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Ronald W. Tysoe</TD>
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Craig E. Weatherup</TD>
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subsidiaries. The By-Laws further require that all of the members of the Audit Review, BOCG and Compensation Committees, and a majority of the members of the Executive, Finance, and Public Policy Committees and each other directorate committee that the Board may from time to time establish, be independent directors. However, the By-Laws permit a majority of the independent directors then serving as Board members to determine in a specific instance that it would be in the best interests of Federated and its stockholders that the By-Laws not operate to preclude the service of one or more individuals on one or more of such committees. The By-Laws define "independent director," in general, to mean a director of Federated who:

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is not (and has not been within the preceding 60 months) an employee of Federated or any of its subsidiaries;</TD>
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is not (and has not been within the preceding 60 months) an executive officer, partner or principal in or of any corporation or other entity that is or was a paid advisor, consultant or provider of professional services to, or a substantial supplier of, Federated or any of its subsidiaries;</TD>
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is not a party to any contract pursuant to which such director provides personal services (other than as a director) to Federated or any of its subsidiaries;</TD>
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is not employed by an organization that received, within the preceding 60 months, grants or endowments from Federated or any of its subsidiaries in excess of \$250,000 in any fiscal year of Federated;</TD>
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is not a relative of any other director or executive officer of Federated;</TD>
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is not a party to any agreement binding him or her to vote, as a stockholder of Federated, in accordance with the recommendations of the Board; and</TD>
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is not a director of any corporation or other entity (other than Federated) of which Federated's Chairman or Chief Executive Officer is also a director.</TD>
</TR>

appropriate, policies involving Federated's role as a corporate citizen, reviews, evaluates and monitors the policies, programs and practices in public policy areas, maintains an awareness of public affairs developments and trends, and reviews and makes recommendations to the Board on stockholder proposals relating to various matters. The Public Policy Committee met twice during fiscal 1999.

The Audit Review Committee is presently composed of Ms. Levinson, Dr. Whittington and Messrs. Graves, Grune and von der Heyden. This Committee reviews the professional services provided by Federated's independent accountants and the independence of such firm from the management of Federated. This Committee also reviews the scope of the audit by Federated's independent accountants, the annual financial statements of Federated, Federated's systems of internal accounting controls, material legal developments relating to, and legal compliance policies and procedures of, Federated and such other matters with respect to the legal, accounting, auditing and financial reporting practices and procedures of Federated as it may find appropriate or as may be brought to its attention, and meets from time to time with members of Federated's internal audit staff. The Audit Review Committee met five times during fiscal 1999.

Board Organization and Corporate Governance Committee. The BOCG Committee is presently composed of Dr. Whittington and Messrs. Feldberg, Graves, Neubauer, Pichler and Weatherup. This Committee considers and recommends criteria for the selection of nominees for election as directors of Federated and from time to time may select candidates for director for recommendation to the full Board. This Committee also considers and

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makes recommendations with respect to (a) such proposals as may from time to time be made in accordance with Rule 14a-8 under the Securities Exchange Act of 1934, as amended, by stockholders of Federated, and (b) such other matters as may from time to time be presented for consideration of the Board relating to the rights of stockholders and the role of the Board in respect of the direction of the management of the business and affairs of Federated (other than, as to stockholder rights, in respect of the conduct of Federated's ordinary business operations or in the context of an extraordinary transaction involving Federated or any of its subsidiaries or any securities thereof). The full Board may also from time to time select such director candidates and in all events will act in respect of (x) the filling of any vacancies on the Board, (y) the recommendation of candidates for nomination for election by the stockholders of Federated, and (z) the composition of all Board committees. The BOCG Committee met twice during fiscal 1999.

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The BOCG Committee will consider nominees for directors recommended by stockholders of Federated. Stockholders wishing to make such recommendations should write to the Board Organization and Corporate Governance Committee, c/o Dennis J. Broderick, Secretary, Federated Department Stores, Inc., 7 West Seventh Street, Cincinnati, Ohio 45202. Persons making submissions should include the full name and address of the recommended nominee, a description of the proposed nominee's qualifications and other relevant biographical information. See Director Nomination Procedures for a discussion of nomination procedures under the By-Laws.

