

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal quarter ended August 1, 1998.

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

Delaware 1-13536 13-3324058
(State of Incorporation) (Commission File No.) (I.R.S. Employer
Identification Number)

The 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.

204,915,141 shares of the Registrant's Common Stock, \$.01 par value, were outstanding as of August 29, 1998.

PART I -- FINANCIAL INFORMATION

FEDERATED DEPARTMENT STORES, INC.

Consolidated Statements of Income
(Unaudited)

(millions, except per share figures)

	13 Weeks Ended		26 Weeks Ended	
	August 1, 1998	August 2, 1997	August 1, 1998	August 2, 1997
Net Sales	\$ 3,523	\$ 3,453	\$ 6,979	\$ 6,862
Cost of sales	2,101	2,099	4,207	4,186
Selling, general and administrative expenses	1,155	1,142	2,324	2,316
Operating Income	267	212	448	360
Interest expense	(76)	(106)	(159)	(221)

Interest income	2	7	8	18
Income Before Income Taxes and Extraordinary Item	193	113	297	157
Federal, state and local income tax expense	(86)	(46)	(130)	(66)
Income Before Extraordinary Item	107	67	167	91
Extraordinary Item - loss on early extinguishment of debt, net of tax effect of \$25	-	(39)	-	(39)
Net Income	\$ 107	\$ 28	\$ 167	\$ 52

(Continued)

PART I -- FINANCIAL INFORMATION

FEDERATED DEPARTMENT STORES, INC.

Consolidated Statements of Income (Unaudited)

(millions, except per share figures)

	13 Weeks Ended	26 Weeks Ended		
	August 1,	August 2,	August 1,	August 2,
	1998	1997	1998	1997

Basic Earnings per Share:

Income before extraordinary item	\$.51	\$.32	\$.80	\$.43
Extraordinary item	-	(.19)	-	(.18)
Net income	\$.51	\$.13	\$.80	\$.25

Diluted Earnings per Share:

Income before extraordinary item	\$.47	\$.31	\$.74	\$.42
Extraordinary item	-	(.18)	-	(.18)
Net income	\$.47	\$.13	\$.74	\$.24

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

FEDERATED DEPARTMENT STORES, INC.

Consolidated Balance Sheets (Unaudited)

(millions)

	August 1,	January 31,	August 2,
	1998	1998	1997

ASSETS:

Current Assets:

Cash	\$ 281	\$ 142	\$ 317
Accounts receivable	2,111	2,640	2,498
Merchandise inventories	3,361	3,239	3,372
Supplies and prepaid expenses	118	115	129
Deferred income tax assets	105	58	106
Total Current Assets	5,976	6,194	6,422

Property and Equipment - net	6,381	6,520	6,371
Intangible Assets - net	677	690	704

Other Assets	317	334	377
Total Assets	\$ 13,351	\$ 13,738	\$ 13,874

LIABILITIES AND SHAREHOLDERS' EQUITY:

Current Liabilities:

Short-term debt	\$ 34	\$ 556	\$ 1,505
Accounts payable and accrued liabilities	2,517	2,416	2,482
Income taxes	67	88	4
Total Current Liabilities	2,618	3,060	3,991

Long-Term Debt	3,890	3,919	3,732
Deferred Income Taxes	977	939	836
Other Liabilities	557	564	559
Shareholders' Equity	5,309	5,256	4,756

Total Liabilities and Shareholders'

Equity	\$ 13,351	\$ 13,738	\$ 13,874
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The accompanying notes are an integral part of these unaudited Consolidated Financial Statements.

FEDERATED DEPARTMENT STORES, INC.

