclauses (a) and (b) above, any amounts permitted to be invested in any Fiscal Year and not so invested may be carried over and invested in the immediately succeeding Fiscal Year, subject to the limitations contained in the immediately preceding proviso, (2) with respect to any Investment proposed to be made during an Investment Grade Period, if immediately before and after giving effect thereto, the Interest Coverage Ratio, calculated on a pro forma basis as described above, shall equal or exceed 3.25:1 and the Leverage Ratio, calculated on a pro forma basis, shall not exceed 0.49:1 but shall not otherwise meet the requirements contained in clause (6) above, then Investments shall be permitted to be made in an amount which, together with Investments made pursuant to this clause (xii) during any Non-Investment Grade Period, shall not exceed $250,000,000 from the date hereof and (3) for purposes of calculating the Interest Coverage Ratio and the Leverage Ratio on a pro forma basis, such ratios shall be calculated based on historical financial statements but after giving effect to current market rates and operating synergies reasonably expected to result from such Investment.

(f) DIVIDENDS, ETC. Declare or pay any dividends, purchase, redeem, retire, defease or otherwise acquire for value any of its capital stock or any warrants, rights or options to acquire such capital stock, now or hereafter outstanding, return any capital to its stockholders as such, make any distribution of assets, capital stock, warrants, rights, options, obligations or securities to its stockholders as such or issue or sell any capital stock or any warrants, rights or options to acquire such capital stock, or permit any of its Subsidiaries to do any of the foregoing or permit any of its Subsidiaries to purchase, redeem, retire, defease or otherwise acquire for value any capital stock of the Borrower or any warrants, rights or options to acquire such capital stock or to issue or sell any capital stock or any warrants, rights or options to acquire such capital stock,

except that, so long as no Default shall have occurred and be continuing at the time of any action described in clause (i) or (ii) below or would result therefrom,

(i) the Borrower may

(A) declare and pay dividends and distributions payable only in common of the Borrower,

(B) purchase, redeem, retire, defease or otherwise acquire shares of its capital stock with the proceeds received from the issue of new shares of its capital stock with equal or inferior voting powers, designations, preferences and rights,

(C) make payments in respect of the 1992 Executive Equity Incentive Plan, the 1995 Equity Plan, the Supplementary Executive Retirement Plan, the Executive Deferred Compensation Plan dated as of November 1, 1993 and the Share Purchase Rights Agreement, in each case as amended, amended and restated or replaced from time to time in a manner consistent with prudent business practices, and

(D) during an Investment Grade Period, declare and pay cash dividends to its stockholders and purchase, redeem, retire or otherwise acquire shares of its own outstanding capital stock for cash solely out of Consolidated net income of the Borrower and its Subsidiaries during an Investment Grade Period, PROVIDED that if, after the declaration of any such dividends, the Debt Rating shall cease to be an Investment Grade Rating, such declared dividends shall be deemed to be permitted hereunder and

(ii) any Subsidiary of the Borrower may

(A) declare and pay cash dividends to the Borrower, PROVIDED that if the Release Date shall not have occurred, such cash dividends may be declared and paid (x) by FNC with the proceeds received in connection with the repayment of mortgages held by it, so long as the Borrower applies such dividends to prepay the Advances pursuant to Section 2.06(b)(ii), (y) by Federated Credit Holdings Corporation in the ordinary course of business and consistent with past practices and (z) otherwise, together with Debt incurred pursuant to Section 5.02(b)(i)(A) in accordance with clause (2) of the proviso thereto, solely

to the extent necessary for the Borrower to make scheduled payments and prepayments permitted

hereunder of principal of and interest on its Debt owing to Persons other than its Affiliates and to pay necessary administrative expenses of the Borrower on a timely basis and

(B) declare and pay cash dividends to any other Subsidiary of the Borrower of which it is a Subsidiary.

(g) CHANGE IN NATURE OF BUSINESS. Make, or permit any of its Subsidiaries to make, any material change in the nature of its business as carried on at the date hereof, except where such change could not be reasonably expected to have a Material Adverse Effect.

(h) CHARTER AMENDMENTS. Amend, or permit any of its Subsidiaries to amend, its certificate of incorporation or bylaws, except where such amendment could not be reasonably expected to have a Material Adverse Effect.

(i) ACCOUNTING CHANGES, ETC. Make or permit, or permit any of its Subsidiaries to make or permit, any change in (i) accounting policies or reporting practices (including, without limitation, with respect to the reflection of accounts receivable on the Consolidated balance sheet of the Borrower and its Subsidiaries), except as permitted or required by generally accepted accounting principles or law and disclosed to the Lender Parties, the Agent and the Administrative Agent on a timely basis or (ii) Fiscal Year.

(j) PREPAYMENTS, ETC. OF DEBT. Prepay, redeem, purchase, defease or otherwise satisfy prior to the scheduled maturity thereof in any manner, or make any payment in violation of any subordination terms of, any Debt, other than:

(i) the prepayment of the Advances in accordance with the terms of this Agreement,

(ii) regularly scheduled or required repayments or redemptions of Surviving Debt,

(iii) refundings and refinancings permitted under Section 5.02(b)(iii)(D),

(iv) prepayments under, and in accordance with the terms of, the Receivables Financing Facility,

(v) prepayment of the Convertible Debentures in an aggregate amount in any Fiscal Year not to exceed the amount of Excess Cash Flow for the immediately preceding Fiscal Year to the extent not required to prepay the Advances pursuant to Section 2.06(b)(i), PROVIDED that any such prepayment shall be made no later than the 100th day following the end of the immediately preceding Fiscal Year,

(vi) on or prior to January 31, 1995, prepayment of the Series A Notes, the Series B Notes and the Series C Notes issued pursuant to the Plan of Reorganization, PROVIDED that the Series A Notes shall be prepaid in full prior to any prepayment of the Series B Notes and Series C Notes, PROVIDED FURTHER that immediately after giving effect to all such prepayments under this clause (vi), but prior to giving effect to any prepayments made pursuant to clause (vii) below, the

aggregate outstanding principal amount of such Series A Notes, Series B Notes and Series C Notes shall not be less than $500,000,000,

(vii) prepayment of the Series B Notes issued pursuant to the Plan of Reorganization (A) on or prior to January 31, 1995, in an aggregate principal amount not to exceed the lesser of $200,000,000 and the amount of the Net Cash Proceeds received in connection with the sale or non-recourse financing of accounts receivable pursuant to Section 5.02(b)(iii)(E) pursuant to one or more accounts receivable financing transactions other than those described in the Information Memorandum or (B) in an aggregate amount in any Fiscal Year not to exceed the amount of Excess Cash Flow for the immediately preceding Fiscal Year to the extent not required to prepay the Advances pursuant to Section 2.06(b)(i) and not used to prepay the Convertible Debentures pursuant to Section 5.02(j)(v), PROVIDED that, in the case of this clause (B), the Term Advances shall have been paid in full,

(viii) during any Non-Investment Grade Period, prepayment, redemption, purchase or defeasance of Debt in an aggregate amount not to exceed $10,000,000 in any Fiscal Year, and

(ix) during any Investment Grade Period, prepayment, redemption, purchase or defeasance of Debt in an aggregate amount not to exceed $250,000,000 in any Fiscal Year, PROVIDED that concurrently with, or within the 30 Business Days immediately preceding, any such prepayment, redemption, purchase or defeasance, so long as the Term Facility shall not have been paid in full, the Borrower shall prepay the Term Advances pursuant to, and in the

amount and order of priority set forth in, Section 2.06(b)(vi), as specified therein, PROVIDED FURTHER that if, subsequent to any such prepayment, redemption, purchase, defeasance or satisfaction, the Debt Rating shall cease to be an Investment Grade Rating, such prepayment, redemption, purchase, defeasance or satisfaction shall be deemed to be permitted hereunder,

or amend, modify or change in any manner any term or condition of any Surviving Debt, or permit any of its Subsidiaries to do any of the foregoing other than to prepay any Debt payable to the Borrower.

(k) AMENDMENT, ETC. OF RELATED DOCUMENTS. Cancel or terminate any Related Document or consent to or accept any cancellation or termination thereof, amend, modify or change in any manner any term or condition of any Related Document or give any consent, waiver or approval thereunder, waive any default under or any breach of any term or condition of any Related Document, agree in any manner to any other amendment, modification or change of any term or condition of any Related Document or take any other action in connection with any Related Document that would impair the rights or interests of the Administrative Agent or any Lender Party or that could be reasonably expected to have a Material Adverse Effect, or permit any of its Subsidiaries to do any of the foregoing.

(l) AMENDMENT, ETC. OF MATERIAL CONTRACTS. Cancel or

terminate any Material Contract or consent to or accept any cancellation or termination thereof, amend or otherwise modify any Material Contract or give any consent, waiver or approval thereunder, waive any default under or breach of any Material Contract, agree in any manner to any other amendment, modification or change of any term or condition of any Material Contract or take any other action in connection with any Material Contract that could be reasonably expected to have a Material Adverse Effect, or permit any of its Subsidiaries to do any of the foregoing.

(m) SECTION 338 ELECTION. Make an election under Section 338(g) of the Internal Revenue Code with respect to the Merger.

(n) PARTNERSHIPS. Become a general partner in any general or limited partnership, or permit any of its Subsidiaries to do so, other than any Subsidiary the sole assets of which consist of its interest in such partnership.

(o) CASH CAPITAL EXPENDITURES. During any Non-Investment Grade Period, make, or permit any of its Subsidiaries to make, any Cash Capital Expenditures that would cause the aggregate of all such Cash Capital Expenditures made by the Borrower

and its Subsidiaries in any period set forth below to exceed the amount set forth below for such period:

<TABLE>
<CAPTION>

FISCAL YEAR	AMOUNT
<S>	<C>
1995	$705,000,000
1996	$697,000,000
1997	$706,000,000
1998 and thereafter	$713,000,000

</TABLE>

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

SECTION 5.03. REPORTING REQUIREMENTS. So long as any Advance shall remain unpaid, any Letter of Credit shall be outstanding (and not cash collateralized or for which a "back-to-back" letter of credit shall not have

been issued pursuant to Section 2.06(b)(iv)) or any Lender Party shall have any Commitment hereunder, the Borrower will furnish to the Lender Parties:

(a) DEFAULT NOTICE. As soon as possible and in any event within five days after any Responsible Officer becomes aware of the occurrence of each Default and each event, development or circumstance that has or could reasonably be expected to have a Material Adverse Effect continuing on the date of such statement, a statement of the chief financial officer of the Borrower setting forth details of such Default, event, development or other circumstance (including, without limitation, the anticipated effect thereof) and the action that the Borrower has taken and proposes to take with respect thereto.

(b) MONTHLY FINANCIALS. During each Non-Investment Grade Period, as soon as available and in any event within 45 days after the end of January of each Fiscal Year, and within 30 days after the end of each other month, a Consolidated balance sheet of the Borrower and its Subsidiaries as of the end of such month and a Consolidated statement of income of the Borrower and its Subsidiaries for the period commencing at the end of the previous month and ending with the end of such month and Consolidated statements of income and cash flows of the Borrower and its Subsidiaries for the period commencing at the end of the previous Fiscal Year and ending with the end of such month, and divisional balance sheets and profit and loss statements for such month and the period commencing at the end of the previous Fiscal Year and ending with the end of such fiscal month setting forth in each case in comparative form the corresponding figures for the corresponding period of the preceding Fiscal Year, all in reasonable detail and duly certified by the chief financial officer, the treasurer or the controller of the Borrower.

(c) QUARTERLY FINANCIALS. As soon as available and in any event within 45 days after the end of each of the first three fiscal quarters of each Fiscal Year, Consolidated, and during any Non-Investment Grade Period, consolidating, balance sheets of the Borrower and its Subsidiaries as of the end of such quarter and Consolidated, and during any Non-Investment Grade Period, consolidating, statements of income of the Borrower and its Subsidiaries for the period commencing at the end of the previous fiscal quarter and ending with the end of such fiscal quarter and Consolidated, and during any Non-Investment Grade Period, consolidating, statements of income and a Consolidated statement of cash flows for the period commencing at the end of the previous Fiscal Year and ending with the end of such fiscal quarter, setting forth in the case of such Consolidated financial statements in comparative form the corresponding figures for the corresponding period of the preceding Fiscal Year, all in reasonable detail and duly certified (subject to year-end audit adjustments) by the chief financial officer of the Borrower as having been prepared in accordance with GAAP, together with (i) a certificate of said officer stating that no Default has occurred and is continuing or, if a Default has occurred and is continuing, a statement as to the nature thereof and the action that the Borrower has taken and proposes to take with respect thereto and (ii) a certificate of said officer as to the then applicable Debt Rating and Interest Coverage Ratio and containing a schedule in form satisfactory to the Administrative Agent of the computations used by the Borrower in determining compliance with the covenants contained in Section 5.04.

(d) ANNUAL FINANCIALS. As soon as available and in any

event within 90 days after the end of each Fiscal Year, a copy of the annual audit report for such year for

the Borrower and its Subsidiaries, including therein Consolidated balance sheets of the Borrower and its Subsidiaries as of the end of such Fiscal Year and Consolidated statements of income and cash flows of the Borrower and its Subsidiaries for such Fiscal Year, in each case accompanied by an opinion acceptable to the Required Lenders of KPMG Peat Marwick LLP or other independent public accountants of recognized standing acceptable to the Required Lenders, and, during any Non-Investment Grade Period, a consolidating balance sheet of the Borrower and its Subsidiaries as at the end of such Fiscal Year and, during any Non-Investment Grade Period, a consolidating statement of income for such Fiscal Year, all in reasonable detail and duly certified by the chief financial officer of the Borrower, in the case of such consolidated financial statements, as having been prepared in accordance with GAAP, and in each case, consistent with past practices, in each case together with (i) a certificate of such accounting firm to the Lenders stating that in the course of the regular audit of the business of the Borrower and its Subsidiaries, which audit was conducted by such accounting firm in accordance with generally accepted auditing standards, such accounting firm has obtained no knowledge that a Default has occurred and is continuing, or if, in the opinion of such accounting firm, a Default has occurred and is continuing, a statement as to the nature thereof, (ii) a certificate of the chief financial officer of the Borrower as to the then applicable Debt Rating and Interest Coverage Ratio and containing a schedule in form satisfactory to the Administrative Agent of the computations used by such accountants in determining, as of the end of such Fiscal Year, compliance with the covenants contained in Section 5.04 and (iii) a certificate of the chief financial officer of the Borrower stating that no Default has occurred and is continuing or, if a default has occurred and is continuing, a statement as to the nature thereof and the action that the Borrower has taken and proposes to take with respect thereto.

(e) ANNUAL BUSINESS PLAN AND FORECASTS. During any Non-Investment Grade Period, as soon as available and in any event no later than April 30 of each Fiscal Year, a business plan and forecasts prepared by management of the Borrower, in form reasonably satisfactory to the Administrative Agent, of balance sheets, income statements and cash flow statements for such Fiscal Year.

(f) SEMIANNUAL BUSINESS PLAN. During any Non-Investment Grade Period, as soon as available and in any event no later than March 8 and September 1 of each Fiscal Year, a semiannual seasonal business plan prepared by management of the Borrower, in form and substance reasonably satisfactory to the Administrative Agent.

(g) LONG TERM PLAN. As soon as available and in any

event no later than 15 days after the final review thereof by the board of directors of the Borrower, any long term business and financial plan prepared by management of the Borrower.

(h) ERISA EVENTS. Promptly and in any event within 10 days after any Loan Party or any ERISA Affiliate knows or has reason to know that any ERISA Event that is reasonably expected to result in a material liability of any Loan Party or any ERISA Affiliate has occurred, a statement of the chief financial officer of the Borrower describing such ERISA Event and the action, if any, that such Loan Party or such ERISA Affiliate has taken and proposes to take with respect thereto.

(i) PLAN TERMINATIONS. Promptly and in any event within two Business Days after receipt thereof by any Loan Party or any ERISA Affiliate, copies of each notice from the PBGC stating its intention to terminate any Plan or to have a trustee appointed to administer any such Plan if such termination or appointment could be reasonably expected to result in a material liability of any Loan Party or any ERISA Affiliate.

(j) PLAN ANNUAL REPORTS. Promptly and in any event within 30 days after the filing thereof with the Internal Revenue Service, copies of each Schedule B (Actuarial Information) to the annual report (Form 5500 Series) with respect to each of the Federated Department Stores, Inc. Pension Plan, the Allied Stores Corporation Retirement Benefit Plan and the R.H. Macy's & Co., Inc. Pension Plan and any other Plan the "current liability" (as defined in Section 412(l)(7) of the Internal Revenue Code) of which exceeds $50,000,000.

(k) MULTIEMPLOYER PLAN NOTICES. Promptly and in any event within five Business Days after receipt thereof by any Loan Party or any ERISA Affiliate from the sponsor of a Multiemployer Plan, copies of each notice concerning (i) the imposition of Withdrawal Liability by any such Multiemployer Plan, (ii) the reorganization or termination, within the meaning of Title IV of ERISA, of any such Multiemployer Plan or (iii) the amount of liability incurred, or that may be incurred, by such Loan Party or ERISA Affiliate in connection with any event described in clause (i) or (ii), if such imposition, reorganization, termination or amount could be reasonably expected to result in a material liability of any Loan Party or any ERISA Affiliate.