The Compensation Committee is presently composed of Messrs. Feldberg, Grune, Neubauer, Pichler and Weatherup. This Committee reviews executive salaries, administers the bonus, incentive and stock option plans of Federated and approves the salaries and other benefits of the executive officers of Federated. In addition, this Committee advises and consults with Federated's management regarding pension and other benefit plans and compensation policies and practices of Federated. The Compensation Committee met five times during fiscal 1999.

Section 162(m) Subcommittee. The Board has established a subcommittee of the Compensation Committee, presently composed of Messrs. Feldberg, Grune and Pichler (the Section 162(m) Subcommittee). The Section 162(m) Subcommittee is required to be composed solely of three or more members of the Compensation Committee who are outside directors; within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, and the regulations of the Internal Revenue Service relating thereto (collectively, Section 162(m)). The Section 162(m) Subcommittee takes all required actions under the Equity Plans and Federated's 1992 Incentive Bonus Plan (as amended, the 1992 Bonus Plan), and such other compensation plans, agreements or arrangements of Federated as may be specified by the Board from time to time, in each case with respect to such action as may be necessary under Section 162(m) in order to cause any compensation that is paid thereunder to a person who is, or is specified by the Compensation Committee as being reasonably likely to become, a covered employee; within the meaning of

Section 162(m) to qualify as performance based. The meaning of Section 162(m). The Section 162(m) Subcommittee met twice during fiscal 1999.

Director Nomination Procedures

The By-Laws provide that nominations for election of directors by the stockholders will be made by the Board or by any stockholder entitled to vote in the election of directors generally. The By-Laws require that stockholders intending to nominate candidates for election as directors deliver written notice thereof to the Secretary of Federated not less than 60 days prior to the meeting of stockholders. However, in the event that the date of the meeting is not publicly announced by Federated by inclusion in a report filed with the SEC or furnished to stockholders, or by mail, press release or otherwise more than 75 days prior to the meeting, notice

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by the stockholder to be timely must be delivered to the Secretary of Federated not later than the close of business on the tenth day following the day on which such announcement of the date of the meeting was so communicated. The By-Laws further require, among other things, that the notice by the stockholder set forth certain information concerning such stockholder and the stockholder's nominees, including their names and addresses, a representation that the stockholder is entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice, the class and number of shares of Federated's stock owned or beneficially owned by such stockholder, a description of all arrangements or understandings between the stockholder and each nominee, such other information as would be required to be included in a proxy statement soliciting proxies for the election of the nominees of such stockholder, and the consent of each nominee to serve as a director of Federated if so elected. The chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with these requirements. Similar procedures prescribed by the By-Laws are applicable to stockholders desiring to bring any other business before an annual meeting of the stockholders. See Stockholders Proposals; Proposals for the 2001 Annual Meeting.

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Director Compensation

Non-employee directors receive an annual base retainer fee in the amount of \$30,000, and a fee of \$1,250 for each Board or Board Committee meeting attended. In addition, each non-employee director who chairs a committee receives an annual fee of \$5,000. Since January 1, 1999, the annual base retainer fee (including the fee payable to a committee chair) and the meeting fee payable to non-employee directors is being paid 50% (or such greater percentage, in ten percent increments, any individual director may have elected) in credits representing the right to receive shares of common stock, with the balance being paid in cash. Such stock credits will be settled in shares of common stock three years following the issuance of such stock credits (or at such later time as any individual director's service on the Board ends, if such individual director has elected to defer compensation under the directors' deferred compensation program).

Subject to the holding period described above for stock credits covering a portion of retainer and meeting fees, any non-employee director may defer all or a portion of those fees either as stock credits or cash credits under the directors' deferred compensation program until such director's service on the Board ends.

In connection with the termination of the retirement plan for non-employee directors described below, the 1995 Equity Plan was amended to make each non-employee director eligible to receive annual grants of options to purchase up to 3,500 shares of common stock. Each non-employee director was granted an option to purchase 3,500 shares of common stock in respect of his or her service as such during fiscal 1999. Directors who are also full-time employees of Federated receive no additional compensation for service as directors.

