

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
FEBRUARY 3, 1996

COMMISSION FILE NUMBER
1-13536

FEDERATED DEPARTMENT STORES, INC.
151 WEST 34TH STREET
NEW YORK, NEW YORK 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
Series C Warrants	New York Stock Exchange
Series D Warrants	New York Stock Exchange
8.125% Senior Notes due 2002	New York Stock Exchange
5% Convertible Notes due 2003	New York Stock Exchange

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 not contained herein and will not be contained, to the best of registrant's knowledge, in a definitive proxy statement incorporated by reference in Part III of this Form 10-K.

There were 207,459,137 million shares of the Company's Common Stock outstanding as of April 6, 1996, 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 April 4, 1996, was approximately \$6,483,100,000.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement relating to Registrant's Annual Meeting of Stockholders to be held on May 17, 1996 (the "Proxy Statement"), are

incorporated by reference in Part III hereof.

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 Department Stores, Inc. ("Federated") and its subsidiaries and their respective predecessors, and, for all periods following the merger (the "Merger") of Federated and R.H. Macy & Co., Inc. ("Macy's") on the Merger Date, references to the surviving corporation in the Merger and its subsidiaries, and (ii) references to "1995", "1994", "1993", "1992" and "1991" are references to the Company's fiscal years ended February 3, 1996, January 28, 1995, January 29, 1994, January 30, 1993 and February 1, 1992, respectively.

ITEM 1. BUSINESS.

General. The Company is one of the leading operators of full-line department stores in the United States, with 412 department stores in 33 states as of February 3, 1996. 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 150 specialty stores under the names "Aeropostale" and "Charter Club", and a mail order catalog business under the name "Bloomingdale's By Mail".

The Company acquired Broadway Stores, Inc. ("Broadway") on October 11, 1995 (the "Broadway Merger Date") and the Company is continuing the integration of Broadway's businesses with the business of the Company's other subsidiaries. The results of operations of Broadway have been included in the Company's results of operations since July 29, 1995. The Company anticipates that a number of the stores acquired in its acquisition of Broadway will be disposed of and that Broadway's retained department stores will be converted to other nameplates of the Company. As of the date of this report, the Company has sold eight of these stores, has identified certain additional stores to be sold, and has yet to make a determination with respect to certain other stores.

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

<TABLE>
<CAPTION>

	FEBRUARY 3, 1996		JANUARY 28, 1995	
	GROSS		GROSS	
	NUMBER OF	SQUARE	NUMBER OF	SQUARE
	STORES	FEET(A)	STORES	FEET(A)
	(THOUSANDS)		(THOUSANDS)	
Bloomingdale's.....	17	4,689	16	4,439
The Bon Marche.....	41	4,960	40	4,892
Broadway.....	57	10,068	--	--
Burdines.....	47	7,884	46	7,648
Macy's East (b).....	89	23,355	98	26,161
Macy's West.....	59	12,450	57	11,845
Rich's/Lazarus/Goldsmith's.....	75	14,672	76	15,203
Stern's.....	27	5,425	22	3,946
Macy's Specialty.....	153	555	122	420
Macy's Close-Out (c).....	--	--	14	704
Total.....	565	84,058	491	75,258

</TABLE>

(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) During 1995, six stores were converted to Stern's and one store was converted to Bloomingdale's.

(c) The Company closed all of its Macy's Close-Out stores during 1995.

In general, each of the Company's retail operating divisions is a separate subsidiary of the Company. However, (i) the Macy's West division comprises two separate subsidiaries of the Company and, following its consolidation with the Broadway division, will comprise three separate subsidiaries of the Company, and (ii) the Rich's/Lazarus/Goldsmith's division comprises 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. In addition, the Company's financial and credit services subsidiary, FACS Group, Inc. ("FACS"), which is based near Cincinnati, Ohio, establishes and monitors credit policies on a Company-wide basis. FACS provides proprietary credit services, including statement processing and mailing, credit authorizations, new account development and processing, and customer service and collections, to each of the retail operating divisions that were divisions of Federated prior to the Merger as well as the subsequently acquired Broadway division. 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"), which is based near Atlanta, Georgia, 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 in Cincinnati provides services for all divisions in such areas as store design and construction, accounting, real estate, insurance and supply purchasing, 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. Federated Product Development, a division of the Company based in New York City, is responsible for the private label development of the Company's retail operating divisions except for Bloomingdale's (which has its own private label program) and Stern's (which sources its private label merchandise through Associated Merchandising Corporation).

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. pursuant to a subsidiary merger. On December 19, 1994, Federated acquired Macy's pursuant to the Merger. On October 11, 1995, the Company acquired Broadway pursuant to a subsidiary merger, with the results of operations of Broadway being included in the Company's results of operations since July 29, 1995.

Federated, Allied and substantially all of their respective subsidiaries (collectively, the "Federated/Allied Companies") were reorganized under chapter 11 of the United States Bankruptcy Code pursuant to a plan of reorganization (the "Federated POR") which became effective on February 4, 1992. Macy's and substantially

all of its subsidiaries (the "Macy's Debtors") were reorganized under chapter 11 of the United States Bankruptcy Code pursuant to a plan of reorganization (the "Macy's POR") which became effective on December 19, 1994. Broadway was reorganized under chapter 11 of the United States Bankruptcy Code pursuant to a plan of reorganization (the "Broadway POR") which became effective on October 8, 1992. For additional information regarding the respective reorganization proceedings of the Federated/Allied Companies, the Macy's Debtors and Broadway, see Item 3 "Legal Proceedings."

The Company's executive offices are located at 151 West 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 February 3, 1996, the Company had approximately 119,100 regular full-time and part-time employees. Because of the seasonal nature of the retail business, the number of employees peaks in the Christmas season. Approximately 10% of the Company's employees as of February 3, 1996 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 1995. 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.....	56	Chairman of the Board and Chief Executive Officer; Director
James M. Zimmerman.....	52	President and Chief Operating Officer; Director
Ronald W. Tysoe.....	43	Vice Chairman of the Board and Chief Financial Officer; Director
Thomas G. Cody.....	54	Executive Vice President - Legal and Human Resources
Dennis J. Broderick.....	47	Senior Vice President, General Counsel and Secretary
John E. Brown.....	56	Senior Vice President and Controller
Karen M. Hoguet.....	39	Senior Vice President - Planning and Treasurer

</TABLE>

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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, and Chief Financial Officer of FSI from April 1990 to February 1992.

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 1987.

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 February 3, 1996, the Company operated 412 department stores, of which 205 stores were entirely or mostly owned and 207 stores were entirely or mostly leased. The Company's interests in approximately 29% of its owned stores and approximately 5% 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.

See "Item 1. Business" for information regarding 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. Such information is incorporated herein by reference.

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"), on January 10, 1992. Notwithstanding the confirmation and effectiveness of the Federated POR, the Ohio Bankruptcy Court continues to have jurisdiction to resolve disputed prepetition claims against the Federated/Allied Companies; to 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

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POR. 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 February 3, 1996.

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 resolve disputed prepetition claims against the Macy's Debtors; to 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 (the "Cash Payment Claims") against the Macy's Debtors, which, to the extent allowed by the New York Bankruptcy Court have been or will be paid in cash pursuant to the Macy's POR, currently are 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 developed for purposes of formulating the Macy's POR. As of March 15, 1996, the aggregate face amount of disputed Cash Payment Claims was approximately \$293.6 million, while the estimated allowed amount thereof developed for purposes of formulating the Macy's POR was approximately \$217.8 million. Although there can be no assurance with respect

thereto, the Company believes that the aggregate allowed amount of disputed Cash Payment Claims will not exceed the estimated amount thereof.

The Broadway POR was confirmed by the United States Bankruptcy Court for the Central District of California (the "California Bankruptcy Court") on October 8, 1992. Notwithstanding the confirmation and effectiveness of the Broadway POR, the California Bankruptcy Court continues to have jurisdiction to resolve disputed prepetition claims against Broadway; to resolve matters related to the assumption, assumption and assignment, or rejection of executory contracts pursuant to the Broadway POR; and to resolve other matters that may arise in connection with or relate to the Broadway POR. The Company believes that it has adequately provided for the resolution of all bankruptcy claims and other matters related to the Broadway POR remaining at February 3, 1996.

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. All of the issues raised by the IRS audit have been resolved except for an issue involving the deductibility of approximately \$176.3 million of so-called "break-up fees." This issue was resolved in favor of the Federated/Allied Companies by the Ohio Bankruptcy Court, the decision of which was affirmed by the United States District Court for the Southern District of Ohio. Thereafter, the IRS filed an appeal of such decision in the United States Court of Appeals for the Sixth Circuit, 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.

On January 5, 1996, the Company reached a settlement with the IRS with respect to certain disputes relating to certain deductions claimed and certain loss carryforwards utilized by Federated and its predecessors. See Note 12 to the Consolidated Financial Statements.

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

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The Company and its subsidiaries are also involved in various proceedings that are incidental to the normal course of their businesses. 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.

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER 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 1995 and 1994 the high and low sales prices per share of Common Stock as reported on the NYSE Composite Tape:

<TABLE>
<CAPTION>

	1995		1994	
	LOW	HIGH	LOW	HIGH
<S>	<C>	<C>	<C>	<C>
1st Quarter.....	18.500	23.125	20.750	25.250
2nd Quarter.....	20.875	28.125	19.000	22.750
3rd Quarter.....	24.500	30.125	18.750	23.625
4th Quarter.....	25.000	29.750	17.875	20.875

</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.

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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.

<TABLE>
<CAPTION>

	53 WEEKS ENDED FEBRUARY 3, 1996	52 WEEKS ENDED JANUARY 28, 1995	52 WEEKS ENDED JANUARY 29, 1993	52 WEEKS ENDED JANUARY 30, 1992	52 WEEKS ENDED FEBRUARY 1, 1992
<S>	<C>	<C>	<C>	<C>	<C>
(THOUSANDS, EXCEPT PER SHARE DATA)					
Consolidated Statement of Operations					
Data (a):					
Net sales, including leased department sales.....	\$15,048,513	\$ 8,315,877	\$7,229,406	\$7,079,941	\$ 6,932,323
Cost of sales.....	9,317,784	5,131,363	4,373,941	4,229,396	4,202,223
Selling, general and administrative expenses.....	4,748,331	2,549,122	2,323,546	2,420,684	2,463,128
Business integration and consolidation expenses.....	293,930	85,867	--	--	--
Charitable contribution to Federated Department Stores Foundation.....	25,581	--	--	--	--
Operating income.....	662,887	549,525	531,919	429,861	266,972
Interest expense (b).....	(508,132)	(262,115)	(213,544)	(258,211)	(504,257)
Interest income.....	47,104	43,874	49,405	60,357	67,260
Income (loss) before reorganization items, income taxes, extraordinary items and cumulative effect of change in accounting principle.....	201,859	331,284	367,780	232,007	(170,025)
Reorganization items (c).....	--	--	--	(1,679,936)	--
Federal, state and local income tax (expense) benefit.....	(127,306)	(143,668)	(170,987)	(99,299)	613,989
Extraordinary items (d).....	--	--	(3,545)	(19,699)	2,165,515
Cumulative effect of change in accounting principle (e).....	--	--	--	(93,151)	--
Net income.....	\$ 74,553	\$ 187,616	\$ 193,248	\$ 113,009	\$ 836,392
Earnings per Share of Common Stock (f):					
Income before extraordinary items....	\$.39	\$ 1.41	\$ 1.56	\$ 1.19	\$ --
Net income.....	.39	1.41	1.53	1.01	--
Average number of shares outstanding					
(f).....	191,503	132,862	126,293	111,350	--
Depreciation and amortization.....	\$ 496,911	\$ 285,861	\$ 229,781	\$ 230,124	\$ 260,884
Capital expenditures.....	\$ 699,306	\$ 397,664	\$ 312,960	\$ 207,931	\$ 201,631
Balance Sheet Data (at year end):					
Cash.....	\$ 172,518	\$ 206,490	\$ 222,428	\$ 566,984	\$ 1,002,482
Working capital.....	3,262,296	2,375,654	1,967,569	2,227,336	1,923,812
Total assets.....	14,295,050	12,276,990	7,419,427	7,019,770	7,501,145
Short-term debt.....	733,115	463,042	10,099	12,944	771,605
Long-term debt.....	5,632,232	4,529,220	2,786,724	2,809,757	3,176,687
Shareholders' equity.....	4,273,686	3,639,610	2,278,244	2,074,980	1,454,132

</TABLE>

(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

Statements of Operations for periods after February 1, 1992 are not comparable to

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the Consolidated Statement of Operations for the period ended February 1, 1992 and therefore are separated by a black line.

- b) Excludes interest on unsecured prepetition indebtedness of \$301,576,000 for 1991.
- c) Reflects the net expense incurred in connection with the Chapter 11 reorganization of the Federated/Allied Companies.
- d) The extraordinary item for 1993 is described in Note 4 to the Consolidated Financial Statements. The extraordinary items for 1992 were after-tax expenses associated with debt prepayments. 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 the period during which there were no publicly held shares of common stock of the Company.

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

The Company acquired Macy's on December 19, 1994 and effected other acquisitions (and dispositions) during its 1994 fiscal year. Additionally, in its 1995 fiscal year, the Company acquired Broadway and recorded the acquisition as of July 29, 1995. Under the purchase method of accounting, the assets, liabilities and results of operations associated with such acquired businesses have been included in the Company's financial position and results of operations since the respective dates of acquisition. Accordingly, the financial position and results of operations of the Company presented and discussed herein are generally not directly comparable between the periods presented. 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 53 Weeks Ended February 3, 1996 and the 52 Weeks Ended January 28, 1995. Net sales for 1995 were \$15,048.5 million compared to \$8,315.9 million for 1994, an increase of 81.0%. Including sales of the Macy's stores that were open throughout both periods being compared, and adjusting for the impact of the 53rd week in 1995, comparable store sales increased 2.7% in 1995. Net sales for 1995 includes \$1,050.3 million of Broadway sales.

Cost of sales was 61.9% of net sales for 1995, compared to 61.7% for 1994. Cost of sales was negatively impacted by markdowns at stores added through the Broadway acquisition. Excluding these stores, cost of sales would have been 61.3% of net sales in 1995. The valuation of merchandise inventory on the last-in, first-out basis did not impact cost of sales in 1995 and resulted in a credit of \$11.3 million to cost of sales in 1994.

Selling, general and administrative expenses were 31.6% of net sales for 1995, compared to 30.7% for 1994. Because the credit card programs relating to Macy's are owned by a third party, revenue from credit operations decreased as a percentage of sales. Because selling, general and administrative expenses are reported net of revenue from credit operations, such decrease was the major factor contributing to the increase in the selling, general and administrative expense rate and more than offset the Company's improved expense control. In addition, operating expenses were reduced by \$23.8 million in 1994 as a result of an adjustment for the favorable settlement of bankruptcy claims.

Business integration and consolidation expenses for 1995 consisted of \$208.9 million associated with the integration of Macy's into the Company, \$36.9 million related to the consolidation of the Company's Rich's/Goldsmith's and Lazarus divisions and \$48.1 million related to the integration of Broadway into the

Company. The Company expects to incur in fiscal 1996 approximately \$300.0 million of additional business integration and consolidation expenses, principally as a result of the Broadway acquisition.

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.

Net interest expense was \$461.0 million for 1995, compared to \$218.2 million for 1994. The higher interest expense in 1995 is principally due to the higher levels of borrowings resulting from the Macy's and Broadway acquisitions. Cash interest payments, net of interest received, were \$398.0 million for 1995 compared to \$166.8 million for 1994.

The Company's effective income tax rate of 63.1% for 1995 differs from the federal income tax statutory rate of 35.0% principally because of permanent differences arising from the non-deductibility of approximately \$65.0 million of losses of Broadway and the amortization of intangible assets, and the effect of state and local income taxes.

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 at the end of 1995 will be realized. Management evaluates the realizability of deferred tax assets quarterly.

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 reflected 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 included 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 reflected the continued emphasis on controlling expenses, enhanced efficiencies and productivity resulting from the Company's on-going 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.

Net interest expense was \$218.2 million for 1994, compared to \$164.1 million for 1993. The higher interest expense in 1994 was 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.

The Company's effective income tax rate of 43.4% for 1994 differed from the federal income tax statutory rate of 35.0% principally because of state and local income taxes and permanent differences arising from the amortization of intangible assets.

The extraordinary item of \$3.5 million in 1993 related 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 available credit facilities.

Net cash provided by operating activities in 1995 was \$294.5 million, an increase of \$133.0 million from the net cash provided by operating activities in 1994 of \$161.5 million. The primary factors which contributed to this increase were lower increases in accounts receivable balances and higher operating income partially offset by increased merchandise inventories (as compared to a decrease in 1994) and increased payments of non-merchandise accounts payable. The higher accounts receivable balances in 1994 were generated by increases in proprietary credit sales and a Company policy change to lower its minimum monthly payment requirement. The increased operating income reflects the impact of the Macy's acquisition. The increased payments of non-merchandise accounts payable reflect the payment of Macy's merger-related liabilities.

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 February 3, 1996, the Company had \$800.0 million of term borrowings, \$840.0 million of revolving credit borrowings, \$86.5 million of standby letters of credit and \$116.2 million of trade letters of credit outstanding under its bank credit facility and \$117.0 million of commercial paper borrowings outstanding under its receivables backed commercial paper facility. In addition, there was \$386.5 million of commercial paper borrowings outstanding under a Broadway receivables backed commercial paper facility which will expire in 1996.

Net cash provided by the Company for all financing activities was \$304.8 million in 1995 compared to \$776.1 million in 1994. During 1995, the Company incurred debt totaling \$1,347.1 million and repaid debt totaling \$1,020.1 million. Debt incurred consisted of \$597.1 million of receivables backed certificates, \$400.0 million of 8.125% Senior Notes due 2002 and \$350.0 million of 5.0% Convertible Subordinated Notes due 2003. The major components of debt repaid were \$307.4 million of Senior Convertible Discount Notes due 2004, \$347.7 million of short-term debt (\$104.8 million under Broadway's working capital and receivables financing facilities and \$242.9 million under the Company's bank credit facility and commercial paper facility), \$101.5 million of the Company's subsidiary trade obligations and \$142.0 million of Broadway's 6.25% Convertible Senior Subordinated Notes Due 2000.

Net cash used in investing activities was \$633.2 million in 1995 compared to \$953.5 million in 1994. In 1995, capital expenditures for property and equipment were \$696.5 million, and the Company added \$16.3 million in cash as a result of the acquisition of Broadway. The total purchase price for Broadway,

consisting solely of non-cash items, was \$1,620.0 million. 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 \$2,300.0 million for the 1996 to 1998 period. 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 fund capital expenditures or for other corporate purposes.

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

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

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>

INDEX	PAGE NUMBER

<S>	<C>
Management's Report.....	F-2
Independent Auditors' Report.....	F-3
Consolidated Statements of Income for the 53 weeks ended February 3, 1996 and the 52 weeks ended January 28, 1995 and January 29, 1994.....	F-4
Consolidated Balance Sheets at February 3, 1996 and January 28, 1995.....	F-5
Consolidated Statements of Cash Flows for the 53 weeks ended February 3, 1996 and the 52 weeks ended January 28, 1995 and January 29, 1994.....	F-6
Notes to Consolidated Financial Statements.....	F-7

</TABLE>

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

None.

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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 and 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 (the "1994 S-4 Registration Statement")

</TABLE>

<TABLE>
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EXHIBIT NUMBER	DESCRIPTION	DOCUMENT IF INCORPORATED BY REFERENCE
<C>	<S>	<C>
2.2	Second Amended Joint Plan of Reorganization of Macy's and Certain of Its Subsidiaries	Exhibit 2.2 to the 1994 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 (the "1995 Form 8-K")
2.3	Findings of Fact, Conclusions of Law and Order Confirming Second Amended Joint Plan of Reorganization of Macy's and Certain of Its Subsidiaries, as Modified	Exhibit 2.1.2 of the 1995 Form 8-K
2.4	Agreement and Plan of Merger, dated as of August 14, 1995, among Broadway, the Company, and Newco	Exhibit 2.1 to the Registration Statement on Form S-4 (Registration No. 33-62077) filed on September 8, 1995 (the "1995 S-4 Registration Statement")
2.5	Stock Agreement, dated as of August 14, 1995, between the Company and Zell/Chilmark	Exhibit to Schedule 13D, dated August 14, 1995, relating to the common stock of Broadway
2.6	Purchase Agreement, dated as of August 14, 1995, among Prudential Insurance Company of America ("Prudential"), the Company, and Federated Noteholding Corporation II ("FNC II")	Exhibit 10.3 to the Quarterly Report on Form 10-Q for the period ended July 29, 1995
2.6.1	Note Amendment Agreement, dated as of November 1, 1995, among Prudential, FNC II and the Company	Exhibit 10.1 to the Quarterly Report on Form 10-Q for the period ended October 28, 1995 (the "October 1995 Form 10-Q")
3.1	Certificate of Incorporation	Exhibit 3.1 to the Annual Report on

Form 10-K for the fiscal year ended
January 28, 1995 (the "1994 Form
10-K")

3.1.1	Certificate of Designations of Series A Junior Participating Preferred Stock	Exhibit 3.1.1 to the 1994 Form 10-K
3.2	By-Laws	Exhibit 3.2 to the 1994 Form 10-K
4.1	Certificate of Incorporation	See Exhibit 3.1
4.2	By-Laws	See Exhibit 3.2
4.3	Rights Agreement, dated as of December 15, 1994, between the Company and the Bank of New York, as rights agent	Exhibit 4.3 to the 1994 Form 10-K
4.4	Indenture, dated as of December 15, 1994, between the Company and State Street Bank and Trust Company (successor to 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 (the "S-3 Registration Statement")

</TABLE>

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EXHIBIT NUMBER	DESCRIPTION	DOCUMENT IF INCORPORATED BY REFERENCE
----------------	-------------	---------------------------------------

<C>	<S>	<C>
4.4.1	Third Supplemental Indenture, dated as of January 23, 1995, between the Company and State Street Bank and Trust Company (successor to The First National Bank of Boston), as Trustee	Exhibit 4.4.1 to the 1994 Form 10-K
4.4.2	Fourth Supplemental Indenture, dated as of September 27, 1995, between the Company and State Street Bank and Trust Company (successor to The First National Bank of Boston), as Trustee	Exhibit 4.2 to the Company's Registration Statement on Form 8-A, dated November 29, 1995
4.4.3	Fifth Supplemental Indenture, dated as of October 6, 1995, between the Company and State Street Bank and Trust Company (successor to The First National Bank of Boston), as Trustee	Exhibit 2 to the Company's Registration Statement on Form 8-A, dated October 4, 1995
4.4.4	Sixth Supplemental Indenture, dated as of February 1, 1996, between the Company and State Street Bank and Trust Company (successor to The First National Bank of Boston), as Trustee	
4.5	Series C Warrant Agreement	Exhibit 4.6 to the 1994 Form 10-K
4.6	Series D Warrant Agreement	Exhibit 4.7 to the 1994 Form 10-K
4.7	Warrant Agreement	Exhibit 4.1 to Broadway's Annual Report on Form 10-K (File No. 1-8765) for the fiscal year ended January 30, 1993 (the "Broadway 1992 Form 10-K")
4.7.1	Letter Agreement, dated October 11, 1995, between Broadway and The Bank of New York	Exhibit 4.5.1 to the October 1995 Form 10-Q
4.8	Series B Warrant Agreement	Exhibit 10.7 to the Registration Statement on Form 10 (File No. 1-10951), filed November 27, 1991, as amended (the "Form 10")
4.9	Series E Warrant Agreement	
10.1	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 (the "Working Capital Credit Agreement")	Exhibit 10.3 to the 1994 Form 10-K
10.1.1	Amendment #2 and Waiver, dated as of August 30, 1995, to the Working Capital Credit Agreement	Exhibit 10.5 to the October 1995 Form 10-Q