(l) LITIGATION. Promptly after the commencement thereof, notice of all actions, suits, investigations, litigation and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting any Loan Party or any of its Subsidiaries of the type

described in Section 4.01(j), and promptly after the occurrence thereof, notice of any adverse change in the status or the financial effect on any Loan Party or any of its Subsidiaries of the Disclosed Litigation from that described on Schedule 3.01(g).

(m) SECURITIES REPORTS. Promptly after the sending or filing thereof, copies of all proxy statements, financial statements and reports that any Loan Party or any of its Subsidiaries sends to its stockholders, and copies of all regular, periodic and special reports, and all registration statements (other than registration statements on Form S-8), that any Loan Party or any of its

Subsidiaries files with the Securities and Exchange Commission or any governmental authority that may be substituted therefor, or with any national securities exchange.

(n) AGREEMENT NOTICES. Promptly upon receipt thereof, copies of all notices, requests and other documents received by any Loan Party or any of its Subsidiaries under or pursuant to the Merger Agreement, the Plan of Reorganization or any Material Contract (including, without limitation, any indenture, loan or credit or similar agreement) regarding or related to any breach or default by any party thereto or any other event that could materially impair the value of the interests or the rights of any Loan Party or otherwise have a Material Adverse Effect and copies of any amendment, modification or waiver of any provision of any Related Document or any indenture, loan or credit or similar agreement that adversely affects the rights or interests of the Administrative Agent or any Lender Party or that is otherwise material and, from time to time upon request by the Administrative Agent, such information and reports regarding the Related Documents and the Material Contracts as the Administrative Agent may reasonably request.

(o) REVENUE AGENT REPORTS. Within 10 days after receipt, copies of all Revenue Agent Reports (Internal Revenue Service Form 886), or other written proposals of the Internal Revenue Service, that propose, determine or otherwise set forth positive adjustments to the Federal income tax liability of the affiliated group (within the meaning of Section 1504(a)(1) of the Internal Revenue Code) of which the Borrower is a member aggregating $10,000,000 or more.

(p) ENVIRONMENTAL CONDITIONS. Promptly after the occurrence thereof, notice of any condition or occurrence on any property of any Loan Party or any of its Subsidiaries that results in a material noncompliance by any Loan Party or any of its Subsidiaries with any Environmental Law or Environmental Permit or could (i) form the basis of an Environmental Action against any Loan Party or any of its Subsidiaries or such property that could have a Material Adverse Effect or (ii) cause any such property to be subject to any restrictions on ownership, occupancy, use or

transferability under any Environmental Law that could have a Material Adverse Effect.

(q) INSURANCE. Upon request of the Administrative Agent, a report summarizing the insurance coverage (specifying type, amount and carrier) in effect for each Loan Party and its Subsidiaries and containing such additional information as any Lender Party may reasonably specify.

(r) OTHER INFORMATION. Such other information respecting the business, condition (financial or otherwise), operations, performance, properties or prospects of any Loan Party or any of its Subsidiaries as any Lender Party through the Administrative Agent may from time to time reasonably request.

SECTION 5.04. FINANCIAL COVENANTS. So long as any Advance shall remain unpaid, any Letter of Credit shall be outstanding (and not cash collateralized or for which a "back-to-back" letter of credit shall not have been issued pursuant to Section 2.06(b)(iv)) or any Lender Party shall have any Commitment hereunder, the Borrower will:

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

<TABLE>
<CAPTION>

FISCAL QUARTER ENDING IN THE FISCAL MONTH OF	RATIO
<S>	<C>
April, 1995	0.55:1
July, 1995	0.55:1
October, 1995	0.56:1
January, 1996	0.49:1
April, 1996	0.51:1
July, 1996	0.51:1
October, 1996	0.52:1
January, 1997	0.47:1
April, 1997	0.48:1
July, 1997	0.48:1
October, 1997	0.49:1
January, 1998	0.44:1
April, 1998	0.44:1
July, 1998	0.44:1
October, 1998	0.45:1
January, 1999 and thereafter	0.40:1

</TABLE>

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

<TABLE>
<CAPTION>

MEASUREMENT PERIOD ENDING IN THE FISCAL MONTH OF	RATIO
<S>	<C>
April, 1995	0.25:1
July, 1995	0.32:1
October, 1995	0.50:1
January, 1996	1.00:1
April, 1996	1.00:1
July, 1996	1.00:1
October, 1996	1.00:1
January, 1997	1.00:1
April, 1997	1.00:1
July, 1997	1.00:1
October, 1997	1.00:1

January, 1998 and thereafter	1.00:1

</TABLE>

(c) INTEREST COVERAGE RATIO. Maintain at the end of each Measurement Period an Interest Coverage Ratio of not less than the amount set forth below for each Measurement Period set forth below:

<TABLE>
<CAPTION>

MEASUREMENT PERIOD ENDING IN THE FISCAL MONTH OF	RATIO
<S>	<C>
April, 1995	1.10:1
July, 1995	1.10:1
October, 1995	1.50:1
January, 1996	2.75:1
April, 1996	2.75:1
July, 1996	2.75:1
October, 1996	2.75:1
January, 1997	3.00:1
April, 1997	3.00:1
July, 1997	3.00:1
October, 1997	3.00:1
January, 1998	3.50:1
April, 1998	3.50:1
July, 1998	3.50:1
October, 1998	3.50:1
January, 1999	3.75:1
April, 1999	3.75:1
July, 1999	3.75:1
October, 1999	3.75:1
January, 2000 and thereafter	4.00:1

</TABLE>

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.01. EVENTS OF DEFAULT. If any of the following events ("EVENTS OF DEFAULT") shall occur and be continuing:

(a) (i) the Borrower shall fail to pay any principal of

any Advance when the same shall become due and payable or (ii) the Borrower shall fail to pay any interest on any Advance, or any Loan Party shall fail to make any other payment under any Loan

Document, in each case under this clause (ii) within one Business Day after the same becomes due and payable; or

(b) any representation or warranty made by any Loan Party (or any of its officers) under or in connection with any Loan Document shall prove to have been incorrect in any material respect when made; or

(c) the Borrower shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(e), (f) or (j), 5.02 (other than, with respect to Section 5.02(a), to the extent described in clause (d)(i) below), 5.03 (except to the extent described in clause (d)(i) below) or 5.04; or

(d) (i) the Borrower shall fail to perform or observe any term, covenant or agreement contained in Section 5.02(a) (solely with respect to the imposition of non-consensual Liens) or Section 5.03(b), (c), (d), (e), (f), (g) or (m) if such failure shall remain unremedied for 10 days or (ii) any Loan Party shall fail to perform any other term, covenant or agreement contained in any Loan Document on its part to be performed or observed if such failure shall remain unremedied for 20 days after the earlier of the date on which (A) a Responsible Officer of the Borrower becomes aware of such failure or (B) written notice thereof shall have been given to the Borrower by the Administrative Agent or any Lender Party; or

(e) any Loan Party or any of its Subsidiaries shall fail to pay any principal of, premium or interest on or any other amount payable in respect of any Debt that is outstanding in a principal or notional amount of at least $30,000,000 (or its equivalent in any Alternative Currency) either individually or in the aggregate (but excluding Debt outstanding hereunder) of such Loan Party or such Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt or otherwise to cause, or to permit the holder thereof to cause, such Debt to mature; or any such Debt shall be declared to be due and payable or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof; or

(f) any Loan Party or any of its Subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against any Loan Party or any of its Subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it) that is being diligently contested by it in good faith, either such proceeding shall remain undismissed or unstayed for a period of 60 days or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or any substantial part of its property) shall occur; or any Loan Party or any of its Subsidiaries shall take any corporate action to authorize any of the actions set forth above in this subsection (f); or

(g) any judgment or order for the payment of money in excess of $30,000,000 (or its equivalent in any Alternative Currency) shall be rendered against any Loan Party or any of its Subsidiaries and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 20 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; PROVIDED, HOWEVER, that any such judgment or order shall only be an Event of Default under this Section 6.01(g) if and to the extent that the amount of such judgment or order not covered by a valid and binding policy of insurance between the defendant and the insurer covering payment thereof exceeds $30,000,000 so long as such insurer, which shall be rated at least "A" by A.M. Best Company, has been notified of, and has not disputed the claim made for payment of, the amount of such judgment or order; or

(h) any non-monetary judgment or order shall be rendered against any Loan Party or any of its Subsidiaries that could reasonably be expected to have a Material Adverse Effect, and there shall be any period of 20 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(i) any provision of any Loan Document after delivery thereof pursuant to Section 3.01 or 5.01(l) shall for any reason cease to be valid and binding on or

enforceable against any Loan Party party to it, or any such Loan Party shall so state in writing; or

(j) any Collateral Document after delivery thereof

pursuant to Section 3.01 or 5.01(l) shall for any reason (other than pursuant to the terms thereof) cease to create a valid and perfected first priority lien on and security interest in the Collateral purported to be covered thereby; or

(k) (i) any Person or two or more Persons acting in concert shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934), directly or indirectly, of Voting Stock of the Borrower (or other securities convertible into such Voting Stock) representing 33-1/3% or more of the combined voting power of all Voting Stock of the Borrower; or (ii) during any period of up to 24 consecutive months, commencing before or after the date of this Agreement, individuals who at the beginning of such 24-month period were directors of the Borrower shall cease for any reason (other than due to death, disability or previously established mandatory retirement) to constitute a majority of the board of directors of the Borrower; or (iii) any Person or two or more Persons acting in concert shall have acquired by contract or otherwise, or shall have entered into a contract or arrangement that, upon consummation, will result in its or their acquisition of the power to exercise, directly or indirectly, control over the management and policies of the Borrower; or

(l) any ERISA Event shall have occurred with respect to a Plan and the sum (determined as of the date of occurrence of such ERISA Event) of the Insufficiency of such Plan and the Insufficiency of any and all other Plans with respect to which an ERISA Event shall have occurred and then exist (or the liability of the Loan Parties and the ERISA Affiliates related to such ERISA Event) exceeds $30,000,000; or

(m) any Loan Party or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that it has incurred Withdrawal Liability to such Multiemployer Plan in an amount that, when aggregated with all other amounts required to be paid to Multiemployer Plans by the Loan Parties and the ERISA Affiliates as Withdrawal Liability (determined as of the date of such notification), exceeds $30,000,000 or requires payments exceeding $5,000,000 per annum; or

(n) any Loan Party or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, and as a result of such reorganization or termination the aggregate annual contributions of the Loan Parties

and the ERISA Affiliates to all Multiemployer Plans that are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the plan years of such Multiemployer Plans immediately preceding the plan year in which such reorganization or termination occurs by an amount exceeding $5,000,000;

then, and in any such event, the Administrative Agent (i) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the obligation of each Appropriate Lender to make Advances (other than Letter of Credit Advances by an Issuing Bank or a Working Capital Lender pursuant to Section 2.14(c) and Swing Line Advances by a Working Capital Lender

pursuant to Section 2.02(b)) and of each Issuing Bank to issue Letters of Credit to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the Notes, all interest thereon and all other amounts payable under this Agreement and the other Loan Documents to be forthwith due and payable, whereupon the Notes, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; PROVIDED, HOWEVER, that in the event of an actual or deemed entry of an order for relief with respect to any Loan Party or any of its Subsidiaries under the Bankruptcy Code, (x) the obligation of each Lender to make Advances (other than Letter of Credit Advances by an Issuing Bank or a Working Capital Lender pursuant to Section 2.14(c) and Swing Line Advances by a Working Capital Lender pursuant to Section 2.02(b)) and of each Issuing Bank to issue Letters of Credit shall automatically be terminated and (y) the Notes, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

SECTION 6.02. ACTIONS IN RESPECT OF THE LETTERS OF CREDIT UPON DEFAULT. If any Event of Default shall have occurred and be continuing, the Administrative Agent may, irrespective of whether it is taking any of the actions described in Section 6.01 or otherwise, make demand upon the Borrower to, and forthwith upon such demand the Borrower will, pay to the Administrative Agent on behalf of the Lender Parties in same day funds at the Administrative Agent's office designated in such demand, for deposit in the L/C Cash Collateral Account, an amount equal to the aggregate Available Amount of all Letters of Credit then outstanding. If at any time the Administrative Agent determines that any funds held in the L/C Cash Collateral Account are subject to any right or claim of any Person other than the Administrative Agent and the Lender Parties or that the total amount of such funds is less than the aggregate Available Amount of all Letters of Credit, the Borrower will, forthwith upon demand by the Administrative Agent, pay to the Administrative Agent, as additional funds to be deposited and held in the L/C Cash Collateral Account, an amount equal to the

excess of (a) such aggregate Available Amount over (b) the total amount of funds, if any, then held in the L/C Cash Collateral Account that the Administrative Agent determines to be free and clear of any such right and claim.

ARTICLE VII

THE ADMINISTRATIVE AGENT AND THE AGENT

SECTION 7.01. AUTHORIZATION AND ACTION. Each Lender (in its capacities as a Lender and a potential Hedge Bank) and each Issuing Bank hereby appoints and authorizes the Administrative Agent and the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement and the other Loan Documents as are delegated to the Administrative Agent and the Agent by the terms hereof and thereof, together with such powers and discretion as are reasonably incidental thereto. As to any matters not expressly provided for by the Loan Documents (including, without limitation, enforcement or collection of the Notes), neither the Administrative Agent nor the Agent shall be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding

upon all Lender Parties and all holders of Notes; PROVIDED, HOWEVER, that neither the Administrative Agent nor the Agent shall be required to take any action that exposes the Administrative Agent or the Agent to personal liability or that is contrary to this Agreement or applicable law. Each of the Administrative Agent and the Agent agrees to give to each Lender and each Issuing Bank prompt notice of each notice given to it by the Borrower pursuant to the terms of this Agreement.

SECTION 7.02. ADMINISTRATIVE AGENT'S AND AGENT'S RELIANCE, ETC. Neither the Administrative Agent nor the Agent nor any of their respective directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with the Loan Documents, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Administrative Agent and the Agent: (a) may treat the payee of any Note as the holder thereof until the Administrative Agent receives and accepts an Assignment and Acceptance entered into by the Lender that is the payee of such Note, as assignor, and an Eligible Assignee, as assignee, as provided in Section 8.07; (b) may consult with legal counsel (including counsel for any Loan Party), independent public accountants and other experts selected by it with reasonable care and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any Lender Party and shall not be responsible to any Lender Party for any

statements, warranties or representations (whether written or oral) made in or in connection with the Loan Documents; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of any Loan Document on the part of any Loan Party or to inspect the property (including the books and records) of any Loan Party; (e) shall not be responsible to any Lender Party for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of, or the perfection or priority of any lien or security interest created or purported to be created under or in connection with, any Loan Document or any other instrument or document furnished pursuant thereto; and (f) shall incur no liability under or in respect of any Loan Document by acting upon any notice, consent, certificate or other instrument or writing (which may be by telegram, telecopy, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 7.03. CITIBANK, CHEMICAL AND AFFILIATES. With respect to its Commitments, the Advances made by it and the Notes issued to it, each of Citibank and Chemical shall have the same rights and powers under the Loan Documents as any other Lender and may exercise the same as though it were not the Administrative Agent or the Agent, as the case may be; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include each of Citibank and Chemical in its individual capacity. Citibank and Chemical and their respective affiliates may accept deposits from, lend money to, act as trustee under indentures of, accept investment banking engagements from and generally engage in any kind of business with, any Loan Party, any of its Subsidiaries and any Person who may do business with or own securities of any Loan Party or any such Subsidiary, all as if Citibank and Chemical were not the Administrative Agent and the Agent, respectively, and without any duty to account therefor to the Lender Parties.

SECTION 7.04. LENDER PARTY CREDIT DECISION. Each Lender Party acknowledges that it has, independently and without reliance upon the Administrative Agent, the Agent or any Lender Party and based on the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to

enter into this Agreement. Each Lender Party also acknowledges that it will, independently and without reliance upon the Administrative Agent, the Agent or any Lender Party and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

SECTION 7.05. INDEMNIFICATION. (a) Each Lender (other than the Designated Bidders) severally agrees to indemnify the Administrative Agent and the Agent (to the extent not promptly reimbursed by the Borrower) from and against such Lender's ratable share (determined as provided below) of any and all liabilities, obligations, losses, damages,

penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Administrative Agent or the Agent in any way relating to or arising out of the Loan Documents or any action taken or omitted by the Administrative Agent or the Agent under the Loan Documents; PROVIDED, HOWEVER, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent's or the Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender (other than the Designated Bidders) agrees to reimburse the Administrative Agent and the Agent promptly upon demand for its ratable share of any reasonable costs and expenses (including, without limitation, reasonable fees and expenses of counsel) payable by the Borrower under Section 8.04, to the extent that the Administrative Agent or the Agent is not promptly reimbursed for such costs and expenses by the Borrower. For purposes of this Section 7.05(a), the Lenders' respective ratable shares of any amount shall be determined, at any time, according to the sum of (a) the aggregate principal amount of the Regular Advances outstanding at such time and owing to the respective Lenders, (b) their respective Pro Rata Shares of the aggregate Available Amount of all Letters of Credit outstanding at such time, (c) the aggregate unused portions of their respective Term Commitments at such time and (d) their respective Unused Working Capital Commitments at such time. In the event that any Defaulted Advance shall be owing by any Defaulting Lender at any time, such Lender's Commitment with respect to the Facility under which such Defaulted Advance was required to have been made shall be considered to be unused for purposes of this Section 7.05(a) to the extent of the amount of such Defaulted Advance. The failure of any Lender to reimburse the Administrative Agent or the Agent promptly upon demand for its ratable share of any amount required to be paid by the Lenders to the Administrative Agent or the Agent as provided herein shall not relieve any other Lender of its obligation hereunder to reimburse the Administrative Agent or the Agent for its ratable share of such amount, but no Lender shall be responsible for the failure of any other Lender to reimburse the Administrative Agent or the Agent for such other Lender's ratable share of such amount. Without prejudice to the survival of any other agreement of any Lender hereunder, the agreement and obligations of each Lender contained in this Section 7.05(a) shall survive the payment in full of principal, interest and all other amounts payable hereunder and under the other Loan Documents.