Federated's retirement plan for non-employee directors was terminated on a prospective basis effective May 16, 1997 (the Plan Termination Date). As a result of such termination, persons who first become non-employee directors after the Plan Termination Date will not be entitled to receive any payment thereunder. Persons who were non-employee directors as of the Plan Termination Date will be entitled to receive retirement benefits accrued as of the Plan Termination Date. Subject to an overall limit in an amount equal to the aggregate retirement benefit accrued as of the Plan Termination Date (i.e., the product of \$30,000 and the years of Board service prior to the Plan Termination Date), and the vesting requirements described below, persons who retire from service as non-employee directors after the Plan Termination Date will be entitled to receive an annual payment equal to \$30,000, payable in monthly installments, commencing at age 60 (if such person's termination of Board service occurred prior to reaching age 60)


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Chairman and</FONT></TD>
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Represents options granted on August 27, 1999 having an exercise price of \$46.75 per share. Such options have a 10-year term. Twenty-five percent of the option awards vest on each of May 1, 2000, May 1, 2001, May 1, 2002 and May 1, 2003.</TD>
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Represents shares of restricted stock granted on August 27, 1999 at a per share price of \$46.75. The restrictions will lapse as to twenty-five percent of the shares on each of May 1, 2000, May 1, 2001, May 1, 2002 and May 1, 2003.</TD>
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Represents shares of restricted stock granted on March 24, 2000 at a per share price of \$39.8125. The restrictions will lapse as to twenty-five percent of the shares on each of March 24, 2001, March 24, 2002, March 24, 2003 and March 24, 2004.</TD>
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Represents options granted on February 25, 2000 having an exercise price of \$32.4375 per share. Such options have a ten-year term. Twenty-five percent of the option awards vest on each of March 24, 2001, March 24, 2002, March 24, 2003 and March 24, 2004.</TD>
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Represents options granted on March 26, 1999 and August 27, 1999 having exercise prices ranging from \$38.0625 to \$46.75 per share. Such options have 10-year terms and will vest as to either twenty-five percent of the shares covered thereby on each of the first four anniversaries of the date of the grant thereof or twenty-five percent of the shares covered thereby on each of May 1, 2000, May 1, 2001, May 1, 2002 and May 1, 2003.</TD>
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paid to any participant may exceed \$2.0 million, and no long-term incentive award paid to any Participant may exceed \$3.0 million. Upon the effectiveness of the proposed amendment, no annual incentive award paid to any participant may exceed \$4.0 million. The 1992 Bonus Plan provides that all annual and long-term incentive awards will be paid to participants in respect of any particular performance period (i) in cash and/or Federated equity (including stock options, stock credits or equity equivalents), (ii) in a lump sum and/or in deferred payments or grants, and (iii) on the date(s) and other terms, including any premium in respect of any non-cash payouts or deferred payments or grants, in each case as determined by the Board at the time that performance goals are established for a particular performance period. See #147; Compensation Committee Report on Executive Compensation #151; Specific Compensation Practices #151; Annual Cash Incentive #151; Long-Term Incentive #148; for further information regarding bonus opportunities and form of payment available to participants under the 1992 Bonus Plan.

The foregoing discussion of the material provisions of the 1992 Bonus Plan does not purport to be complete and is qualified in its entirety by reference to the full text thereof, which is attached as Appendix B to this Proxy Statement and incorporated herein by reference. The 1992 Bonus Plan is subject to amendment from time to time by the Board.

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The following tables set forth certain information regarding the award opportunities granted under the 1992 Bonus Plan with respect to performance periods consisting of or commencing with fiscal 1999 or fiscal 2000. No determination has been made with respect to any specific awards that may be granted under the 1992 Bonus Plan after the date of this Proxy Statement.

ANNUAL INCENTIVE AWARDS

ANNUAL INCENTIVE AWARDS

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<TD align="center" nowrap colspan="11">Award Potential (1)</TD>

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J. Zimmerman</TD>
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Chairman and Chief Executive Officer</TD>
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President and Chief Merchandising Officer</TD>
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R. Tysoc</TD>
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Based upon actual performance relative to the applicable
performance goals, the actual cash incentive payments in respect
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Officer Employee Group.</TD>
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Senior Vice President and Chief Financial Officer</TD>
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Executive Vice President.</FONT></TD>
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Law and Human Resources</FONT></TD>
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K. Hoguet</FONT></TD>
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Senior Vice President and</TD>
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Chief Financial Officer</TD>
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At January 29, 2000, the aggregate number of shares of

restricted stock held by each of the Named Executives and the aggregate value thereof (based on the closing market price of the common stock on January 28, 2000) were as follows:
Mr. Zimmerman: 100,000 shares, \$4,162,500; Mr. Lundgren: 0 shares; Mr. Tysoe: 0; Mr. Cody: 0; and Mrs. Hoguet: 0. Mr. Zimmerman was awarded 100,000 shares of restricted stock on August 27, 1999. The restrictions will lapse as to 25,000 shares on each of May 1, 2000, May 1, 2001, May 1, 2002, and May 1, 2003.