Consolidated Statements of Cash Flows (Unaudited)

(millions)

26 Weeks Ended 26 Weeks Ended
August 1, 1998 August 2, 1997

Cash flows from operating activities:

Net income	\$ 167	\$ 52
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	298	277
Amortization of intangible assets	13	14
Amortization of financing costs	4	13
Amortization of unearned restricted stock	1	1
Loss on early extinguishment of debt	-	39
Changes in assets and liabilities:		
Decrease in accounts receivable	331	337
Increase in merchandise inventories	(122)	(126)
Increase in supplies and prepaid expenses	(3)	(19)
(Increase) decrease in other assets not separately identified	4	(5)
Increase (decrease) in accounts payable and accrued liabilities not separately identified	45	(21)
Increase (decrease) in current income taxes	(21)	3
Increase (decrease) in deferred income taxes	(9)	4
Decrease in other liabilities not separately identified	(8)	(5)
Net cash provided by operating activities	700	564

Cash flows from investing activities:

Purchase of property and equipment	(189)	(219)
Disposition of property and equipment	22	89
Decrease in notes receivable	200	200
Net cash provided by investing activities	33	70

Cash flows from financing activities:

Debt issued	300	850
Financing costs	(7)	(5)
Debt repaid	(851)	(1,356)
Increase in outstanding checks	79	11
Acquisition of treasury stock	(154)	(2)
Issuance of common stock	39	36

Net cash used by financing activities (594) (466)

(Continued)

FEDERATED DEPARTMENT STORES, INC.

Consolidated Statements of Cash Flows
(Unaudited)

(millions)

26 Weeks Ended 26 Weeks Ended
August 1, 1998 August 2, 1997

Net increase in cash	\$ 139	\$ 168
Cash at beginning of period	142	149
Cash at end of period	\$ 281	\$ 317

Supplemental cash flow information:

Interest paid	\$ 147	\$ 212
Interest received	11	20
Income taxes paid (net of refunds received)	150	48

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

FEDERATED DEPARTMENT STORES, INC.

Notes to Consolidated Financial Statements
(Unaudited)

1. Summary of Significant Accounting Policies

A description of the Company's significant accounting policies is included in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1998 (the "1997 10-K"). The accompanying Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto in the 1997 10-K.

Because of the seasonal nature of the general merchandising business, the results of operations for the 13 and 26 weeks ended August 1, 1998 and August 2, 1997 (which do not include the Christmas season) are not indicative of such results for the fiscal year.

The Consolidated Financial Statements for the 13 and 26 weeks ended August 1, 1998 and August 2, 1997, in the opinion of management, include all adjustments (consisting only of normal recurring adjustments) considered necessary to present fairly, in all material respects, the consolidated financial position and results of operations of the Company and its subsidiaries.

During the first quarter of 1998, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income," which establishes standards for the reporting and display of comprehensive income and its components. For all periods presented, comprehensive income is equivalent to net income.

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activity" was issued in June 1998 and is effective for all quarters of all fiscal years beginning after June 15, 1999. This statement establishes accounting and reporting standards for derivative instruments and hedging activities and requires recognition of all derivatives as either assets

or liabilities on the balance sheet using fair value measurement. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting hedging designation, if any. The Company is currently reviewing the impact of this statement; however, based on the Company's minimal use of derivatives, management does not anticipate that its adoption will have a material impact on the Company's consolidated financial position, results of operations or cash flows.

2. Extraordinary Item

The extraordinary item for the 13 and 26 weeks ended August 2, 1997 represents costs of \$39 million, net of income tax benefit of \$25 million, associated with the prepayment of all amounts outstanding under the Company's mortgage loan facility, secured promissory note, certain other mortgages and previous bank credit facility, all of which were retired and terminated.

FEDERATED DEPARTMENT STORES, INC.

Notes to Consolidated Financial Statements (Unaudited)

3. Earnings Per Share

The following tables set forth the computation of basic and diluted earnings per share based on income before extraordinary item:

13 Weeks Ended				
August 1, 1998		August 2, 1997		
(millions, except per share data)	Shares	Income	Shares	Income
Income before extraordinary item				
and average number of				
shares outstanding	210.2	\$ 107	209.1	\$ 66
Shares to be issued under deferred				
compensation plan	.3	-	.3	-
	210.5	\$ 107	209.4	\$ 66
Basic earnings per share	\$.51		\$.32	
Effect of dilutive securities:				
Warrants	8.9	4.6		
Stock options	2.8	1.8		
Convertible notes	10.2	2	10.2	3
	232.4	\$ 109	226.0	\$ 69
Diluted earnings per share	\$.47		\$.31	