</TABLE>

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<TABLE>

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EXHIBIT NUMBER DESCRIPTION DOCUMENT IF INCORPORATED BY REFERENCE

<C>	<S>	<C>
10.2	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
10.2.1	Amendment No. 1, dated as of December 29, 1988, to the Prudential Loan Agreement	Exhibit 10.9.1 to Form 10
10.2.2	Amendment No. 2, dated as of November 17, 1989, to the Prudential Loan Agreement	Exhibit 10.9.2 to Form 10
10.2.3	Amendment No. 3, dated as of February 5, 1992, to the Prudential Loan Agreement	Exhibit 10.9.3 to Form 10
10.3	Loan Agreement, dated as of May 26, 1994 (the "Lazarus PA Mortgage Term Loan"), among Lazarus PA (formerly Joseph Horne Co., Inc.), the banks listed thereon, and PNC Bank, Ohio, National Association, as Agent ("PNC")	Exhibit 10.47 to the 1994 S-4 Registration Statement
10.3.1	First Amendment to the Lazarus PA Mortgage Term Loan	Exhibit 10.6 to the October 1995 Form 10-Q
10.4	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	Exhibit 10.48 to the 1994 S-4 Registration Statement
10.4.1	Amendment #1 to Guaranty Agreement, dated as of February 28, 1995, made by the Company in favor of the banks listed on the Lazarus PA Mortgage Term Loan and PNC	Exhibit 10.7.1 to the 1994 Form 10-K
10.5	Amended and Restated Term Loan Agreement, dated as of October 8, 1992, by and among the Banks party thereto, Bank of America National Trust and Savings Association as Agent for Banks and Carter Hawley Hale Stores, Inc.	Exhibit 4.23 to the Broadway's Annual Report on Form 10-K (File No. 1-8765) for the fiscal year ended January 30, 1993, as amended (the "Broadway 1992 10-K")
10.5.1	Master Capitalized Interest Note, dated as of October 8, 1992, in favor of Bank of America National Trust and Savings Association as Agent for certain banks in the amount of \$10,750,830.46	Exhibit 4.24 to the Broadway 1992 10-K

</TABLE>

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<TABLE>

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EXHIBIT NUMBER DESCRIPTION DOCUMENT IF INCORPORATED BY REFERENCE

<C>	<S>	<C>
10.5.2	Master Principal Note, dated as of October 8, 1992, in favor of Bank of America National Trust and Savings Association as Agent for Certain banks in the amount of \$89,662,770.00	Exhibit 4.25 to the Broadway 1992 10-K
10.5.3	First Amendment to Amended and Restated Term Loan Agreement, dated as of October 11, 1995, by and among Broadway, the Banks party thereto and Bank of America National Trust and Savings Association, as Agent for Banks	Exhibit 10.2.3 to the October 1995 Form 10-Q

- 10.5.4 Second Amendment to Amended and Restated Term Loan Agreement, dated as of December 1, 1995, by and among Broadway, the Banks party thereto and Bank of America National Trust and Savings Association, as Agent for Banks
- 10.6 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
- 10.6.1 First Amendment, dated as of December 1, 1993, to the Pooling and Servicing Agreement
- 10.6.2 Second Amendment, dated as of February 28, 1994, to the Pooling and Servicing Agreement
- 10.6.3 Third Amendment, dated as of May 31, 1994, to the Pooling and Servicing Agreement
- 10.6.4 Fourth Amendment, dated as of January 18, 1995, to the Pooling and Service Agreement
- 10.6.5 Fifth Amendment, dated as of April 30, 1995, to the Pooling and Service Agreement
- 10.6.6 Sixth Amendment, dated as of July 27, 1995, to the Pooling and Service Agreement

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EXHIBIT NUMBER DESCRIPTION DOCUMENT IF INCORPORATED BY REFERENCE

<C>	<S>	<C>
10.7	Assumption Agreement under the Pooling and Servicing Agreement, dated as of September 15, 1993	Exhibit 10.10.3 to the 1993 Form 10-K
10.8	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, filed January 22, 1993, as amended ("Prime's Form 8-A")
10.9	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
10.10	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
10.11	Series 1995-1 Supplement, dated as of July 27, 1995, to the Pooling and Servicing Agreement	Exhibit 4.7 to Prime's Registration Statement on Form S-1, filed July 14, 1995, as amended
10.12	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
10.12.1	First Amendment, dated as of June 23, 1993, to the Receivables Purchase Agreement	Exhibit 10.14.1 to 1993 Form 10-K
10.12.2	Second Amendment, dated as of Decem-	Exhibit 10.14.2 to 1993 Form 10-K

	ber 1, 1993, to the Receivables Purchase Agreement	
10.12.3	Third Amendment, dated as of February 28, 1994, to the Receivables Purchase Agreement	Exhibit 10.14.3 to 1993 Form 10-K
10.12.4	Fourth Amendment, dated as of May 31, 1994, to the Receivables Purchase Agreement	Exhibit 10.13.4 to the 1994 Form 10-K
10.12.5	Fifth Amendment, dated as of April 30, 1995, to the Receivables Purchase Agreement	
10.12.6	First Supplement, dated as of September 15, 1993, to the Receivables Purchase Agreement	Exhibit 10.14.4 to 1993 Form 10-K

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EXHIBIT NUMBER DESCRIPTION DOCUMENT IF INCORPORATED BY REFERENCE

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10.12.7	Second Supplement, dated as of May 31, 1994, to the Receivables Purchase Agreement	
10.13	Depository Agreement, dated as of December 31, 1992, among Deerfield Funding Corporation, now known as Seven Hills Funding Corporation ("Seven Hills"), the Company, and Chemical Bank, as Depository	Exhibit 10.15 to Company's Annual Report on Form 10-K (File No. 1-10951) for the fiscal year ended January 30, 1993 ("1992 Form 10-K")
10.14	Liquidity Agreement, dated as of December 31, 1992, among Seven Hills, the Company, the financial institutions named therein, and Credit Suisse, New York Branch, as Liquidity Agent	Exhibit 10.16 to 1992 Form 10-K
10.15	Pledge and Security Agreement, dated as of December 31, 1992, among Seven Hills, the Company, Chemical Bank, as Depository and Collateral Agent, and the Liquidity Agent	Exhibit 10.17 to 1992 Form 10-K
10.16	Commercial Paper Dealer Agreement, dated as of December 31, 1992, among Seven Hills, the Company, and Goldman Sachs Money Markets, L.P.	Exhibit 10.18 to 1992 Form 10-K
10.17	Commercial Paper Dealer Agreement, dated as of December 31, 1992, among Seven Hills, the Company, and Shearson Lehman Brothers, Inc.	Exhibit 10.19 to 1992 Form 10-K
10.18	Tax Sharing Agreement	Exhibit 10.10 to Form 10
10.19	Ralphs Tax Indemnification Agreement	Exhibit 10.1 to Form 10
10.20	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")

</TABLE>

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EXHIBIT NUMBER DESCRIPTION DOCUMENT IF INCORPORATED BY REFERENCE

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10.21	Commercial Accounts Agreement dated as of May 10, 1991 ("Commercial	Exhibit 19.3 to Macy's May 1991 Form 10-Q
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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.**

- 10.22 Credit Card Program Agreement dated Exhibit 19.4 to Macy's May 1991 Form as of May 10, 1991 ("Credit Card 10-Q 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.**
- 10.22.1 Amendment, dated January 27, 1992, to Exhibit 19.6 to Macy's Quarterly Credit Card Program Agreement and Report on Form 10-Q (File No. Commercial Accounts Agreement between 33-6192) for the fiscal quarter ended Monogram and GECC and Macy's and February 1, 1992 certain subsidiaries
- 10.22.2 Amendment Agreement, dated as of August 6, 1995, among the Company, GE Capital Consumer Card Co. ("GE Bank"), FDS National Bank and the other parties listed on the signature page thereto***
- 10.22.3 Program Agreement Amendment, dated as of February 3, 1996, among the Company, GE Bank, FDS National Bank and the other parties listed on the signature pages thereto***
- 10.23 Interim Agreement, dated as of August 6, 1995, between the Company and General Electric Capital Corporation ("GE Capital")***
- 10.24 Interim Agreement II, dated as of February 3, 1996, between the Company and GE Capital***
- 10.25 Letter, dated January 27, 1992 Exhibit 19.2 to Macy's Quarterly ("Waiver Letter"), from Monogram Report on Form 10-Q (File No. accepted and agreed to by Macy's and 33-6192) for the fiscal quarter ended certain of its subsidiaries and, as October 31, 1992 ("Macy's October to Sections 4 and 12 of the Waiver 1992 Form 10-Q") Letter, by GECC

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EXHIBIT NUMBER DESCRIPTION DOCUMENT IF INCORPORATED BY REFERENCE

<C>	<S>	<C>
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	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
10.28	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
10.29	Receivables-Backed Credit Agreement among CHH Receivables, Inc., Blue Hawk Funding Corporation and General	Exhibit 10.1 to the Broadway 1992 Form 10-K

Electric Capital Corporation, as Agent

- 10.29.1 Amendment No. 1 to Receivables-Backed Credit Agreement, dated as of September 28, 1993, among CHH Receivables, Inc., Blue Hawk Funding Corporation and General Electric Capital Corporation, as Agent Exhibit 4.1 to Broadway's Current Report on Form 8-K filed September 13, 1994
- 10.29.2 Amendment No. 2 to Receivables-Backed Credit Agreement, dated as of September 13, 1994, among Broadway Receivables, Inc., Blue Hawk Funding Corporation and General Electric Capital Corporation Exhibit 4.2 to Broadway's Current Report on Form 8-K filed September 13, 1994
- 10.29.3 Assignment and Security Agreement among CHH Receivables Inc., Blue Hawk Funding Corporation, Cash Collateral Bank and General Electric Capital Corporation, as Agent, Letter of Credit Agent, Liquidity Agent and Collateral Agent Exhibit 10.2 to the Broadway 1992 10-K
- 10.29.4 Amended and Restated Assignment and Security Agreement, dated as of September 13, 1994, among Broadway Receivables, Inc. and Blue Hawk Funding Corporation Exhibit 4.3 to Broadway's Current Report of Form 8-K filed September 13, 1994

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EXHIBIT NUMBER DESCRIPTION DOCUMENT IF INCORPORATED BY REFERENCE

<C>	<S>	<C>
10.29.5	Receivables Purchase Agreement among Carter Hawley Hale Stores, Inc. and CHH Receivables, Inc.	Exhibit 10.3 to the Broadway 1992 10-K
10.29.6	Amendment No. 1 to Receivables Purchase Agreement, dated as of September 13, 1994, by and between Broadway Receivables, Inc. and Broadway Stores, Inc.	Exhibit 4.4 to Broadway's Form 8-K filed September 13, 1994
10.29.7	Promissory Note made by CHH Receivables, Inc. in favor of Blue Hawk Funding Corporation	Exhibit 10.4 to the Broadway 1992 10-K
10.29.8	Letter of Credit Reimbursement Agreement among CHH Receivables, Inc. in favor of Blue Hawk Funding Corporation	Exhibit 10.5 to the Broadway 1992 10-K
10.29.9	First Amendment, dated as of September 13, 1994, to the Letter of Credit Reimbursement Agreement, dated as of October 8, 1992 among Broadway Receivables, Inc., Blue Hawk Funding Corporation, the financial institutions party thereto and General Electric Capital Corporation	Exhibit 4.6 to Broadway's Current Report on Form 8-K filed September 13, 1994
10.29.10	Subordinated Retailer Security Agreement made by Carter Hawley Hale Stores, Inc. in favor of CHH Receivables, Inc.	Exhibit 10.6 to the Broadway 1992 10-K
10.30	1992 Executive Equity Incentive Plan*	Exhibit 10.12 to Form 10
10.31	1995 Executive Equity Incentive Plan* Registration	Exhibit 10.65 to the 1994 S-4
10.32	Statement 1992 Incentive Bonus Plan*	Exhibit 10.12 to Form 10
10.33	Form of Severance Agreement*	Exhibit 10.33 to the 1994 Form 10-K
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	Exhibit 10.1.6 to 1989 Form 10-K

	Employees*	
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 the 1994 S-4 Registration Statement
10.39	Form of Employment Agreement for Executives and Key Employees*	Exhibit 10.31 to 1993 Form 10-K

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EXHIBIT NUMBER	DESCRIPTION	DOCUMENT IF INCORPORATED BY REFERENCE
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<C>	<S>	<C>
10.40	Supplementary Executive Retirement Plan, as Amended*	Exhibit 10.32 to 1993 Form 10-K
10.41	Executive Deferred Compensation Plan (adopted October 29, 1993)*	Exhibit 4.1 to the Registration Statement on Form S-8 (Registration No. 33-50831), filed October 29, 1993
10.42	First Amendment to the Executive Deferred Compensation Plan*	Exhibit 10.2 to the Quarterly Report on Form 10-Q (File No. 33-6192) for the fiscal quarter ended October 29, 1994 (the "October 1994 Form 10-Q")
10.43	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
10.44	Amendment to Retirement Income and Thrift Incentive Plan*	Exhibit 3.1 to the October 1994 Form 10-Q
11	Statement Regarding Computation of Earnings	
21	Subsidiaries	
23	Consent of KPMG Peat Marwick LLP	
24	Powers of Attorney	
27	Financial Data Schedule	

</TABLE>

*Constitutes a compensatory plan or arrangement.

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

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

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SIGNATURES

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

FEDERATED DEPARTMENT STORES, INC.

By /s/ Dennis J. Broderick

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

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 17, 1996.

<TABLE>

<CAPTION>

SIGNATURE

TITLE

<S>	<C>
*	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, Sr.	
*	Director
George V. Grune	
*	Director
Gertrude G. Michelson	
*	Director
Joseph Neubauer	
*	Director
Laurence A. Tisch	
*	Director
Paul W. Van Orden	
*	Director
Karl M. von der Heyden	
*	Director
Marna C. Whittington	
*	Director
James M. Zimmerman	
</TABLE>	

*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

Date: April 17, 1996

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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

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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 February 3, 1996 and January 28, 1995, and the related consolidated statements of income and cash flows for the fifty-three week period ended February 3, 1996 and the fifty-two week periods ended January 28, 1995 and January 29, 1994. 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 February 3, 1996 and January 28, 1995, and the results of their operations and their cash flows for the fifty-three week period ended February 3, 1996 and the fifty-two week periods ended January 28, 1995 and January 29, 1994, in conformity with generally accepted accounting principles.

KPMG PEAT MARWICK LLP

Cincinnati, Ohio
March 5, 1996

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FEDERATED DEPARTMENT STORES, INC.

CONSOLIDATED STATEMENTS OF INCOME

(THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

	53 WEEKS ENDED FEBRUARY 3, 1996	52 WEEKS ENDED JANUARY 28, 1995	52 WEEKS ENDED JANUARY 29, 1994	
	<C>	<C>	<C>	<S>
Net Sales, including leased department sales.....	\$15,048,513	\$8,315,877	\$7,229,406	
Cost of sales.....	9,317,784	5,131,363	4,373,941	
Selling, general and administrative expenses.....	4,748,331	2,549,122	2,323,546	
Business integration and consolidation expenses.....	293,930	85,867	--	
Charitable contribution to Federated Department Stores Foundation.....	25,581	--		
Operating Income.....	662,887	549,525	531,919	
Interest expense.....	(508,132)	(262,115)	(213,544)	
Interest income.....	47,104	43,874	49,405	
Income Before Income Taxes and Extraordinary Item.....	201,859	331,284	367,780	
Federal, state and local income tax expense.....	(127,306)	(143,668)	(170,987)	
Income Before Extraordinary Item.....	74,553	187,616	196,793	
Extraordinary item.....	--	--	(3,545)	
Net Income.....	\$ 74,553	\$ 187,616	\$ 193,248	
Earnings per Share:				
Income before extraordinary item.....	\$.39	\$ 1.41	\$ 1.56	
Extraordinary item.....	--	--	(.03)	
Net Income.....	\$.39	\$ 1.41	\$ 1.53	

</TABLE>

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

FEDERATED DEPARTMENT STORES, INC.

CONSOLIDATED BALANCE SHEETS

(THOUSANDS)

<TABLE>
<CAPTION>

	FEBRUARY 3,		JANUARY 28,	
	1996		1995	
	<C>		<C>	
<S>				
ASSETS				
Current Assets:				
Cash.....	\$	172,518	\$	206,490
Accounts receivable.....		2,842,077		2,265,651
Merchandise inventories.....		3,094,848		2,380,621
Supplies and prepaid expenses.....		176,411		99,559
Deferred income tax assets.....		74,511		135,405
		-----		-----
Total Current Assets.....		6,360,365		5,087,726
Property and Equipment -- net.....		6,305,167		5,349,912
Intangible Assets -- net.....		744,689		1,006,547
Notes Receivable.....		415,066		408,134
Other Assets.....		469,763		424,671
		-----		-----
Total Assets.....	\$	14,295,050	\$	12,276,990
		=====		=====
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities:				
Short-term debt.....	\$	733,115	\$	463,042
Accounts payable and accrued liabilities.....		2,358,543		2,183,711
Income taxes.....		6,411		65,319
		-----		-----
Total Current Liabilities.....		3,098,069		2,712,072
Long-Term Debt.....		5,632,232		4,529,220
Deferred Income Taxes.....		732,936		890,729
Other Liabilities.....		558,127		505,359
Shareholders' Equity.....		4,273,686		3,639,610
		-----		-----
Total Liabilities and Shareholders' Equity.....	\$	14,295,050	\$	12,276,990
		=====		=====

</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>

	53 WEEKS ENDED		52 WEEKS ENDED		52 WEEKS ENDED	
	FEBRUARY 3,		JANUARY 28,		JANUARY 29,	
	1996		1995		1994	
	<C>		<C>		<C>	
<S>						
Cash flows from operating activities:						
Net income.....	\$	74,553	\$	187,616	\$	193,248
Adjustments to reconcile net income to net cash provided by operating activities:						

Depreciation and amortization of property and equipment.....	444,830	260,485	207,914
Amortization of intangible assets.....	47,451	22,662	18,762
Amortization of financing costs.....	21,702	11,468	10,163
Amortization of original issue discount.....	1,202	29,435	16,846
Amortization of unearned restricted stock.....	4,630	2,714	3,105
Loss on early extinguishment of debt.....	--	--	3,545
Changes in assets and liabilities, net of effects of acquisition of companies:			
Increase in accounts receivable.....	(21,098)	(310,934)	(215,101)
(Increase) decrease in merchandise inventories	(361,991)	28,620	(31,910)
(Increase) decrease in supplies and prepaid expenses.....	(67,745)	2,450	(6,592)
Decrease in other assets not separately identified.....	61,483	2,697	20,229
Increase (decrease) in accounts payable and accrued liabilities not separately identified.....	(83,220)	(124,662)	70,679
Increase (decrease) in current income taxes.....	(45,437)	61,149	65,990
Increase (decrease) in deferred income taxes.....	192,079	(12,057)	54,917
Increase (decrease) in other liabilities not separately identified.....	26,068	(184)	(1,291)
Net cash provided by operating activities.....	294,507	161,459	410,504
Cash flows from investing activities:			
Acquisition of companies net of cash acquired.....	16,262	(575,408)	(109,325)
Purchase of property and equipment.....	(696,488)	(386,847)	(309,536)
Disposition of property and equipment.....	46,992	8,723	1,097
Decrease in notes receivable.....	--	--	12,636
Net cash used by investing activities.....	(633,234)	(953,532)	(405,128)
Cash flows from financing activities:			
Debt issued.....	1,347,106	2,526,861	--
Financing costs.....	(27,236)	(66,602)	(633)
Debt repaid.....	(1,020,117)	(1,594,136)	(391,986)
Increase (decrease) in outstanding checks.....	(9,647)	(95,010)	35,776
Acquisition of treasury stock.....	(1,006)	(354)	(179)
Issuance of common stock.....	15,655	5,376	7,090
Net cash provided (used) by financing activities.....	304,755	776,135	(349,932)
Net decrease in cash.....	(33,972)	(15,938)	(344,556)
Cash beginning of period.....	206,490	222,428	566,984
Cash end of period.....	\$ 172,518	\$ 206,490	\$ 222,428
Supplemental cash flow information:			
Interest paid.....	\$ 444,398	\$ 211,457	\$ 186,658
Interest received.....	46,445	44,675	50,019
Income taxes paid (net of refunds received).....	35,103	93,647	49,588
Schedule of noncash investing and financing activities:			
Capital lease obligations for new store fixtures	2,818	10,817	3,424
Common stock issued for the Executive Deferred Compensation Plan.....	2,501	2,070	686
Debt and merger related liabilities issued, reinstated or assumed in acquisition.....	1,267,074	1,414,969	340,000
Equity issued in acquisition.....	352,902	1,166,014	--
Debt and equity issued for purchase of debt.....	429,665	--	--

</TABLE>

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

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

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. Estimated asset lives range from 15 to 50 years for buildings and building equipment and 3 to 15 years for store fixtures and equipment. Real estate taxes and interest on construction in progress and land under development are capitalized. Amounts capitalized are amortized over the estimated lives of the related depreciable assets.

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 present value of the expected future operating cash flows derived from such intangible assets is less than their carrying value.

Advertising and promotional costs, which are generally expensed as incurred, amounted to \$633.2 million for the 53 weeks ended February 3, 1996 and \$347.5 million and \$298.8 million for the 52 weeks ended January 28, 1995 and January 29, 1994, respectively.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

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.

The Company has adopted the provisions of Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The impact of such adoption was not material.

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 warrant agreements or stock option plans would be less than 3.0%. Fully diluted earnings per share include the effect of the potential issuance of shares under warrant agreements or stock option plans as well as for convertible debt and, unless disclosed, any such dilution would be less than 3.0%.

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

2. ACQUISITION OF COMPANIES

The Company completed its acquisition of Broadway Stores, Inc. ("Broadway") pursuant to an Agreement and Plan of Merger dated August 14, 1995. The total purchase price of the Broadway acquisition was approximately \$1,620.0 million, consisting of (i) 12.6 million shares of common stock and options to purchase an additional 1.5 million shares of common stock valued at \$352.9 million and (ii) \$1,267.1 million of Broadway debt. In addition, a wholly owned subsidiary of the Company purchased \$422.3 million of mortgage indebtedness of Broadway for 6.8 million shares of common stock of the Company and a \$242.3 million promissory note.