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<TD align="left">
The payments to the Named Executives for fiscal years 1997, 1998 and fiscal 1999 were made pursuant to Federated's long-term incentive plans in respect of the period encompassing Federated's fiscal years 1995 through 1999. See “Compensation Committee Report on Executive Compensation — Specific Compensation Practices— Long-Term Incentive.”</TD>
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Consists of contributions under Federated's Profit Sharing 401(k) Investment Plan. See “Retirement Programs.”</TD>
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<TD>(4) </TD>
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The amount shown includes \$72,972, which represents the aggregate payments of taxes made in fiscal 1999 in respect of fiscal year 1998 and fiscal 1999 relating to executive discount on merchandise purchases and use of the company aircraft.</TD>
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For fiscal 1999, the amount shown includes \$44,328 for executive discount on merchandise purchases.</TD>
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The amount shown includes \$42,127, which represents the aggregate payments of taxes made in fiscal 1999 in respect of fiscal year 1998 and fiscal 1999 relating to executive discount on merchandise purchases and use of the company aircraft and \$52,408 for use of the company aircraft.</TD>
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For fiscal 1999, the amount shown includes \$30,830 for use of the company aircraft.</TD>
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The amount shown includes \$19,106, which represents the aggregate payment of taxes made in fiscal 1999 in respect of fiscal year 1998 and fiscal 1999 relating to executive discount on merchandise purchases and use of the company aircraft and \$20,358


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T. Cody</FONT></TD>
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K. Hoguet</FONT></TD>
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The &#147;market price&#148; shown is the closing price for
shares of common stock on the NYSE on the business day
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“Other Annual Compensation.” With respect to the Annual Compensation portion of the Summary Compensation Table, the eligible compensation of each of the Named Executives did not vary by more than 10% from the total amount of such executive’s annual compensation.

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<H5 align="left">Table of Contents</H5><P>

<P align="center">PENSION PLAN TABLE

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objective ranking of Federated's performance compared to a designated group of peer companies with respect to both cumulative comparable store sales and cumulative earnings per share growth under the 1997-1999 program. For the 1998-2000, 1999-2001 and 2000-2002 programs, however, approximately 70% of the incentive opportunity will be based on Federated's performance against a cumulative corporate EBIT target and an EBIT rate target, with approximately 30% being based on Federated's performance against a specified three-year average corporate ROGI target.

Consistent with Federated's long-term business plan approved by the full Board, the Committee (or, in certain cases, the Section 162(m) Subcommittee) annually establishes new three-year threshold, target and maximum EBIT objectives and a minimum EBIT rate objective, which generally remain unchanged for each three-year measurement period. Failure to attain the minimum earnings rate objective results in reduction of the bonus otherwise earned based upon earnings performance. For the 1997-1999 performance period, EBIT performance exceeded target objectives, resulting in a payout between the target and the maximum opportunity for the portion of the incentive based upon EBIT performance. With respect to Company performance against peers, Federated exceeded the overall performance objectives, resulting in a payout equal to the maximum opportunity for the portion of the award based upon performance against peers. The Committee (or, in certain cases, the Section 162(m) Subcommittee) has reviewed and approved the 2000-2002 long-term incentive cumulative EBIT and EBIT rate performance targets for the executive group, the three-year average corporate ROGI performance target, and the corresponding long-term bonus incentive opportunity for each participant. Unlike payouts for performance periods prior to the 1998-2000 performance period, which have been and will be paid entirely in cash, any payout for the 1998-2000 and 1999-2001 performance periods will be paid 50% (or such greater percentage, in ten percent increments, any particular individual participant may have elected) in credits representing the right to receive shares of common stock (with a 20% premium being added to the amount so paid in such credits) with the balance being payable in cash. Beginning with the 2000-2002 performance period any payout will be paid 100% in credits representing the right to receive shares of common stock (with 20% premium being added to the amount so paid in such credits), except that any payout that Mr. Zimmerman receives for the 2000-2002 performance period will be paid 50% in credits representing the right to receive shares of common stock (with a 20% premium being added to the amount so paid in such credits), with the balance being payable in cash. Stock credits issued for any of the above-mentioned performance periods will be settled in shares of common stock three years following the issuance of such stock credits

Equity-Based Plan. A stock option award was granted in fiscal 1999 by the Committee to Mr. Zimmerman pursuant to the 1995 Equity Plan.