(b) Each Lender severally agrees to indemnify each Issuing Bank (to the extent not promptly reimbursed by the Borrower) from and against such Lender's ratable share (determined as provided below) of any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against such Issuing Bank in any way relating to or arising out of the Loan Documents or any action taken or omitted by such Issuing Bank under the Loan Documents; PROVIDED, HOWEVER, that no Lender shall be liable for

any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Issuing Bank's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse such Issuing Bank promptly upon demand for its ratable share of any reasonable costs and expenses (including, without limitation, reasonable fees and expenses of counsel) payable by the Borrower under Section 8.04, to the extent that such Issuing Bank is not promptly reimbursed for such costs and expenses by the Borrower. For purposes of this Section 7.05(b), the Lenders' respective ratable shares of any amount shall be determined, at any time, according to the sum of (a) the aggregate principal amount of the Regular Advances outstanding at such time and owing to the respective Lenders, (b) their respective Pro Rata Shares of the aggregate Available Amount of all Letters of Credit outstanding at such time, (c) the aggregate unused portions of their respective Term Commitments at such time and (d) their respective Unused Working Capital Commitments at such time. In the event that any Defaulted Advance shall be owing by any Defaulting Lender at any time, such Lender's Commitment with respect to the Facility under which such Defaulted Advance was required to have been made shall be considered to be unused for purposes of this Section 7.05(b) to the extent of the amount of such Defaulted Advance. The failure of any Lender to reimburse such Issuing Bank promptly upon demand for its ratable share of any amount required to be paid by the Lenders to such Issuing Bank as provided herein shall not relieve any other Lender of its obligation hereunder to reimburse such Issuing Bank for its ratable share of such amount, but no Lender shall be responsible for the failure of any other Lender to reimburse such Issuing Bank for such other Lender's ratable share of such amount. Without prejudice to the survival of any other agreement of any Lender hereunder, the agreement and obligations of each Lender contained in this Section 7.05(b) shall survive the payment in full of principal, interest and all other amounts payable hereunder and under the other Loan Documents.

SECTION 7.06. SUCCESSOR ADMINISTRATIVE AGENTS. The Administrative Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower and may be removed at any time with or without cause by the Required Lenders. Upon any such resignation or removal, the Required Lenders shall have the right to appoint a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent's giving of notice of resignation or the Required Lenders' removal of the retiring Administrative Agent, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which shall be a commercial bank organized under the laws of the United States or of any State thereof and having a combined capital and surplus of at least $250,000,000. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent and upon the execution and filing or recording of such financing statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as the Required

Lenders may request, in order to continue the perfection of the Liens granted or purported to be granted by the Collateral Documents, such successor Administrative Agent shall succeed to and become vested with all the rights, powers, discretion, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under the Loan Documents. After any retiring Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

SECTION 7.07. AGENT. The Agent, in its capacity as Agent, assumes no responsibility or obligation hereunder for servicing, syndication, enforcement or collection of the Debt resulting from the Advances, nor any duties as agent hereunder for the Lender Parties. The title of "Agent" implies no fiduciary responsibility on the part of the Agent, in its capacity as Agent, to the Administrative Agent or any Lender Party and the use of such title does not impose on the Agent any duties or obligations greater than those of any Lender Party or entitle the Agent to any rights other than those to which any other Lender Party is entitled.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. AMENDMENTS, ETC. No amendment or waiver of any provision of this Agreement or the Notes (other than the Competitive Bid Notes) or any other Loan Document, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed (or, in the case of the Security Agreement, consented to) by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; PROVIDED, HOWEVER, that (a) no amendment, waiver or consent shall, unless in writing and signed by all the Lenders (other than the Designated Bidders and other than any Lender that is, at such time, a Defaulting Lender), do any of the following at any time: (i) waive any of the conditions specified in Section 3.01 or, in the case of the Initial Extension of Credit, Section 3.02, (ii) change the number of Lenders or the percentage of (x) the Commitments, (y) the aggregate unpaid principal amount of the Advances or (z) the aggregate Available Amount of outstanding Letters of Credit that, in each case, shall be required for the Lenders or any of them to take any action hereunder, (iii) release all or substantially all of the Collateral in any transaction or any series of related transactions or permit the creation, incurrence, assumption or existence of any Lien on all or substantially all of the Collateral in any transaction or any series of related transactions to secure any Obligations other than Obligations owing to the Lender Parties, the Hedge Banks, the Agent and the Administrative Agent under the Loan Documents and other

than Debt owing to any other Person, PROVIDED that, in the case of any Lien on all or substantially all of the Collateral to secure Debt owing to any other Person, (A) the Borrower shall, on the date such Debt shall be incurred or issued, prepay the Advances pursuant to, and in the order of priority set forth in, Section 2.06(b)(ii) in an aggregate principal amount equal to the amount of such Net Cash Proceeds to the extent required to do so under Section 5.02(b) and (B) the Required Lenders shall otherwise permit the creation, incurrence,

assumption or existence of such Lien and, to the extent not otherwise permitted under Section 5.02(b), of such Debt or (iv) amend this Section 8.01 and (b) no amendment, waiver or consent shall, unless in writing and signed by the Required Lenders and each Lender that has a Commitment under the Term Facility or the Working Capital Facility if affected by such amendment, waiver or consent, (i) increase the Commitments of such Lender or subject such Lender to any additional obligations, (ii) reduce the principal of, or interest on, the Notes (other than the Competitive Bid Notes) held by such Lender or any fees or other amounts payable hereunder to such Lender, (iii) postpone any date fixed for any payment of principal of, or interest on, the Notes (other than the Competitive Bid Notes) held by such Lender or any fees or other amounts payable hereunder to such Lender or (iv) change the order of application of any prepayment set forth in Section 2.06 in any manner that materially affects such Lender; PROVIDED FURTHER that no amendment, waiver or consent shall, unless in writing and signed by each Swing Line Bank or each Issuing Bank, as the case may be, in addition to the Lenders required above to take such action, affect the rights or obligations of the Swing Line Banks or of the Issuing Banks, as the case may be, under this Agreement; and PROVIDED FURTHER that no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Administrative Agent under this Agreement or any Note.

SECTION 8.02. NOTICES, ETC. All notices and other communications provided for hereunder shall be in writing (including telegraphic, telecopy or telex communication) and mailed, telegraphed, telecopied, telexed or delivered, if to the Borrower, at its address at 7 West Seventh Street, Cincinnati, Ohio 45202, Attention: Chief Financial Officer, with a copy to General Counsel; if to any Initial Lender or any initial Issuing Bank, at its Domestic Lending Office specified opposite its name on Schedule I hereto; if to any other Lender or Issuing Bank, at its Domestic Lending Office specified in the Assignment and Acceptance pursuant to which it became a Lender; and if to the Administrative Agent, at its address at 1 Court Square, 7th Floor, Zone 1, Long Island City, New York 11120, Attention: Ed Vowinkel, Telephone No. (718) 248-4523, Telecopier No. (718) 248-4844/45; or, as to the Borrower or the Administrative Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Administrative Agent. All such notices and communications shall, (a) when mailed, be effective three Business Days after the same is deposited in the mails, (b) when mailed for next day delivery

by a reputable freight company or reputable overnight courier service, be effective one Business Day thereafter, and (c) when sent by telegraph, telecopier or telex, be effective when the same is confirmed by telephone, telecopier confirmation or return telecopy or telex answerback, respectively, except that notices and communications to the Administrative Agent pursuant to Article II, III or VII shall not be effective until received by the Administrative Agent. Delivery by telecopier of an executed counterpart of any amendment or waiver of any provision of this Agreement or the Notes or of any Exhibit hereto to be executed and delivered hereunder shall be effective as delivery of a manually executed counterpart thereof.

SECTION 8.03. NO WAIVER; REMEDIES. No failure on the part of any Lender or the Administrative Agent to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 8.04. COSTS AND EXPENSES. (a) The Borrower agrees to pay on demand (i) all costs and expenses of the Administrative Agent and the Agent in connection with the preparation, execution, delivery, administration, modification and amendment of the Loan Documents (including, without limitation, (A) all due diligence, collateral review, syndication, transportation, computer, duplication, appraisal, audit, insurance, consultant, search, filing and recording fees and expenses and (B) the reasonable fees and expenses of counsel for the Administrative Agent and the Agent with respect thereto, with respect to advising the Administrative Agent and the Agent as to their respective rights and responsibilities, or the perfection, protection or preservation of rights or interests, under the Loan Documents, with respect to negotiations with any Loan Party or with other creditors of any Loan Party or any of its Subsidiaries arising out of any Default or any events or circumstances that may give rise to a Default and with respect to presenting claims in or otherwise participating in or monitoring any bankruptcy, insolvency or other similar proceeding involving creditors' rights generally and any proceeding ancillary thereto directly involving or relating to the Borrower or any of its Subsidiaries) and (ii) all costs and expenses of the Administrative Agent, the Agent and the Lender Parties in connection with the enforcement of the Loan Documents, whether in any action, suit or litigation, any bankruptcy, insolvency or other similar proceeding affecting creditors' rights generally or otherwise (including, without limitation, the reasonable fees and expenses of counsel for the Administrative Agent, the Agent and each Lender Party with respect thereto).

(b) The Borrower agrees to indemnify and hold harmless the Administrative Agent, the Agent, each Lender Party and each of their Affiliates and their officers, directors, employees, agents and advisors (each, an "INDEMNIFIED PARTY") from and against any and all

claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of, or in connection with the preparation for a defense of, any investigation, litigation or proceeding arising out of, related to or in connection with (i) the Facilities, the actual or proposed use of the Advances, the Loan Documents or any of the transactions contemplated thereby, including, without limitation, any acquisition or proposed acquisition (including, without limitation, the Merger and any of the other transactions contemplated hereby) by Federated or any of its Subsidiaries or Affiliates of all or any portion of the stock or substantially all the assets of the Company or any of its Subsidiaries or (ii) the actual or alleged presence of Hazardous Materials on any property of any Loan Party or any of its Subsidiaries or any Environmental Action relating in any way to any Loan Party or any of its Subsidiaries, in each case whether or not such investigation, litigation or proceeding is brought by any Loan Party, its directors, shareholders or creditors or an Indemnified Party or any Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated, except to the extent such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct. The Borrower also agrees that no Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to the Borrower or any of its security holders or creditors arising out of, related to or in connection with the Facilities, the actual or proposed use of the Advances, the Loan Documents or any of the transactions contemplated thereby, including, without limitation, the Merger and the Reorganization, except (a) to the extent that such liability is found in a final non-appealable judgment by a court of competent jurisdiction to have resulted from such

Indemnified Party's gross negligence or willful misconduct and (b) for direct, as opposed to consequential, damages for breach of the Indemnified Parties' obligations hereunder.

(c) If any payment of principal of, or Conversion of, any Eurodollar Rate Advance or LIBO Rate Advance is made by the Borrower to or for the account of a Lender other than on the last day of the Interest Period for such Advance, as a result of a payment or Conversion pursuant to Section 2.09(b)(i) or 2.10(d), acceleration of the maturity of the Notes pursuant to Section 6.01 or for any other reason, the Borrower shall, upon demand by such Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender any amounts required to compensate such Lender for any additional losses, costs or expenses that it may reasonably incur as a result of such payment, including, without limitation, any loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Advance.

(d) If any Loan Party fails to pay when due any costs, expenses or other amounts payable by it under any Loan Document, including, without limitation, fees and expenses of counsel and indemnities, such amount may be paid on behalf of such Loan Party by the Administrative Agent or any Lender, in its sole discretion.

(e) Without prejudice to the survival of any other agreement of any Loan Party hereunder or under any other Loan Document, the agreements and obligations of the Borrower contained in Sections 2.10 and 2.12 and this Section 8.04 shall survive the payment in full of principal, interest and all other amounts payable hereunder and under any of the other Loan Documents.

SECTION 8.05. RIGHT OF SET-OFF. Upon (a) the occurrence and during the continuance of any Event of Default and (b) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Administrative Agent to declare the Notes due and payable pursuant to the provisions of Section 6.01, each Lender Party and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and otherwise apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender Party or such Affiliate to or for the credit or the account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing under this Agreement and the Note or Notes held by such Lender, irrespective of whether such Lender Party shall have made any demand under this Agreement or such Note or Notes and although such obligations may be unmatured. Each Lender Party agrees promptly to notify the Borrower after any such set-off and application; PROVIDED, HOWEVER, that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender Party and its Affiliates under this Section 8.05 are in addition to other rights and remedies (including, without limitation, other rights of set-off) that such Lender Party and its Affiliates may have.

SECTION 8.06. BINDING EFFECT. This Agreement shall become effective when it shall have been executed by the Borrower and the Administrative Agent and when the Administrative Agent shall have been notified by each Initial Lender and each initial Issuing Bank that such Initial Lender and such Issuing Bank has executed it and thereafter shall be binding upon and inure to the benefit of the Borrower, the Administrative Agent and each Lender Party and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein

without the prior written consent of the Lender Parties.

SECTION 8.07. ASSIGNMENTS, DESIGNATIONS AND PARTICIPATIONS. (a) Each Lender (other than the Designated Bidders) may and, if demanded by the Borrower pursuant to

Section 2.10(a) or 2.16 upon at least ten Business Days' notice to such Lender and the Administrative Agent, will assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment or Commitments, the Regular Advances owing to it and the Note or Notes held by it); PROVIDED, HOWEVER, that (i) each such assignment shall be of a uniform, and not a varying, percentage of all rights and obligations under and in respect of one or more Facilities (other than any right to make Competitive Bid Advances, Competitive Bid Advances owing to it and Competitive Bid Notes), (ii) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Lender or an assignment of all of a Lender's rights and obligations under this Agreement, the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than $5,000,000 or an integral multiple of $1,000,000 in excess thereof, (iii) each such assignment shall be to an Eligible Assignee, (iv) each such assignment made as a result of a demand by the Borrower pursuant to this Section 8.07(a) shall be arranged by the Borrower after consultation with the Administrative Agent and shall be either an assignment of all of the rights and obligations of the assigning Lender under this Agreement or an assignment of a portion of such rights and obligations made concurrently with another such assignment or other such assignments that together cover all of the rights and obligations of the assigning Lender under this Agreement, (v) no Lender shall be obligated to make any such assignment as a result of a demand by the Borrower pursuant to this Section 8.07(a) unless and until such Lender shall have received one or more payments from either the Borrower or one or more Eligible Assignees in an aggregate amount at least equal to the aggregate outstanding principal amount of the Regular Advances owing to such Lender, together with accrued interest thereon to the date of payment of such principal amount and all other amounts payable to such Lender under this Agreement, and (vi) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with any Note or Notes subject to such assignment and a processing and recordation fee of $2,000 for each Assignment and Acceptance between a Lender and its Affiliate or another Lender or $3,000 for each other Assignment and Acceptance.

(b) Each Issuing Bank may assign to one or more Eligible Assignees all or a portion of its rights and obligations under the undrawn portion of its Letter of Credit Commitment at any time; PROVIDED, HOWEVER, that (i) except in the case of an assignment to a Person that immediately prior to such assignment was an Issuing Bank or an assignment of all of an Issuing Bank's rights and obligations under this Agreement, the amount of the Letter of Credit Commitment of the assigning Issuing Bank being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than $10,000,000 and shall be in an integral multiple of $1,000,000 in excess thereof, (ii) each such assignment shall be to an Eligible Assignee, and

(iii) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with a processing and recordation fee (unless paid pursuant to Section 8.07(a)) of $2,000 for each Assignment and Acceptance between an Issuing Bank and its Affiliate or another Issuing Bank or $3,000 for each other Assignment and Acceptance.

(c) Upon such execution, delivery, acceptance and recording, from and after the effective date specified in such Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender or Issuing Bank, as the case may be, hereunder and (y) the Lender or Issuing Bank assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's or Issuing Bank's rights and obligations under this Agreement, such Lender or Issuing Bank shall cease to be a party hereto).

(d) By executing and delivering an Assignment and Acceptance, the Lender or Issuing Bank assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender or Issuing Bank, as the case may be, makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or any other Loan Document or the execution, legality, validity, enforceability, genuineness, sufficiency or value of, or the perfection or priority of any lien or security interest created or purported to be created under or in connection with, this Agreement or any other Loan Document or any other instrument or document furnished pursuant hereto or thereto; (ii) such assigning Lender or Issuing Bank, as the case may be, makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or any other Loan Party or the performance or observance by any Loan Party of any of its obligations under any Loan Document or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Administrative Agent, such assigning Lender or Issuing Bank, as the case may be, or any other Lender or Issuing Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee

(subject to obtaining the approvals required, if any, from the Borrower, the Administrative Agent and the Agent); (vi) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Loan Documents as are delegated

to the Administrative Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Lender or Issuing Bank, as the case may be.