The Broadway acquisition was accounted for under the purchase method and, accordingly, the results of operations of Broadway have been included in the Company's results of operations since July 29, 1995 and the purchase price has been allocated to Broadway's assets and liabilities based on their estimated fair values as of that date. As of February 3, 1996, the related excess of cost over net assets acquired is approximately \$191.4 million (see Note 8).

On December 19, 1994, the Company acquired R. H. Macy & Co., Inc. ("Macy's") pursuant to a Plan of Reorganization (the "Macy's POR") of Macy's and substantially all of its subsidiaries (collectively, the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

"Macy's Debtors"). Pursuant to the Macy's POR, among other transactions, Macy's merged with the Company, which became responsible for making distributions of cash and debt and equity securities pursuant to the Macy's POR. The total purchase price of the Macy's acquisition was approximately \$3,815.9 million and consisted of the following:

<TABLE>
<CAPTION>

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

	\$3,815.9
	=====

</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. Including certain adjustments recorded in the 53 weeks ended February 3, 1996 to the assets and liabilities acquired, the related excess of cost over net assets acquired was adjusted to \$102.7 million at February 3, 1996 (see Note 8).

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

<TABLE>
<CAPTION>

	53 WEEKS ENDED FEBRUARY 3, 1996	52 WEEKS ENDED JANUARY 28, 1995

(MILLIONS, EXCEPT PER SHARE DATA)		

	<C>	<C>
Net sales.....	\$ 15,933.1	\$ 16,033.9
Net income.....	24.3	71.7
Earnings per share.....	.12	.36

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

- (v) Adjustments to income tax expense related to the above; and
- (vi) Adjustments for shares issued.

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

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, Macy's and Broadway businesses with the Company's other businesses and the consolidation of the operations of

certain of the Company's retail operating divisions.

During the 53 weeks ended February 3, 1996, the Company recorded \$293.9 million of business integration and consolidation expenses associated with the integration of Macy's and Broadway into the Company (\$208.9 million and \$48.1 million, respectively) and the consolidation of the Company's Rich's/Goldsmith's and Lazarus divisions (\$36.9 million). The primary components of the Macy's integration expenses were \$69.1 million of inventory valuation adjustments to merchandise in lines of business which the Company, subsequent to the acquisition, eliminated or replaced, \$31.1 million of costs to close and sell certain stores and to convert a number of stores to other nameplates, \$30.8 million of severance costs and \$77.9 million of other costs and expenses associated with integrating Macy's into the Company. The major components of the Broadway integration expenses were \$23.3 million of costs to close certain stores, \$8.7 million of costs to refinance certain indebtedness and \$16.1 million of other costs and expenses associated with integrating Broadway into the Company. Of the \$36.9 million of expenses associated with the divisional consolidation referred to above, \$22.5 million relates to inventory valuation adjustments to merchandise of the affected divisions in lines of business which were eliminated or replaced as a result of the consolidation.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

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 ITEM

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.

5. ACCOUNTS RECEIVABLE

<TABLE>
<CAPTION>

	FEBRUARY 3, 1996	JANUARY 28, 1995
	-----	-----
	(MILLIONS)	
<S>	<C>	<C>
Due from customers.....	\$ 2,698.8	\$ 2,087.9
Less allowance for doubtful accounts.....	83.5	44.9

	-----	-----
	2,615.3	2,043.0
Other receivables.....	226.8	222.7
	-----	-----
Net receivables.....	\$ 2,842.1	\$ 2,265.7
	=====	=====

</TABLE>

Sales through the Company's credit plans were \$4,323.8 million for the 53 weeks ended February 3, 1996 and \$3,916.9 million and \$3,743.1 million for the 52 weeks ended January 28, 1995 and January 29, 1994, 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

Finance charge income amounted to \$405.2 million for the 53 weeks ended February 3, 1996 and \$320.3 million and \$243.6 million for the 52 weeks ended January 28, 1995 and January 29, 1994, respectively. Changes in allowance for doubtful accounts are as follows:

<TABLE>
<CAPTION>

	53 WEEKS ENDED		
	FEBRUARY 3,	52 WEEKS ENDED	52 WEEKS ENDED
	1996	JANUARY 28, 1995	JANUARY 29, 1994
	-----	-----	-----
	(MILLIONS)		
<S>	<C>	<C>	<C>
Balance, beginning of year.....	\$ 44.9	\$ 36.9	\$ 45.3
Charged to costs and expenses.....	126.9	66.5	50.3
Acquired.....	16.8	--	--
Net uncollectible balances written off.....	(105.1)	(58.5)	(58.7)
	-----	-----	-----
Balance, end of year.....	\$ 83.5	\$ 44.9	\$ 36.9
	=====	=====	=====

</TABLE>

6. INVENTORIES

Merchandise inventories were \$3,094.8 million at February 3, 1996, compared to \$2,380.6 million at January 28, 1995. At these dates, the cost of inventories using the LIFO method approximates the cost of such inventories using the first-in, first-out method. The application of the LIFO method did not impact the 53 weeks ended February 3, 1996, 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>

	FEBRUARY 3,	JANUARY 28,	
	1996	1995	
	-----	-----	
	(MILLIONS)		
<S>	<C>	<C>	
Land.....	\$ 1,045.3	\$ 888.6	
Buildings on owned land.....	2,394.4	2,162.2	
Buildings on leased land and leasehold improvements.....	1,389.0	1,055.7	
Store fixtures and equipment.....	2,352.1	1,765.9	
Property not used in operations.....	11.3	6.5	
Leased properties under capitalized leases.....	80.6	62.6	
	-----	-----	
	7,272.7	5,941.5	
Less accumulated depreciation and amortization.....	967.5	591.6	
	-----	-----	
	\$ 6,305.2	\$ 5,349.9	

</TABLE>

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

Minimum rental commitments (excluding executory costs) at February 3, 1996, for noncancellable leases are:

<TABLE>

<CAPTION>

	CAPITAL LEASES	OPERATING LEASES	TOTAL
	(MILLIONS)		
<S>	<C>	<C>	<C>
Fiscal year:			
1996.....	\$ 14.3	\$ 189.1	\$ 203.4
1997.....	14.3	172.1	186.4
1998.....	13.8	148.3	162.1
1999.....	13.3	138.5	151.8
2000.....	13.1	132.8	145.9
After 2000.....	99.2	1,281.8	1,381.0
Total minimum lease payments.....	168.0	\$ 2,062.6	\$ 2,230.6
Less amount representing interest.....		81.4	
Present value of net minimum capital lease payments.....	\$ 86.6		

</TABLE>

Capitalized leases are included in the Consolidated Balance Sheets as property and equipment while the related obligation is included in short-term (\$5.5 million) and long-term (\$81.1 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 \$10.0 million on capital leases and \$25.0 million on operating leases.

Rental expense consists of:

<TABLE>

<CAPTION>

	53 WEEKS ENDED FEBRUARY 3, 1996	52 WEEKS ENDED JANUARY 28, 1995	52 WEEKS ENDED JANUARY 29, 1994
	(MILLIONS)		
<S>	<C>	<C>	<C>
Real estate (excluding executory costs)			
Capital leases --			
Contingent rentals.....	\$ 4.4	\$ 3.3	\$ 3.4
Operating leases --			
Minimum rentals.....	137.4	78.9	68.5
Contingent rentals.....	19.6	10.4	8.7
	161.4	92.6	80.6

Less income from subleases --			
Capital leases.....	0.7	0.6	0.8
Operating leases.....	1.7	0.9	1.2
	<u>2.4</u>	<u>1.5</u>	<u>2.0</u>
	<u>\$159.0</u>	<u>\$ 91.1</u>	<u>\$ 78.6</u>
Personal property --			
Operating leases.....	\$ 63.5	\$ 37.4	\$ 38.1

</TABLE>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

8. INTANGIBLE ASSETS

<TABLE>
<CAPTION>

	FEBRUARY 3, 1996	JANUARY 28, 1995
	<u>852.3</u>	<u>1,066.7</u>
Less accumulated amortization.....	107.6	60.2
Intangible assets -- net.....	<u>\$ 744.7</u>	<u>\$1,006.5</u>

</TABLE>

Intangible assets are being amortized on a straight-line basis over 20 years, except for tradenames which are being amortized over 40 years. The Company recorded \$200.0 million and \$75.0 million of tax benefits as reductions of reorganization value in excess of amounts allocable to identifiable assets during the 53 weeks ended February 3, 1996 and the 52 weeks ended January 28, 1995, respectively (see Note 12).

9. NOTES RECEIVABLE

<TABLE>
<CAPTION>

	FEBRUARY 3, 1996	JANUARY 28, 1995
9.5% 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.....	15.1	8.1
	<u>\$ 415.1</u>	<u>\$408.1</u>

</TABLE>

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).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

10. FINANCING

<TABLE>
<CAPTION>

	FEBRUARY 3, 1996	JANUARY 28, 1995
(MILLIONS)		
<S>	<C>	<C>
Short-term debt:		
Broadway receivables based financing.....	\$ 450.5	\$ --
Receivables backed commercial paper.....	117.0	274.9
Bank credit facility.....	100.0	25.0
Current portion of long-term debt.....	65.6	163.1
Total short-term debt.....	\$ 733.1	\$ 463.0
Long-term debt:		
Bank credit facility.....	\$ 1,540.0	\$1,700.0
Receivables backed certificates.....	1,654.3	1,056.8
Mortgages.....	455.7	418.5
10.0% Senior notes due 2001.....	450.0	450.0
8.125% Senior notes due 2002.....	400.0	--
Senior convertible discount notes.....	--	306.6
Note monetization facility.....	352.0	352.0
Convertible subordinated notes.....	350.0	--
Secured promissory note.....	242.3	--
Tax notes.....	106.8	177.4
Capitalized leases.....	81.1	67.5
Other.....	--	0.4
Total long-term debt.....	\$ 5,632.2	\$4,529.2

</TABLE>

Interest and financing costs were as follows:

<TABLE>
<CAPTION>

	53 WEEKS ENDED FEBRUARY 3, 1996	52 WEEKS ENDED JANUARY 28, 1995	52 WEEKS ENDED JANUARY 29, 1994
(MILLIONS)			
<S>	<C>	<C>	<C>
Interest on debt.....	\$478.2	\$244.9	\$197.5
Amortization of financing costs.....	21.7	11.5	10.2
Interest on capitalized leases.....	9.1	6.2	6.0
Subtotal.....	509.0	262.6	213.7
Less:			
Interest capitalized on construction.....	(0.9)	(0.5)	(0.2)
Interest income.....	(47.1)	(43.9)	(49.4)
	\$461.0	\$218.2	\$164.1

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

Future maturities of long-term debt, other than capitalized leases and including unamortized original issue discount of \$1.7 million, are shown below:

<TABLE>
<CAPTION>

(MILLIONS)

<S>	<C>
Fiscal year:	
1997.....	\$ 890.0
1998.....	472.9
1999.....	934.1
2000.....	1,156.3
2001.....	467.7
After 2001.....	1,631.8

</TABLE>

The Company assumed \$1,267.1 million of debt in the acquisition of Broadway. On October 11, 1995, in connection with the acquisition of Broadway, a wholly owned subsidiary of the Company ("FNC II") purchased \$422.3 million of mortgage indebtedness of Broadway for 6.8 million shares of common stock of the Company and a \$242.3 million Secured Promissory Note.

On September 27, 1995, the Company issued \$350.0 million of 5.0% Convertible Subordinated Notes and thereafter utilized a portion of the proceeds thereof to fund the repurchase of \$142.0 million of the 6.25% Convertible Senior Subordinated Notes assumed in the Broadway acquisition.

On October 3, 1995, the Company issued \$400.0 million of 8.125% Senior Notes and utilized \$307.4 million of the proceeds thereof to prepay the entire outstanding principal amount of the Company's Senior Convertible Discount Notes due 2004.

The following summarizes certain provisions of the Company's 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 (\$1,350.0 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

 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. The Company has also entered into interest rate swap agreements covering an aggregate notional amount of \$300.0 million. The Eurodollar rate with reference to which interest on the Company's variable rate indebtedness is determined is effectively converted to a fixed rate of 5.3275% on \$100.0 million of borrowings from January 9, 1996 to January 9, 1998, 5.2625% on \$100.0 million of borrowings from January 23, 1996 to January 25, 1999 and 5.225% on \$100.0 million of borrowings from January 18, 1996 to January 18, 1998.

RECEIVABLES BACKED CERTIFICATES

On December 15, 1992, Prime Receivables Corporation, a wholly owned subsidiary of the Company ("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 \$77.0 million of certificates are subject to interest rate caps intended to effectively limit the rate of interest thereon to 11.0% per annum. On July 27, 1995, Prime issued an additional

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

\$598.0 million of asset-backed certificates in two separate classes. The two classes are: (i) \$546.0 million in aggregate principal amount of 6.75% Class A Asset-Backed Certificates, Series 1995-1 due August 15, 2002 and (ii) \$52.0 million in aggregate principal amount of 6.90% Class B Asset-Backed Certificates, Series 1995-1 due September 15, 2002. All of the foregoing 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 February 3, 1996 and January 28, 1995 there was \$117.0 million and \$274.9 million of such commercial paper outstanding, respectively.

BROADWAY RECEIVABLES BASED FINANCING

Broadway Receivables Inc. , a wholly owned subsidiary of the Company ("BRI"), is a party to a credit facility providing for up to \$575.0 million in receivables based financing. The Broadway receivables facility provides for an unaffiliated limited purpose corporation to advance funds to BRI and to fund these advances through the issuance of commercial paper. Outstanding borrowings under the facility, which are secured by Broadway's customer receivables, accrue interest at the A-1/P-1 commercial paper rate plus 1.08%. At February 3, 1996, there was \$386.5 million of such borrowings outstanding.

In September 1994, BRI obtained an additional \$64.0 million in receivables based financing through the issuance of subordinated asset backed notes (the "Asset Backed Notes"). The Asset Backed Notes were issued in two classes: \$38.0 million of 7.55% Class A notes due in 1999 and \$26.0 million of 11.0% Class B notes due 1999. The Asset Backed Notes are redeemable at BRI's option, in whole or in part, on each interest payment date on or after October 15, 1994 and on October 8, 1996 at a redemption price combining principal, accrued interest, unpaid interest, and a make-whole premium. In March 1996, BRI gave notice for redemption of the Asset Backed Notes effective April 15, 1996.

Subject to such earlier termination as may be agreed upon by the parties, the Broadway receivables facility will expire on October 8, 1996. It is anticipated that, in connection with such termination or expiration, the customer receivables that provided security for the Broadway receivables facility and the Asset Backed Notes will be purchased by Prime.

10.0% SENIOR NOTES DUE 2001

The 10% Senior Notes due 2001 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. The Senior Notes are not redeemable at the option of the Company prior to maturity and are not subject to a sinking fund.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

8.125% SENIOR NOTES DUE 2002

The 8.125% Senior Notes due 2002 were issued by the Company on October 3, 1995. The Senior Notes are unsecured obligations of the Company which mature on October 15, 2002 and bear interest at 8.125% per annum from October 6, 1995, payable semiannually on October 15 and April 15 of each year, commencing on April 15, 1996. 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 February 3, 1996 and January 28, 1995, there was \$345.1 million outstanding under the mortgage loan facility.

In addition to the mortgage indebtedness described above, the Company and certain of its subsidiaries are obligated under certain other mortgage notes, which are secured by liens on certain real property of the Company's subsidiaries. The aggregate principal amount of such mortgage notes was \$118.8 million (\$8.2 million included in short-term debt) as of February 3, 1996 and \$76.2 million (\$2.8 million included in short-term debt) as of January 28, 1995.

CONVERTIBLE SUBORDINATED NOTES

On September 27, 1995, the Company issued Convertible Subordinated Notes which are unsecured obligations of the Company and are subordinate to all existing and future Senior Debt of the Company and all indebtedness and other liabilities of the Company's subsidiaries. The Convertible Subordinated Notes

mature on October 1, 2003 and bear interest at the rate of 5% per annum from September 27, 1995, payable in arrears on October 1 and April 1 of each year, commencing April 1, 1996.

At any time prior to maturity, unless previously redeemed or repurchased, each holder of Convertible Subordinated Notes will have the right to convert the principal of such holder's Convertible Subordinated Notes into fully-paid and non-assessable shares of Common Stock at the rate of 29.2547 shares of Common Stock for each \$1,000 stated principal amount of Convertible Subordinated Notes, provided that such conversion rate will be appropriately adjusted in order to prevent dilution of such conversion right 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, the Convertible Subordinated Notes will be redeemable at the Company's option, in whole or in part, at anytime on or after October 1, 1998, at the redemption prices plus accrued interest to the date of redemption. The Convertible Subordinated Notes are not subject to a sinking fund.

SECURED PROMISSORY NOTE

The Secured Promissory Note matures in October 2000 and is secured by liens on certain real property and stock of FNC II. The Secured Promissory Note bears interest at a variable rate equal to LIBOR plus 1.25%. The Secured Promissory Note provides that, at a time to be specified by the Company during the first

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

six months of the term thereof, the interest rate thereunder will be fixed at a rate equal to the applicable Treasury rate plus 1.75%.

TAX NOTES

The Tax Notes represent agreements with taxing authorities with respect to claims to be paid over varying periods of time up to 6 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.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

<TABLE>
<CAPTION>

	FEBRUARY 3, 1996	JANUARY 28, 1995
	-----	-----
	(MILLIONS)	
<S>	<C>	<C>
Merchandise and expense accounts payable.....	\$ 1,592.7	\$ 1,299.2
Business integration and consolidation expenses.....	13.0	57.8
Merger related liabilities.....	64.4	173.1
Taxes other than income taxes.....	94.6	123.3
Accrued wages and vacation.....	81.4	81.2
Accrued interest.....	64.3	29.3
Other.....	448.1	419.8

----- -----
 \$ 2,358.5 \$ 2,183.7
 ===== =====

</TABLE>

Included in Other at February 3, 1996 is \$22.5 million of accrued severance in connection with the Broadway acquisition related to approximately 2,000 employees. 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), all of which was paid out prior to February 3, 1996.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

12. TAXES

Total income taxes were allocated as follows:

<TABLE>
<CAPTION>

	53 WEEKS ENDED FEBRUARY 3, 1996	52 WEEKS ENDED JANUARY 28, 1995	52 WEEKS ENDED JANUARY 29, 1994

(MILLIONS)			
Income from operations.....	\$127.3	\$143.7	\$171.0
Extraordinary items.....	--	--	(2.3)

Total income taxes.....	\$127.3	\$143.7	\$168.7
=====			

</TABLE>

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

<TABLE>
<CAPTION>

	53 WEEKS ENDED FEBRUARY 3, 1996			52 WEEKS ENDED JANUARY 28, 1995			52 WEEKS ENDED JANUARY 29, 1994		

	CURRENT	DEFERRED	TOTAL	CURRENT	DEFERRED	TOTAL	CURRENT	DEFERRED	TOTAL

(MILLIONS)									
Federal.....	\$ 91.1	\$ 13.5	\$104.6	\$ 82.0	\$ 31.4	\$113.4	\$127.9	\$ 10.4	\$138.3
State and local.....	19.5	3.2	22.7	21.2	9.1	30.3	33.6	(0.9)	32.7

	\$110.6	\$ 16.7	\$127.3	\$103.2	\$ 40.5	\$143.7	\$161.5	\$ 9.5	\$171.0
=====									

</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 53 weeks ended February 3, 1996 and the 52 weeks ended January 28, 1995 and January 29, 1994 to income before income taxes and extraordinary items. The reasons for this difference and their tax effects are as follows:

<TABLE>
<CAPTION>

	53 WEEKS ENDED FEBRUARY 3, 1996	52 WEEKS ENDED JANUARY 28, 1995	52 WEEKS ENDED JANUARY 29, 1994

(MILLIONS)			
Expected tax.....	\$ 70.7	\$115.9	\$128.7
State and local income taxes, net of federal income tax expense.....	14.7	19.7	21.2
Permanent difference arising from			

amortization of intangible assets.....	16.6	7.9	6.6
Permanent difference resulting from Broadway acquisition.....	22.7	--	--
Effect of federal tax rate change on deferred income taxes.....	--	--	14.2
Other.....	2.6	0.2	0.3
	-----	-----	-----
	\$127.3	\$143.7	\$171.0
	=====	=====	=====

</TABLE>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

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>

	FEBRUARY 3, 1996	JANUARY 28, 1995
	-----	-----
	(MILLIONS)	
<\$>	<C>	<C>
Deferred tax assets:		
Operating loss carryforwards.....	\$ 417.0	\$ 378.3
Accrued liabilities accounted for on a cash basis for tax purposes.....	160.4	174.6
Postretirement benefits other than pensions.....	179.5	180.8
Capital lease debt.....	34.6	28.6
Allowance for doubtful accounts.....	31.7	18.1
Alternative minimum tax credit carryforwards.....	48.9	37.3
Other.....	133.8	77.7
	-----	-----
Total gross deferred tax assets.....	1,005.9	895.4
Less valuation allowance.....	--	(114.7)
	-----	-----
Net deferred tax assets.....	1,005.9	780.7
	-----	-----
Deferred tax liabilities:		
Excess of book basis over tax basis of property and equipment.....	(1,335.7)	(1,119.2)
Prepaid pension expense.....	(71.8)	(76.7)
Deferred gain from sale of divisions.....	(81.6)	(81.6)
Merchandise inventories.....	(131.6)	(98.6)
Effects of reorganization transactions.....	(18.2)	(136.4)
Other.....	(25.6)	(23.5)
	-----	-----
Total gross deferred tax liabilities.....	(1,664.5)	(1,536.0)
	-----	-----
Net deferred tax liability.....	\$ (658.6)	\$ (755.3)
	=====	=====

</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 an acquired enterprise's net operating loss carryforwards to subsequent taxable income of the acquired enterprise in a consolidated tax return for the combined enterprise, management had recorded a valuation allowance of \$114.7 million to reflect the estimated amount of deferred tax assets related to Macy's net operating loss carryforwards (the "Macy's NOLs") which may not be realized. During the year ended February 3, 1996, the Company determined that the

valuation allowance related to the Macy's NOLs was not required and the excess of cost over net assets acquired was adjusted accordingly.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

As of February 3, 1996, the Company estimated that the Macy's NOL's, which are available to offset future taxable income of Macy's through 2008, were approximately \$777.8 million and that Broadway's net operating loss carryforwards, which are available to offset future taxable income of Broadway through 2009, were approximately \$302.6 million. The Company also had alternative minimum tax credit carryforwards of \$48.9 million which are available to reduce future income taxes, if any, over an indefinite period.

In connection with the joint plan of reorganization ("POR") 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 believed 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 would have no regular federal income tax liability in respect thereof and that it had adequately provided for its estimated alternative minimum tax liability. During the year ended January 28, 1995, the Company recorded \$75.0 million of tax benefits related to NOLs generated prior to February 4, 1992 and reduced reorganization value in excess of amounts allocable to identifiable assets accordingly. The remaining issues related to the Gains and the POR were resolved on January 5, 1996 and the Company recorded \$200.0 million of tax benefits related to such NOLs as a reduction of reorganization value in excess of amounts allocable to identifiable assets.