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Stock option awards granted in fiscal 1999 were based on the organizational level of the executive, and provided recognition of the contributions made by the executive in the current year, as well as the future contributions to Federated each is anticipated to make. In granting these performance-based awards, key employees were provided with an immediate financial interest in increasing stockholder value.

As part of the 1999 review of executive total compensation conducted by the Committee with the assistance of outside compensation experts from Mercer, the Committee confirmed guidelines for stock option awards to all executives, except for the current two most senior executives of Federated. The guidelines featured the use of a range of annual stock option award opportunities for each eligible position within Federated, with the range of opportunity reflecting competitive levels of awards as compared to other retailers and with individual awards reflecting individual performance within Federated. Options have previously been granted either on an annual basis or every three years to Federated's executive officers and senior division executives, and the options granted every three years were granted within a range of opportunity equal to three times the annual range. Based on advice received from Mercer as part of its review of Federated's executive compensation program, and in order to enable Federated to retain top quality management personnel by maintaining the program's competitiveness and enhancing its flexibility, options will generally be granted annually during fiscal year 2000 and thereafter. The awards are typically granted with an exercise price equal to 100% of fair market value at the time of grant, with a 10-year term and vesting over four years. Options granted after February 15, 1995, are granted under the 1995 Equity Plan.

<P align="left">Conclusion

The Committee intends to seek to continue to operate under, and to adjust where necessary, these performance-driven compensation policies and practices to assure that they are consistent with the goals and objectives of Federated, and with the primary mission of the full Board of increasing long-term stockholder value.

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securities of such other corporation or entity immediately after such sale or transfer is held in the aggregate by the holders of Voting Stock of the Company immediately prior to such sale or transfer;

(iii) There is a report filed on Schedule 13D or Schedule TO (or any successor schedule, form, or report or item therein), each as promulgated pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), disclosing that any person (as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the Exchange Act) has become the beneficial owner (as the term "beneficial owner" is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of securities representing 30% or more of the combined voting power of the Voting Stock of the Company;

(iv) The Company files a report or proxy statement with the Securities and Exchange Commission pursuant to the Exchange Act disclosing in response to Form 8-K or Schedule 14A (or any successor schedule, form, or report or item therein) that a change in control of the Company has occurred or will occur in the future pursuant to any then-existing contract or transaction;

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(v) If, during any period of two consecutive years, individuals who at the beginning of any such period constitute the directors of the Company cease for any reason to constitute at least a majority thereof; provided, however, that for purposes of this clause (v) each director who is first elected, or first nominated for election by the Company's stockholders, by a vote of at least two-thirds of the directors of the Company (or a committee thereof) then still in office who were directors of the Company at the beginning of any such period will be deemed to have been a director of the Company at the beginning of such period.

Notwithstanding the foregoing provisions of Section 2(d)(iii) or 2(d)(iv), unless otherwise determined in a specific case by majority vote of the Board, a Change in Control will not be deemed to have occurred for purposes of Section 2(d)(iii) or 2(d)(iv) solely because (1) the Company, (2) a Subsidiary, or (3) any employee stock ownership plan or any other employee benefit plan of the Company or any Subsidiary either files or becomes obligated to file a report or a proxy statement under or in response to Schedule 13D, Schedule TO, Form 8-K, or Schedule 14A (or any successor schedule, form, or report or item therein) under the Exchange Act disclosing beneficial ownership by it of shares of Voting Stock, whether in excess of 30% or otherwise, or because the Company reports that a change in control of the Company has occurred or will occur in the future by reason of such beneficial ownership.

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(d) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

and (D), the level of Annual Incentive Awards to be paid to Participants in respect thereof will be a level interpolated by the Board between the corresponding levels of Annual Incentive Awards paid in respect of such Performance Goal levels.

(b) Except in the case of a Covered Employee, the Annual Incentive Award determined pursuant to Section 5(a) may be modified by the Board to recognize a Participant's individual performance or in other circumstances deemed appropriate by the Board.