(e) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender or Issuing Bank and an assignee, together with any Note or Notes subject to such assignment, the Administrative Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower. Such Assignment and Acceptance shall not become effective until the information contained therein is recorded in the Register by the Administrative Agent. In the case of any assignment by a Lender, within five Business Days after its receipt of such notice, the Borrower, at its own expense, shall execute and deliver to the Administrative Agent in exchange for the surrendered Note or Notes a new Note to the order of such Eligible Assignee in an amount equal to the Commitment assumed by it under a Facility pursuant to such Assignment and Acceptance and, if the assigning Lender has retained a Commitment hereunder under such Facility, a new Note to the order of the assigning Lender in an amount equal to the Commitment retained by it hereunder. Such new Note or Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Note or Notes, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of Exhibit A-1 or A-2 hereto, as the case may be.

(f) Each Lender (other than the Designated Bidders) may designate one or more banks or other entities to have a right to make Competitive Bid Advances as a Lender pursuant to Section 2.03; PROVIDED, HOWEVER, that (i) no such Lender shall be entitled to make more than two such designations, (ii) each such Lender making one or more of such designations shall retain the right to make Competitive Bid Advances as a Lender pursuant to Section 2.03, (iii) each such designation shall be to a Designated Bidder and (iv) the parties to each such designation shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, a Designation Agreement. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Designation Agreement, the designee thereunder shall be a party hereto with a right to make Competitive Bid Advances as a Lender pursuant to Section 2.03 and the obligations related thereto.

(g) By executing and delivering a Designation Agreement, the Lender making the designation thereunder and its designee thereunder confirm and agree with each other and the other parties hereto as follows: (i) such Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of, or the perfection or priority of any lien or security interest created or purported to be created under or in connection with, this Agreement or any other Loan Document or any other instrument or document furnished pursuant hereto or thereto; (ii) such Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or any other Loan Party or the performance or observance by any Loan Party of any of its obligations under any Loan Document or any other instrument or document furnished pursuant thereto; (iii) such designee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01 and such other documents and information as it has deemed

appropriate to make its own credit analysis and decision to enter into such Designation Agreement; (iv) such designee will, independently and without reliance upon the Administrative Agent, such designating Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such designee confirms that it is a Designated Bidder; (vi) such designee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto; and (vii) such designee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(h) Upon its receipt of a Designation Agreement executed by a designating Lender and a designee representing that it is a Designated Bidder, the Administrative Agent shall, if such Designation Agreement has been completed and is substantially in the form of Exhibit D hereto, (i) accept such Designation Agreement, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower. Such Designation Agreement shall not become effective until the information contained therein is recorded in the Register by the Administrative Agent.

(i) The Administrative Agent, acting for this purpose as the agent of the Borrower, shall maintain at its address referred to in Section 8.02 a copy of each Assignment and Acceptance and each Designation Agreement delivered to and accepted by it and a register for the recordation of the names and addresses of the Lender Parties and, with respect to Lender Parties other than Designated Bidders, the Commitment under each Facility of, and principal amount of, and interest on, the Advances owing to, each Lender Party from time to

time (the "REGISTER"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Administrative Agent and the Lender Parties shall treat each Person whose name is recorded in the Register as a Lender Party hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender Party at any reasonable time and from time to time upon reasonable prior notice.

(j) Each Lender may sell participations in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitments, the Advances owing to it and the Note or Notes held by it); PROVIDED, HOWEVER, that (i) such Lender's obligations under this Agreement (including, without limitation, its Commitments) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of any such Note for all purposes of this Agreement, (iv) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and (v) no participant under any such participation shall have any right to approve any amendment or waiver of any provision of any Loan Document, or any consent to any departure by any Loan Party therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, or release all or substantially all of the Collateral.

(k) Any Lender Party may, in connection with any assignment, designation or participation or proposed assignment, designation or participation pursuant to this Section 8.07, disclose to the assignee, designee or participant or proposed assignee, designee or participant, any information relating to the Borrower furnished to such Lender Party by or on behalf of the Borrower; PROVIDED, HOWEVER, that, prior to any such disclosure, the assignee, designee or participant or proposed assignee, designee or participant shall agree to preserve the confidentiality of any Confidential Information received by it from such Lender Party.

(l) Notwithstanding any other provision set forth in this Agreement, any Lender Party may at any time create a security interest in all or any portion of its rights under this Agreement (including, without limitation, the Advances owing to it and any Note or Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System.

SECTION 8.08. EXECUTION IN COUNTERPARTS. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 8.09. NO LIABILITY OF THE ISSUING BANKS. The Borrower assumes all risks of the acts or omissions of any beneficiary or transferee of any Letter of Credit with respect to its use of such Letter of Credit. Neither any Issuing Bank nor any of its officers or directors shall be liable or responsible for: (a) the use that may be made of any Letter of Credit or any acts or omissions of any beneficiary or transferee in connection therewith; (b) the validity, sufficiency or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged; (c) payment by such Issuing Bank against presentation of documents that do not comply with the terms of a Letter of Credit, including failure of any documents to bear any reference or adequate reference to the Letter of Credit, unless such documents are substantially different from the applicable form specified by such Letter of Credit; or (d) any other circumstances whatsoever in making or failing to make payment under any Letter of Credit, EXCEPT that the Borrower shall have a claim against such Issuing Bank, and such Issuing Bank shall be liable to the Borrower, to the extent of any direct, but not consequential, damages suffered by the Borrower that the Borrower proves were caused by (i) such Issuing Bank's willful misconduct or gross negligence in determining whether documents presented under any Letter of Credit comply with the terms of the Letter of Credit or (ii) such Issuing Bank's willful failure to make lawful payment under a Letter of Credit after the presentation to it of a draft and certificates strictly complying with the terms and conditions of the Letter of Credit. In furtherance and not in limitation of the foregoing, such Issuing Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

SECTION 8.10. RELEASE OF COLLATERAL. As soon as practicable after the Release Date, the Administrative Agent shall, at the Borrower's expense, execute and deliver to the Borrower such documents as the Borrower shall reasonably request to evidence the release of the Collateral from the liens and security interest created under the Collateral Documents.

SECTION 8.11. CONFIDENTIALITY. None of the Administrative Agent, the Agent or any Lender Party shall disclose any Confidential Information to any Person without the written consent of the Borrower, other than (a) to the Administrative Agent's, the Agent's or such Lender Party's Affiliates and their officers, directors, employees, agents, representatives and advisors and to actual or prospective Eligible Assignees and participants, and that, in each

case, are advised of the confidential nature of such Confidential Information, (b) as required by any law, rule or regulation or judicial process, (c) to any rating agency when required by it in connection with the Competitive Bid Advances made by, and the rating of, any Designated Bidder, provided that, prior to any such disclosure, such rating agency shall undertake to preserve the confidentiality of any Confidential Information received by it from such Lender and (d) as requested or required by any state, federal or foreign authority or examiner regulating banks or banking.

SECTION 8.12. JUDGMENT. (a) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder or under the Notes in any currency (the "ORIGINAL CURRENCY") into another currency (the "OTHER CURRENCY") the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the Original Currency with the Other Currency at 9:00 A.M. (New York City time) on the first Business Day preceding that on which final judgment is given.

(b) The obligation of the Borrower in respect of any sum due in the Original Currency from it to any Lender or the Administrative Agent hereunder shall, notwithstanding any judgment in any Other Currency, be discharged only to the extent that on the Business Day following receipt by such Lender Party or the Administrative Agent (as the case may be) of any sum adjudged to be so due in such Other Currency such Lender Party or the Administrative Agent (as the case may be) may in accordance with normal banking procedures purchase Dollars with such Other Currency; if the amount of the Original Currency so purchased is less than the sum originally due to such Lender Party or the Administrative Agent (as the case may be) in the Original Currency, the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify such Lender Party or the Administrative Agent (as the case may be) against such loss, and if the amount of the Original Currency so purchased exceeds the sum originally due to any Lender Party or the Administrative Agent (as the case may be) in the Original Currency, such Lender Party or the Administrative Agent (as the case may be) agrees to remit to the Borrower such excess.

SECTION 8.13. JURISDICTION, ETC. (a) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any of the other Loan Documents to which it is a party, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State Court or, to the extent permitted by law, in such federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing

in this Agreement shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Agreement or any of the other Loan Documents in the courts of any jurisdiction.

(b) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any of the other Loan Documents to which it is a party in any New York State or federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

SECTION 8.14. GOVERNING LAW. This Agreement and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 8.15. WAIVER OF JURY TRIAL. Each of the Borrower, the Administrative Agent, the Lenders and the Issuing Banks hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to any of the Loan Documents, the Advances or the actions of the Administrative Agent, any Lender or any Issuing Bank in the negotiation, administration, performance or enforcement thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

FEDERATED DEPARTMENT
STORES, INC.

By /s/ Dennis J. Broderick

Title: Senior Vice President,
General Counsel and Secretary

CITIBANK, N.A.,
as Administrative Agent

By /s/ Paul Trefrey

Title: Vice President

CHEMICAL BANK,
as Agent

By /s/ William Rindfuss

Title: Vice President

CITICORP SECURITIES, INC.,
as Arranger

By /s/ Paul Trefrey

Title: Vice President

CHEMICAL SECURITIES INC.,
as Co-Arranger

By /s/ Kurt C. Jomo

Title: Managing Directory

INITIAL LENDERS

CITIBANK, N.A.

By /s/ Paul Trefrey

Title: Vice President

CHEMICAL BANK

By /s/ William Rindfuss

Title: Vice President

ALLIED IRISH BANKS, P.L.C.

By /s/ Marcia Meeker

Title: V. P.

By /s/

Title: S. V. P.

ARAB BANK PLC, GRAND CAYMAN

By /s/ Peter Boyadjian

Title: V. P.

THE ASAHI BANK, LTD.

By /s/ Mr. Junichi Yamada

Title: Senior Deputy
General Manager

BANK OF AMERICA ILLINOIS

By /s/ Adam Balbach

Title: Vice President

BANK OF MONTREAL

By /s/ D. Bruce Thomsen

Title: Director

THE BANK OF NEW YORK

By /s/ Paula M. DiPonzio

Title: Vice President

BANK ONE, COLUMBUS, N.A.

By /s/ Wendy C. Mayhew

Title:

BANQUE PARIBAS

By /s/ John J. McCormick

Title: Assistant Vice
President

By /s/ Stan Berkman

Title: Senior V. P.

BERLINER HANDELS-UND
FRANKFURTER BANK

By /s/ John Sykes /s/ Contos

Title: AVP VP

CAISSE NATIONALE DE CREDIT
AGRICOLE

By /s/

Title: First V. P.

THE CHASE MANHATTAN BANK, N.A.

By /s/ Ellen Gertzog

Title: Vice President

COMERICA BANK

By /s/ Hugh G. Porter

Title: Vice President

COMMERZBANK AKTIENGE SELLSCHAFT,
GRAND CAYMAN BRANCH

By /s/ Basu /s/ Mark D.Monson

Title: First Vice President Vice President

CREDIT LYONNAIS
CAYMAN ISLAND BRANCH

By /s/ W. Michael George

Title: Authorized Signature

CREDIT SUISSE

By /s/ Christopher Eldin /s/ Daniela E. Hess

Title: Member of Senior Management Associate

DEUTSCHE BANK AG NEW YORK

AND/OR CAYMAN ISLANDS
BRANCHES

By /s/ Jeffrey N. Wieser /s/ Gregory M. Hill

Title: Director Vice President

THE FIFTH THIRD BANK

By /s/ Timothy Elsbrock

Title: A. V. P.

THE FIRST NATIONAL BANK OF
BOSTON

By /s/ Rod Guinn

Title: Vice President

THE FIRST NATIONAL BANK
OF CHICAGO

By /s/ Paul E. Rigby

Title: Vice President

THE FIRST NATIONAL BANK
OF MARYLAND

By /s/ Brooks W. Thropp

Title: Vice President

FLEET BANK OF MASSACHUSETTS, N.A.

By /s/ Maryann S. Smith

Title: Vice President

THE FUJI BANK, LIMITED,
NEW YORK BRANCH

By /s/ Katsunori Nozawa

Title: Vice President and
Manager

THE INDUSTRIAL BANK OF JAPAN,
LIMITED

By /s/

Title: Senior Vice President
and Senior Manager

MELLON BANK, N.A.

By /s/ Gary J. Gegick

Title: Vice President

NATIONSBANK OF
SOUTH CAROLINA, N.A.

By /s/

Title: Assistant Vice
President

THE NIPPON CREDIT BANK, LTD.

By /s/ Lori Ravit

Title: Assistant Vice
President

PNC BANK, OHIO, NATIONAL
ASSOCIATION

By /s/ David Melin

Title: Commercial Banking
Officer

THE SANWA BANK LIMITED,
NEW YORK BRANCH

By /s/ Kabota

Title: Vice President

SHAWMUT BANK, N.A.
By /s/ Richard M. Seufert

Title: Vice President

SOCIETE GENERALE

By /s/ Seth Asofsky

Title: Vice President

SOCIETY NATIONAL BANK

By /s/ John Langenderfer

Title: Vice President

STAR BANK, N.A.

By /s/ Nancy J. Cracolice

Title: Vice President

THE SUMITOMO BANK, LIMITED
NEW YORK BRANCH

By /s/ Yoshinori Kawamura

Title: Joint General Manager

THE SUMITOMO TRUST & BANKING
CO., LTD. NEW YORK BRANCH

By /s/

Title: Deputy General
Manager

UNION BANK OF FINLAND, LTD.
GRAND CAYMAN BRANCH

By /s/

Title: Senior Vice
President

By /s/ Eric I. Mann

Title: Vice President

WACHOVIA BANK OF GEORGIA, N.A.

By /s/

Title: S. V. P.

Exhibit 10.4.1

SUPPLEMENTAL AGREEMENT TO SENIOR CONVERTIBLE DISCOUNT NOTE AGREEMENT

This Supplemental Agreement to Senior Convertible Discount Note Agreement dated as of December 19, 1994 (this "Agreement") is made by Federated Department Stores, Inc., a Delaware corporation which is the surviving entity (the "Combined Company") following a merger of Federated Department Stores, Inc. ("Federated") into R. H. Macy & Co., Inc. ("Macy"), in favor of the Holders of the Notes (as such terms are defined in the Senior Convertible Discount Note Agreement dated as of February 5, 1992 as heretofore amended, waived or otherwise modified, the "Convertible Note Agreement") among Federated, the financial institutions named therein, Citibank, N.A., as Convertible Note Agent, and The Sumitomo Bank Limited, New York Branch, as Convertible Note Co-Agent).

PRELIMINARY STATEMENTS:

A. In a merger (the "Merger") that satisfies the conditions of Section 4.1 of the Convertible Note Agreement, Federated merged with and into Macy pursuant to and in the manner described in the Disclosure Statement of R.H. Macy & Co., Inc. and Certain of Its Subsidiaries dated, and filed with the United States Bankruptcy Court for the Southern District of New York on, August 31, 1994.

B. Pursuant to the terms of the Merger, holders of the Common Stock of Federated received one share of common stock of the Combined Company for each share of Common Stock held immediately prior to the consummation of the Merger (the "Effective Time of Merger").

C. Pursuant to Section 9.5 of the Convertible Note Agreement, the Combined Company is required to execute and deliver to Holders of the Notes this Supplemental Agreement, in a form satisfactory to the Majority Holders.

D. In consideration of the above premises and to comply with Section 9.5 of the Convertible Note Agreement, the Combined Company hereby agrees as follows:

Section 1. DEFINED TERMS. Each capitalized term used and not otherwise defined herein has the meaning assigned such term in the Convertible Note Agreement.

Section 2. AMENDMENT TO CONVERTIBLE NOTE AGREEMENT. Simultaneously with the Effective Time of Merger, each reference to the "Company" in the Convertible Note Agreement will be deemed to refer to the "Combined Company".

Section 3. GOVERNING LAW; SEVERABILITY. This Agreement will be governed by, and construed in accordance with, the laws of the State of New York without regard to the principles thereof relating to conflict of laws. Wherever possible, each provision of this Agreement will be

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

Section 4. RATIFICATION. The Convertible Note Agreement as hereby supplemented is in all respects ratified and confirmed, and all of the rights and powers created thereby or thereunder shall be and remain in full force and effect.

Section 5. SECTION TITLES. The Section titles contained in this Agreement are and will be without substantive meaning or content of any kind whatsoever and shall not effect the construction of this Agreement.

Section 6. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon the Combined Company and its successors and assigns.

IN WITNESS WHEREOF, the undersigned has caused this Agreement to be executed by its duly authorized officer as of the data first above written.

FEDERATED DEPARTMENT STORES, INC.

By: /s/ Dennis J. Broderick

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

Exhibit 10.7.1

February 28, 1995

To: PNC Bank, Ohio, National Association
as Agent for Loan Agreement

RE: Request for Amendment #1 to the Guaranty Agreement

Please refer to the Guaranty Agreement dated as of May 26, 1994 (as heretofore amended, waived, or otherwise modified, the "Guaranty") among Federated Department Stores, Inc., the Banks party to the Loan Agreement and PNC Bank, Ohio, National Association as Agent for the Banks ("PNC").