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. All of the issues raised by the IRS audit have been resolved except for an issue involving the deductibility of approximately \$176.3 million of so-called "break-up fees." This issue was resolved in favor of the Company by the Bankruptcy Court for the Southern District of Ohio, the decision of which was affirmed by the United States District Court for the Southern District of Ohio. Thereafter, the IRS filed an appeal of such decision in the United States Court of Appeals for the Sixth Circuit, 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 53 weeks ended February 3, 1996, the 52 weeks ended January 28, 1995 and the 52 weeks ended January 29, 1994, net retirement expense for these plans totaled \$21.8 million, \$3.0 million and \$2.7 million, respectively.

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 was 7.25% as of December 31, 1995 and ranged from 8.0% to 8.5% as of December 31, 1994. The assumed rate of increase in future

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

compensation levels was 5.0% as of December 31, 1995 and ranged from 5.0% to 6.0% as of December 31, 1994. The long-term rate of return on assets (Pension Plans only) was 9.75% as of December 31, 1995 and ranged from 9.0% to 9.75% as of December 31, 1994.

PENSION PLANS

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

<TABLE>
<CAPTION>

	53 WEEKS ENDED FEBRUARY 3, 1996	52 WEEKS ENDED JANUARY 28, 1995	52 WEEKS ENDED JANUARY 29, 1994
(MILLIONS)			
Service cost.....	\$ 31.3	\$ 19.9	\$ 17.5
Interest cost.....	82.6	39.9	39.0
Actual return on assets.....	(243.2)	5.1	(94.1)
Net amortization and deferrals.....	134.5	(73.7)	24.9
Cost of special termination benefits.....	--	--	7.8
	\$ 5.2	\$ (8.8)	\$ (4.9)

</TABLE>

The following table sets forth the projected actuarial present value of benefit obligations and funded status at December 31, 1995 and 1994, for the Pension Plans:

<TABLE>
<CAPTION>

	DECEMBER 31, 1995	DECEMBER 31, 1994
(MILLIONS)		
Net accumulated benefit obligations, including vested benefits of \$1,213.2 million and \$839.7 million, respectively.....	\$1,244.5	\$ 857.6
Projected compensation increases.....	97.8	137.6
Projected benefit obligations.....	1,342.3	995.2
Plan assets (primarily stocks, bonds and U.S. government securities).....	1,363.4	1,075.3
Unrecognized loss.....	162.9	127.6
Unrecognized prior service cost.....	1.9	1.9
Unrecognized net asset.....	0.9	--
	1,529.1	1,204.8
Prepaid pension expense.....	\$ 186.8	\$ 209.6

</TABLE>

The Company's policy is to fund the Pension Plans at or above the minimum required by law. At December 31, 1995 and 1994, the Company had met the full funding limitation. Plan assets are held by independent trustees.

One of the Company's Pension Plans was amended effective January 1, 1996 to reflect then current salary levels. This amendment resulted in an increase of \$3.0 million in the accumulated benefit obligation, which will be recognized over an amortization period of 8.3 years.

SUPPLEMENTARY RETIREMENT PLANS

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

<TABLE>
<CAPTION>

	53 WEEKS ENDED FEBRUARY 3, 1996	52 WEEKS ENDED JANUARY 28, 1995	52 WEEKS ENDED JANUARY 29, 1994
(MILLIONS)			
Service cost.....	\$ 1.6	\$ 0.8	\$ 0.3
Prior service cost.....	1.1	--	--
Interest cost on projected benefit obligations.....	3.0	1.7	1.2
Net amortization and deferral.....	0.7	1.0	(0.3)
	\$ 6.4	\$ 3.5	\$ 1.2

</TABLE>

The following table sets forth the projected actuarial present value of unfunded benefit obligations at December 31, 1995 and 1994, for the supplementary retirement plans:

<TABLE>
<CAPTION>

	DECEMBER 31, 1995	DECEMBER 31, 1994
(MILLIONS)		
Accumulated benefit obligations, including vested benefits of \$68.4 million and \$20.7 million, respectively.....	\$ 69.9	\$ 21.1
Projected compensation increases.....	16.1	19.7
Projected benefit obligations.....	86.0	40.8
Unrecognized gain (loss).....	(6.2)	4.4
Unrecognized prior service cost.....	(6.5)	(7.6)
Accrued supplementary retirement obligation.....	\$ 73.3	\$ 37.6

</TABLE>

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 the minimum Company contribution is 20% of an employee's eligible savings. For the other plans, the Company's contribution is based on a percentage of employee savings. Savings expense amounted to \$10.2 million for the 53 weeks ended February 3, 1996, \$8.3 million for the 52 weeks ended January 28, 1995 and \$6.4 million for the 52 weeks ended January 29, 1994.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

DEFERRED COMPENSATION PLAN

The Company has a deferred compensation plan wherein eligible executives may elect to defer a portion of their compensation each year as either stock credits or cash credits. The Company transfers shares to a trust to cover the number it estimates will be needed for distribution on account of stock credits currently outstanding. At February 3, 1996, January 28, 1995 and January 29, 1994, the liability under the plan which is reflected in other liabilities is \$7.5 million, \$3.9 million and \$1.1 million, respectively. Expense for the 53 weeks ended February 3, 1996, 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.

Net postretirement benefit expense included the following actuarially determined components:

<TABLE>
<CAPTION>

	53 WEEKS ENDED FEBRUARY 3, 1996	52 WEEKS ENDED JANUARY 28, 1995	52 WEEKS ENDED JANUARY 29, 1994
(MILLIONS)			
<S>	<C>	<C>	<C>
Service cost.....	\$ 5.5	\$ 0.7	\$ 1.0
Interest cost.....	28.9	9.1	9.7
Net amortization and deferral.....	(6.8)	(5.8)	(5.8)
	\$ 27.6	\$ 4.0	\$ 4.9

</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, 1995 and 1994:

<TABLE>
<CAPTION>

	DECEMBER 31, 1995	DECEMBER 31, 1994
(MILLIONS)		
<S>	<C>	<C>
Accumulated postretirement benefit obligation:		
Retirees.....	\$292.7	\$246.6
Fully eligible active plan participants.....	47.1	48.9
Other active plan participants.....	56.3	89.6
Accumulated postretirement benefit obligation....	396.1	385.1
Unrecognized net gain.....	35.5	44.4
Unrecognized prior service cost.....	18.6	20.7
Accrued postretirement benefit obligation.....	\$450.2	\$450.2

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

The discount rate used in determining the actuarial present value of unfunded postretirement benefit obligations was 7.25% as of December 31, 1995 and ranged from 8.0% to 8.5% as of December 31, 1994.

The future 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 6.0% to 18.0% 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 obligation as of December 31, 1995 by \$26.5 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>

	53 WEEKS ENDED FEBRUARY 3, 1996		52 WEEKS ENDED JANUARY 28, 1995	
(SHARES IN THOUSANDS)	SHARES	GRANT PRICE	SHARES	GRANT PRICE
<S>	<C>	<C>	<C>	<C>
Outstanding, beginning of year.....	6,151.5	\$11.625-25.000	3,038.5	\$11.625-25.000
Granted.....	2,291.1	19.000-28.500	3,597.4	18.625-23.625
Canceled.....	(435.6)	16.000-23.625	(218.2)	11.625-23.625
Exercised.....	(591.3)	15.625-23.625	(266.2)	11.625-20.875
Outstanding, end of year.....	7,415.7	\$11.625-28.500	6,151.5	\$11.625-25.000
Exercisable, end of year.....	2,750.2	\$11.625-25.000	1,904.1	\$11.625-25.000

</TABLE>

As of February 3, 1996, 9,984,600 shares of Common Stock were available for additional grants pursuant to the Company's equity plan, of which 204,900 shares were available for grant in the form of restricted stock. In the year ended February 3, 1996, no shares of Common Stock were granted in the form of restricted stock.

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 232.4 million shares of Common Stock issued and 202.7 million shares of

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

Common Stock outstanding at February 3, 1996, 212.2 million shares of Common Stock issued and 182.6 million shares outstanding at January 28, 1995 and 126.3 million shares of Common Stock issued and outstanding at January 29, 1994 (with shares held in the Company's treasury or by subsidiaries of the Company being treated as issued, but not outstanding).

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 10.2 million shares of Common Stock (subject to adjustment) upon the conversion of the Convertible Subordinated Notes, 1.0 million shares of Common Stock (subject to adjustment) upon the exercise of the Company's Series B Warrants, 9.0 million shares of Common Stock (subject to adjustment) upon the exercise of the Company's Series C Warrants, 9.0 million shares of Common Stock (subject to adjustment) upon the exercise of the Company's Series D Warrants and 0.2

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

million shares of Common Stock (subject to adjustment) upon the exercise of the Company's Series E Warrants. The warrants have the following terms:

<TABLE>
<CAPTION>

	SHARES PER WARRANT	EXERCISE PRICE	EXPIRATION DATE
<S>	<C>	<C>	<C>
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
Series E.....	0.270	17.00	10/08/99

</TABLE>

In February 1996, the Company issued 4.1 million shares of Common Stock and received \$99.0 million in proceeds from the exercise of the Company's Series A Warrants, which expired on February 15, 1996.

In addition to the stock options described in Note 15, the Company issued options to purchase 1.5 million shares of Common Stock at prices ranging from \$14.81 to \$51.85 in connection with the acquisition of Broadway (of which options to purchase 1.3 million shares of Common Stock remained outstanding as of February 3, 1996).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

Shareholders' Equity consists of the following:

<TABLE>
<CAPTION>

	52 WEEKS ENDED FEBRUARY 3, 1996	52 WEEKS ENDED JANUARY 28, 1995	52 WEEKS ENDED JANUARY 29, 1994
(MILLIONS)			
Preferred stock.....	\$ --	\$ --	\$ --
Common stock:			
Balance, beginning of year.....	\$ 2.1	\$ 1.3	\$ 1.3
Issuance of common stock.....	0.2	0.8	--
Balance, end of year.....	2.3	2.1	1.3
Additional paid-in capital:			
Balance, beginning of year.....	3,711.3	1,975.7	1,968.0
Issuance of common stock.....	557.1	1,617.7	7.7
Issuance of warrants.....	--	118.4	--
Cancellation of treasury stock.....	--	(0.5)	--
Balance, end of year.....	4,268.4	3,711.3	1,975.7
Unearned restricted stock:			
Balance, beginning of year.....	(8.5)	(4.1)	(7.3)
Cancellation (issuance) of common stock.....	0.7	(7.1)	0.1
Amortization.....	4.6	2.7	3.1
Balance, end of year.....	(3.2)	(8.5)	(4.1)
Treasury stock:			
Balance, beginning of year.....	(559.1)	(0.9)	
Additions.....	(3.1)	(558.7)	(0.9)
Cancellations.....	--	0.5	--
Balance, end of year.....	(562.2)	(559.1)	(0.9)
Accumulated equity:			
Balance, beginning of year.....	493.8	306.2	113.0
Net income.....	74.6	187.6	193.2
Balance, end of year.....	568.4	493.8	306.2
Total shareholders' equity.....	\$4,273.7	\$3,639.6	\$2,278.2

</TABLE>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

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

<TABLE>
<CAPTION>

	53 WEEKS ENDED FEBRUARY 3, 1996	52 WEEKS ENDED JANUARY 28, 1995
(THOUSANDS)		
Balance, beginning of year.....	29,604.7	40.6
Additions:		
Acquisition of Macy's.....	--	29,474.2
Restricted stock.....	40.8	15.7
Deferred compensation plan.....	83.4	98.4
Cancellations.....	--	(24.2)
Balance, end of year.....	29,728.9	29,604.7

</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 on account 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

Other assets primarily represent investments in joint ventures accounted for on the equity basis. The fair value of such investments approximates the carrying value based on recent appraisals.

As of January 28, 1995, other assets also included the Company's ownership of approximately 6.58% of the common stock of Ralph's Grocery Company ("Ralph's"), the fair value of which was estimated as of such

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

date based on the terms of the pending sale thereof. The Company sold this long-term investment during 1995.

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 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.

Interest rate swap agreements

The fair values of the interest rate swap agreements are obtained from dealer quotes. The values represent the estimated amount the Company would pay to terminate the agreements at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The interest rate swap agreements pertain to the note monetization and working capital facilities and, although currently in net payable positions, management intends to hold these agreements to their maturity dates.

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

<TABLE>
<CAPTION>

	FEBRUARY 3, 1996		JANUARY 28, 1995	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
(MILLIONS)				
<S>	<C>	<C>	<C>	<C>
Cash and short-term investments.....	\$ 172.5	\$ 172.5	\$ 206.5	\$ 206.5
Notes receivable.....	415.1	422.3	408.1	406.1
Other assets.....	30.4	30.4	43.0	52.4
Long-term debt.....	5,551.1	5,747.3	4,499.7	4,518.5
Interest rate cap agreements.....	15.8	0.8	24.0	19.5
Interest rate swap agreement.....	--	(30.9)	--	(20.5)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

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

<TABLE>
<CAPTION>

NOTIONAL AMOUNT	RATE		FEBRUARY 3, 1996		JANUARY 28, 1995			
			CARRYING TERM	FAIR VALUE	UNRECOGNIZED VALUE	CARRYING VALUE	FAIR VALUE	UNRECOGNIZED GAIN (LOSS)
(MILLIONS)								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	
Interest Rate Caps:								
\$ 500.0	8%	12/15/94 to 12/15/97	\$ 4.7	0.1	(4.6)	\$ 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	7.8	0.1	(7.7)	\$ 11.9	\$10.3	\$ (1.6)
\$ 375.0	10%	02/03/95 to 01/03/01	3.0	0.4	(2.6)	4.5	2.7	(1.8)
\$ 38.5	11%	01/20/95 to 03/15/98	0.1	0.1	--	0.1	0.1	--
\$ 38.5	11%	01/20/95 to 03/15/00	0.2	0.1	(0.1)	0.2	0.3	0.1
Interest Rate Swaps:								
\$ 352.0	9.944%	\$176.0 to 5/3/97 and \$176.0 to 5/3/98	--	(29.9)	(29.9)	--	(20.5)	(20.5)
\$ 100.0	5.3275%	1/9/96 to 1/9/98	--	(0.5)	(0.5)	--	--	--
\$ 100.0	5.2625%	1/23/96 to 1/25/99	--	(0.2)	(0.2)	--	--	--
\$ 100.0	5.225%	1/18/96 to 1/18/98	--	(0.3)	(0.3)	--	--	--

The interest rate cap agreements in effect at February 3, 1996 are used to hedge interest rate risk related to variable rate indebtedness under the Company's bank credit facility and receivables backed commercial paper program and certain asset-backed certificates. These interest rate cap agreements are recorded at cost and are amortized on a straight-line basis over the life of the cap.

The interest rate swap agreements described in the foregoing table relate to the note monetization and bank credit facilities. The note monetization facility bears interest based on LIBOR, subject to certain adjustments. The interest rate swap agreement for the note monetization facility converts this variable rate debt (LIBOR plus 0.40%) to a fixed rate of 10.344% (9.944% fixed rate plus 0.40%). 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 other interest rate swap agreements are used to, in effect, fix the interest on a portion of the debt outstanding under the bank credit facilities.

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 concentra-

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

tions, 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 53 weeks ended February 3, 1996 and the 52 weeks ended January 28, 1995, were as follows:

<TABLE>
<CAPTION>

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
(MILLIONS, EXCEPT PER SHARE DATA)				
<S>	<C>	<C>	<C>	<C>
53 Weeks Ended February 3, 1996:				
Net sales.....	\$2,988.0	\$3,047.2	\$3,748.4	\$5,264.9
Operating income.....	10.8	1.8	105.0	545.3
Net income (loss).....	\$ (57.0)	\$ (66.9)	\$ (46.4)	\$ 244.9
Earnings (Loss) per share.....	\$ (.31)	\$ (.37)	\$ (.24)	\$ 1.21
Fully diluted earnings (loss) per share....	(.31)	(.36)	(.23)	1.15
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
Net income.....	\$ 32.2	\$ 3.8	\$ 44.3	\$ 107.3
Earnings per share.....	\$.25	\$.03	\$.35	\$.71
Fully diluted earnings per share.....	.25	.03	.35	.68

</TABLE>

19. LEGAL PROCEEDINGS

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, assignment and 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 \$293.6 million, while the estimated allowed amount thereof was approximately \$217.8 million. Although there can be no assurance with respect thereto, management believes that the actual allowed amount of disputed Cash Payment Claims will not exceed 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.

FEDERATED DEPARTMENT STORES, INC.

and

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

Trustee

SIXTH SUPPLEMENTAL TRUST INDENTURE

Dated as of February 1, 1996

Supplementing that certain

INDENTURE

Dated as of December 15, 1994

SIXTH SUPPLEMENTAL INDENTURE, dated as of February 1, 1996, between Federated Department Stores, Inc., a corporation duly organized and existing under the laws of the State of Delaware (the "Company"), and State Street Bank and Trust Company (successor to The First National Bank of Boston), a trust company organized under the laws of the Commonwealth of Massachusetts, as Trustee (the "Trustee"), amending that certain Fourth Supplemental Indenture, dated as of September 27, 1995 (the "Fourth Supplemental Indenture") supplementing that certain Indenture, dated as of December 15, 1994, between the Company and the Trustee (the "Original Indenture"; the Original Indenture, as supplemented by the Fourth Supplemental Indenture, is herein referred to as the "Indenture").

RECITALS

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

B. The Company has duly authorized the execution and delivery of the Fourth Supplemental Indenture providing for the issuance of \$350,000,000 aggregate principal amount of the Company's 5% Convertible Subordinated Notes due 2003.

C. Section 10.01 of the Original Indenture provides that a supplemental indenture may be entered into by the Company and the Trustee, without the consent of any Holders of Securities, to make any provisions with respect to matters or questions arising under the Indenture; provided, that such action will not adversely affect the interests of the Holders of any Series in any material respect.

D. The Company has determined that this Sixth Supplemental Indenture complies with said Section 10.01 and does not require the consent of any Holders of Securities. On the basis of the foregoing, the Trustee has determined that this Sixth Supplemental Indenture is in form satisfactory to it.

E. All acts and things necessary to make this Sixth Supplemental Indenture a valid agreement of the Company according to its terms have been done and performed, and the execution and delivery of this Sixth Supplemental Indenture have in all respects been duly authorized.

F. Capitalized terms herein, not otherwise defined, shall have the same meanings given them in the Indenture.

G. In consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company covenants and agrees with the Trustee as follows:

1. AMENDMENT OF FOURTH SUPPLEMENTAL INDENTURE.

The penultimate sentence of the first paragraph of Section 5.2 of the Fourth Supplemental Indenture is hereby amended in its entirety to read as follows:

Except as provided in this paragraph, no cash payment or adjustment shall be made upon any conversion on account of, if the date of conversion is not an Interest Payment Date, any interest accrued from the Interest Payment Date next preceding the conversion date, in respect of any Security (or part thereof, as the case may be) surrendered for conversion, or on account of any dividends on the Common Stock issued upon conversion; provided, however, that if October 1, 1998 is the date fixed for the redemption of any Security or portion thereof and such Security or portion thereof is surrendered for conversion in accordance with the terms hereof at any time during the period of five Business Days immediately preceding October 1, 1998, the interest otherwise payable in respect of such Security on October 1, 1998 shall be paid to the Holder of such Security as of the Regular Record Date immediately preceding October 1, 1998.

2. SUPPLEMENTAL TRUST 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.

3. EFFECT OF HEADINGS.

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

IN WITNESS WHEREOF, the parties hereto have caused this Sixth 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/ Karen Hoguet

Name: Karen M. Hoguet

Title: Senior Vice President & Treasurer

Attest:

/s/ Gwyneth G. Stewart

Name: Gwyneth G. Stewart

Title: Assistant Secretary

STATE STREET BANK AND TRUST COMPANY,
as Trustee

By: /s/ Roland S. Gustafsen

Name: Roland S. Gustafsen

Title: Assistant Vice President

Attest:

/s/ Jill Olson

Name: Jill Olson

Title: Assistant Vice President

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

On this 30th day of January, 1996, before me personally came Karen M. Hoguet, to me known, who, being by me duly sworn, did depose and say that he/she is a Senior Vice President and Treasurer 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

Notary Public

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

On this 31st day of January, 1996, 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 Assistant Vice President of STATE STREET BANK AND TRUST COMPANY, one of the entities described in and which executed the above instrument; that he/she knows the seal of said entity; that the seal or a facsimile thereof affixed to said instrument is such seal; that it was so affixed by authority of the Board of Directors of said entity, and that he/she signed his/her name thereto by like authority.

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

/s/ Daniel Golden

Notary Public

SERIES E WARRANT AGREEMENT

This SERIES E WARRANT AGREEMENT, dated as of October 11, 1995 (this "Agreement"), is made and entered into by and among Broadway Stores, Inc., a Delaware corporation ("Broadway"), 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. Pursuant to an Agreement and Plan of Merger, dated as of August 14, 1995 (the "Merger Agreement"), a wholly owned subsidiary of the Company will merge with and into Broadway (the "Merger") and Broadway thereby will become a subsidiary of the Company;

B. The Merger Agreement provides for the issuance of shares of Series A Preferred Stock, par value \$0.01 per share, of Broadway (the "Broadway Preferred Stock") to persons who, immediately prior to the effective time of the Merger, held outstanding shares of the former Series A Preferred Stock of Broadway;

C. Shares of Broadway Preferred Stock will be exchangeable for warrants of the Company on the terms and subject to the conditions set forth in Broadway's Certificate of Incorporation, as amended and restated at the effective time of the Merger (the "Broadway Certificate of Incorporation");

D. The parties hereto desire to set forth in this Agreement the terms of such warrants and certain other matters relating thereto;

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

1. Issuance of Warrants; Basic Terms and Form of Warrants.

1.1 Issuance of Warrants. On the terms and subject to the conditions set forth in the Broadway Certificate of Incorporation, Broadway will deliver to holders of record of shares of Broadway Preferred Stock, upon the exchange of such shares as provided in the Broadway Certificate of Incorporation, 1,000 warrants issued pursuant to this Agreement (the "Warrants") for each such share so exchanged. The Company will, promptly upon the request of Broadway from time to time, cause to be issued and delivered to the order of Broadway such number of Warrants as may be required in order for Broadway to fulfill its obligations as contemplated in the immediately preceding sentence.

1.2 Basic Terms and Form of Warrants. (a) Each Warrant will initially represent the right to purchase 0.27 shares of Common Stock, par value \$0.01 per share, of the Company (the "Common Stock") on the terms and subject to the conditions set forth herein. The shares of Common Stock purchasable upon exercise of the Warrants are hereinafter referred to as the "Warrant Shares." The purchase price per whole Warrant Share payable upon the exercise of a Warrant (the "Warrant Price") will initially be \$62.96 (i.e., subject to the provisions of Section 3.1, each Warrant will initially be exercisable to purchase 0.27 shares of Common Stock for \$17.00). 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.