(c) Notwithstanding any other provision of this Bonus Plan to the contrary, in no event will an Annual Incentive Award paid to any Participant for a fiscal year exceed \$4.0 million.

6. Long-Term Incentive Awards. Unless changed by the Board, each eligible Participant may earn Long-Term Incentive Awards as hereinafter provided. Each Operating Unit's actual performance during a particular Performance Period will be measured against the Performance Goals established therefor by the Board in accordance with Section 4. In the event such Operating Unit's performance for such Performance Period (A) is below the minimum Performance Goal established therefor, no Long-Term Incentive Awards will be paid to Participants in respect thereof, (B) is equal to the minimum Performance Goal established therefor, the minimum level of Long-Term Incentive Awards will be paid to Participants in respect thereof, (C) is equal to the target Performance Goal established therefor, the target level of Long-Term Incentive Awards will be paid to Participants in respect thereof, (D) is equal to or greater than the maximum Performance Goal established therefor, the maximum level of Long-Term Incentive Awards will be paid to Participants in respect thereof, and (E) is between any two of the Performance Goal levels described in the immediately preceding clauses (B), (C),

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and (D), the level of Long-Term Incentive Awards to be paid to Participants in respect thereof will be a level interpolated by the Board between the corresponding levels of Long-Term Incentive Awards paid in respect of such Performance Goal levels.

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(b) Except in the case of a Covered Employee, the Long-Term Incentive Award determined pursuant to Section 6(a) may be modified by the Board to recognize a Participant's individual performance or in other circumstances deemed appropriate by the Board.

(c) Notwithstanding any other provision of this Bonus Plan to the contrary, in no event will a Long-Term Incentive Award paid to any Participant for a Performance Period exceed \$3.0 million.

7. Payment of Awards. Annual Incentive Awards and Long-Term Incentive Awards will be paid to Participants in respect of any particular Performance Period (i) in cash and/or Company equity (including stock options, stock credits or equity equivalents), (ii) in a lump sum and/or in deferred payments or grants, and (iii) on the date(s) and other terms, including any premium in respect of any non-cash payments or deferred payments or grants, in each case as determined by the Board at the time that Performance Goals are established for a particular Performance Period. All Annual Incentive Awards and Long-Term Incentive Awards that are paid in cash will be paid in U.S. dollars. The Company may deduct from any payment such amounts as may be required to be withheld under any federal, state, or local tax laws.

8. Termination of Employment. If a Participant terminates employment with the Company and its Subsidiaries before the last day of a Performance Period due to death, disability, or Retirement with the consent of the Company, the Participant's Annual Incentive Awards and Long-Term Incentive Awards will be prorated on the basis of the ratio of the number of months of participation during the Performance Period to which the Annual Incentive Awards and Long-Term Incentive Awards relate to the aggregate number of months in such Performance Period. If a Participant's employment with the Company and its Subsidiaries is terminated by the Company or any such Subsidiary before the last day of a Performance Period for any reason other than for Cause (as hereinafter defined), the Participant's Annual Incentive Awards and Long-Term Incentive Awards will be prorated on the basis of the ratio of the number of months of participation during the Performance Period to which the Annual Incentive Awards and the Long-Term Incentive Awards relate to the aggregate number of months in such Performance Period, unless otherwise determined by the Board. Except as otherwise provided in this Section 8, if a Participant's employment with the Company and its Subsidiaries is terminated before the last day of a Performance Period for any reason, the Participant will not be entitled to any Annual Incentive Award or Long-Term Incentive Award for such Performance Period unless otherwise determined by the Board. For purposes of this Agreement, Cause means any act of

dishonesty, fraud, or willful misconduct by a Participant in the performance of the Participant's duties as an employee of the Company, or any conviction of a Participant for any felony involving moral turpitude.

9. Change in Control. In connection with any actual or potential change in control of the Company, whether as a result of any stock acquisition, merger, or other business combination transaction, or any restructuring or recapitalization of the Company, then the Board will take all such actions hereunder as it may determine to be necessary or appropriate to treat Participants equitably hereunder, including without limitation the modification or waiver of applicable Performance Goals, Performance Periods, Annual Incentive Awards, or Long-Term Incentive Awards, notwithstanding the terms of any initial award, and whether to establish or fund a trust or other arrangement intended to secure the payment of such awards.