Background
- - ----------

On December 19, 1994 Federated Department Stores, Inc. merged with R.H. Macy & Co., Inc., with the surviving corporation being renamed Federated Department Stores, Inc. ("Federated"). At the time of the merger, Federated entered into a $2,800,000,000 Credit Agreement dated as of December 19, 1994 with the Initial Lenders named therein and Citibank, N.A. as Administrative Agent, Chemical Bank as Agent, Citicorp Securities, Inc. as Arranger and Chemical Securities Inc. as Co-Arranger (the "Credit Agreement"). The Credit Agreement has financial covenants which Federated must comply with. The Guaranty has two financial covenants, Tangible Net Worth and Interest Coverage Ratio, which relate to the financial structure of Federated Department Stores, Inc. before the merger. By this Amendment, we are requesting that the financial covenants in the Guaranty conform to the Leverage Ratio and Interest Coverage Ratio as defined in the Credit Agreement.

Amendment
- - ---------

Section 4.04 of the Guaranty is hereby deleted in its entirety and replaced with the following:

> "Section 4.04 FINANCIAL COVENANTS. During any time that the Bank Indebtedness is outstanding, the Guarantor shall comply with the financial covenants as defined and detailed in the $2,800,000,000 Credit Agreement dated as of December 19, 1994 with the Initial Lenders named therein and Citibank, N.A. as Administrative Agent, Chemical Bank as Agent, Citicorp Securities, Inc. as Arranger and Chemical Securities Inc. as Co-Arranger (the "Credit Agreement") in Section 5.04 (a) titled "Leverage Ratio" and Section 5.04 (c) titled "Interest Coverage Ratio." The related terms and definitions in the Credit Agreement are hereby incorporated by reference into the Guaranty."

Except as specifically provided herein, the Guaranty shall remain in full force and effect. Notwithstanding anything in this letter amendment #1 to the contrary, no waiver of any default under or breach of any provision of, the Guaranty provided for herein shall be deemed to be a waiver of any subsequent, similar or different default under, or breach of such provision or any other provision of, the Guaranty or of any election of remedies available in connection with any of the foregoing.

Please indicate your consent to this letter amendment #1 by executing a copy of this letter in the space provided and returning it to Susan Storer at Federated.

Thanks for your continued support.

Sincerely,
FEDERATED DEPARTMENT STORES, INC.

- * -

By: /s/ Susan P. Storer

Susan P. Storer
Operating Vice President
and Assistant Treasurer

Agreed to this 15th
day of March, 1995

PNC Bank, Ohio, National Association

- * -

By: /s/ David C. Melin

Title: Commercial Banking Officer

Exhibit 10.8.3

THIRD AMENDMENT
TO
AMENDED AND RESTATED POOLING AND SERVICING AGREEMENT

THIS THIRD AMENDMENT DATED AS OF MAY 31, 1994 TO THE AMENDED AND RESTATED POOLING AND SERVICING AGREEMENT DATED AS OF DECEMBER 15, 1992 IS AMONG PRIME RECEIVABLES CORPORATION (THE "TRANSFEROR"), A NATIONAL BANKING CORPORATION AND CHEMICAL BANK, AS TRUSTEE (IN SUCH CAPACITY, THE "TRUSTEE").

W I T N E S S E T H

WHEREAS, the Transferor, the Servicer and the Trustee entered into an Amended and Restated Pooling and Servicing Agreement as of December 15, 1992 (the "POOLING AND SERVICING AGREEMENT");

WHEREAS, the Transferor, the Servicer and the Trustee wish to amend Schedule 2 of the Pooling and Servicing Agreement;

WHEREAS, Section 13.01 of the Pooling and Servicing Agreement permits the amendment of Schedules subject to certain conditions;

NOW THEREFORE, in consideration of the premises and of the mutual agreements contained herein, the parties hereto hereby agree as follows:

1. Schedule 2 as attached to the Pooling and Servicing Agreement is hereby deleted in its entirety and Schedule 2 attached hereto is substituted therefor.

2. Attached hereto is an Opinion of Counsel stating that the amendment to the Pooling and Servicing Agreement affected by this Third Amendment does not adversely affect in any material respect the interests of the Certificateholders.

3. The Pooling and Servicing Agreement, as amended by this Third Amendment shall continue in full force and effect among the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Third Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

PRIME RECEIVABLES CORPORATION

By /s/ Susan R. Robinson

Title President

FDS NATIONAL BANK

By /s/ Susan P. Storer

Title Treasurer

CHEMICAL BANK, as Trustee

By /s/ Michael Mattone

Title Trust Officer

Exhibit 10.13.14

FOURTH AMENDMENT

TO
RECEIVABLES PURCHASE AGREEMENT

This Fourth Amendment to Receivables Purchase Agreement dated as of May 31, 1994 (this "Fourth Amendment"), is among THE ORIGINATORS listed on the signature page hereof (collectively, the "originators") and PRIME RECEIVABLES CORPORATION, a Delaware corporation (the "Purchaser").

W I T N E S S E T H:

WHEREAS, the Originators and the Purchaser entered into a Receivables Purchase Agreement dated as of December 15, 1992 (the "Purchase Agreement") pursuant to which the Purchaser purchased Receivables (as defined in the Purchase Agreement) from the Originators on the terms and conditions set forth in the Purchase Agreement;

WHEREAS, the Originators and the Purchaser wish to amend the Purchase Agreement to revise Schedule IV attached to the Purchase Agreement;

WHEREAS, Section 8.01 of the Purchase Agreement permits the Originators and the Purchaser to amend the Purchase Agreement subject to certain conditions;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements contained herein, the parties hereto agree as follows:

1. Schedule IV attached to the Purchase Agreement is hereby deleted in its entirety and Schedule IV attached hereto is substituted therefor.

2. Attached hereto as Exhibit A is a certificate by an officer of FDS National Bank, as Servicer, stating that the amendment to the Purchase Agreement affected by this Fourth Amendment does not adversely affect in any material respect the interests of any of the Investor Certificateholders (as defined in the Purchase Agreement), which certificate is required to be delivered to the Trustee (as defined in the Purchase Agreement) pursuant to Section 8.01 of the Purchase Agreement.

3. The Purchase Agreement, as amended by this Fourth Amendment shall continue in full force and effect among the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Fourth Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

THE ORIGINATORS:

ABRAHAM & STRAUS, INC.

By: /s/ Karen Hoguet

Title: Treasurer

BLOOMINGDALE'S, INC.

By: /s/ Karen Hoguet

Title: Treasurer

BURDINES, INC.

By: /s/ Karen Hoguet

Title: Treasurer

JORDAN MARSH STORES CORPORATION

By: /s/ Karen Hoguet

Title: Treasurer

LAZARUS, INC.

By: /s/ Karen Hoguet

Title: Treasurer

LAZARUS PA, INC.

By: /s/ Karen Hoguet

Title: Treasurer

STERN'S DEPARTMENT STORES, INC.

By: /s/ Karen Hoguet

Title: Treasurer

RICH'S DEPARTMENT STORES, INC.

By: /s/ Karen Hoguet

Title: Treasurer

THE BON, INC.

By: /s/ Karen Hoguet

Title: Treasurer

FDS NATIONAL BANK

Date: 5/31/94 By: /s/ Susan P. Storer

Title: Treasurer

THE PURCHASER:

PRIME RECEIVABLES CORPORATION

Date: 5/31/94 By: /s/ Susan R. Robinson

Title: President

EXHIBIT A

FEDERATED DEPARTMENT STORES, INC.

OFFICER'S CERTIFICATE

Pursuant to Section 8.01(a) of the Receivables Purchase Agreement dated as of December 15, 1992 among the Originators listed therein and Prime Receivables Corporation, FDS National Bank, as Servicer, certifies that the amendment dated as of May 31, 1994 to Schedule IV of Receivables Purchase Agreement does not adversely affect in any material respect the interests of any of the Investor Certificateholders.

Susan P. Storer
FDS National Bank
As Servicer

Date: 5/31/94 Name: Susan P. Storer
Title: C. E. O.

Schedule IV

<TABLE>
<CAPTION>
LIST OF LOCK-BOX ACCOUNTS

<S>	<C>	<C>
Star Bank Corporation P.O. Box 1038 425 Walnut Street Cincinnati, OH 45201-1036	Burdines Dept. 4500 Cincinnati, OH 45274-4500	480-366-723
	Jordan Marsh P.O. Box 8079 Mason, Ohio 45040-8079	480-381-1425
PNC Bank 201 East 5th Street Cincinnati, OH 45201-1198	The Bon Marche P.O. Box 8080 Mason, Ohio 45040-8080	426-002-7019
	Stern's P.O. Box 8081 Mason, Ohio 45040-8081	419-000-2709
	Lazarus P.O. Box 4504 Mason, Ohio 45040-4504	411-017-5133
PNC Bank, N.A. 1 Olive Plaza 210 Sixth Avenue Pittsburgh, PA 15265	Lazarus PA, Inc. Attention: Cashier 501 Penn Avenue Pittsburgh, PA 15285-0001	100-30967
AmSouth Bank, N.A.	Bloomingdale's	88-419-622

1900 Fifth Ave., North
Birmingham, AL
35203

P.O. Box 11407
Drawer 0018
Birmingham, AL
35245-0018

Rich's 01-579-282
P.O. Box 11407
Drawer 0001
Birmingham, AL
35245-0001

Goldsmith's 73-233-579
P.O. Box 11407
Drawer 0012
Birmingham, AL
35245-0012

</TABLE>

<TABLE>
<S> <C> <C>

Abraham & Straus 69-116-059
P.O. Box 11407
Drawer 0008
Birmingham, AL
35245-0008

The Fifth Third Bank Lazarus 715-27336
38 Fountain Square Plaza P.O. Box 0064
Cincinnati, OH Cincinnati, OH
45263 45274-0064
</TABLE>

Exhibit 10.33

FORM OF

AMENDED AND RESTATED SEVERANCE AGREEMENT

This AMENDED AND RESTATED SEVERANCE AGREEMENT, dated as of August 26, 1994 (this "Agreement"), is made and entered by and between FEDERATED DEPARTMENT STORES, INC., a Delaware corporation (the "Company"), and _____ (the "Executive").

RECITALS

A. The Executive is a senior executive or key employee of the Company or one or more of its Subsidiaries and has made and is expected to continue to make significant contributions to the profitability, growth, and financial strength of the Company and its Subsidiaries, taken as a whole;

B. The Company recognizes that, as is the case for most publicly held companies, the possibility of a Change in Control (as hereinafter defined) exists;

C. The Company desires to assure itself of both present and future continuity of management and desires to establish certain minimum severance benefits for certain of its senior executive officers and other key employees, including the Executive, applicable in the event of a Change in Control;

D. The Company desires to ensure that its senior executives and other key employees are not practically disabled from discharging their duties in respect of a proposed or actual transaction involving a Change in Control; and

E. The Company desires to provide additional inducement for the Executive to continue to remain in the ongoing employ of the Company.

NOW, THEREFORE, the Company and the Executive agree as follows:

1. CERTAIN DEFINED TERMS: In addition to terms defined elsewhere herein, the following terms have the following meanings when used herein with initial capital letters:

(a) "CHANGE IN CONTROL" means the occurrence during the Term of any of the following events (other than, for purposes of clauses (i), (ii), and (iv) below, the Federated/Macy's Merger (as that term is defined in the Amended Joint Plan of Reorganization of R.H. Macy & Co., Inc. and the Company (the "Plan")) or any other event provided for in the Federated/Macy's Merger Agreement (as that term is defined in the Plan) or the Plan):

(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 30% or more the of the combined voting power of the Voting Stock of the Company;

(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 (A) a director of the Company immediately after the Federated/Macy's Merger (as that term is defined in the Plan) or (B) 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 (A)).

Notwithstanding the foregoing provisions of Section 1(a)(iii) or 1(a)(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 Section 1(a)(iii) or 1(a)(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 (a "Subsidiary"), or (3) any employee stock ownership plan or any other employee benefit plan of the Company or any Subsidiary 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 30% 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;

(b) "CAUSE" means that, prior to any termination pursuant to Section 3(b), the Executive shall have committed:

(i) an intentional act of fraud, embezzlement, or theft in connection with the Executive's duties or in the course of the Executive's employment with the Company (if applicable) or any Subsidiary;

(ii) intentional wrongful damage to property of the Company or any Subsidiary;

(iii) intentional wrongful disclosure of secret processes or confidential information of the Company or any Subsidiary; or

(iv) intentional engagement in any Competing Business;

and any such act shall have been materially harmful to the Company and its Subsidiaries, taken as a whole. For purposes of this Agreement, no act or failure to act on the part of the Executive will be deemed "intentional" if it was due primarily to an error in judgment or negligence, but will be deemed "intentional" only if done or omitted to be done by the Executive not in good faith and without reasonable belief that the Executive's act or omission was in the best interest of the Company and its Subsidiaries, taken as a whole. Notwithstanding the foregoing, the Executive will not be deemed to have been terminated for "Cause" hereunder unless and until there has been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the Board then in office at a meeting of the Board called and held for such purpose, after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel (if the Executive chooses to have counsel present at such meeting), to be heard before the Board, finding that, in the good faith opinion of the Board, the Executive had committed an act constituting "Cause" as herein defined and specifying the particulars thereof in detail. Nothing herein will

limit the
right of the Executive or the Executive's beneficiaries to contest the validity
or propriety of any such determination;

(c) "COMPETING BUSINESS" means any investment by the Executive of $100,000
or more in, or the rendering by the Executive of any personal services to, any
business enterprise engaged in the general merchandise department store
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 or any of
its divisions or Subsidiaries or other affiliates, (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
of such stores is or are located in a city or within a radius of 25 miles from
outer limits of a city where the Company, or any of its divisions of
Subsidiaries or other 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 Subsidiaries and
other affiliates, during its fiscal year preceding that in which the Executive
made such an investment therein, or first rendered personal services thereto,
in excess or $100,000,000;

(d) "EMPLOYEE BENEFITS" means the perquisites, benefits, and service credit
for benefits as provided under any and all employee retirement income and
welfare benefit policies, plans, programs, or arrangements in which the
Executive is entitled to participate, including without limitation any stock
option, stock purchase, stock appreciation, savings, pension, supplemental
executive retirement, or other retirement income or welfare benefit, deferred
compensation, incentive compensation, group or other life, health,
medical/hospital, or other insurance (whether funded by actual insurance or
self-insured by the Company), disability, salary continuation, expense
reimbursement, and other employee benefit policies, plans, programs, or
arrangements that may now exist or any equivalent successor policies, plans,
programs, or arrangements that may be adopted hereinafter by the Company or any
Subsidiary, providing perquisites, benefits, and service credit for benefits at
least as great in the aggregate as are payable thereunder prior to a Change in
Control;

(e) "SEVERANCE BENEFIT" means an amount equal to (i) the product of (A) two
and (B) the sum of (1) the Executive's annualized base salary rate as of the
date of the first event constituting a Change in Control or, if higher, the
Executive's highest base salary received for any year in the three full
calendar years immediately preceding the first event constituting a Change in
Control and (2) the Executive's targeted annual bonus as of the date of the
first event constituting a Change in Control or, if higher, the Executive's
highest annual bonus received for any year in the three full calendar years
immediately preceding the first event constituting a Change of Control, minus
(ii) the amount of all cash payments actually
received or to be received by the Executive following the Termination Date
which became due by virtue of the Executive's termination of employment and are
therefore in the nature of severance payments under any other employment,
retention, severance, or similar agreement with the Company or any Subsidiary
to which the Executive is a party or any severance pay plan of the Company or
any Subsidiary in which the Executive is a participant;

(f) "SEVERANCE PERIOD" means the period of time commencing on the date of
the first occurrence of a Change in Control and continuing until the earliest
of (i) the expiration of three years after the first occurrence of a Change in
Control, (ii) the Executive's death, and (iii) the Executive's attainment of
age 65;

(g) "TERM" means the period commencing as of the date hereof and expiring as
of the later of (i) the close of business on the fourth anniversary of the date
hereof and (ii) the expiration of the Severance Period; PROVIDED, HOWEVER, that
if, prior to a Change in Control, the Executive ceases for any reason to be an
employee of the Company or any Subsidiary, thereupon without further action the
Term will be deemed to have expired and this Agreement will immediately
terminate and be of no further effect, whether or not cause exists. For
purposes of this Section 1(g), the Executive will not be deemed to have ceased
to be an employee of the Company or any Subsidiary by reason of the transfer of
the Executive's employment between the Company and any Subsidiary, or among any

Subsidiaries; and

(h) "TERMINATION DATE" means (i) the date on which the Executive's employment is terminated by the Company or any Subsidiary or (ii) the date on which the Executive terminates his or her employment pursuant to Section 3(b).

2. OPERATION OF AGREEMENT: This Agreement will be effective and binding immediately upon its execution, but, notwithstanding anything in this Agreement to the contrary, will not be operative unless and until a Change in Control occurs, whereupon without further action this Agreement will become immediately operative.