(b) 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

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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

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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 (provided, however, that no Holder may exercise a number of Warrants that is not an integral multiple of 100 unless such Holder is then exercising all of its Warrants), at any time and from time to time after the date hereof and prior to 5:00 p.m., Cincinnati, Ohio time on the Expiration Date. The "Expiration Date" is October 8, 1999; provided, however, that the Company's Board of Directors may, on 75 calendar days' written notice to the Holders of Warrants and to holders of record of Broadway Preferred Stock, fix an earlier Expiration Date for all purposes of this Agreement and the Broadway Certificate of Incorporation within 10 calendar days after any period of 30 consecutive Trading Days (as defined in Section 3.2(b)) in which the Current Market Price (as defined in Section 4.1(e)) per share of Common Stock has equalled or exceeded \$94.44. Warrants may be exercised by delivering to the Warrant Agent, at its principal office designated for such purpose, the following:

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(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

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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 Warrant 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 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

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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

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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

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into or exchangeable for, shares of Common Stock, pursuant to or in satisfaction of any obligation under any plan of reorganization of the Company or Broadway or any of their respective predecessors which became effective prior to the date hereof (each, a "Plan of Reorganization"), (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 or in satisfaction of any obligation under any Plan of Reorganization 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 or any of its Subsidiaries

existing as of the date hereof 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 Rights Agreement, dated as of December 19, 1994, between the Company and The Bank of New York, as rights agent, 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

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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

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an amount in cash (a) in lieu of a fractional Warrant Share, equal to the Current Market Price for one share of Common Stock 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

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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

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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. Holder Matters.

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

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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

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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

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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 give 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

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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

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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.

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

BROADWAY STORES, INC.

By: /s/ John C. Haeckel

Name: John C. Haeckel
Title: Executive Vice President

FEDERATED DEPARTMENT STORES, INC.

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick
Title: Senior Vice President

THE BANK OF NEW YORK

By: /s/ Patrick Falcigna

Name: Patrick Falcigna
Title: Vice President

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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 THE EXPIRATION DATE

Federated Department Stores, Inc. Series E 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 the Expiration Date, 0.27 fully paid and nonassessable shares of the Common Stock, par value \$.01 per share, of the Company (the "Common Stock") for each such Warrant at an initial purchase price of \$62.96 per whole share of Common Stock (the "Warrant Price"), subject to adjustment as provided in the Warrant Agreement (i.e., subject to the provisions of the Warrant Agreement, including the requirement that Warrants be exercised only in integral multiples of 100 Warrants except as described below, each Warrant will initially be exercisable to purchase 0.27 shares of Common Stock for \$17.00). The shares of Common Stock purchasable upon exercise of the Warrants are hereinafter referred to as the "Warrant Shares." The "Expiration Date" is October 8, 1999; provided, however, that the Company's Board of Directors may, on 75 calendar days' written notice, fix an earlier Expiration Date within 10 calendar days after any period of 30 consecutive Trading Days (as defined in the Warrant Agreement) in which the Current Market Price (as defined in the Warrant Agreement) per share of Common Stock has equalled or exceeded \$94.44. 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

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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 , 1995 (the "Warrant Agreement"), by and among Broadway Stores, Inc., the Company, and The Bank of New York (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. The Holder may not exercise a number of Warrants that is not an integral multiple of 100 unless the Holder is then exercising all of its Warrants.

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.

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This Warrant Certificate will not be valid or obligatory for any purpose until it has been countersigned by the Warrant Agent.

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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]

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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.

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

This Second Amendment to Amended and Restated Term Loan Agreement and other Restructured Loan Documents ("Second Amendment") is made and dated as of December 1, 1995, by and among BROADWAY STORES, INC., formerly known as CARTER HAWLEY HALE STORES, INC., a Delaware corporation (the "Company" or "CHH"), BARCLAYS BANK PLC, a bank organized under the laws of the United Kingdom, THE TOKAI BANK LIMITED, a bank organized under the laws of Japan, acting through its Los Angeles Agency, BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, a national banking association (collectively, "Banks," and individually, a "Bank"), and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, a national banking association, as agent for Banks (in such capacity, "Agent").

RECITALS

A. Company, Banks and Agent are parties to that certain Amended and Restated Term Loan Agreement, dated as of October 8, 1992, as amended by that certain First Amendment to Amended and Restated Term Loan Agreement and other Restructured Loan Documents, dated as of October 11, 1995 (the "Amended and Restated Term Loan Agreement"). Capitalized terms used herein without definition have the meanings given to them in the Amended and Restated Term Loan Agreement.

B. The Company, Agent and Banks desire to enter into this Second Amendment in order to modify the Amended and Restated Term Loan Agreement in certain respects.

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

ARTICLE I

AMENDMENTS TO AMENDED AND RESTATED TERM LOAN AGREEMENT

Effective upon the date hereof, Company, Agent and Banks hereby amend the Amended and Restated Term Loan Agreement as follows:

I.1 Definitions. All references in the Amended and Restated Term Loan Agreement and in the Restructured Loan Documents to the Amended and Restated Term Loan

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Agreement or to any Restructured Loan Documents shall mean the Amended and Restated Term Loan Agreement and such Restructured Loan Documents, in each case as modified pursuant to this Second Amendment.

1.2 Amended Provisions Regarding Release of Stores. Section 3.02A of the Amended and Restated Term Loan Agreement is hereby amended and restated as follows:

"Section 3.02 Release and Nondisturbance Provisions.

A. Release of Stores. In the event CHH desires the release of a Store from the liens and security interests created by the applicable Security Documents, CHH shall deliver to Agent a release notice, which release notice shall identify with particularity the Store proposed to be released and shall certify as to the satisfaction of any and all conditions to such proposed release hereunder. Provided that the conditions set forth below are satisfied, Agent shall, on behalf of Agent and Banks, execute and deliver to CHH, within forty-five (45) days after receipt of the release notice (or as soon thereafter as practical following satisfaction of such conditions), an appropriate document

releasing or reconveying, without recourse and without any warranty, express or implied, Agent's and Banks' interest in such Store from the liens and security interests created under the applicable Security Documents, upon payment by CHH to Agent (for the ratable benefit of Agent and Banks) of the sum of (1) a release price, which shall constitute a prepayment hereunder subject to Section 2.07, equal to 110% of the pro rata portion of the Amended and Restated Term Loan allocable to such Store, as described on Schedule 7 hereto (the "Allocable Loan Amount") plus (2) all accrued and unpaid interest due to the date of such release on the release price described in clause (1), plus (3) any breakage costs and other amounts described in Section 2.06 of this Agreement which are applicable to a prepayment in the amount of the release price being paid, plus (4) all other amounts, if any, then due and payable to Agent and Banks under the Restructured Loan Documents, including, without limitation, late payment charges, amounts advanced by Agent and/or Banks in accordance with the terms of the Restructured Loan Documents to cure any defaults under the Restructured Loan Documents, expenses of Agent and/or Banks required to be reimbursed thereunder, and any additional interest accrued to and including the date of such release by reason of the applicability of a default rate of interest. Notwithstanding anything to the contrary contained in the Agreement, (a) no release of any Store shall be permitted if a Default or an Event of Default exists hereunder; and (b) at the option of Agent and Majority Banks, as a condition to any release, Title Insurer (as hereinafter defined) must, at CHH's cost and expense, issue an endorsement to the Mortgagee's Title Policies (as hereinafter defined) satisfactory to Agent and Majority Banks, insuring that the release will not affect the priority of the Banks' liens on any unreleased Collateral. In connection with any such release, and as a condition thereto, CHH shall execute and deliver to Agent (for the ratable benefit of Agent and Banks) such modifications and supplements to the Restructured

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Loan Documents and all other documents deemed necessary or appropriate by Agent and Majority Banks to ensure the continued effectiveness, validity, priority and enforceability of their liens, security interests and other rights under the Restructured Loan Documents following such release. CHH shall reimburse Agent and Banks for all reasonable direct out-of-pocket costs and expenses (including, without limitation, attorneys' fees and costs, including the allocable costs of in-house counsel and legal staff) which Agent or any Bank may incur in connection with any release hereunder. Any Store which, in accordance with the provisions of this Section 3.02A, is released from the lien and security interests created by the applicable Security Documents, shall no longer be considered to be a "Store" for any purpose hereunder. The term "Core Stores" or "Core Store" as used in the amended and restated Term Loan Agreement or in the other Restructured Loan Documents shall mean all or any portion of the Stores which are described on Schedule 8 attached hereto."

1.3 Amended Provisions Regarding Cure

Rights. Clause C of Section 9.13 of the Amended and Restated Term Loan Agreement is hereby amended by replacing the following phrase in the second sentence thereof (i.e., the sentence which begins with the words, "Notwithstanding the foregoing,"): "in the case of any Store which is not a Core Store", with the following: "in the case of any Store".

ARTICLE II

AMENDMENTS TO OTHER RESTRUCTURED LOAN DOCUMENTS

Effective upon the date hereof, Company, Agent and Banks hereby amend the other Restructured Loan Documents as follows:

2.1 Amendments to Security Documents.

(a) Each of the Mortgages is amended as follows: The second sentence of Section 2.03 of each of the Mortgages is hereby amended by replacing the following phrase: "in the case of any Store which is not a Core Store", with the following: "in the case of any Store".

(b) Each of the Assignments of Leases is amended as follows: The second sentence of Section 7(c) of each of the Assignments of Leases is hereby amended by deleting the following phrase therefrom: "in the event that the store located on the Property is not a Core Store".

(c) Each of the Assignments of Warranties is amended as follows: The second sentence of Section 6(iii) of each of the Assignments of Warranties is hereby amended by deleting the following phrase therefrom: "in the event that the Store comprising part of the Property is not a Core Store (as defined in the Loan Agreement)".

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ARTICLE III REPRESENTATIONS AND WARRANTIES

In order to induce Agent and Banks to enter into this Second Amendment, Company hereby represents and warrants to Agent and Banks as of the date hereof as follows:

3.1 Authorization. The execution, delivery and performance of this Second Amendment have been duly authorized by all necessary action of Company.

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

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

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

3.5 Representations and Warranties in Loan Documents. The representations and warranties of Company contained in the Restructured Loan Documents, as amended pursuant hereto, are true and correct on and as of the date hereof as though made on and as of the date hereof, and no Default or Event of Default has occurred and is continuing as of the date hereof or has resulted or will result herefrom.

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

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ARTICLE IV MISCELLANEOUS

4.1 Ratification of Loan Documents. Except as expressly amended or terminated hereby or pursuant hereto, the Amended and Restated Term Loan Agreement and the other Restructured Loan Documents shall remain in full force and effect accordance with their terms, and hereby in all respects ratified and confirmed. Nothing in this Second Amendment shall impair the first

priority liens of the Mortgages on any unreleased collateral. Agent and Banks hereby reserve all rights provided under the Restructured Loan Documents, as amended hereby, with respect to any existing Defaults or Events of Default, if any. The Company affirms and agrees that the Security Documents, as amended hereby, secure the full performance of each and every obligation under the Master Principal Note, the Master Capitalized Interest Note, the Amended and Restated Term Loan Agreement and the Obligations as defined therein, and that the Security Documents continue to be effective as, and to constitute, first and prior liens and charges on the Stores to the full extent of all obligations secured thereby.

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

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

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

4.5 Integration. The Restructured Loan Documents, including this Second Amendment: (a) integrate all the terms and conditions mentioned in or incidental to the Restructured Loan Documents, (b) supersede all oral negotiations and prior and other writings

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with respect to their subject matter, and (c) are intended by the parties as the final expression of their agreement with respect to the terms and conditions set forth in the Restructured Loan Documents and as the complete and exclusive statement of the terms agreed to by the parties. If there is any conflict between the terms, conditions and provisions of this Second Amendment and those of any other Restructured Loan Documents, the terms, conditions and provisions of this Second Amendment shall prevail.

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

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

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

INC.), a Delaware corporation

By: /s/ Karen Hoguet

Name: Karen M. Hoguet

Title: Vice President & Treasurer

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

By: /s/ Charles D. Graber

Name: Charles D. Graber

Title: Vice President

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

By: /s/ Clara Y. Strand

Name: Clara Y. Strand

Title: Vice President

BARCLAYS BANK PLC, as a Bank

By: /s/ Diane R. Vargas

Name: Diane R. Vargas

Title: Vice President

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THE TOKAI BANK LIMITED, as a Bank

By: /s/ Masahiko Saito

Name: MASAHIKO SAITO

Title: Assistant General Manager

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FOURTH AMENDMENT

TO

AMENDED AND RESTATED POOLING AND SERVICING AGREEMENT

This Fourth Amendment dated as of January 18, 1995 to the Amended and Restated Pooling and Servicing Agreement dated as of December 15, 1992 is among PRIME RECEIVABLES CORPORATION (the "Transferor"), FDS NATIONAL BANK, a national banking corporation (the "Servicer") and CHEMICAL BANK, as Trustee (in such capacity, the "Trustee").

WITNESSETH

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 Exhibit C 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. Exhibit C as attached to the Pooling and Servicing Agreement is hereby deleted in its entirety and Exhibit C 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 Fourth Amendment does not adversely affect in any material respect the interests of the Certificateholders.

3. The Pooling and Servicing Agreement, as amended by this Fourth Amendment shall continue in full force and affect 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.

PRIME RECEIVABLES CORPORATION

By /s/ Susan R. Robinson

Title President

FDS NATIONAL BANK

By /s/ Susan P. Storer

Title Chief Financial Officer and Treasurer

CHEMICAL BANK, AS TRUSTEE

By /s/ Regina Bishop

Title Assistant Vice President

January 18, 1995

Chemical Bank, as Trustee
Corporate Trust Group
450 West 33rd Street
New York, NY 10001

Prime Receivables Corporation
4705 Duke Drive

Mason, OH 45220

Re: Prime Receivables, Inc. Amended and Restated Pooling &
Servicing Agreement dated as of December 15, 1992 (the
"Agreement")

Ladies and Gentlemen:

As General Counsel of Federated Department Stores, Inc., a Delaware corporation, the ultimate parent of Prime Receivables Corporation, a Delaware corporation ("Prime"), I have acted as counsel to Prime in connection with the Fourth Amendment to the Agreement and the substitution of Exhibit C of the Agreement.

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

The Fourth Amendment to the Agreement and the deletion of the current Exhibit C to the Agreement and the substitution therefor with an amended Exhibit C do not, in accordance with Section 13.01 of the Agreement, adversely affect in any material respect the interest of any of the Investor Certificateholders, as such term is defined in the Agreement.

Sincerely,

/s/ Dennis J. Broderick

Dennis J. Broderick

FIFTH AMENDMENT

TO

AMENDED AND RESTATED POOLING AND SERVICING AGREEMENT

This Fifth Amendment dated as of April 30, 1995 to the Amended and Restated Pooling and Servicing Agreement dated as of December 15, 1992 is among PRIME RECEIVABLES CORPORATION (the "Transferor"), FDS NATIONAL BANK, a national banking corporation (the "Servicer") and CHEMICAL BANK, as Trustee (in such capacity, the "Trustee").

WITNESSETH

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 Exhibit C 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 II as attached to the Pooling and Servicing Agreement is hereby deleted in its entirety and Schedule II 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 Fifth Amendment does not adversely affect in any material respect the interests of the Certificateholders.
3. The Pooling and Servicing Agreement, as amended by this Fifth Amendment shall continue in full force and affect among the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Fifth 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 Chief Financial Officer and Treasurer

CHEMICAL BANK

By /s/ Charles Dooley

Title Vice President

Schedule II

<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, OH 45040-8079	480-381-1425
PNC Bank 201 East 5th Street Cincinnati, OH 45201-1198	The Bon Marche P.O. Box 8080 Mason, OH 45040-8080	426-002-7019
	Stern's P.O. Box 8081 Mason, OH 45040-8081	419-000-2709
	Lazarus P.O. Box 4504 Mason, OH 45040-4504	411-017-5133
PNC Bank, N.A. 1 Olive Plaza 210 Sixth Ave. Pittsburgh, PA 15265	Lazarus PA, Inc. Attn: Cashier 501 Penn Ave. Pittsburgh, PA 15285-0001	100-30967
AmSouth Bank, N.A. 1900 Fifth Ave., North Birmingham, AL 35203	Bloomingdale's P.O. Box 11407 Drawer 0018 Birmingham, AL 35245-0018	88-419-622
	Rich's P.O. Box 11407 Drawer 0001 Birmingham, AL 35245-0001	01-579-282
	Goldsmith's P.O. Box 11407 Drawer 0012 Birmingham, AL 35245-0012	73-233-579
</TABLE>		
<S>	<C>	<C>
	Abraham & Straus P.O. Box 11407 Drawer 0008 Birmingham, AL 35245-0008	69-116-059
The Fifth Third Bank 38 Fountain Square Plaza Cincinnati, OH 45263	Lazarus P.O. Box 0064 Cincinnati, OH 45274-0064	715-27336
SunTrust Bank P.O. Box 4418 25 Park Place Atlanta, GA 30302	Macy's P.O. Box 9772 Macon, GA 32106	8801-245864
	Macy's P.O. Box 9773 Macon, GA 32106	

</TABLE>

SIXTH AMENDMENT
TO
AMENDED AND RESTATED POOLING AND SERVICING AGREEMENT

This Sixth Amendment, dated as of July 27, 1995, to the Amended and Restated Pooling and Servicing Agreement, dated as of December 15, 1992, is entered into among PRIME RECEIVABLES CORPORATION, a Delaware corporation (the "Transferor"), FDS NATIONAL BANK, a national banking corporation (the "Servicer") and CHEMICAL BANK, a New York banking corporation, as Trustee (the "Trustee").

W I T N E S S E T H

WHEREAS, the Transferor, the Servicer, and the Trustee are parties to an Amended and Restated Pooling and Servicing Agreement, dated as of December 15, 1992 (as amended and supplemented from time to time, the "Pooling and Servicing Agreement");

WHEREAS, the Transferor, the Servicer, and the Trustee desire to amend Exhibit C to the Pooling and Servicing Agreement;

WHEREAS, Section 13.01 of the Pooling and Servicing Agreement permits the amendment of exhibits thereto; and

WHEREAS, an Opinion of Counsel stating that the amendment to the Pooling and Servicing Agreement effected by this Sixth Amendment does not adversely affect in any material respect the interests of the Certificateholders (as such term is defined in the Pooling and Servicing Agreement) is attached hereto;

NOW THEREFORE, in consideration of the premises and of the mutual agreements contained herein, the parties hereto hereby agree as follows:

1. Exhibit C to the Pooling and Servicing Agreement is hereby deleted and replaced in its entirety with Exhibit C attached hereto.
2. The Pooling and Servicing Agreement, as amended by this Sixth Amendment, shall continue in full force and affect among the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Sixth 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/ James R. Gudmens

Title President

CHEMICAL BANK

By /s/ Charles Dooley

Title Vice President

July 27, 1995

Chemical Bank, as Trustee
450 West 33rd Street
New York, NY 10001

Attention: Corporate Trustee Administration

Re: AMENDED AND RESTATED POOLING & SERVICING AGREEMENT, DATED AS
OF DECEMBER 15, 1992, AMONG PRIME RECEIVABLES CORPORATION,
FEDERATED DEPARTMENT STORES, INC., AND CHEMICAL BANK, AS
TRUSTEE (AS AMENDED, THE "AGREEMENT")

Ladies and Gentlemen:

As General Counsel of Federated Department Stores, Inc., I have acted
as counsel to Prime Receivables Corporation in connection with the Sixth
Amendment to the Agreement (the "Amendment").

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

The Amendment, and the deletion of the current Exhibit C to
the Agreement and the replacement therefor with an amended
Exhibit C pursuant to the Amendment, do not adversely affect
in any material respect the interest of any of the Investor
Certificateholders (as such term is defined in the Agreement).

Very truly yours,

/s/ Dennis J. Broderick

Dennis J. Broderick

FIFTH AMENDMENT

TO

RECEIVABLES PURCHASE AGREEMENT

This Fifth Amendment to Receivables Purchase Agreement dated as of April 30, 1995 (this "Fifth Amendment"), is among THE ORIGINATORS listed on the signature page hereof (collectively, the "Originators") and PRIME RECEIVABLES CORPORATION, a Delaware corporation (the "Purchaser").

WITNESSETH:

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 Fifth 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 Fifth Amendment shall continue in full force and effect among the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Fifth 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/ Dennis J. Broderick

Title: Vice President

BLOOMINGDALE'S, INC.

By: /s/ Dennis J. Broderick

Title: Vice President

BURDINES, INC.

By: /s/ Dennis J. Broderick

Title: Vice President

JORDAN MARSH STORES CORPORATION

By: /s/ Dennis J. Broderick

Title: Vice President

LAZARUS, INC.

By: /s/ Dennis J. Broderick

Title: Vice President

LAZARUS PA, INC.

By: /s/ Dennis J. Broderick

Title: Vice President

STERN'S DEPARTMENT STORES, INC.

By: /s/ Dennis J. Broderick

Title: Vice President

RICH'S DEPARTMENT STORES, INC.

By: /s/ Dennis J. Broderick

Title: Vice President

THE BON, INC.

By: /s/ Dennis J. Broderick

Title: Vice President

FDS NATIONAL BANK

Date: 4/30/95 By: /s/ Susan P. Storer

Title: Treasurer

THE PURCHASER:

PRIME RECEIVABLES CORPORATION

Date: 4/30/95 By: /s/ Susan B. Robinson

Title: President

EXHIBIT A

FDS NATIONAL BANK

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, as amended, FDS National Bank, a national banking association, as Servicer, certifies that the amendment dated as of April 30, 1995 to Schedule IV of Receivables Purchase Agreement does not adversely affect

in any material respect the interests of any of the Investor Certificateholders.

/s/ Susan P. Storer

FDS National Bank
As Servicer

Dated: 4/30/95 Name: Susan P. Storer

Title: Chief Financial Officer

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, OH 45040-8079	480-381-1425
PNC Bank 201 East 5th Street Cincinnati, OH 45201-1198	The Bon Marche P.O. Box 8080 Mason, OH 45040-8080	426-002-7019
	Stern's P.O. Box 8081 Mason, OH 45040-8081	419-000-2709
	Lazarus P.O. Box 4504 Mason, OH 45040-4504	411-017-5133
PNC Bank, N.A. 1 Olive Plaza 210 Sixth Ave. Pittsburgh, PA 15265	Lazarus PA, Inc. Attn: Cashier 501 Penn Ave. Pittsburgh, PA 15285-0001	100-30967
AmSouth Bank, N.A. 1900 Fifth Ave., North Birmingham, AL 35203	Bloomingdale's P.O. Box 11407 Drawer 0018 Birmingham, AL 35245-0018	88-419-622
	Rich's P.O. Box 11407 Drawer 0001 Birmingham, AL 35245-0001	01-579-282
	Goldsmith's P.O. Box 11407 Drawer 0012 Birmingham, AL 35245-0012	73-233-579
</TABLE>	<C>	<C>
<TABLE>		
<S>	Abraham & Straus P.O. Box 11407 Drawer 0008 Birmingham, AL 35245-0008	69-116-059
The Fifth Third Bank 38 Fountain Square Plaza Cincinnati, OH 45263	Lazarus P.O. Box 0064 Cincinnati, OH 45274-0064	715-27336

SunTrust Bank
P.O. Box 4418
25 Park Place
Atlanta, GA 30302

Macy's
P.O. Box 9772
Macon, GA 32106

8801-245864

Macy's
P.O. Box 9773
Macon, GA 32106

</TABLE>

SECOND SUPPLEMENT
TO
RECEIVABLES PURCHASE AGREEMENT

This SECOND SUPPLEMENT TO RECEIVABLES PURCHASE AGREEMENT dated as of May 31, 1994 (this "Supplement"), is between PRIME RECEIVABLES CORPORATION, a Delaware corporation (the "Purchaser") and LAZARUS PA, INC., an Ohio corporation (the "New Sub").