10. Transfers and Changes in Responsibilities. (a) If a Participant's responsibilities materially change or the Participant is transferred during a Performance Period to another Operating Unit or to a position that is not designated or eligible to participate in this Bonus Plan, the Company may, as determined by the Board, either

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(i) continue the Participant's participation in this Bonus Plan and, except in the case of a Covered Employee, as of the date of such change or transfer, establish new performance awards (as determined pursuant to Section 10(b)) in respect of Annual Incentive Awards and/or Long-Term Incentive Awards, as the case may be, for the Participant with respect to his or her new position, or (ii) terminate the Participant's participation in this Bonus Plan in respect of Annual Incentive Awards and/or Long-Term Incentive Awards, as the case may be, and, as of the date of such change or transfer, the Participant's Annual Incentive Awards and/or Long-Term Incentive Awards, as the case may be, would be prorated on the basis of the ratio of the number of months of the Participant's participation during the Performance Period to which such Annual Incentive Awards and/or Long-Term Incentive Awards, as the case may be, relate to the aggregate number of months in such Performance Period.

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(b) If in the event of such a change or transfer the Participant's participation in this Bonus Plan in respect of Annual Incentive Awards and/or Long-Term Incentive Awards, as the case may be, is not terminated pursuant to Section 10(a)(ii), then the Participant's Annual Incentive Awards and/or Long-Term Incentive Awards, as the case may be, will be prorated on the basis of the number of months of service by the Participant at each Operating Unit during the Performance Period.

11. Security of Payment of Benefits. Unless otherwise determined by the Board, all Annual Incentive Awards and Long-Term Incentive Awards will be paid from the Company's general assets, and nothing contained in this Bonus Plan will require the Company to set aside or hold in trust any funds for the benefit of any Participant, who will have the status of a general unsecured creditor of the Company.

12. Administration of the Plan. (a) This Bonus Plan will be administered by the Board, which may from time to time delegate all or any part of its authority under this Bonus Plan to the Compensation Committee.

(b) The Board will take such actions as are required to be taken by it hereunder, may take the actions permitted to be taken by it hereunder, and will have the authority from time to time to interpret this Bonus Plan and to adopt, amend, and rescind rules and regulations for implementing and administering this Bonus Plan. All such actions will be in the sole discretion of the Board and, when taken, will be final, conclusive, and binding. Without limiting the generality or effect of the foregoing, the interpretation and construction by the Board of any provision of this Bonus Plan or of any agreement, notification, or document evidencing the grant of benefits payable to Participants and any determination by the Board in its sole discretion pursuant to any provision of this Bonus Plan or any provision of such agreement, notification, or document will be final and conclusive. Without limiting the generality or effect of any provision of the Certificate of Incorporation of the Company, neither the Chief Executive Officer, the Chief Operating Officer, or the Chief Merchandising Officer nor any member of the Board will be liable for any action or determination made in good faith.

(c) The provisions of Sections 5 and 6 will be interpreted as authorizing the Board, in taking any action under or pursuant to this Bonus Plan, to take any action it determines in its sole discretion to be appropriate, subject only to the express limitations therein contained, and no authorization in either such Section or any other provision of this Bonus Plan is intended or may be deemed to constitute a limitation on the

authority of the Board.

(d) The existence of this Bonus Plan or any right granted or other action taken pursuant hereto will not affect the authority of the Board or the Company to take any other action, including in respect of the grant or award of any annual or long-term bonus or other right or benefit, whether or not authorized by this Bonus Plan, subject only to limitations imposed by applicable law as from time to time applicable thereto.

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13. **(a)** This Bonus Plan will not confer upon any Participant any right with respect to continuance of employment or other service with the Company or any Subsidiary, nor will it interfere in any way with any right the Company or any Subsidiary would otherwise have to terminate or modify the terms of such Participant's employment or other service at any time.

(b) Except as otherwise provided in this Bonus Plan, no right or benefit under this Bonus Plan will be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge such right or benefit will be void. No such right or benefit will in any manner be liable for or subject to the debts, liabilities, or torts of a Participant.