3. TERMINATION FOLLOWING A CHANGE IN CONTROL: (a) In the event of the occurrence of a Change in Control, the Executive's employment may be terminated by the Company during the Severance Period without the Executive becoming entitled to the benefits provided by Section 4 only upon the occurrence of one or more of the following events:

(i) The Executive's death;

(ii) The Executive becoming permanently disabled within the meaning of, and beginning actually to receive disability benefits pursuant to, the long-term disability plan of the Company or any Subsidiary in effect for, or applicable to, the Executive immediately prior to the Change in Control; or

(iii) Cause.

If the Executive's employment is terminated by the Company during the Severance Period, other than pursuant to Section 3(a)(i), 3(a)(ii), or 3(a)(iii), the Executive will be entitled to the benefits provided by Section 4.

(b) On or after the commencement of the Severance Period, if one or more of the following events (regardless of whether any other reason, other than Cause as hereinabove provided, for termination exists or has occurred, including without limitation the Executive's acceptance and/or commencement of other employment) occurs, the Executive may terminate the Executive's employment with the Company and any Subsidiary and become entitled to the benefits provided by Section 4:

(i) The failure to elect or reelect or otherwise to maintain the Executive in the office or the position, or a substantially equivalent office or position, of or with the Company and/or a Subsidiary, as the case may be, which the Executive held immediately prior to a Change in Control, or the removal of the Executive as a director of the Company (or any successor thereto) if the Executive had been a director of the Company immediately prior to the Change in Control;

(ii) A significant adverse change in the nature or scope of the authorities, powers, functions, responsibilities, or duties attached to the position with the Company and any Subsidiary which the Executive held immediately prior to the Change in Control, a reduction in the aggregate amount of the Executive's combined base pay and incentive pay receivable from the Company and its Subsidiaries, taken as a whole, or the termination or denial of the Executive's rights to Employee Benefits or a reduction in the scope or value thereof, except for any such termination or denial, or reduction in the scope or value, of any Employee Benefits applicable generally to all recipients of or participants in such Employee Benefits;

(iii) A determination by the Executive (which determination will be conclusive and binding upon the parties hereto provided it has been made in good faith and in all events will be presumed to have been made in good faith unless otherwise shown by the Company by clear and convincing evidence) that a change in circumstances has occurred following a Change in Control, including without limitation a change in the scope of the business or other activities for which the Executive was responsible immediately prior to the Change in Control, which has rendered the Executive substantially unable to carry out, has substantially hindered the Executive's performance of, or has caused the Executive to suffer a substantial reduction in, any of the authorities, powers, functions, responsibilities, or duties attached to the position held by the Executive immediately prior to the Change in Control, which situation is not remedied within 10 calendar days after written notice to the Company from the Executive of such determination;

(iv) The liquidation, dissolution, merger, consolidation, or

reorganization of the Company or transfer of all or substantially all of its business and/or assets, unless the successor or successors (by liquidation, merger, consolidation, reorganization, transfer, or otherwise) to which all or substantially all of the Company's business and/or assets have been transferred (directly or by operation of law) shall have assumed all duties and obligations of the Company under this Agreement pursuant to Section 10(a);

(v) The Company relocates its principal executive offices, or requires the Executive to have the Executive's principal location of work changed, to any location which is in excess of 25 miles from the location thereof immediately prior to the Change in Control, or requires the Executive to travel away from the Executive's office in the course of discharging the Executive's responsibilities or duties hereunder at least 20% more (in terms of aggregate days in any calendar year or in any calendar quarter when annualized for purposes of comparison to any prior year) than was required of the Executive in any of the three full calendar years immediately prior to the Change in Control without, in either case, the Executive's prior written consent; and/or

(vi) Without limiting the generality or effect of the foregoing, any material breach of this Agreement by the Company or any successor thereto.

(c) A termination by the Company pursuant to Section 3(a) or by the Executive pursuant to Section 3(b) will not affect any rights which the Executive may have pursuant to any other agreement, policy, plan, program, or arrangement of the Company or any Subsidiary providing Employee Benefits (except as provided in Section 4(a)), which rights will be governed by the terms thereof.

4. SEVERANCE COMPENSATION: (a) If, following the occurrence of a Change in Control, the Company terminates the Executive's employment during the Severance Period other than pursuant to Section 3(a), or if the Executive terminates the Executive's employment pursuant to Section 3(b), the Company will pay to the Executive the Severance Benefit in immediately available funds, in United States dollars, within five business days after the Termination Date. In addition, for a period of two years following the Termination Date, the Company will arrange to provide the Executive Employee Benefits that are welfare benefits (but not stock option, stock purchase, stock appreciation, or similar compensatory benefits) substantially similar to those which the Executive was receiving or entitled to receive immediately prior to the Termination Date (or, if greater, immediately prior to the reduction, termination, or denial described in Section 3(b)(ii)), except that the level of any such Employee Benefits to be provided to the Executive may be reduced in the event of a corresponding reduction applicable to generally all recipients of or participants in such Employee Benefits, and an additional period of two years will be considered service with the Company and its Subsidiaries for the purpose of determining service credits and benefits due and payable to the Executive under the Company's retirement income, supplemental executive retirement, and other benefit plans of the Company applicable to the Executive, the Executive's dependents, or the Executive's beneficiaries immediately prior to the Termination Date. If and to the extent that any benefit described in the immediately preceding sentence is not or cannot be paid or provided under any policy, plan, program, or arrangement of the Company or any Subsidiary, as the case may be, then the Company will itself pay or provide for the payment of such Employee Benefits to the Executive, and, if applicable, the Executive's dependents and beneficiaries. Without otherwise limiting the purposes or effect of Section 5, Employee Benefits otherwise receivable by the Executive pursuant to this Section 4(a) will be reduced to the extent comparable welfare benefits are actually received by the Executive from another employer during the Severance Period following the Executive's Termination Date.

(b) There will be no right of set-off or counterclaim in respect of any claim, debt, or obligation against any payment to or benefit for the Executive provided for in this Agreement, except as expressly provided in the last sentence of Section 4(a).

(c) Without limiting the rights of the Executive at law or in equity, if the Company fails to make any payment or provide any benefit required to be made or provided hereunder on a timely basis, the Company will pay interest on the amount or value thereof at an annualized rate of interest equal to 1.25 times the so-called composite "prime rate" as quoted from time to time during the

relevant period in the Midwest Edition of THE WALL STREET JOURNAL. Such interest will be payable as it accrues on demand. Any change in such prime rate will be effective on and as of the date of such change.

(d) Notwithstanding anything to the contrary contained in this Agreement or in the 1992 Incentive Bonus Plan of the Company (the "Bonus Plan"), if, following the occurrence of a Change in Control, the Company terminates the Executive's employment during the Severance Period other than pursuant to Section 3(a), or if the Executive terminates the Executive's employment pursuant to Section 3(b), the Executive will be entitled to an additional payment in the amount of the Executive's Long-Term Incentive Awards (as defined in the Bonus Plan), in lieu of any other Long-Term Incentive Award under the Bonus Plan, (a) calculated as if the Executive's Operating Unit (as defined in the Bonus Plan) and the Executive (if applicable) had achieved 100% of its or his Performance Goals (as defined in the Bonus Plan) and (b) prorated on the basis of the ratio of the number of months of the Executive's participation during the Performance Period (as defined in the Bonus Plan) to which the Long-Term Incentive Award
related to the aggregate number of months in such Performance Period.

(e) Notwithstanding anything to the contrary contained in this Agreement, the parties' respective rights and obligations under this Section 4 and under Section 7 will survive any termination or expiration of this Agreement following a Change in Control or the termination of the Executive's employment following a Change in Control for any reason whatsoever.

(f) Notwithstanding anything to the contrary contained in this Agreement, in the 1992 Executive Equity Incentive Plan of the Company or any similar or successor plan (an "Equity Plan"), or in any agreement evidencing a grant made pursuant to any Equity Plan, immediately upon the occurrence of a Change in Control, (i) any rights theretofore granted to the Executive to purchase stock in the Company upon the exercise of an option, and any corresponding appreciation rights, will become exercisable in full and (ii) any risks of forfeiture and prohibitions or restrictions on transfer pertaining to any restricted shares theretofore granted to the Executive will lapse.

5. NO MITIGATION OBLIGATION: The Company hereby acknowledges that it will be difficult and may be impossible (a) for the Executive to find reasonably comparable employment following the Termination Date and (b) to measure the amount of damages which the Executive may suffer as a result of termination of employment hereunder. Accordingly, the payment of the severance compensation to the Executive in accordance with the terms of this Agreement is hereby acknowledged by the Company to be reasonable and will be liquidated damages, and the Executive will not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor will any profits, income, earnings, or other benefits from any source whatsoever create any mitigation, offset, reduction, or any other obligation on the part of the Executive hereunder or otherwise, except as expressly provided in the last sentence of Section 4(a).

6. LIMITATION ON PAYMENTS AND BENEFITS: Notwithstanding anything to the contrary contained in this Agreement, if, after taking into account all amounts or benefits otherwise to be paid or payable, any amount or benefit to be paid or provided under this Agreement would be an "Excess Parachute Payment," within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), or any successor provision thereto, but for the application of this sentence, then the payments and benefits to be so paid or provided under this Agreement will be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any such payment or benefit, as so reduced, constitutes an Excess Parachute Payment; provided, however, that the foregoing reduction will be made only if and to the extent that such reduction would result in an increase in the aggregate payments and benefits to be provided, determined on an after-tax basis (taking into account the excise tax imposed pursuant to Section 4999 of the Code, or any successor provision thereto, any tax imposed by any comparable provision of state law, and any applicable federal, state, and local income taxes). The determination of whether any reduction in such payments or benefits to be provided under this Agreement is required pursuant to the preceding sentence will be made at the expense of the Company, if requested by the Executive or the Company, by the Company's independent accountants. The fact that the Executive's right to payments or benefits may be reduced by reason of the limitations contained in this Section 6 will not of itself limit or otherwise affect any other rights of the Executive other than pursuant to this Agreement. In the event that any

payment or benefit intended to be provided under this Agreement or otherwise is required to be reduced pursuant to this Section 6, the Executive will be entitled to designate the payments and/or benefits to be so reduced in order to give effect to this Section 6. The Company will provide the Executive all information reasonably requested by the Executive to permit the Executive to make such designation. In the event that the Executive fails to make such designation within 10 business days of the Termination Date, the Company may effect such reduction in any manner it deems appropriate.

7. LEGAL FEES AND EXPENSES; SECURITY: It is the intent of the Company that the Executive not be required to incur legal fees and the related expenses associated with the interpretation, enforcement, or defense of the Executive's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Executive hereunder. Accordingly, if it should appear to the Executive that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from, the Executive the benefits provided or intended to be provided to the Executive hereunder, the Company irrevocably authorizes the Executive from time to time to retain counsel of the Executive's choice, at the expense of the Company as hereinafter provided, to advise and represent the Executive in connection with any such interpretation, enforcement, or defense, including without limitation the initiation or defense of any litigation or other legal action, whether by or against the Company or any Director, officer, stockholder, or other person affiliated with the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to the Executive's entering into an attorney-client relationship with such counsel, and in that connection the Company and the Executive agree that a confidential relationship will exist between the Executive and such counsel. Without regard to whether the Executive prevails, in whole or in part, in connection with any of the foregoing, the Company will pay and be solely financially responsible for any and all attorneys' and related fees and expenses incurred by the Executive in connection with any of the foregoing.

8. EMPLOYMENT RIGHTS; TERMINATION PRIOR TO CHANGE IN CONTROL: Nothing expressed or implied in this Agreement will create any right or duty on the part of the Company or the Executive to have the Executive remain in the employ of the Company or any Subsidiary prior to or following any Change in Control. Any termination of the employment of the Executive or the removal of the Executive from any office or position in the Company and each Subsidiary following the commencement of any discussion with a third person that results in a Change in Control within 60 calendar days after such termination or removal will be deemed to be a termination or removal of the Executive after a Change in Control for purposes of this Agreement.

9. WITHHOLDING OF TAXES: The Company may withhold from any amounts payable under this Agreement all federal, state, city, or other taxes that the Company is required to withhold pursuant to any law or government regulation or ruling.

10. SUCCESSORS AND BINDING AGREEMENT: (a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization, or otherwise) to all or substantially all of the business or assets of the Company, by agreement in form and substance satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place, provided, however, that upon the occurrence of the Federated/Macy's Merger (as that term is defined in the Plan), Macy's will assume all of the obligations of the Company hereunder by operation of law and without any further action on the part of any party hereto and the surviving corporation in such transaction will be the "Company" for all purposes hereof. This Agreement will be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any person acquiring directly or indirectly all or substantially all of the business or assets of the Company whether by purchase, merger, consolidation, reorganization, or otherwise (and such successor will thereafter be deemed the "Company" for the purposes of this Agreement), but will not otherwise be assignable, transferable, or delegatable by the Company.

(b) This Agreement will inure to the benefit of and be enforceable by the

Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, and legatees.

(c) This Agreement is personal in nature and neither of the parties hereto will, without the consent of the other, assign, transfer, or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 10(a), 10(b), and 10(d). Without limiting the generality or effect of the foregoing, the Executive's right to receive payments hereunder will not be assignable, transferable, or delegatable, whether by pledge, creation of a security interest, or otherwise, other than by a transfer by the Executive's will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 10(c), the Company will have no liability to pay any amount so attempted to be assigned, transferred, or delegated.

(d) Executive acknowledges that the Company is exploring the possibility of establishing a corporate services company (the "Corporate Services Company") as a wholly owned Subsidiary of the Company, which Corporate Services Company may become the principal employer of Executive. In the event that the Corporate Services Company is established and becomes the principal employer of Executive, (i) without the consent of the Executive, the Company may assign its rights and delegate its duties hereunder to the Corporate Services Company, provided, however, that no such assignment or delegation will constitute a novation or otherwise relieve the Company of any of its obligations hereunder, and (ii) all references to the "Company" in Sections 3 (other than Section 3.b (iv)), 4, 5, 7, 9, 10 (other than Section 10 (d)), 11, and 16 hereof will be deemed to be to the Company and/or the Corporate Services Company.

11. NOTICES: For all purposes of this Agreement, all communications, including without limitation notices, consents, requests, or approvals, required or permitted to be given hereunder will be in writing and will be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof orally confirmed), or five calendar days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or one business day after having been sent for next-day delivery by a nationally recognized overnight courier service such as Federal Express, UPS, or Purolator, addressed to the Company (to the attention of the Secretary of the Company) at its principal executive office and to the Executive at the Executive's principal residence as shown in the Company's most current records, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address will be effective only upon receipt.

12. GOVERNING LAW: The validity, interpretation, construction, and performance of this Agreement will be governed by and construed in accordance with the substantive laws of the State of Delaware, without giving effect to the principles of conflict of laws of such State.

13. VALIDITY: If any provision of this Agreement or the application of any provision hereof to any person or circumstance is held invalid, unenforceable, or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstance will not be affected, and the provision so held to be invalid, unenforceable, or otherwise illegal will be reformed to the extent (and only to the extent) necessary to make it enforceable, valid, or legal.

14. MISCELLANEOUS: No provision of this Agreement may be waived, modified, or discharged unless such waiver, modification, or discharge is agreed to in writing signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. References to Sections are to references to Sections of this Agreement.

15. COUNTERPARTS: This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same agreement.

16. OTHER BENEFITS: Except as provided in Section 4(d), neither the provisions of this Agreement nor the severance compensation, benefits, and

other payments provided for hereunder will reduce or increase any amounts otherwise payable, or in any other way affect the Executive's rights as an employee of the Company, whether existing now or hereafter, under any other agreement or any benefit, incentive, retirement, stock option, stock bonus, stock purchase, or other plan, program, or arrangement.

17. PRIOR AGREEMENT: This Agreement amends and restates the Agreement, dated as of _____ __, 199_ (the "Prior Agreement"), between the Company and the Executive, which Prior Agreement will, without further action, be superseded as of the date hereof.

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

FEDERATED DEPARTMENT STORES, INC.

By:_____
Name:_____
Title:_____

_____
[Name of Executive]

Exhibit 10.39.1

AMENDMENT TO
EMPLOYMENT AGREEMENT

AMENDMENT, made as of the 6th day of December, 1994 to amended and restated EMPLOYMENT AGREEMENT, made as of the 5th day of February, 1994, as amended by letter agreements dated August 16, 1994, August 20, 1994 and September 19, 1994 (the "Employment Agreement"), between R.H. Macy & Co., Inc., a Delaware corporation with its principal office at 151 West 34th Street, New York, New York 10001 (the "Corporation"), and Myron E. Ullman, III residing at 200 North Street, Greenwich, Connecticut 06830 ("Executive").