W I T N E S S E T H

WHEREAS, certain wholly owned operating subsidiaries (collectively, the "Originators") of Federated Department Stores, Inc. ("Federated") and the Purchaser, a wholly owned special purpose subsidiary of Federated, entered into a Receivables Purchase Agreement dated as of December 15, 1992, (as heretofore amended, waived or otherwise modified, the "Purchase Agreement"), pursuant to which the Purchaser has agreed to purchase Receivables (as defined in the Purchase Agreement) from the Originators on the terms and subject to the conditions set forth in such agreement;

WHEREAS, Section 2.06 of the Purchase Agreement contemplates that a direct wholly owned subsidiary of Federated may become an Additional Originator provided certain conditions are met;

WHEREAS, the New Sub is a direct wholly owned subsidiary of Federated and desires to become an Additional Originator under the Purchase Agreement;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements contained herein, the parties hereto agree as follows:

ARTICLE I - DEFINITIONS

SECTION 1.01. DEFINED TERMS. Capitalized terms used herein and not otherwise defined have the meanings assigned such terms in the Purchase Agreement.

ARTICLE II - ADDITION OF NEW SUB AS AN ORIGINATOR

SECTION 2.01. SALE OF RECEIVABLES. The New Sub agrees to sell Receivables to the Purchaser and the Purchaser agrees to buy Receivables from the New Sub, on the terms and subject to the conditions set forth in the Purchase Agreement.

SECTION 2.02. REPRESENTATIONS AND WARRANTIES OF NEW SUB. The New Sub hereby certifies to the Purchaser that, with respect to the New Sub, each of the

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representations and warranties contained in Sections 4.02 and 4.03 of the Purchase Agreement is true and correct.

SECTION 2.03. COVENANTS OF THE NEW SUB. The New Sub hereby agrees to comply with each of the covenants set forth in Article V of the Purchase Agreement.

SECTION 2.04. DESIGNATION AS ORIGINATOR. The Purchaser and the New Sub hereby agree that, pursuant to Section 2.06 of the Purchase Agreement, upon the effectiveness of this Supplement, the New Sub shall in all respects be designated, and have all of the rights and obligations of, an Originator under the Purchase Agreement.

ARTICLE III - CONDITIONS TO EFFECTIVENESS

SECTION 3.01. CONDITIONS PRECEDENT. This Supplement shall not become effective until the following conditions precedent are met:

- (a) the New Sub shall have delivered to the Purchaser the items identified in Section 3.01(c) of the Purchase Agreement; and
- (b) The Purchaser shall have received notice from each Rating Agency that the inclusion of the New Sub as an Additional Originator pursuant to Section 2.06 of the Purchase Agreement

will not result in a reduction or withdrawal of its then existing rating of any Class of Investor Certificates issued and outstanding on the date of such notice.

SECTION 3.02. BINDING EFFECT. This Supplement shall become effective (i) upon the fulfillment of each of the conditions to effectiveness identified in Section 3.01 hereof and (ii) when it shall have been executed by each party hereto, and from such date shall be binding upon and inure to the benefit of each party hereto and their respective successors and assigns.

ARTICLE IV - MISCELLANEOUS

SECTION 4.01. GOVERNING LAW. THIS SUPPLEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

SECTION 4.02. EXECUTION IN COUNTERPARTS. This Supplement 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 when taken together shall constitute one and the same Supplement.

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SECTION 4.03. HEADINGS. The headings in this Supplement are solely for convenience of reference and shall not be given any effect in the construction or interpretation of this Supplement.

SECTION 4.04. ENTIRE AGREEMENT. This Supplement sets forth the entire understanding of the parties hereto concerning the matters set forth herein and supersedes all prior arrangements, communications and discussions, whether oral or written, between the parties concerning such matters.

IN WITNESS WHEREOF, the parties hereto have caused this Supplement 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

LAZARUS PA, INC.

BY: /S/ DENNIS J. BRODERICK

TITLE: VICE PRESIDENT

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EXHIBIT A

FDS NATIONAL BANK

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, as amended, FDS National Bank, a national banking association, as Servicer, certifies that the addition of Lazarus PA, Inc. as an Originator under the Receivables Purchase Agreement dated as of December 15, 1992, will not adversely affect in any material respect the interests of any of the Investor Certificateholders.

/s/ Susan P. Storer

FDS National Bank
As Servicer

May 31, 1994

Name: Susan P. Storer

Title: Chief Financial Officer

EXECUTION COPY

CERTAIN INFORMATION (AS INDICATED BELOW) HAS BEEN OMITTED FROM THIS AGREEMENT AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION IN ACCORDANCE WITH RULE 24b-2 UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

AMENDMENT AGREEMENT

AMENDMENT AGREEMENT, dated as of August 6, 1995, by and among GE Capital Consumer Card Co. (formerly known as Monogram Bank, USA); Federated Department Stores, Inc. ("FDS"), successor by merger to R.H. Macy & Co., Inc. ("Macy's"); and the other parties listed on the signature pages hereto.

WITNESSETH:

WHEREAS, the parties hereto (or their predecessors in interest) are party to a Credit Card Program Agreement dated as of May 10, 1991, as amended from time to time to the date hereof (the "Program Agreement") (capitalized terms used herein have the meaning given to them in the Program Agreement unless otherwise defined herein);

WHEREAS, since the date of the Program Agreement, FDS acquired Macy's through a merger in which Federated Department Stores, Inc. merged into Macy's and Macy's survived the merger and changed its name to "Federated Department Stores, Inc.";

WHEREAS, the Program Fiscal Year is based on Macy's fiscal year and the FDS fiscal year is not the same as the Macy's fiscal year;

WHEREAS, the parties desire to align the Program Fiscal Year with the fiscal year of FDS;

WHEREAS, in order to so align such fiscal years, the parties desire to enter into certain interim arrangements with respect to the period between August 6, 1995 and February 3, 1996 (the "Interim Period") which period corresponds to the period between the end of the most recent Macy's fiscal year and the commencement of the next FDS fiscal year;

WHEREAS, the parties anticipate that at the end of the Interim Period, either the Program Agreement will be in effect with the modifications contemplated by Section 2 hereof or the parties will have definitively agreed on an alternative arrangement to the Program.

NOW THEREFORE, in consideration of the terms and mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Interim Period Provisions.

1.1. Bank Service Discount.

The Bank Service Discount for each Fiscal Month during the Interim Period shall be as set forth on the line entitled "Discount Rate" on Exhibit A hereto.*

1.2. Discount Adjusters.

During the Interim Period, the Discount Adjusters, except the Money Cost Adjuster, set forth in Section 4.2 of the Program Agreement shall not be in effect. The Money Cost Adjuster shall remain in effect, and shall operate to adjust the Bank Service Discount, as provided in Section 4.2(a) of Program Agreement.

2. Amendments to Program Agreement.

2.1. Fiscal Year.

The parties acknowledge and agree that for purposes of

determining the Program Fiscal Year after the end of the Interim Period, Macy's fiscal year shall commence and end each year on the dates set forth on Schedule 1 hereto.

2.2. Dates for Sales Projections.

The first two sentences of Section 4.3(a) of the Program Agreement are hereby amended in their entirety to read as follows:

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* Exhibit A has been omitted.

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Macy shall use commercially reasonable efforts to deliver to Bank, not later than each December 23 and June 25 during the term of this Agreement, a preliminary net sales and Net Credit Sales Projection covering the 12-month period commencing on the first day of the February or August immediately following delivery of such preliminary projection (each such 12-month period, an "Applicable Projection Year"). Macy shall then use commercially reasonable efforts to deliver to Bank, not later than each January 10 and July 10 during the term of this Agreement, a final net sales and Net Credit Sales Projection for the Applicable Projection Year (each such projection, a "Final Sales Projection").

All references in the Program Agreement to July Final Sales Projections and January Final Sales Projections shall hereafter be deemed references to January Final Sales Projections or July Final Sales Projections, respectively.

3. Miscellaneous.

3.1. Certain Limitations.

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

3.2. Governing Law.

This Amendment Agreement shall be governed by the laws of the State of New York without regard to its conflicts of laws provisions.

3.3. Counterparts.

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

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

FEDERATED DEPARTMENT STORES, INC.

GE CAPITAL CONSUMER CARD CO.

By: /s/ Ronald Tysoe

By: /s/ Kevin Knight

Name: Ronald Tysoe
Title: Vice President & CFO

Name: Kevin Knight
Title: Executive Vice President

MACY'S EAST, INC.

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick
Title: Vice President

BULLOCK'S, INC.

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick
Title: Vice President

I. MAGNIN, INC.

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick
Title: Vice President

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MACY SPECIALTY STORES, INC.

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick
Title: Vice President

MCO, INC.

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick
Title: Vice President

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SCHEDULE 1

MACY'S FISCAL YEAR

For purposes of Section 2.1 Macy's fiscal year means a period of fifty two (52) weeks ending on the Saturday closest to January 31 in any calendar year, each such fiscal year comprising four (4) fiscal quarters, with each such quarter comprising thirteen (13) weeks and ending on a Saturday.

EXECUTION COPY

CERTAIN INFORMATION (AS INDICATED BELOW) HAS BEEN OMITTED FROM THIS AGREEMENT AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION IN ACCORDANCE WITH RULE 24b-2 UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

PROGRAM AGREEMENT AMENDMENT

PROGRAM AGREEMENT AMENDMENT, dated as of February 3, 1996, by and among GE Capital Consumer Card Co. (formerly known as Monogram Bank, USA ("GE Bank")); Federated Department Stores, Inc. ("FDS"), successor by merger to R.H. Macy & Co., Inc. ("R.H. Macy"); FDS National Bank ("FDS Bank"); and the other parties listed on the signature pages hereto.

WITNESSETH:

WHEREAS, the parties hereto (or their predecessors in interest) are party to a Credit Card Program Agreement dated as of May 10, 1991, as amended from time to time to the date hereof (the "Program Agreement") (capitalized terms used herein have the meaning given to them in the Program Agreement unless otherwise defined herein);

WHEREAS, since the date of the Program Agreement, FDS acquired R.H. Macy through a merger in which Federated Department Stores, Inc. merged into R.H. Macy and R.H. Macy survived the merger and changed its name to "Federated Department Stores, Inc.";

WHEREAS, the parties desire to enter into certain interim arrangements for the Program Agreement with respect to the period between February 4, 1996 and August 3, 1996 (the "New Interim Period"); and

WHEREAS, the parties anticipate that at the end of the New Interim Period, either the Program Agreement will be in effect (with only those modifications set forth herein that expressly survive the end of the New Interim Period) or the parties will have definitively agreed on an alternative arrangement to the Program.

NOW THEREFORE, in consideration of the terms and mutual covenants and agreements contained herein, and for other good and valuable consideration, the

receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Discounts and Adjusters.

1.1. Bank Service Discount.

The Bank Service Discount for each Fiscal Month during the New Interim Period shall be as set forth on the line entitled "Discount Rate" on Exhibit A hereto.*

1.2. Discount Adjusters.

During the New Interim Period, the Discount Adjusters, except the Money Cost Adjuster, set forth in Section 4.2 of the Program Agreement shall not be in effect. The Money Cost Adjuster shall remain in effect, and shall operate to adjust the Bank Service Discount, as provided in Section 4.2(a) of Program Agreement.

2. Certain Cross Servicing Arrangements. The parties agree that the provisions of this Section 2 shall be effective both during and after the New Interim Period:

2.1. Each party agrees that to the extent it receives inquiries from a customer that holds a Specified Account (as defined below), it will use reasonable efforts to assist such customer with respect to his or her inquiries. In this regard, FDS shall direct electronic authorization inquiries to the appropriate account servicer based on account ownership for purposes of

providing on-line servicing to credit card account holders. If account ownership is undetermined, an account lookup file, to be established and maintained on FDS's computer system, will be utilized by each party. The account lookup file will contain account lookup information with respect to each holder of a Specified Account. The account lookup file shall be accessible to GE Capital and GE Bank during normal business hours and at other reasonable times upon reasonable request by GE Capital or GE Bank. The account lookup file shall be regularly updated by each party. FDS shall ensure system availability during all store operating hours and shall also provide a "help desk" to assist GE Capital in the event of systems malfunctions.

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* Exhibit A has been omitted.

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"Specified Accounts" means (i) with respect to inquiries received by GE Capital: either (x) a Jordan Marsh, Broadway, Weinstock's or Emporium private label account or (y) an FDS Bank owned Macy's private label account (an "FDS/Macy's Account") and (ii) with respect to inquiries received by FDS: a GE Capital or GE Bank owned Macy's, Bullock's, I. Magnin, Charter Club and/or Aeropostale private label account (a "GE/Macy's Account").

2.2. (a) If the account lookup file indicates that the account is a Specified Account, then the party answering the inquiry may provide information on the account to the credit card holder and routine maintenance of the type described on Schedule 2.2* (or as may otherwise be agreed to by the parties) may be performed on the account by the party answering the inquiry. If adjustments to or decisions on the account beyond those set forth on Schedule 2.2* or otherwise agreed to by the parties are required or requested by the credit card holder, the answering party shall immediately transfer the credit card holder to the account owning party.

(b) If the account lookup file indicates that the credit card holder has duplicate Specified Accounts owned by both FDS Bank and GE Bank, an account lookup team for each party shall determine which account is the "ongoing" account for purposes of answering the inquiry and the inquiry will be directed to the party owning such account. The determination of which account is "ongoing" for purposes of this Section 2.2(b) shall be made in the same manner as the treatment of duplicate accounts, as described in Schedule 3.2(b) hereof* and Exhibit B hereto*. The non-owning party may provide information on the account to the credit card holder and routine maintenance of the type described on Schedule 2.2* (or as may otherwise be agreed by the parties) may be performed on the account by the non-owning party. If adjustments to or decisions beyond those set forth on Schedule 2.2* or otherwise agreed to by the parties are required or requested by the credit card holder, the answering party shall immediately transfer the credit card holder to the account owning party.

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* Schedule 2.2 and 3.2(b) and Exhibit B have been omitted.

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2.3. All expenses incurred by FDS and FDS Bank in connection with providing the services described in this Section 2 shall be borne by FDS and FDS Bank and all such expenses incurred by GE Capital and GE Bank shall be expenses of the Program.

3. Jordan Marsh, Broadway, Weinstock's and Emporium Stores. The parties agree that the provisions of this Section 3 shall be effective both during and after the New Interim Period:

3.1 Account Utility. FDS agrees that from the date that any of its Jordan Marsh, Broadway, Weinstock's or Emporium stores is converted to the Macy's tradename, such stores (each, a "Converted Store") will accept Macy's private label credit cards, whether such cards relate to a GE/Macy's Account or an FDS/Macy's Account.

3.2 Account Conversion/Duplicate Accounts.

(a) If as of the JM Determination Date (as defined on Schedule 3.2(b) hereto*), a holder of a Jordan Marsh private label credit card account

does not also hold a GE/Macy's Account, such holder's account (or accounts) shall be converted into an FDS/Macy's Account. If as of the Broadway Determination date (as defined on Schedule 3.2(b)* hereto), a holder of a Broadway, Weinstock's or Emporium private label credit card account does not also hold a GE/Macy's Account, such holder's account (or accounts) shall be converted into an FDS/Macy's Account.

(b) If as of the applicable Determination Date, a holder of a Converted Store private label credit card account also holds a GE/Macy's Account, then such duplicate accounts shall be treated as described in Schedule 3.2(b) hereto.*

4. Ownership of Macy's Accounts Opened After the Date Hereof. The parties acknowledge and agree that (a) except for the specifically described exceptions set forth in this Section 4 and in the letter set forth as Exhibit B hereto*, GE Bank shall continue to have the exclusive right to open new Macy's accounts pursuant to the terms of the Program Agreement and (b) that, without limiting the generality of the foregoing, if FDS

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* Schedules 2.2 and 3.2(b) and Exhibit B have been omitted.

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converts any stores to the "Macy's" tradename after the date hereof, private label accounts of the converted store held by persons who also hold a GE Bank owned Macy's account (i) shall not be accepted at any Macy's store nor issued an FDS owned Macy's account without the prior written agreement of GE Bank, and (ii) shall be treated in a manner to be mutually agreed upon at the time by FDS Bank and GE Bank with the intent of supporting achievement of the Target Percentages then in effect in a manner consistent with equitable distribution across Macy's markets that ensures portfolio risk and performance distribution for GE Bank that is no worse than for FDS Bank.

4.1 Ownership of Accounts. The parties intend to develop and install systems that would be capable of allocating new accounts automatically on the basis of the account ownership methodology set forth in Sections 4.2, 4.3, 4.4, 4.5 and 4.6. Until such systems capability is implemented, the parties will work in good faith to achieve account ownership allocation in accordance with the methodology set forth herein by placing GE Bank or FDS Bank application forms in designated Macy's stores as described below or by assignment of pre-screens or other appropriate methods, which may be modified from time to time by agreement of the parties to obtain the desired results. Subject to the further provisions of this Section 4, (i) all newly opened Macy's private label accounts which are either opened at, or with an application from, a Converted Store (which, for the purpose of this Section 4.1, will include those stores listed on Schedule 4.1 under the caption "FDS Stores", and will not include those stores listed on such Schedule under the caption "GE Capital Stores") or a former A&S store, shall be FDS/Macy's Accounts owned by FDS Bank or another affiliate of FDS and credit with respect thereto shall be provided by FDS Bank and (ii) all other newly opened Macy's private label accounts shall be GE/Macy's Accounts owned by GE Capital or GE Bank and credit with respect thereto shall be provided by GE Capital and/or GE Bank. Applications for FDS/Macy's Accounts will be provided only in (i) former A&S Stores and (ii) Converted Stores (which, for the purpose of this Section 4.1, will include those

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stores listed on Schedule 4.1 under the caption "FDS Stores", and will not include those stores listed on such Schedule under the caption "GE Capital Stores") and applications for GE/Macy's Accounts will be provided in all other Macy's stores (including those listed on Schedule 4.1 under the caption "GE Capital Stores"). FDS and GE Bank agree that when opening new Macy's accounts they will use the account lookup file or credit bureau subscriber codes to avoid opening any duplicate Macy's accounts. Each party acknowledges and agrees that all credit offers, pre-screens and other account marketing programs will be developed by FDS Bank in consultation with GE Bank with the intent of supporting achievement of the applicable Target Percentages in a manner consistent with equitable distribution across Macy's markets that ensures portfolio risk and performance distribution for GE Bank that is no worse than for FDS Bank. The final form of all such programs shall require the approval of GE Bank.

4.2. Adjustments to Account Ownership. The parties recognize that FDS is in the process of converting certain stores to the "Macy's" tradename and that FDS may, in the future, convert other stores to the "Macy's" tradename and/or open newly built stores using the "Macy's" tradename. The parties have agreed on a mechanism, set forth below, to allocate new Macy's accounts between the parties by providing GE Bank with the effect of credit sales changes in Comp Stores (as defined below) and the benefit of half of all credit sales generated by New Stores (as defined below). Formulas used in the mechanism and illustrative examples of the mechanism are set forth in Exhibit C hereto*. While the parties believe that this mechanism will be effective to meet the parties' intent (which intent includes the goal of achieving equitable distribution across Macy's markets that ensures portfolio risk and performance distribution for GE Bank that is no worse than for FDS Bank), they agree that to the extent it does not work fairly to meet such intent they will work together in good faith to develop a different or modified mechanism.

4.3 Definitions. The following terms which are used in Sections 4.4 through 4.7 below have the meanings given to them in this Section 4.3. References in

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* Exhibit C has been omitted.

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such Sections to years or quarters are references to the applicable FDS fiscal year or FDS fiscal quarter, respectively.

"Actual Percentage" means the GE Actual Percentage or the FDS Actual Percentage, as the case may be.

"Acquired Stores" means stores which are acquired by FDS after the date hereof or owned by FDS prior to the date hereof and, in either case, are converted to the "Macy's" tradename and have pre-existing private label credit card accounts, provided that for purposes hereof, an Acquired Store shall only be treated as an Acquired Store between the date it becomes an Acquired Store and the period ending on the last day of the fiscal year in which it became an Acquired Store, provided, that if such period would consist of less than four full quarters, such period shall end on the last day of the immediately succeeding fiscal year.

"Comp Stores" means all Macy's stores other than any store which in the 12 months immediately prior to the time of determination had either (i) a newly built Macy's store open within a 50 mile radius of it, (ii) had a Macy's store close within a 50 mile radius of it or (iii) had a store which was located within a 50 mile radius of it and which had been operated under a tradename other than "Macy's", convert its tradename to "Macy's". Notwithstanding the foregoing, all Macy's stores that were formerly A&S stores will not be taken into account for any purposes in determining Comp Stores with respect to any period in 1996.

"Comp Store Factor" means, with respect to any period, the percentage derived by dividing (i) the amount of Net Credit Sales from Comp Stores for such period by (ii) the amount of Net Credit Sales from the same stores for the same period in the immediately prior year.

"FDS Actual Percentage" means, with respect to any period, the percentage of total Net Credit Sales in respect of such period represented by the amount of FDS Net Credit Sales in respect of such period.

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"FDS Credit Sales Share" means, with respect to any period, the credit sales derived by subtracting (i) the GE Credit Sales Share for such period from (ii) total Net Credit Sales for such period.

"FDS Net Credit Sales" means, with respect to any period, the aggregate amount of Net Credit Sales generated with respect to such period by FDS/Macy's Accounts.

"FDS Revised Credit Sales Share" means, with respect to any period on a year to date basis, the amount of Net Credit Sales derived from the

application of the following formula:

[(Net Credit Sales minus Net Credit Sales generated by New Stores and Acquired Stores) times FDS Target Percentage] plus (50% of Net Credit Sales generated by New Stores) plus (100% of Net Credit Sales generated by Acquired Stores)

"FDS Revised Target Percentage" means, with respect to any period, an amount equal to the percentage of total Net Credit Sales with respect to such period represented by the FDS Revised Credit Sales Share for such period.

"FDS Target Percentage" means, with respect to any period, the percentage derived by subtracting (i) the GE Target Percentage applicable to such period from (ii) 100%.

"GE Actual Percentage" means, with respect to any period, the percentage of total Net Credit Sales in respect of such period represented by the amount of GE Net Credit Sales in respect of such period.

"GE Credit Sales Share" means, with respect to any period, an amount equal to the product of (i) the amount of total GE Net Credit Sales for the same period in the immediately prior year times (ii) the Comp Store Factor applicable to such period.