(c) This Bonus Plan may be amended or terminated from time to time by the Board. In the event this Bonus Plan is terminated before the last day of a Performance Period, Annual Incentive Awards and Long-Term Incentive Awards payable for such Performance Period will be prorated on the basis of the ratio of the number of months in such Performance Period prior to such termination to the aggregate number of months in such Performance Period and will be paid only after the end of such Performance Period, which will be deemed to continue until the expiration thereof as if this Bonus Plan had not been terminated.

(d) If any provision in this Bonus Plan is held to be invalid or unenforceable, no other provision of this Bonus Plan will be affected thereby.

(e) This Bonus Plan will be governed by and construed in accordance with applicable United States federal law and, to the extent not preempted by such federal law, in accordance with the laws of the State of Delaware, without giving effect to the principles of conflict of laws thereof.

14. **(I)** The amendment and restatement of this Bonus Plan set forth herein will become effective as of May 19, 2000; provided, however, that the amendment and restatement of Section 5(c) set forth herein will not become effective unless the holders of a majority of the shares of common stock of the Company actually voting on the matter approve this Bonus Plan, as amended and restated hereby, at a meeting of the stockholders of the Company.

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Instructions for Voting Your Proxy

Federated is now offering stockholders of record three alternative means of voting proxies:

By Telephone (using a touch-tone phone); **Through the Internet** (using a browser); **By Mail** (traditional method)

Your telephone or Internet vote authorizes the named proxies to vote your shares in the same manner as if you had returned your proxy card. We encourage you to use these cost effective and convenient ways of voting, 24 hours a day, 7 days a week.

TELEPHONE VOTING Available only for residents of the United States and Canada.

On a touch tone telephone, call **TOLL FREE 1-877-816-0837**, 24 hours a day, 7 days a week.
Enter **ONLY** the Control Number shown below.
Have your proxy card ready, then follow the instructions.
Your vote will be confirmed and cast as you directed.
The deadline for casting your vote is 5:00 p.m., Eastern time on May 18, 2000.

INTERNET VOTING

Visit our Internet voting website at <http://cybervote.georgeson.com>.
Enter Federated's Number **AND** the Control Number shown below and follow the instructions on your screen.
You will incur only your usual

ABSTAIN

To amend Federated's 1992 Incentive Bonus Plan.

FOR

AGAINST

ABSTAIN

To act upon a stockholder proposal to take the necessary steps to adopt a system for the annual election of all of Federated's directors.

FOR

AGAINST

ABSTAIN

For purposes of the 2000 Annual Meeting, proxies will be held in confidence (subject to certain exceptions as set forth in the Proxy Statement) unless the undersigned checks the following box:

Change of Address Mark Here

Unless voting by telephone or Internet, this proxy should be dated, signed by the stockholder as his or her name appears hereon, and returned promptly in the enclosed envelope. Joint owners should each sign personally, and trustees and others signing in a representative capacity should indicate the capacity in which they sign.

Dated: _____, 2000

Signature of Stockholder

Signature of Stockholder

Votes must be indicated, as in example to the left, in Black or Blue ink.

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FEDERATED DEPARTMENT STORES, INC.

Proxies Solicited on Behalf of the Board of Directors for
Annual Meeting of Stockholders on May 19, 2000

The undersigned holder of shares of Common Stock of Federated hereby appoints Marna C. Whittington, Karl M. von der Heyden and Ronald W. Tysoc, and each of them, as proxies of the undersigned, with full power of substitution, to act and to vote for and in the name, place and stead of the undersigned at the Annual Meeting of Stockholders of Federated to be held at The Westin Atlanta North at Perimeter, 7 Concourse Parkway, Atlanta, Georgia, 30328, at 11:00 a.m., Eastern Daylight Time, on Friday, May 19, 2000, and at any and all postponements and adjournments thereof, according to the number of votes and as fully as the undersigned would be entitled to vote if personally present at such meeting, and particularly with respect to the proposals listed on the reverse side.

THIS PROXY WILL BE VOTED AS DIRECTED. IF NO DIRECTION IS INDICATED, THIS PROXY WILL BE VOTED FOR ALL NOMINEES LISTED IN ITEM 1, AGAINST ALL NOMINEES LISTED IN ITEM 2, 3 AND 4, AND WILL BE VOTED IN THE DISCRETION OF THE PROXIES IN RESPECT OF SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE ANNUAL MEETING.

PLEASE MARK, SIGN AND RETURN THIS PROXY CARD PROMPTLY, USING THE ENVELOPE