W I T N E S S E T H:

WHEREAS, pursuant to the Agreement and Plan of Merger between R.H. Macy & Co., Inc. and Federated Department Stores, Inc. ("Federated"), dated as of August 16, 1994 (the "Merger Agreement'), Federated is to be merged with and into the Corporation with the Corporation (to be renamed "Federated Department Stores, Inc.") being the surviving corporation; and

WHEREAS, pursuant to Section 2.3(b) of the Merger Agreement, effective as of the Effective Time (as defined in Section 2.5 of the Merger Agreement), Executive shall be Deputy Chairman of the Corporation; and

WHEREAS, the Corporation desires to secure the continued services of Executive, and Executive desires to continue to furnish services to the Corporation and its affiliates, on the terms and conditions set forth in the Employment Agreement as hereinafter amended;

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter contained, the parties hereto, intending to be legally bound, hereby agree as follows:

1. AMENDMENT TO EMPLOYMENT AGREEMENT. Effective as of the Effective Time, Section 3 of the Employment Agreement is hereby amended and restated in its entirety, to read as follows:

> During the Term, Executive shall serve as Deputy Chairman of the Corporation, faithfully and to the best of his ability under the direction of the Board of Directors of the Corporation, and shall devote substantially all of his business time, energy and skill to such employment. Executive shall perform the duties commensurate with the position of Deputy Chairman of the Corporation, as well as such specific duties and services of a senior executive nature as the Board of Directors of the Corporation shall reasonably request consistent with Executive's position as Deputy Chairman. Neither Executive's title nor any of his functions shall be changed without his consent. While it is understood that the right to elect directors and officers of the Corporation is by law vested in the stockholders and directors of the Corporation, it is nevertheless mutually contemplated subject to such rights that Executive shall at all times during employment be a Director of the Corporation.
>
> It is expressly understood by the parties hereto that Executive's principal office and principal place of employment shall be his residence at 200 North Street, Greenwich, Connecticut.

2. EFFECT ON EMPLOYMENT AGREEMENT. The Corporation and Executive confirm and agree that the Employment Agreement, as amended by this Amendment, remains in full force and effect.

3. OTHER MATTERS.

The undersigned hereby represents that he is duly authorized

to execute this Agreement on behalf of Federated Department Stores, Inc., and that this Agreement shall be binding and enforceable in all regards against the Corporation upon and after the Effective Time.

This Amendment shall be null and void and of no further force or effect if the Merger Agreement is terminated prior to the Merger (as defined in the Merger Agreement) for any reason.

This Amendment may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each

counterpart may consist of a number of copies hereof each signed by less than all, but together signed by all of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment on the day and year first above written.

FEDERATED DEPARTMENT STORES, INC.

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick
Title: Senior Vice President
General Counsel and
Secretary

ACKNOWLEDGED BY: /s/ Myron E. Ullman

Myron E. Ullman, III

R.H. MACY & CO., INC.

By: /s/ Diane P. Baker

Name: Diane P. Baker
Title: Group Senior Vice
President and Chief
Financial Officer

Exhibit 10.39.2

December 7, 1994

To: Myron E. Ullman, III

This letter is to confirm our agreement with respect to your separation from employment at R.H. Macy & Co., Inc., together with any successor thereof, as constituted (and as it may from time to time be known) upon and after the merger of Federated Department Stores, Inc. ("Federated") with and into R.H. Macy & Co., Inc. pursuant to the Agreement and Plan of Merger between R.H. Macy & Co., Inc. and Federated dated as of August 16, 1994 (the "Merger Agreement"). R.H. Macy & Co., Inc. as so constituted is hereinafter referred to as "Macy's". The parties expressly agree that the following provisions represent certain benefits entitlements and other consideration for relinquishing your right to future employment with Macy's pursuant to the Amended and Restated Employment Agreement, dated as of February 5, 1994, as amended by letter agreements dated August 16, 1994, August 20, 1994, September 19, 1994 and December 6, 1994, between Macy's and you (as it may from time to time hereafter be amended, the "Employment Agreement") which have been agreed upon in order to reach this Agreement. As set forth below in Paragraph 22 hereof, the parties expressly acknowledge and agree that the Employment Agreement is not superseded hereby, shall remain in full force and effect in accordance with its terms, and that, except as expressly provided herein in Paragraphs 6 and 11 below, the payments and benefits owed to you hereunder are in addition to the payments and benefits owed to you under the Employment Agreement.

1. Your last day of employment at Macy's will be January 31, 1995 or, if later, the date on which the Effective Time (as defined in Section 2.5 of the Merger Agreement) occurs (such last day being referred to herein as the "Termination Date"), unless sooner terminated due to your death or disability. The parties agree that this Agreement constitutes a Notice of Termination for purposes of the Employment Agreement.

2. On the later of the Effective Date (as defined below) of this Agreement or the Termination Date, Macy's will (i) forgive your outstanding indebtedness with respect to Macy's which is equal to $100,000 (the "Indebtedness") and (ii) pay you such amounts as are necessary to place you in the same after-tax financial position that you would have been in if you had not incurred any federal, state or local income tax liability in connection with Macy's forgiveness of the Indebtedness, it being agreed that such reimbursements shall be in the amount of $85,460.

3. On the later of the Effective Date of this Agreement or the Termination Date, in lieu of any further monthly car allowance, Macy's agrees to pay you, in a lump sum, $96,000, less applicable taxes and withholding, which is equivalent to your car allowance for 36 months.

4. You will receive retirement benefits as set forth on Schedule A attached hereto, less applicable taxes and withholding; provided that such benefits shall be reduced, but not to below zero, by the aggregate amounts (to the extent accrued through the Termination Date) payable under the R.H. Macy & Co., Inc. Pension Plan, the R.H. Macy & Co., Inc. Pension and Benefit Equalization Plan, the Federated Department Stores, Inc. Pension Plan and the Retirement Income portion of the Federated Department Stores, Retirement Income and Thrift Incentive Plan (after adjusting such benefits for payment at the same time and in the same manner as your benefits under the aforementioned plans), all of which provide exclusively for defined benefit accruals. The parties expressly acknowledge and agree that neither this Paragraph 4 nor any other provision of this Agreement shall in any manner reduce or affect your rights and benefits under the aforementioned plans, and that you continue to have and will have all rights and be entitled to all benefits under such plans and any other retirement plans of Macy's as you may otherwise now or in the future have or be entitled to without regard to this Agreement.

5. Macy's shall continue to pay the premiums you are obligated to pay in connection with the split dollar life insurance policy currently in effect between Macy's and yourself (the "Policy") (and shall continue to pay you such additional amounts as are necessary to place you in the same after-tax financial position that you would have been in if you had not incurred any federal, state or local income tax liability in connection with such payments) for a period of 36 months commencing with the Termination Date, and all rights and obligations of the parties thereto shall continue in full force and effect under such Policy. The parties expressly acknowledge, without limiting the generality of the last sentence of Paragraph 22, that the obligations of Macy's under Section 6(a) of the Employment Agreement are

not limited by this Paragraph 5 and remain in full force and effect in accordance with the terms of Section 6(a) of the Employment Agreement.

6. On the later of the Effective Date of this Agreement or the Termination Date, Macy's will pay you, in a lump sum, the cash bonus provided for under Section 5 of the Employment Agreement for the 12-month period commencing July 1 within which the Termination Date occurs, prorated for the portion of the applicable 12-month period completed as of the Termination Date, which prorated lump sum, as of January 31, 1995, is equal to $364,581, less applicable taxes and withholding. This payment is not intended to, and does not, extend your employment beyond the Termination Date. The payments under this Paragraph 6 shall subsume any prorated bonus payments otherwise required to be made under Section 5 and Section 10 of the Employment Agreement with respect to the 12-month period commencing July 1 within which the Termination Date occurs.

7. On the later of the Effective Date of this Agreement or the Termination Date, Macy's agrees to pay you, in a lump sum, $45,000, less applicable taxes and withholding, for financing planning services.

8. Macy's will continue to make available to you office space and secretarial services substantially comparable to the office space and secretarial services available to you as of January 1, 1995, until the first to occur of (i) the one-year anniversary of the later of the Effective Date of this Agreement or the Termination Date or (ii) your commencement of employment with an entity unaffiliated with Macy's. This provision is not intended to, and does not, extend your employment beyond the Termination Date.

9. You and your present wife will be entitled to a merchandise discount (the "Discount"), as set forth herein, during your lifetime and your present wife's lifetime. Following the effective date of the Joint Plan of Reorganization of Macy's and certain of its subsidiaries (the "Joint Plan"), which includes the consummation of a merger pursuant to the Merger Agreement, and through the third anniversary of the Termination Date, your discount will be at the rate of 40% and will be available at all Federated divisions. Macy's will pay you such amounts as are necessary to place you in the same after-tax financial position that you would have been in if you had not incurred any federal, state or local income tax liability in connection with all purchases made through such third anniversary of the Termination Date pursuant to such merchandise discount program. Such amounts will be paid annually in

January, for purchases made during the prior year. Following such third anniversary, you will be entitled to the merchandise discount then applicable to Chief Executive Officers of Federated divisions at all Federated divisions. The merchandise discount will be subject to all terms and conditions that apply to that privilege, as may be amended from time to time.

10. Macy's agrees to cover you for long-term disabilities, on the same terms and conditions as are currently in effect, with respect to long-term disabilities occurring within the period of 36 months commencing with the Termination Date. Such coverage shall be provided for as long as you do not receive long-term disability benefits from a subsequent employer of yours (a "Successor Employer"); provided that you accept any coverage for

which you are eligible that is available to other similarly situated executives of a Successor Employer; and provided, further, that, in any event, if you receive payments on account of long-term disability incurred within such 36-month period under a disability program of your Successor Employer (the "Successor LTD Benefits"), or if you incur a long-term disability within such 36-month period for which Successor LTD Benefits are not payable, Macy's will pay or cause you to be paid the excess of (i) the payments which you would have received under the coverage required to be provided to you under the first sentence of this Paragraph 10 (had you not been covered by the long-term disability program of your Successor Employer) over (ii) the Successor LTD Benefits, if any. Long-term disability coverage under this Paragraph 10 shall be provided by Macy's payments to you (or, with your consent, on your behalf) of the amount of all required premiums relating to your participation in the long-term disability plan, program, or insurance policy or other arrangement under which Macy's will provide the long-term disability benefits required hereby, it being understood that you will be subject to income taxation on such payments.

11. Macy's agrees to continue to pay the premiums for health insurance benefits ("Health Benefits") at the same level to which you are currently entitled, including premiums in connection with any converted policies with respect to such Health Benefits, to the extent you currently participate in these programs, for a period of 36 months commencing with the Termination Date. Such payments shall be made as long as you do not receive health insurance benefits from a Successor Employer; provided that you accept any coverage for which you are eligible that is available to other similarly situated executives of a Successor Employer; and provided,

further, that any benefits not payable by the Successor Employer but that would have been payable under the insurance required to be purchased on your behalf under the first sentence of this Paragraph 11 (had you not been covered by the health insurance program of your Successor Employer) shall be payable by Macy's. The benefits under this Paragraph 11 shall subsume any medical benefits otherwise required to be provided under Section 10(a) of the Employment Agreement.

12. You understand that Macy's makes no representations as to the income tax treatment of any payments hereunder and that any and all payments (and all salaries, benefits and/or other payments previously made to you by Macy's) will be subject to such tax treatment as applies, and to such deductions, if any, as may be required under the applicable tax laws.

13. It is expressly understood and agreed that this settlement and the effectuation of its terms do not constitute an admission or statement by any party that Macy's has acted unlawfully or is otherwise liable to you in any way. It is further agreed that evidence of this settlement, its terms or the circumstances surrounding the parties entering into this Agreement, shall be inadmissible in any action or lawsuit of any kind, except an action for alleged breach of this Agreement.

14. Until your last day of employment by Macy's, you agree to faithfully and diligently perform your duties consistent with your position as Deputy Chairman of Macy's, in a manner such as to promote a successful transition following your separation from employment, serve Macy's and its divisions, subsidiaries and affiliates to the best of your ability and comply with Macy's Code of Business Conduct. You shall devote your working time, attention and energies to the business and affairs of Macy's and its divisions, subsidiaries and affiliates; provided, however, that nothing herein shall prevent you from taking action, between the date of this Agreement and your last day of employment, relating to your future employment, so long as such action does not prevent you from performing your required duties for Macy's.

15. These payments and benefits are not intended to, and do not, extend your employment beyond the Termination Date. Notwithstanding the foregoing, you are required to comply with all applicable Term (as defined in the Employment Agreement) and post-Term terms and conditions set forth in the Employment Agreement; provided, however, that the non-competition

provisions set forth in Section 12(d) of the Employment Agreement shall not be applicable and, therefore, nothing herein or therein shall preclude you from accepting any other employment, including without limitation employment with a competing retailer.

16. You agree to return to Macy's all original documents, software, equipment, and other materials belonging to Macy's, including, but not limited to, Macy's identification and keys, wherever such items may be located.

17. In consideration for Macy's commitment to the various arrangements described in the preceding paragraphs, and in lieu of any other benefits or payments, as a full and final mutual settlement, you hereby release and discharge Macy's, its divisions, subsidiaries and affiliates and the current and former directors, officers, shareholders, agents and employees of each, and each of their predecessors, successors and assigns (herein "the Macy Entities"), from any and all claims and causes of action arising out of or related to your employment or separation from employment, including, but not limited to, any claims for severance pay, vacation pay, salary, bonuses or other compensation, discrimination based on race, color, national origin, ancestry, religion, marital status, sex, sexual orientation, pregnancy, disability (as defined by the Americans with Disabilities Act, or any other federal, state or local law), age or other unlawful discrimination (under the Age Discrimination in Employment Act, as amended by the Older Workers Benefit Protection Act of 1990, Title VII of the Civil Rights Act, as amended, or any other federal, state, or local laws), as well as any claims in contract or tort including, but not limited to, claims for breach of implied or express contracts, breach of promises, misrepresentation, fraud, estoppel or wrongful discharge, that you, your heirs, executors, administrators, successors, and assigns now have, ever had or may hereafter have, whether known or unknown, suspected or unsuspected, up to and including the date of this Agreement; provided, however, that nothing contained herein shall be construed to release any claim you may have against Macy's (i) for payments or benefits specifically set forth in this Agreement or under the Employment Agreement; (ii) related to the obligation of Macy's to indemnify you as and to the full extent it is required to indemnify directors and officers of Macy's for services in such capacities; (iii) related to pre-petition obligations of Macy's, to the extent such pre-petition obligations have been provided for in the Joint Plan or (iv) under the continuation-of-coverage provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"). It is further agreed that you have not

and will not institute any complaint, lawsuit, or action at law or otherwise against any of the Macy Entities and shall hold each of the Macy Entities harmless against such actions except for (i) actions related to the various payments and benefits specified in this Agreement, which describes the complete arrangements to which we agree as to the subject matter thereof, or in the Employment Agreement; (ii) actions related to the obligation of Macy's to indemnify you as and to the full extent it is required to indemnify directors and officers of Macy's for services in such capacities; (iii) actions related to pre-petition obligations of Macy's, to the extent such pre-petition obligations have been provided for in the Joint Plan and (iv) actions under COBRA.

18. In the event of a breach of this Agreement, either party will be entitled to such relief as is provided by law or equity.

19. If any section of this Agreement should be held invalid by operation of law or by a tribunal of competent jurisdiction, or if compliance with or enforcement of any section is restrained by such tribunal, the application of any and all other sections, other than those which have been held invalid, shall not be affected.

20. This Agreement shall be binding on you, your heirs, administrators, representatives, executors, successors and assigns and shall likewise be binding on Macy's and its divisions, subsidiaries and affiliates, and

their respective successors and assigns, and shall inure to the benefit of you, your heirs, administrators, representatives, executors, successors and assigns, and of Macy's and its divisions, subsidiaries and affiliates, and their respective successors and permitted assigns. Macy's shall not assign this Agreement without your consent; provided that (i) unless you consent otherwise, Macy's shall cause the purchaser of substantially all of the assets of Macy's to assume the obligations under this Agreement and (ii) in the event of an assignment to such a purchaser, Macy's shall continue to remain jointly and severally liable for such obligations.

21. Except as otherwise expressly provided above, (i) you shall be under no duty to mitigate any of the payments and benefits otherwise provided for herein, and (ii) such payments and benefits shall in no event be reduced in the event that you do so mitigate.

22. This Agreement sets forth the entire Agreement between the parties with respect to the subject matter hereof and fully supersedes any and all prior agreements or understandings between them pursuant to such subject matter. The parties expressly acknowledge and agree that the Employment Agreement is not superseded, and shall remain in full force and effect in accordance with its terms, and that, except as expressly provided in the Paragraphs 6 and 11 above, the payments and benefits owed to you hereunder are in addition to the payments and benefits owed to you under the Employment Agreement.

23. This Agreement shall be governed by and construed in accordance with the laws of the state of New York without regard to principles of conflict of laws.

24. You have the right to consult with an attorney to review this Agreement and are encouraged to do so. Any legal expenses (at your attorneys' standard hourly rates, plus disbursements) actually incurred by you in connection herewith, as well as any legal expenses (at your attorneys' standard hourly rates, plus disbursements) actually incurred by you regarding matters in connection with the Merger (as defined in the Merger Agreement) and the Joint Plan, but not in excess of $100,000, shall be reimbursed to you by Macy's no later than the tenth business day to follow the consummation of the Merger; provided that you submit proof in reasonable detail of such expenses. Any controversy arising out of or relating to this Agreement or the breach hereof shall be settled by arbitration in the City of New York in accordance with the rules then obtaining of the American Arbitration Association and judgment upon the award rendered may be entered in any court having jurisdiction thereof. Macy's shall pay all of the fees and expenses of such arbitrator and the other costs of arbitration. In addition, Macy's shall pay your reasonable legal fees and expenses incurred in connection with any successful enforcement or defense by you of your rights hereunder.

25. You have 21 days to consider this Agreement from the date it was first given to you although you may accept it any time within those 21 days.