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"GE Net Credit Sales" means, with respect to any period, the aggregate amount of Net Credit Sales generated with respect to such period by GE/Macy's Accounts.

"GE Revised Credit Sales Share" means, with respect to any period on a year to date basis, the amount of Net Credit Sales derived from the application of the following formula:

[(Net Credit Sales minus Net Credit Sales generated by New Stores and Acquired Stores) times GE Target Percentage] plus (50% of Net Credit Sales generated by New Stores)

"GE Revised Target Percentage" means, with respect to any period, an amount equal to the percentage of total Net Credit Sales with respect to such period represented by the GE Revised Credit Sales Share for such period.

"GE Target Percentage" means, with respect to any period, the percentage of total Net Credit Sales with respect to such period represented by the GE Credit Sales Share applicable to such period, provided that after 1996 the calculation of Net Credit Sales used for purposes of this definition shall include the amount of all Virtual Comp Net Credit Sales but not include the amount of any Virtual Non-Comp Net Credit Sales.

"Net Credit Sales" means, with respect to any period, the aggregate face amount of receivables generated in such period by FDS/Macy's Accounts and GE/Macy's Accounts, less an amount equal to the aggregate dollar amount of credit adjustments against sales to such accounts during such period.

"New Accounts Allocation Percentage" means (i) with respect to a party whose Actual Percentage for a period was less than its Target Percentage (where Sections 4.4 or 4.5.1 are applicable) or Revised Target Percentage (where Sections 4.5.2 or 4.5.3 are applicable) for such period, a percentage amount equal to its Target Percentage or Revised Target Percentage, as applicable, for the period plus five times the

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applicable Percentage Variance and (ii) with respect to a party whose Actual Percentage for a period was more than its Target Percentage (where Sections 4.4 or 4.5.1 are applicable) or Revised Target Percentage (where Sections 4.5.2 or 4.5.3 are applicable) for such period, a percentage amount equal to its Target Percentage or Revised Target Percentage, as applicable, for the period minus five times the applicable Percentage Variance.

"New Stores" means stores which are (i) newly built Macy's stores that open after the date hereof, or (ii) acquired by FDS after the date

hereof and converted to the "Macy's" tradename and which do not have pre-existing private label credit card accounts at the time of acquisition, or (iii) owned by FDS prior to the date hereof and which are converted to the "Macy's" tradename and do not have pre-existing private label credit card accounts as of the date hereof, provided that for purposes hereof, a New Store shall only be treated as a New Store between the date it becomes a New Store and the period ending on the last day of the fiscal year in which it became a New Store, provided, that if such period would consist of less than four full quarters, such period shall end on the last day of the immediately succeeding fiscal year.

"Non-Overlapping Acquired Stores" means Acquired Stores (i) which are within a 50 mile radius of an existing Macy's store and which do not individually or in the aggregate account for Net Credit Sales in excess of \$100 million in the 12-month period immediately prior to becoming Acquired Stores or (ii) which are not within a 50 mile radius of an existing Macy's store.

"Overlapping Acquired Stores" means Acquired Stores other than Non-Overlapping Acquired Stores.

"Percentage Variance" has the meaning given to it in Section 4.4.3 hereof.

"Revised Target Percentage" means the GE Revised Target Percentage or the FDS Revised Target Percentage, as the case may be.

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"Target Percentage" means the GE Target Percentage or the FDS Target Percentage, as the case may be.

"Virtual Comp Net Credit Sales" means all Net Credit Sales effected both (i) other than by a transaction in a Macy's store and (ii) by customers who reside in states in which there was at least one Macy's store as of the date of the transaction.

"Virtual Non-Comp Net Credit Sales" means all Net Credit Sales effected other than by a transaction in a Macy's store, other than Virtual Comp Net Credit Sales.

4.4 Provisions Applicable to 1996. The following provisions shall be applicable with respect to each quarter of 1996, regardless of whether any New Stores or Acquired Stores are opened or acquired by FDS during such time:

4.4.1 Within 15 days following the end of each quarter in 1996 (i.e., those quarters ending April 27, 1996, August 3, 1996, November 2, 1996 and February 1, 1997), the parties shall calculate as of the quarter then ended on a year-to-date basis (i) the GE Target Percentage and the FDS Target Percentage and (ii) the GE Actual Percentage and the FDS Actual Percentage.

4.4.2 If the Target Percentages and the Actual Percentages for the year-to-date as of the quarter then ended are the same, then applications for new Macy's accounts in the next succeeding quarter will be allocated between FDS Bank and GE Bank based on the Target Percentages so calculated.

4.4.3 If either party's Actual Percentage for the year-to-date period as of the end of a quarter is less than its Target Percentage for such year-to-date period as of the end of such quarter (such difference, a "Percentage Variance") then applications for new Macy's accounts in the next succeeding quarter will be allocated between FDS Bank and GE Bank based on the New Account Allocation Percentages.

4.5 1997 and Thereafter. The following provisions shall be applicable with respect to 1997 and thereafter:

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4.5.1 Subject to the provisions of Section 4.5.2, below, within 15 days following the end of each quarter commencing with the end of the first quarter of 1997, the parties will calculate as of the quarter then ended on a year-to-date basis whether, based on the Target Percentages then in effect, there was a Percentage Variance for the year-to-date as of the quarter then ended. In the event there is a Percentage Variance for any such period,

applications for new Macy's accounts in the next succeeding quarter will be allocated between FDS Bank and GE Bank based on the New Accounts Allocation Percentage.

4.5.2 Notwithstanding the provisions of Section 4.5.1, (i) if FDS opens or acquires any New Stores or Non-Overlapping Acquired Stores during any year commencing with 1997, then the calculation of Percentage Variance for any periods in which such stores are considered New Stores or Acquired Stores in accordance with the definitions thereof shall be done based on the difference between the Actual Percentages and the Revised Target Percentages applicable to such periods and (ii) if FDS opens or acquires any Overlapping Acquired Stores during any year commencing with 1997, then the calculation of Percentage Variance for any periods in which such stores are considered Acquired Stores in accordance with the definition thereof shall be done based on the difference between the Actual Percentages and the Revised Target Percentages (which shall be derived from a calculation of the FDS Revised Credit Sales Share and the GE Revised Credit Sales Share), applicable to such periods, it being agreed that for purposes of each such calculation of the FDS Revised Credit Sales Share and the GE Revised Credit Sales Share, the Target Percentages used in such calculation shall be calculated as of the date the FDS Revised Credit Sales Share and the GE Revised Credit Sales Share are being calculated. In the event there is a Percentage Variance for any such period, applications for new Macy's accounts in the next succeeding quarter will be allocated between FDS Bank and GE Bank based on the New Accounts Allocation Percentage.

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4.5.3 If the procedures described in Section 4.5.2 have been applied due to the opening or acquisition of a New Store or Acquired Store, then, at such time as the provisions of Section 4.5.2 are no longer applicable (i.e., because such New Stores and/or Acquired Stores cease to be treated as such in accordance with the definitions thereof) the provisions of Section 4.5.1 shall be applicable for all later periods in which no New Stores or Acquired Stores are opened or acquired, provided that the calculation of Percentage Variance required by Section 4.5.1 shall be based on the Revised Target Percentages last in effect rather than the Target Percentages last in effect.

4.6 General.

4.6.1 Notwithstanding any other provision of this Agreement, but subject to Section 4.6.2 below, no party's Target Percentage, New Accounts Allocation Percentage or Revised Target Percentage shall ever be less than 10% or more than 90%.

4.6.2 Notwithstanding any other provision of this Agreement, the parties agree that GE Net Credit Sales for each fiscal year shall constitute not less than 50% of Net Credit Sales for each such fiscal year, and agree to take all actions necessary or desirable to achieve this requirement, including, without limitation, adjusting applications for new Macy's accounts in a manner contrary to that which would otherwise be required or permitted by Sections 4.3 through 4.6.1.

4.6.3 The parties acknowledge that future sales of merchandise on Macy's accounts and openings of new Macy's accounts may occur through means not contemplated by this Agreement, including, without limitation, home shopping, pre-screen solicitations and/or through on-line account applications. In this regard, the parties agree (i) that for purposes of calculating any Comp Store Factor, all Virtual Comp Net Credit Sales shall be aggregated together and deemed to be a single Comp Store (a "Virtual Comp Store"), provided that, in determining Comp Stores, (a) such Virtual Comp Store shall not be applied to eliminate any Macy's store from being a Comp Store and (b) such Virtual Comp Store shall not be subject to elimination as a Comp Store, and

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(ii) that applications for new Macy's accounts which are made available to customers other than at a store (e.g., pursuant to telephone solicitations, pre-screen solicitations or on-line services) shall be allocated between FDS Bank and GE Bank in the same manner as applications are otherwise required to be allocated between the parties pursuant to the terms of this Section 4.

5. A&S Accounts. All A&S private label credit card accounts have been treated as described in the letter from GE Capital to FDS attached as Exhibit B

hereto. The parties have agreed that on or about April 28, 1996 all FDS/Macy's Accounts that were originated in a former A&S store and which were former A&S accounts which became FDS/Macy's Accounts pursuant to the provisions of Exhibit B hereto, shall be transferred to FDS Bank's systems and serviced by FDS Bank thereafter. The parties agree that the 60 day notice period referred to in Section 5 of Exhibit B is hereby deemed satisfied.

6. FDS Support.

6.1 Notwithstanding any provisions of the Program Agreement to the contrary, FDS shall indemnify and hold harmless General Electric Capital Corporation, GE Bank, and each of their respective officers, directors, employees and agents harmless from and against any losses, liabilities, obligations, actions, costs, damages, penalties, expenses or settlements, including reasonable attorneys fees ("Damages") arising out of or in connection with GE Bank imposing, contracting for and/or collecting (whether before or after the date hereof) in reliance on Ohio law finance charges, late fees, returned check fees or any other fees, charges, terms or conditions (including, without limitation, balance calculation methods and grace periods (collectively, "Rate Exported Terms") on Macy's accounts as specified in the Credit Card Agreement applicable to GE/Macy's Accounts attached hereto as Exhibit E that GE Bank would not otherwise be permitted to impose, contract for and/or collect under the respective state laws of Account Debtors in effect from time to time governing such imposition, contracting and/or collection;

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provided that if FDS directs GE Bank in writing to reduce certain such fees or charges or alter certain such terms or conditions ("Specified Fees") to not greater than the amount identified by FDS, and GE Bank fails to so follow FDS's directions (initiation of consumer notification by GE Bank shall be deemed compliance with FDS directions), then FDS shall not be obligated to provide an indemnity pursuant to this Section 6.1 with respect to Damages arising out of or in connection with the failure of such Specified Fees to comply with such identified law. The parties agree to use reasonable efforts to advise each other of any changes in such laws that they have actual knowledge of; provided that any failure to use such reasonable efforts or failure to so advise the other party shall not limit, modify, reduce or in any way affect the indemnification obligations set forth in this Section 6.1.

6.2 FDS hereby waives the provisions of Section 13.3(c) of the Program Agreement to the extent such Section imposes any obligations on GE Bank with respect to matters described in Section 6.1 hereof, and hereby releases GE Bank from any and all liabilities or obligations it may have pursuant to Section 13.3(c) of the Program Agreement to such extent.

7. Sundry Income. For purposes hereof, a "revenue enhancement program" means a program that yields sundry income from solicitations to sell services such as offers to sell credit card protection, auto and travel clubs and similar services and which do not relate to merchandise

(a) Subject to paragraph (b), below, all net revenue from revenue enhancement programs in effect as of the date hereof shall accrue to the benefit of FDS. The revenue from all such programs shall be calculated and established in accordance with Exhibit D hereto, and is referred to herein as "net revenue."

(b) Notwithstanding the provisions of paragraph (a), above, all net revenue from creditlife, disability, and involuntary unemployment insurance programs

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("Insurance Programs"), including adjustments to revenues against potential future claims, shall accrue [Information omitted] to the benefit of FDS and [Information omitted] to the benefit of GE Bank.

(c) [Information omitted]

(d) No net revenue from any revenue enhancement program (including Insurance Programs) will be taken into account in calculating Bank Net Return, and all such revenue shall be accounted for by the parties outside of the Program.

8. Limitations on Agreement. During the New Interim Period all provisions of the Program Agreement and the Program, other than those temporarily suspended for the New Interim Period to the extent strictly necessary to reflect the provisions of this Agreement or the Interim Agreement II dated as of the date hereof between General Electric Capital Corporation and FDS, shall remain in full force and effect. Certain financial and other provisions (as more fully described herein) shall be implemented for the New Interim Period and for that period only shall modify the related provisions set forth in the Program Agreement. If, prior to the last day of the New Interim Period, FDS and FDS Bank, on the one hand, and GE Capital and GE Bank, on the other hand, have not executed and delivered one or more definitive agreements regarding the terms and structure of the Program which supersede the Program Agreement, then the Program Agreement shall, as of such last day, revert to its original terms and the provisions hereof shall no longer be applicable, provided that (i) FDS Bank shall nonetheless continue to own and service all FDS/Macy's Accounts that it owned and serviced as of the end of the

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New Interim Period and (ii) the provisions of Sections 2, 3, 4, 5, 6 and 7 hereof shall be deemed to modify and amend the Program Agreement from and after such time.

9. Miscellaneous.
9.1. Certain Limitations.

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

- 9.2. Governing Law.

This Program Agreement Amendment shall be governed by the laws of the State of New York without regard to its conflicts of laws provisions.

- 9.3. Counterparts.

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

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

FEDERATED DEPARTMENT
STORES, INC.

GE CAPITAL CONSUMER CARD CO.

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick
Title: Sr. Vice President &
General Counsel

By: /s/ Kevin Knight

Name: Kevin Knight
Title: Executive Vice president

FDS NATIONAL BANK

By: /s/ Susan P. Storer

Name: Susan Storer
Title: Treasurer

MACY'S EAST, INC.

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick
Title: Vice President

MACY'S WEST, INC.

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick
Title: Vice President

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BULLOCK'S, INC.

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick
Title: Vice President

I. MAGNIN, INC.

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick
Title: Vice President

MACY SPECIALTY STORES, INC.

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick
Title: Vice President

MCO, INC.

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick
Title: Vice President

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SCHEDULE 4.1

FDS STORES

- -----
Sun Valley
Valley Fair

GE CAPITAL STORES

- -----
Sun Rise
Pleasantown - Stoneridge
BW Plaza - Walnut Creek
Northgate - Marin
Fashion Valley/Mission Valley
Carlsbad
The Oaks/1,000 Oaks
Modesto
Fresno
Coddington

EXECUTION COPY

CERTAIN INFORMATION (AS INDICATED BELOW) HAS BEEN OMITTED FROM THIS AGREEMENT AND FILED SEPERATELY WITH THE SECURITIES AND EXCHANGE COMMISSION IN ACCORDANCE WITH RULE 24b-2 UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

INTERIM AGREEMENT

INTERIM AGREEMENT, dated as of August 6, 1995, between Federated Department Stores, Inc. ("FDS") and General Electric Capital Corporation ("GE Capital").

WHEREAS, R. H. Macy & Co. ("Macy") and certain of its affiliates are parties to (i) a Credit Card Program Agreement (the "Consumer Agreement") dated as of May 10, 1991 with GE Capital Consumer Card Co., formerly known as Monogram Bank, USA ("GE Bank") and (ii) a Commercial Accounts Agreement (the "Commercial Agreement") dated as of May 10, 1991 with GE Capital (the Consumer Agreement and Commercial Agreement are referred to together herein as the "Program Agreements" and the credit card program conducted thereunder is referred to as the "Program"). Capitalized terms used herein have the meaning given to them in the Program Agreements unless otherwise defined herein.

WHEREAS, on December 19, 1994, the predecessor to FDS merged with and into Macy, Macy was the surviving entity and changed its name to "Federated Department Stores, Inc."

WHEREAS, the Program Fiscal Year and FDS's fiscal year are not the same and the parties desire to effect certain interim arrangements for the Interim Period (as defined below) and to bring the Program onto FDS's fiscal year.

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Interim Period. During the period from August 6, 1995 until February 3, 1996 (the "Interim Period"), all provisions of the Program Agreements and the Program, other than those temporarily suspended for the Interim Period to the extent strictly necessary to reflect the provisions of this Agreement, shall remain in full force and effect.

Certain financial and economic provisions (as more fully described herein) shall be implemented for the Interim Period, and for that period only shall modify the related provisions set forth in the Program Agreements. If, prior to the last day of the Interim Period, FDS and GE Capital have not executed and delivered a definitive agreement regarding the terms and structure of the Program which supersedes the Program Agreements, then the Program Agreements shall, as of such last day, revert to their original terms and the provisions hereof shall no longer be applicable, except as necessary (i) to reflect a change in the definition of "Program Fiscal Year" to coincide more closely with FDS's fiscal year rather than Macy's Fiscal Year, (ii) to make any other changes in dates necessary to reflect the foregoing change in fiscal years and (iii) to complete any of the settlement procedures described herein with respect to the Interim Period.

2. Program Economics for the Interim Period.

2.1. GE Capital Return. The parties agree that GE Capital shall be entitled to a profit, after Taxes, [Information omitted] of per annum on its Deemed Equity Amount invested in the Program for the Interim Period (the "Interim Period Target Profit"), subject to certain adjustments as described in Section 2.4.2(d) and (e) below. For purposes of calculating the settlements referred to in Section 2.4, Interim Period Target Profit will be expressed as a pre-tax equivalent amount. GE Capital's Deemed Equity Amount invested in the Program for the Interim Period shall be calculated as provided in the Program Agreements (i.e., [Information omitted] of the Average Net Receivables outstanding during the six-month Interim Period, calculated based on a seven point average). In order to determine whether GE Capital has received the Interim Period Target Profit, the amount by which Program revenues for the Interim Period exceed Program expenses for the Interim Period shall be calculated (the "Interim Period Actual Profit"). To the extent that Interim

Period Actual Profit and Interim Period Target Profit differ, the parties shall settle such difference in accordance with the provisions of Section 2.4.

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2.2. Program Revenues.

Program revenues shall be as set forth below:

2.2.1. Financing Income. All Financing Income generated by the Program during the Interim Period shall be revenue of the Program.

2.2.2. Late Fees and Returned Check Fees. All revenue from late fees and returned check fees (after deducting therefrom late fee and returned check fee write-offs) shall be revenue of the Program.

2.2.3 Sundry Income. All revenue from revenue enhancement programs shall be calculated and established in accordance with the term sheets attached hereto as Exhibit A* or, to the extent a program is not described on Exhibit A*, in accordance with written term sheets to be mutually agreed upon by GE Capital and FDS with respect to any such program. The revenue of each such revenue enhancement program as so calculated and established is referred to hereinafter as the "net revenue".

(a) The net revenue from revenue enhancement programs (other than from credit insurance programs) that have been utilized by the Program prior to the start of the Interim Period shall be revenue of the Program.

(b) All net revenue from revenue enhancement programs that have been proposed by FDS during the Interim Period or that GE Capital proposes to FDS during the Interim Period (other than programs that are variations on existing programs or expansions or extended implementations of existing programs) and from credit insurance programs (including adjustments to reserves against potential future claims) whenever utilized or proposed (together, "Shared Sundry Income Revenue") shall be shared [Information omitted] between FDS and GE Capital (i.e., FDS's [Information omitted] share of Shared Sundry Income Revenue shall be revenue of the Program). GE Capital's [Information omitted] share shall not be considered revenue of the Program (i.e., will not be taken into account in calculating Interim Period Actual Profit or Monthly Actual Profit) and will be accounted for by GE Capital outside the Program.

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* Exhibit A has been omitted.

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(c) During the Interim Period, the adoption of any new revenue enhancement program for the Program shall be by mutual agreement of FDS and GE Capital. In the event that a proposed new revenue enhancement program or a reasonably similar program is offered by more than one provider thereof, a determination of which new revenue enhancement program is to be adopted during the Interim Period will be made on the basis of competitive bidding and the one(s) offering terms that are the most favorable to the net revenue of the Program shall be adopted.

2.2.4. Service Discount. The Bank Service Discount and GE Capital Service Discount shall be as identified on Exhibit B hereto*. All Bank Service Discount Income under the Consumer Agreement and GE Capital Service Discount Income under the Commercial Agreement collected during the Interim Period shall be revenue of the Program.

2.3. Program Expenses.

Program expenses shall be as set forth below:

2.3.1. Money Costs. All Money Costs during the Interim Period, as calculated and assessed to the Program in accordance with past practices, shall be an expense of the Program.

2.3.2. Operating Expenses. All Operating Expenses incurred by GE Capital during the Interim Period shall be expenses of the Program.

2.3.3. Overhead. Overhead shall be an expense of the Program

and shall equal [Information omitted] during the Interim Period.

2.3.4. [Information omitted]

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* Exhibit B has been omitted.

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2.3.5. Losses. All Losses on accounts during the Interim Period (after deducting therefrom late fee write-offs and returned check fee write-offs) shall be an expense of the Program.

2.3.6. Postage Increases. In the event the United States first-class postage rate is increased during the Interim Period, the aggregate amount of actual documented out-of-pocket postage expenses for each and every mailed item (including, without limitation, periodic billing statements and other credit card documentation) due to such increased postage rate shall be an expense of the Program.

2.4. Monthly and Final Settlements.

2.4.1. Monthly Settlements. (a) Within 10 business days after the end of each Program Fiscal Month during the Interim Period (commencing with the end of October, 1995), GE Capital shall deliver to FDS a monthly return and settlement statement in the form of Exhibit C hereto (the "Monthly Return and Settlement Statement"*). All other reports required to be provided pursuant to the Program Agreement will be provided as required in the Program Agreement. The Monthly Return and Settlement Statement shall set forth (i) the amount by which Program revenue for the immediately prior Program Fiscal Month exceeded Program expenses for such month on the basis set forth herein (the "Monthly Actual Profit"), and (ii) the amount of profit, after Taxes, that GE Capital would have required for the month in order to receive a [Information omitted] per annum return on its Deemed Equity Amount invested in the Program for the month (the "Monthly Target Profit") (the Deemed Equity Amount for the month shall equal [Information omitted] of the Average Net Receivables outstanding during the month calculated on a two point average).

(b) FDS will have 5 days to review each Monthly Return and Settlement Statement. If within such 5-day period FDS demonstrates to GE Capital that the Statement contains a calculation error, then GE Capital shall use good faith, reasonable efforts to correct such error. If the Monthly Return and Settlement Statement indicates

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* Exhibit C has been omitted.

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that Monthly Actual Profit was less than the Monthly Target Profit, then GE Capital shall be entitled to receive from FDS, by wire transfer within 2 business days, an amount equal to such difference, provided that if GE Capital does not receive such payment within such time, then GE Capital shall be entitled to deduct from one or more daily settlement payments to be made to FDS pursuant to the Program Agreements an amount equal to such difference. If the Monthly Return and Settlement Statement indicates that Monthly Actual Profit was more than the Monthly Target Profit, then GE Capital shall pay to FDS, by wire transfer within 2 business days, an amount equal to such difference. The monthly settlements with respect to August, September and October 1995 shall be effected based on the foregoing provisions as promptly as practicable after the date hereof.