26. You have seven days after signing this Agreement to revoke it by notifying Macy's, in writing, of such revocation within the seven-day period. However, if you do not revoke your signature, the Agreement will become effective on the eighth day after you sign it (the "Effective Date").

27. The obligations hereunder of the parties hereto shall not become effective until the Effective Time (as defined in Section 2.5 of the Merger Agreement), and this Agreement shall be null and void and of no further force or effect if the Merger Agreement is terminated prior the Merger for any reason.

If the arrangements we have discussed and agreed upon are accurately set forth above, please confirm your approval and acceptance of our Agreement by signing both enclosed copies of this Agreement, and returning both copies to the undersigned.

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

The undersigned hereby represents that he is duly authorized to execute this Agreement on behalf of Federated Department Stores, Inc., and that this Agreement shall be binding and enforceable in all regards against Macy's upon and after the Effective Time (as defined in Section 2.5 of the Merger Agreement).

FEDERATED DEPARTMENT STORES, INC.

By: /s/ Dennis J. Broderick

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

ACKNOWLEDGED BY:

R.H. MACY & CO., INC.

By: Diane P. Baker

Name: Diane P. Baker
Title: Group Senior Vice President
and Chief Financial Officer

I ACKNOWLEDGE THAT I HAVE CAREFULLY READ THIS AGREEMENT AND UNDERSTAND ALL OF ITS TERMS INCLUDING THE FULL AND FINAL RELEASE OF CLAIMS SET FORTH ABOVE. I FURTHER ACKNOWLEDGE THAT I HAVE VOLUNTARILY ENTERED INTO THIS AGREEMENT, THAT I HAVE NOT RELIED UPON ANY REPRESENTATION OR STATEMENT, WRITTEN OR ORAL, NOT SET FORTH IN THIS AGREEMENT, THAT I HAVE BEEN GIVEN THE OPPORTUNITY AND ENCOURAGED TO HAVE THIS AGREEMENT REVIEWED BY MY ATTORNEY AND TAX ADVISOR. I ALSO ACKNOWLEDGE THAT I HAVE BEEN AFFORDED 21 DAYS TO CONSIDER THIS AGREEMENT AND THAT I HAVE SEVEN DAYS AFTER SIGNING THIS AGREEMENT TO REVOKE IT BY NOTIFYING MACY'S, IN WRITING, OF MY REVOCATION. IF I DO NOT REVOKE MY SIGNATURE, THE AGREEMENT WILL BECOME EFFECTIVE ON THE EIGHTH DAY AFTER I SIGN IT.

Myron E. Ullmann 12/8/94
- - ---------- ----------
Myron E. Ullman, III Date

January 24, 1995

513/579-7560
FAX 513/579-7354

Mr. Myron E. Ullman, III
200 North Street
Greenwich, CT 06830

Dear Mike:

We have requested that you resign as Deputy Chairman of Federated Department Stores, Inc. (the "Company") effective as of January 27, 1995, rather than as of January 31, 1995 as presently contemplated. In consideration for your agreement to do so, we are hereby offering to provide you with the assurances and administrative arrangements relating to your termination set forth below.

First, the Company represents and agrees that your termination as of January 27, 1995, rather than as of January 31, 1995 as currently contemplated by your termination agreement with the Company dated December 7, 1994 (the "Termination Agreement"), shall not have any adverse financial, economic or other adverse effect on you of any kind. Thus, for example, but without limitation, your salary, benefits and other compensation and remuneration will continue as though you had terminated on January 31, 1995, whether such salary, benefits and other compensation and remuneration are provided for under the Termination Agreement, your Amended and Restated Employment Agreement with the Company dated February 5, 1994, as amended by letter agreements dated August 16, 1994, August 20, 1994, September 19, 1994 and December 6, 1994 (collectively, the "Employment Agreement") or otherwise. As another example, again without limitation, in those cases in which the Company would have continued to provide you with salary, benefits or other compensation or remuneration for a fixed period of time measured from January 31, 1995, the fixed period shall not end sooner than it would have ended were you to have terminated on January 31, 1995.

Second, the Company will pay to you (net of tax withholding) on January 25, 1995, by wire transfer, the aggregate amount of all gross-up payments it is required to pay to you under Paragraph 5 of the Termination Agreement (i.e., $86,871.00). The Company expressly acknowledges that it will continue to have all other obligations regarding your split-dollar life insurance as are provided under Paragraph 5 of the Termination Agreement and as are provided under Section 6(a) of the Employment Agreement.

Third, the Company will pay to you (net of tax withholding) on January 25, 1995, by wire transfer, $20,655.00. We understand that you will wire transfer $20,655.00 to the Company as soon as practicable after your receipt thereof, at which point the Company will accept your return of such sum as prepayment of all your required premiums relating to the Company's provision, as required by Section 10 of the Termination Agreement, of long-term disability benefits for disabilities incurred by you on or before January 31, 1998. We will contact you if we insure all or a portion of the coverage with an outside insurer.

Fourth, the Company will on or before January 27, 1995 wire transfer to you (net of applicable tax withholding):

<TABLE>

<S>	<C>
Your salary for January 1995	$ 104,166.67
Your automobile allowance for January 1995	2,666.67
The amounts owed to you under Section 10(a) of the Employment Agreement (i.e., $2,500,000 + $1,727,300)	4,227,300.00
The amounts owed to you under Paragraph 2 of the Termination Agreement	85,460.00
The amounts owed to you under Paragraph 3 of the Termination Agreement	96,000.00
The amounts owed to you under Paragraph 6 of the Termination Agreement	364,581.00
The amounts owed to you under Paragraph 7 of the Termination Agreement	45,000.00
	$4,925,174.334

</TABLE>

It is expressly understood that your agreement to terminate on January 27, 1995 is subject to the condition precedent that the Company makes the wire transfer of $4,925,174.34 (net of applicable tax withholding) on or before such date. We also expressly acknowledge our obligation to reimburse you for your legal expenses as provided by Paragraph 24 of the Termination Agreement, upon your submission of proof in reasonable detail of such expenses.

If the arrangements we have discussed and agreed upon are accurately set forth above, please confirm your approval and acceptance of our Agreement by signing both enclosed copies of this Agreement, retaining one copy for your files and returning one copy to the undersigned.

The undersigned hereby represents that he is duly authorized to execute this Agreement on behalf of the Company. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a number of copies hereof each signed by less than all, but together signed by all of the parties hereto.

FEDERATED DEPARTMENT STORES, INC.

/s/ Dennis J. Broderick

ACKNOWLEDGED AND AGREED:

By: /s/ Myron E. Ullman

Myron E. Ullman, III

EXHIBIT 11

FEDERATED DEPARTMENT STORES, INC.

EXHIBIT OF PRIMARY AND FULLY DILUTED EARNINGS PER SHARE

(THOUSANDS, EXCEPT PER SHARE DATA)

	52 WEEKS ENDED JANUARY 28, 1995		52 WEEKS ENDED JANUARY 29, 1994	
	SHARES	INCOME	SHARES	INCOME
Net income and average number of shares outstanding	132,862	$187,616	126,293	$193,248
Earnings per share	$1.41		$1.53	
PRIMARY COMPUTATION:				
Average number of common share equivalents:				
Shares to be issued to the U.S. Treasury	122		163	
Deferred compensation plan	74		3	
Stock options	217		229	
Adjusted number of common and common equivalent shares outstanding and adjusted net income	133,275	$187,616	126,688	$193,248
Primary earnings per share	$1.41		$1.53	
FULLY DILUTED COMPUTATION:				
Additional adjustments to a fully diluted basis:				
Convertible notes	8,564	10,531	8,564	9,928
Stock options	--	4		
Adjusted number of shares outstanding and net income on a fully diluted basis	141,839	$198,147	135,256	$203,176
Fully diluted earnings per share	$1.40		$1.50	

EXHIBIT 21

<TABLE>
<CAPTION>

NAME	STATE OF INCORPORATION	TRADENAME(S)
<S>	<C>	<C>
22 East Advertising Agency, Inc.	Florida	
22 East Realty Corporation	Florida	
3240 Properties Corp.	Delaware	
A&S Real Estate, Inc.	Delaware	
Abraham & Straus, Inc.	Ohio	Abraham & Straus A&S
Allied Mortgage Financing Corp.	Delaware	
Allied Stores General Real Estate Company	Delaware	
Allied Stores International, Inc.	New York	
Allied Stores International Sales Company, Inc.	New York	
Allied Stores Marketing Corp.	New York	
Astoria Realty, Inc.	Delaware	
Auburndale Realty, Inc.	Delaware	
Bamrest Del, Inc.	Delaware	
Bamrest NJ. Inc.	New Jersey	
Bamrest Penn, Inc.	Pennsylvania	
BFC Real Estate Company	Delaware	
Bloomingdale's, Inc.	Ohio	Bloomingdale's
Bloomingdale's By Mail Ltd.	New York	
Bloomingdale's Real Estate, Inc.	Delaware	
Bullock's, Inc.	Ohio	Bullock's
Burdine's Main Store Real Estate, Inc.	Delaware	
Burdine's Real Estate, Inc.	Delaware	
Burdine's Real Estate II, Inc.	Delaware	
Burdines, Inc.	Ohio	Burdines
Calclove Realty Corp.	California	
CalVal Realty Corp.	California	
Cowie & Company, Limited	New York	
Davrest Ga., Inc.	Georgia	
Delphis Corporation	Delaware	
Douglaston Plaza, Inc.	Delaware	
Executive Placements Consultants, Inc.	New York	
FACS Group, Inc.	Ohio	FACS Financial and Credit Services Group
FDS National Bank	Ohio	
Federated Claims Services Group, Inc.	Delaware	Federated Medical Services Group
Federated Corporate Services, Inc.	Delaware	
Federated Credit Holdings Corporation	Delaware	
Federated Department Stores, Inc.	Delaware	Federated Merchandising (FM) Macy's Product Development (MPD) Federated Logistics
Federated Department Stores Foundation	Ohio	
Federated Department Stores Insurance Company, Ltd.	Bermuda	
Federated Noteholding Corporation	Delaware	

</TABLE>

EXHIBIT 21 (CONT.)

<TABLE>
<CAPTION>

NAME	STATE OF INCORPORATION	TRADENAME(S)
<S>	<C>	<C>
Federated Real Estate, Inc.	Delaware	
Federated Retail Holdings, Inc.	Delaware	
Federated Stores Realty, Inc.	Delaware	
Federated Systems Group, Inc.	Delaware	
Finite Limited	Hong Kong	
Garage Park Corp.	New York	
Hunt Valley Properties Corp.	Maryland	
I. Magnin, Inc.	Delaware	I. Magnin

I. Magnin Properties Corp.	Delaware	
I. Magnin Properties Corp. II	Delaware	
J. N. A. Properties Corp.	New Jersey	
Jor-Mar, Inc.	Delaware	
Jordan Marsh Insurance Agency, Inc.	Massachusetts	
Jordan Marsh Stores Corporation	Ohio	Jordan Marsh
Jordan Servicenter, Inc.	Delaware	
Kings Plaza Shopping Center of Avenue U, Inc.	New York	
L&K Properties Corp.	Ohio	
Lazarus, Inc.	Ohio	Lazarus
Lazarus PA, Inc.	Ohio	Lazarus
Lazarus Real Estate, Inc.	Delaware	
M H L Properties Corp. of Massachusetts	Massachusetts	
MacFla Rest, Inc.	Florida	
Macy Credit Corp.	Delaware	
Macy Financial, Inc.	Delaware	
Macy N. R. Properties Corp.	New York	
Macy Receivables Funding Corp.	Delaware	
Macy Receivables Master Servicing Corp.	Delaware	
Macy's Close-Out, Inc.	Ohio	Macy's Close-Out MCO Shoe Outlet Center
Macy's Data and Credit Services Corp.	Delaware	
Macy's East, Inc.	Ohio	Macy's East Macy('s)
Macy's Kings Plaza Real Estate, Inc.	Delaware	
Macy's Primary Real Estate, Inc.	Delaware	
Macy's Real Estate, Inc.	Delaware	
Macy's Secondary Real Estate, Inc.	Delaware	
Macy's Specialty Stores, Inc.	Ohio	Aeropostale Charter Club
Macy's West, Inc.	Ohio	Macy's West Macy('s)
MCC Special Corp.	Delaware	
MOA Rest, Inc.	Minnesota	
N. B. Properties Corp.	New Jersey	

EXHIBIT 21 (CONT.)

NAME	STATE OF INCORPORATION	TRADENAME(S)
Nasstock, Inc.	New York	
New Haven Properties Corp.	Connecticut	
Paramustock, Inc.	New Jersey	
Pasadena Properties Corp.	Delaware	
Prime Receivables Corporation	Delaware	
R. H. Macy (France) S.A.R.L.	France	
R. H. Macy China, Ltd.	Delaware	
R. H. Macy Holdings (HK), Ltd.	Delaware	
R. H. Macy Overseas Finance N.V.	Netherlands Antilles	
R. H. Macy Warehouse (HK), Ltd.	Delaware	
Rest Tex, Inc.	Texas	
Rich's Department Stores, Inc.	Ohio	Goldsmith's Rich's
Rich's Main Store Real Estate, Inc.	Delaware	
Rich's Real Estate, Inc.	Delaware	
Sabugo, Limited	Hong Kong	
Sacvent Corp.	Delaware	
Sacvent Garage	California	
Sanstoff East Properties Corp.	California	
Saramaas Realty Corp.	Florida	
Seven Hills Funding Corporation	Delaware	
Seven West Seventh, Inc.	Delaware	
Shop 34 Advertising, Inc.	New York	
Stern's Department Stores, Inc.	Ohio	Stern's

Stern's-Echelon, Inc.	Delaware	
Stern's-Granite Run, Inc.	Delaware	
Stern's-Moorestown, Inc.	Delaware	
Sunsac Properties Corp.	California	
The Bon, Inc.	Ohio	The Bon Marche The Bon
Tukwila Warehousing Services Corporation	Washington	
U & F Realty Corp. *	New York	
W. P. Properties Corp.	New York	
Wise Chat Limited	Hong Kong	

<FN>
*50% Owned by Kings Plaza Shopping Center of Avenue U, Inc.

</TABLE>

Exhibit 23

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Federated Department Stores, Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 33-88240 and 33-88242) on Form S-8 of Federated Department Stores, Inc. of our report dated February 28, 1995, relating to the consolidated balance sheets of Federated Department Stores, Inc. and subsidiaries as of January 28, 1995 and January 29, 1994, and the related consolidated statements of income and cash flows for the fifty-two week periods ended January 28, 1995, January 29, 1994 and January 30, 1993, which report appears in the January 28, 1995, annual report on Form 10-K of Federated Department Stores, Inc.

KPMG PEAT MARWICK LLP

Cincinnati, Ohio
April 18, 1995

EXHIBIT 24

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Dennis J. Broderick, John R. Sims and Padma Tatta Cariappa, or any of them, my true and lawful attorneys-in-fact and agents, 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 agents, or any of them, 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 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: April 20, 1995 /s/ Allen I. Questrom

Allen I. Questrom

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Dennis J. Broderick, John R. Sims and Padma Tatta Cariappa, or any of them, my true and lawful attorneys-in-fact and agents, 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 agents, or any of them, 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 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: April 20, 1995 /s/ Ronald W. Tysoe

Ronald W. Tysoe

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Dennis J. Broderick, John R. Sims and Padma Tatta Cariappa, or any of them, my true and lawful attorneys-in-fact and agents, 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 agents, or any of them, 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 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: April 20, 1995 /s/ John E. Brown

John E. Brown

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Dennis J. Broderick, John R. Sims and Padma Tatta Cariappa, or any of them, my true and lawful attorneys-in-fact and agents, 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 agents, or any of them, 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 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: April 20, 1995 /s/ Robert A. Charpie

Robert A. Charpie

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Dennis J. Broderick, John R. Sims and Padma Tatta Cariappa, or any of them, my true and lawful attorneys-in-fact and agents, 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 agents, or any of them, 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 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: April 20, 1995 /s/ Lyle Everingham

Lyle Everingham

POWER OF ATTORNEY

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Dated: April 20, 1995 /s/ Meyer Feldberg

Meyer Feldberg

POWER OF ATTORNEY

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Dated: April 20, 1995 /s/ Earl G. Graves

Earl G. Graves

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Dated: April 20, 1995 /s/ George V. Grune

George V. Grune

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Dated: April 20, 1995 /s/ Gertrude G. Michelson

Gertrude G. Michelson

POWER OF ATTORNEY

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Dated: April 20, 1995 /s/ G. William Miller

G. William Miller

POWER OF ATTORNEY

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Dated: April 20, 1995 /s/ Joseph Neubauer

Joseph Neubauer

POWER OF ATTORNEY

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substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: April 20, 1995 /s/ Laurence A. Tisch

Laurence A. Tisch

POWER OF ATTORNEY

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Dated: April 20, 1995 /s/ Myron E. Ullman, III

Myron E. Ullman, III

POWER OF ATTORNEY

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Dated: April 20, 1995 /s/ Paul W. Van Orden

Paul W. Van Orden

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Dated: April 20, 1995 /s/ Karl M. von der Heyden

Karl M. von der Heyden

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Dated: April 20, 1995 /s/ Marna C. Whittington

Marna C. Whittington

POWER OF ATTORNEY

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Dated: April 20, 1995 /s/ James M. Zimmerman

James M. Zimmerman

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