2.4.2. Final Settlement. (a) Within 30 days after the end of the Interim Period, GE Capital shall deliver to FDS (i) a statement which sets forth the Interim Period Actual Profit (the "Interim Period Return Statement"), (ii) a statement setting forth Operating Expenses for the Interim Period (the "Operating Expenses Statement") and (iii) a statement setting forth Net Write-offs for the Interim Period (net of late fee and returned check fee write-offs) (the "Write-off Statement"). The Interim Period Return Statement, the Operating Expenses Statement and the Write-off Statement are each referred to herein as a "Statement" and together as the "Statements."

(b) FDS shall have 45 days to review the Statements. At the

end of such 45-day period, the Statements shall become final (the "Final Statements" and each a "Final Statement") unless FDS has delivered to GE Capital a written notice prior to the end of such 45-day period setting forth in reasonable detail its objections to one or more Statements. If FDS delivers an objection notice with respect to a Statement within such 45-day period, the other Statements shall become Final

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Statements and the parties shall negotiate in good faith to try to resolve any disputes with respect to the Statement as to which FDS objected. If the parties are able to resolve their dispute within 45 days, the applicable Statement, as finalized by agreement of the parties, shall become a Final Statement. If the parties are unable to resolve their dispute within such 45-day period, the dispute shall be finally settled by arbitration conducted in accordance with the rules of the American Arbitration Association as in effect on the date arbitration is commenced, by a single arbitrator selected in accordance with the rules of the American Arbitration Association. The arbitration shall be held in New York, New York. Judgment upon any arbitration award may be entered by any court having jurisdiction thereof, and the parties waive any appeal or other remedy on the merits of the dispute or the award to which they might otherwise be entitled under applicable law. The Statement, as finalized by the arbitrator, shall be a Final Statement. The costs of the arbitration shall be paid by one or more of the parties as determined by the arbitrator whose determination shall be final and binding.

(c) If the Final Interim Period Return Statement indicates that the Interim Period Actual Profit exceeded the Interim Period Target Profit, then GE Capital shall promptly pay to FDS, by wire transfer within 2 business days, an amount equal to the difference. If the Final Interim Period Return Statement indicates that the Interim Period Actual Profit was less than the Interim Period Target Profit, then FDS shall promptly pay to GE Capital, by wire transfer within 2 business days, an amount equal to such difference, provided that if GE Capital does not receive such payment within such time, then GE Capital shall be entitled to deduct from one or more daily settlement payments to be made to FDS pursuant to the Program Agreements an amount equal to such difference. For purposes of calculating Interim Period Actual Profit, all monthly settlement payments made pursuant to Section 2.4.1. shall be deemed to have increased or decreased Service Discount Income, as appropriate.

(d) If the Final Operating Expenses Statement indicates that Operating Expenses for the Interim Period exceeded the Maximum Operating Expenses (as defined below) for the Interim Period, then GE Capital shall promptly pay to FDS an amount equal to such excess. "Maximum Operating Expenses" means an amount equal to

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105% of the budgeted Operating Expenses for the Interim Period as set forth in the Interim Period Operating Budget which has been agreed to by the parties and is attached as Exhibit D (or such greater amount as may be approved by FDS*).

(e) If the Final Write-off Statement indicates that Write-offs for the Interim Period (net of late fee and returned check fee write-offs) exceeded the Target Write-offs (as defined below) for the Interim Period, then GE Capital shall promptly pay to FDS an amount equal to 25% of such excess. "Target Write-offs" means total projected Net Write-offs for the Interim Period which has been agreed to by the parties and is set forth in Exhibit E*.

2.5. Discount Adjusters. The Discount Adjusters set forth in Section 4.2 of the Program Agreements shall not be in effect during the Interim Period.

3. Confidentiality; Other. The parties acknowledge and agree that the confidentiality provisions set forth in Section 14.1 of the Consumer Agreement shall be applicable with respect to all information, documentation, technology or methodology provided by the parties hereunder, including without limitation any such items regarding budgeted or actual expenses or revenues, other prices or costs, staffing or compensation, information systems, business processes, vendor relationships or other client relationships. The parties agree that, as necessary, each shall take appropriate actions to ensure compliance with all applicable antitrust laws, including without limitation, limitations as to which employees of which party may receive confidential cost information.

4. No Other Amendments. Except to the extent specifically modified hereby, the Program Agreements shall remain unchanged and in full force and effect.

5. Amendment. This Agreement may not be amended except by a written instrument signed by both GE Capital and FDS.

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* Exhibits D and E have been omitted.

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6. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to the conflicts of laws provisions thereof.

[Intentionally Blank]

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7. Entire Agreement. This Agreement is the entire agreement of the parties with respect to the subject matter hereof and supersedes all other prior understandings and agreements between the parties with respect to the subject matter hereof, whether written or oral.

8. Multiple Counterparts. This Agreement may be executed in any number of multiple counterparts, all of which shall constitute but one and the same original.

IN WITNESS WHEREOF, GE Capital and FDS 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/ Ronald Tysoe

Name: Ronald Tysoe

Title: Vice Chairman & CFO

GENERAL ELECTRIC CAPITAL
CORPORATION

By: /s/ Richard A. Hayes

Name: Richard A. Hayes

Title: Attorney-in-fact

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EXECUTION COPY

CERTAIN INFORMATION (AS INDICATED BELOW) HAS BEEN OMITTED FROM THIS AGREEMENT AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION IN ACCORDANCE WITH RULE 24b-2 UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

INTERIM AGREEMENT II

INTERIM AGREEMENT II, dated as of February 3, 1996 between Federated Department Stores, Inc. ("FDS") and General Electric Capital Corporation ("GE Capital").

WHEREAS, R. H. Macy & Co. ("Macy") and certain of its affiliates are parties to (i) a Credit Card Program Agreement (the "Consumer Agreement") dated as of May 10, 1991 with GE Capital Consumer Card Co., formerly known as Monogram Bank, USA ("GE Bank") and (ii) a Commercial Accounts Agreement (the "Commercial Agreement") dated as of May 10, 1991 with GE Capital (the Consumer Agreement and Commercial Agreement are referred to together herein as the "Program Agreements" and the credit card program conducted thereunder is referred to as the "Program"). Capitalized terms used herein have the meaning given to them in the Program Agreements unless otherwise defined herein.

WHEREAS, on December 19, 1994, the predecessor to FDS merged with and into Macy, Macy was the surviving entity and changed its name to "Federated Department Stores, Inc."

WHEREAS, the parties hereto are parties to an Interim Agreement dated as of August 6, 1995 (the "Prior Interim Agreement").

WHEREAS, the Prior Interim Agreement is applicable with respect to the period from August 6, 1995 until February 3, 1996 (the "Prior Interim Period") and the parties desire to enter into additional interim arrangements with respect to the period from February 4, 1996 until August 3, 1996 (the "New Interim Period").

WHEREAS, the parties desire that the Prior Interim Agreement continues to be applicable with respect to the Prior Interim Period and that this Agreement be applicable with respect to the New Interim Period.

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Interim Period. During the New Interim Period all provisions of the Program Agreements and the Program, other than those temporarily suspended for the New Interim Period to the extent strictly necessary to reflect the provisions of this Agreement, shall remain in full force and effect. Certain financial and economic provisions (as more fully described herein) shall be implemented for the New Interim Period, and for that period only shall modify the related provisions set forth in the Program Agreements. If, prior to the last day of the New Interim Period, FDS and GE Capital have not executed and delivered a definitive agreement regarding the terms and structure of the Program which supersedes the Program Agreements, then the Program Agreements shall, as of such last day, revert to their original terms (or such other terms as may be set forth in a certain Program Agreement Amendment dated as of the date hereof (the "Program Agreement Amendment") and expressly designated therein as surviving the termination of the New Interim Period) and the provisions hereof shall no longer be applicable, except as necessary to complete any of the settlement procedures described herein with respect to the New Interim Period.

2. Program Economics for the New Interim Period.

2.1. GE Capital Return. The parties agree that GE Capital shall be entitled to a profit, after Taxes, of [Information omitted] per annum on its Deemed Equity Amount invested in the Program for the New Interim Period (the "Interim Period Target Profit"), subject to certain adjustments as described in Section 2.4.2(d) and (e) below. For purposes of calculating the settlements referred to in Section 2.4, Interim Period Target Profit and Monthly Target Profit will be expressed as a pre-tax equivalent amount. GE Capital's Deemed Equity Amount invested in the Program for the New Interim Period shall be

calculated as provided in the Program Agreements (i.e., [Information omitted] of the Average Net Receivables outstanding during the six-month New Interim Period, calculated based on a seven point average). In order to determine whether GE Capital has received the Interim Period Target Profit, the amount by which Program revenues for the New Interim Period exceed Program expenses for the New Interim Period shall be calculated (the "Interim Period Actual Profit"). To the extent that Interim Period Actual Profit and Interim Period Target Profit differ, the parties shall settle such difference in accordance with the provisions of Section 2.4.

2.2. Program Revenues.

Program revenues shall be as set forth below:

2.2.1. Financing Income. All Financing Income generated by the Program during the New Interim Period shall be revenue of the Program.

2.2.2. Late Fees and Returned Check Fees. All revenue from late fees and returned check fees (after deducting therefrom late fee and returned check fee write-offs) shall be revenue of the Program.

2.2.3. Service Discount. The Bank Service Discount and GE Capital Service Discount for the New Interim Period shall be as identified on Exhibit B hereto*. All Bank Service Discount Income under the Consumer Agreement and GE Capital Service Discount Income under the Commercial Agreement collected during the New Interim Period shall be revenue of the Program.

2.3. Program Expenses.

Program expenses shall be as set forth below:

2.3.1. Money Costs. All Money Costs during the New Interim Period, as calculated and assessed to the Program in accordance with past practices, shall be an expense of the Program.

2.3.2. Operating Expenses. Subject to Section 2.4.2(d) hereof, all Operating Expenses incurred by GE Capital during the New Interim Period shall be

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* Exhibit B has been omitted.

expenses of the Program, it being acknowledged that the expenses incurred by GE Capital in connection with providing the services described in Section 2 of the Program Agreement Amendment shall be included as Operating Expenses.

2.3.3. Overhead. Overhead shall be an expense of the Program and shall equal [Information omitted] during the New Interim Period.

2.3.4. [Information omitted]

2.3.5. Losses. All Losses on accounts during the New Interim Period (after deducting therefrom late fee write-offs and returned check fee write-offs) shall be an expense of the Program.

2.3.6. Postage Increases. In the event the United States first-class postage rate is increased during the New Interim Period, the aggregate amount of actual documented out-of-pocket postage expenses for each and every mailed item (including, without limitation, periodic billing statements and other credit card documentation) due to such increased postage rate shall be an expense of the Program.

2.4. Monthly and Final Settlements.

2.4.1. Monthly Settlements. (a) Within 10 business days after the end of each Program Fiscal Month during the New Interim Period (commencing with the end of February, 1996), GE Capital shall deliver to FDS a monthly return and settlement statement in the form of Exhibit C hereto (the "Monthly

Return and Settlement Statement"*). All other reports required to be provided pursuant to the Program

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* Exhibit C has been omitted.

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Agreement will be provided as required in the Program Agreement. The Monthly Return and Settlement Statement shall set forth (i) the amount by which Program revenue for the immediately prior Program Fiscal Month exceeded Program expenses for such month on the basis set forth herein (the "Monthly Actual Profit"), and (ii) the amount of profit, after Taxes, that GE Capital would have required for the month in order to receive a [Information omitted] per annum return on its Deemed Equity Amount invested in the Program for the month (the "Monthly Target Profit") (the Deemed Equity Amount for the month shall equal [Information omitted] of the Average Net Receivables outstanding during the month calculated on a two point average).

(b) FDS will have 5 days to review each Monthly Return and Settlement Statement. If within such 5-day period FDS demonstrates to GE Capital that the Statement contains a calculation error, then GE Capital shall use good faith, reasonable efforts to correct such error. If the Monthly Return and Settlement Statement indicates that Monthly Actual Profit was less than the Monthly Target Profit, then GE Capital shall be entitled to receive from FDS, by wire transfer within 2 business days, an amount equal to such difference, provided that if GE Capital does not receive such payment within such time, then GE Capital shall be entitled to deduct from one or more daily settlement payments to be made to FDS pursuant to the Program Agreements an amount equal to such difference. If the Monthly Return and Settlement Statement indicates that Monthly Actual Profit was more than the Monthly Target Profit, then GE Capital shall pay to FDS, by wire transfer within 2 business days, an amount equal to such difference.

2.4.2. Final Settlement. (a) Within 30 days after the end of the New Interim Period, GE Capital shall deliver to FDS (i) a statement which sets forth the Interim Period Actual Profit (the "Interim Period Return Statement"), (ii) a statement setting forth Operating Expenses for the New Interim Period (the "Operating Expenses Statement") and (iii) a statement setting forth Net Write-offs for the New Interim Period (net of late fee and returned check fee write-offs) (the "Write-off Statement"). The

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Interim Period Return Statement, the Operating Expenses Statement and the Write-off Statement are each referred to herein as a "Statement" and together as the "Statements."

(b) FDS shall have 45 days to review the Statements. At the end of such 45-day period, the Statements shall become final (the "Final Statements" and each a "Final Statement") unless FDS has delivered to GE Capital a written notice prior to the end of such 45-day period setting forth in reasonable detail its objections to one or more Statements. If FDS delivers an objection notice with respect to a Statement within such 45-day period, the other Statements shall become Final Statements and the parties shall negotiate in good faith to try to resolve any disputes with respect to the Statement as to which FDS objected. If the parties are able to resolve their dispute within 45 days, the applicable Statement, as finalized by agreement of the parties, shall become a Final Statement. If the parties are unable to resolve their dispute within such 45-day period, the dispute shall be finally settled by arbitration conducted in accordance with the rules of the American Arbitration Association as in effect on the date arbitration is commenced, by a single arbitrator selected in accordance with the rules of the American Arbitration Association. The arbitration shall be held in New York, New York. Judgment upon any arbitration award may be entered by any court having jurisdiction thereof, and the parties waive any appeal or other remedy on the merits of the dispute or the award to which they might otherwise be entitled under applicable law. The Statement, as finalized by the arbitrator, shall be a Final Statement. The costs of the arbitration shall be paid by one or more of the parties as determined by the arbitrator whose determination shall be final and binding.

(c) If the Final Interim Period Return Statement indicates

that the Interim Period Actual Profit exceeded the Interim Period Target Profit, then GE Capital shall promptly pay to FDS, by wire transfer within 2 business days, an amount equal to the difference. If the Final Interim Period Return Statement indicates that the Interim Period Actual Profit was less than the Interim Period Target Profit, then FDS shall

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promptly pay to GE Capital, by wire transfer within 2 business days, an amount equal to such difference, provided that if GE Capital does not receive such payment within such time, then GE Capital shall be entitled to deduct from one or more daily settlement payments to be made to FDS pursuant to the Program Agreements an amount equal to such difference. For purposes of calculating Interim Period Actual Profit, all monthly settlement payments made pursuant to Section 2.4.1. shall be deemed to have increased or decreased Service Discount Income, as appropriate.

(d) If the Final Operating Expenses Statement indicates that Operating Expenses for the New Interim Period exceeded the Maximum Operating Expenses (as defined below) for the New Interim Period, then GE Capital shall promptly pay to FDS an amount equal to such excess. "Maximum Operating Expenses" means an amount equal to 105% of the budgeted Operating Expenses for the New Interim Period as set forth in the Interim Period Operating Budget which has been agreed to by the parties and is attached as Exhibit D* (or such greater amount as may be approved by FDS).

(e) If the Final Write-off Statement indicates that Write-offs for the New Interim Period (net of late fee and returned check fee write-offs) exceeded the Target Write-offs (as defined below) for the New Interim Period, then GE Capital shall promptly pay to FDS an amount equal to 25% of such excess. "Target Write-offs" means total projected Net Write-offs for the New Interim Period which has been agreed to by the parties and is set forth in Exhibit E*.

2.5. Discount Adjusters. For purposes of this Agreement, the Discount Adjusters set forth in Section 4.2 of the Program Agreements shall not be in effect during the New Interim Period.

3. Confidentiality; Other. The parties acknowledge and agree that the confidentiality provisions set forth in Section 14.1 of the Consumer Agreement shall be applicable with respect to all information, documentation, technology or methodology provided by the parties hereunder, including without limitation any such items regarding

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* Exhibits D and E have been omitted.

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budgeted or actual expenses or revenues, other prices or costs, staffing or compensation, information systems, business processes, vendor relationships or other client relationships. The parties agree that, as necessary, each shall take appropriate actions to ensure compliance with all applicable antitrust laws, including without limitation, limitations as to which employees of which party may receive confidential cost information.

4. No Other Amendments. Except to the extent specifically modified hereby, the Program Agreements shall remain unchanged and in full force and effect.

5. Amendment. This Agreement may not be amended except by a written instrument signed by both GE Capital and FDS.

6. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to the conflicts of laws provisions thereof.

7. Entire Agreement. This Agreement is the entire agreement of the parties with respect to the subject matter hereof and supersedes all other prior understandings and agreements between the parties with respect to the subject matter hereof, whether written or oral (although the Prior Interim Agreement shall not be superseded by this Agreement with respect to matters covered thereby).

8. Multiple Counterparts. This Agreement may be executed in any number of multiple counterparts, all of which shall constitute but one and the same original.

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IN WITNESS WHEREOF, GE Capital and FDS 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

Name: Dennis J. Broderick

Title: Sr. Vice President and General Counsel

GENERAL ELECTRIC CAPITAL
CORPORATION

By: /s/ Kevin Knight

Name: Kevin Knight

Title: Attorney-in-fact

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EXHIBIT 11

FEDERATED DEPARTMENT STORES, INC.

EXHIBIT OF PRIMARY AND FULLY DILUTED EARNINGS PER SHARE

(THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>

<CAPTION>

	53 WEEKS ENDED FEBRUARY 3, 1996		52 WEEKS ENDED JANUARY 28, 1995		
	SHARES	INCOME	SHARES	INCOME	
	<C>	<C>	<C>	<C>	<C>
Net income and average number of shares outstanding.....	191,503	\$74,553	132,862		\$187,616
Earnings per share.....		\$ 0.39		\$ 1.41	
PRIMARY COMPUTATION:					
Average number of common share equivalents:					
Shares to be issued to the U.S. Treasury.....					
	81		122		
Deferred compensation plan.....					
	164	74			
Warrants.....					
	383	--			
Stock options.....					
	926		217		
Adjusted number of common and common equivalent shares outstanding and adjusted net income...					
	193,057	\$74,553	133,275		\$187,616
Primary earnings per share.....					
		\$ 0.39		\$ 1.41	
FULLY DILUTED COMPUTATION:					
Additional adjustments to a fully diluted basis:					
Convertible notes.....					
	10,239	2,798	8,564		10,531
Warrants.....					
	166	--			
Stock options.....					
	113	--			
Adjusted number of shares outstanding and net income on a fully diluted basis.....					
	203,575	\$77,351	141,839		\$198,147
Fully diluted earnings per share.....					
		\$ 0.38		\$ 1.40	

</TABLE>

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	
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	
Bloomingtondale's, Inc.	Ohio	Bloomingtondale's
Bloomingtondale's By Mail Ltd.	New York	
Bloomingtondale's Real Estate, Inc.	Delaware	
Broadway Receivables, Inc.	Delaware	
Broadway Stores, Inc.	Delaware	Broadway, Emporium, Weinstocks
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	
Camelback Funding Corporation	Delaware	
Carter Hawley Hale Properties, Inc.	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 Logistics
Federated Credit Holdings Corporation	Delaware	
Federated Department Stores, Inc.	Delaware	Federated Merchandising (FM) Federated Product Development (FPD)
Federated Department Stores Foundation	Ohio	

</TABLE>

EXHIBIT 21 (CONT)

<TABLE>

<CAPTION>

NAME	STATE OF INCORPORATION	TRADENAME(S)
<S>	<C>	<C>

Federated Department Stores Insurance Company, Ltd. Bermuda
 Federated Noteholding Corporation Delaware

Federated Noteholding Corporation II	Delaware	
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	
Hamilton By Appointment	Delaware	
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 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)	
	Jordan Marsh	
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	

</TABLE>

EXHIBIT 21 (CONT)

<TABLE>

<CAPTION>

NAME	STATE OF INCORPORATION	TRADENAME(S)
------	---------------------------	--------------

<S>

<C>

<C>

Macy's West, Inc.	Ohio	Macy's West Macy('s)
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MCC Special Corp.	Delaware	
MOA Rest, Inc.	Minnesota	

MSS-Delaware, Inc.	Delaware	Aeropostale Charter Club
--------------------	----------	-----------------------------

N. B. Properties Corp.	New Jersey	
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	
Sanstoft 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	

</TABLE>

*50% Owned by Kings Plaza Shopping Center of Avenue U, Inc.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
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 March 5, 1996, relating to the consolidated balance sheets of Federated Department Stores, Inc. and subsidiaries as of February 3, 1996 and January 28, 1995 and the related consolidated statements of income and cash flows for the fifty-three week period ended February 3, 1996 and the fifty-two week periods ended January 28, 1995 and January 29, 1994, which report appears in the February 3, 1996 annual report on Form 10-K of Federated Department Stores, Inc.

KPMG PEAT MARWICK LLP

Cincinnati, Ohio
April 16, 1996

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 17, 1996 /s/ Allen I. Questrom

Allen I. Questrom

POWER OF ATTORNEY

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Dated: April 17, 1996 /s/ Ronald W. Tysoc

Ronald W. Tysoc

POWER OF ATTORNEY

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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 17, 1996 /s/ John E. Brown

John E. Brown

POWER OF ATTORNEY

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Dated: April 17, 1996 /s/ Robert A. Charpie

Robert A. Charpie

POWER OF ATTORNEY

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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 17, 1996

/s/ Lyle Everingham

Lyle Everingham

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 17, 1996

/s/ Meyer Feldberg

Meyer Feldberg

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 17, 1996

/s/ Earl G. Graves

Earl G. Graves

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 17, 1996

/s/ George V. Grune

George V. Grune

POWER OF ATTORNEY

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Dated: April 17, 1996

/s/ Gertrude G. Michelson

Gertrude G. Michelson

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 17, 1996

/s/ Joseph Neubauer

Joseph Neubauer

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints 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 17, 1996

/s/ Laurence A. Tisch

Laurence A. Tisch

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 17, 1996 /s/ Paul W. Van Orden

Paul W. Van Orden

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 17, 1996 /s/ Karl M. von der Heyden

Karl M. von der Heyden

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints 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 17, 1996

/s/ Marna C. Whittington

Marna C. Whittington

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 17, 1996

/s/ James M. Zimmerman

James M. Zimmerman

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<F1>Supplies and prepaid expenses		176,411
Deferred income tax assets		74,511
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Notes receivable		415,066
Other assets		469,763
<F3>Deferred income taxes		732,936
Other liabilities		558,127
Shareholders' equity		4,273,686
<F4>Interest income		47,104

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