26 Weeks Ended				
August 1, 1998		August 2, 1997		
(millions, except per share data)	Shares	Income	Shares	Income
Income before extraordinary item				
and average number of				
shares outstanding	210.3	\$ 167	208.7	\$ 91
Shares to be issued under deferred				
compensation plan	.3	-	.3	-
	210.6	\$ 167	209.0	\$ 91
Basic earnings per share	\$.80		\$.43	
Effect of dilutive securities:				
Warrants	8.5	4.0		
Stock options	2.7	1.7		
Convertible notes	10.2	5	-	-

232.0 \$ 172 214.7 \$ 91

Diluted earnings per share \$.74 \$.42

FEDERATED DEPARTMENT STORES, INC.

Notes to Consolidated Financial Statements (Unaudited)

In addition to the warrants and stock options reflected in the foregoing tables, warrants and stock options to purchase .6 million and .5 million shares of common stock at prices ranging from \$37.85 to \$79.44 per share were outstanding at August 1, 1998 and August 2, 1997, respectively, but were not included in the computation of diluted earnings per share because the exercise price thereof exceeded the average market price and would have been antidilutive. Additionally, for the 26 weeks ended August 2, 1997, the assumed conversion of the convertible notes would have an antidilutive effect on diluted earnings per share and was therefore excluded from the computation.

FEDERATED DEPARTMENT STORES, INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For purposes of the following discussion, all references to "second quarter of 1998" and "second quarter of 1997" are to the Company's 13-week fiscal periods ended August 1, 1998 and August 2, 1997, respectively, and all references to "1998" and "1997" are to the Company's 26-week fiscal periods ended August 1, 1998 and August 2, 1997, respectively.

Results of Operations

Comparison of the 13 Weeks Ended August 1, 1998 and August 2, 1997

Net sales for the second quarter of 1998 totaled \$3,523 million, compared to net sales of \$3,453 million for the second quarter of 1997, an increase of 2.0%. Since February 1, 1997, the Company has opened six new department stores and two new furniture galleries, changed nameplates on two stores, closed nineteen stores and eliminated certain consumer electronics lines of business. On a comparable store basis, net sales for the second quarter of 1998 increased 3.0% over the second quarter of 1997.

Cost of sales was 59.6% of net sales for the second quarter of 1998 compared to 60.8% for the second quarter of 1997. The 1.2% improvement in the cost of sales rate, as well as the comparable-store sales improvement, reflects positive customer response to the merchandise assortments in the stores, attributed partially to an improved merchandise receipt flow. Cost of sales was not impacted by the valuation of merchandise inventory on the last-in, first-out basis in the second quarter of 1998 or the second quarter of 1997.

Selling, general and administrative ("SG&A") expenses were 32.8% of net sales for the second quarter of 1998 compared to 33.1% for the second quarter of 1997. The major factor contributing to the 0.3% improvement in the SG&A expense rate was lower distribution-related expense resulting from restructuring and technological enhancements within the merchandise distribution process.

Net interest expense was \$74 million for the second quarter of 1998, compared to \$99 million for the second quarter of 1997. The lower interest expense for the second quarter of 1998 is principally due to lower levels of borrowings and lower interest rates resulting from refinancings completed in July 1997.

The Company's effective income tax rate of 44.6% for the second quarter of 1998 differs from the federal income tax statutory rate of 35.0% principally because of the effect of state and local income taxes and permanent differences arising from the amortization of intangible assets and from other non-deductible items.

The extraordinary item of \$39 million in the second quarter of 1997 represents the after-tax expenses associated with debt prepayments.

FEDERATED DEPARTMENT STORES, INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Comparison of the 26 Weeks Ended August 1, 1998 and August 2, 1997

Net sales for 1998 were \$6,979 million compared to \$6,862 million for 1997, an increase of 1.7%. On a comparable store basis, net sales for 1998 increased 2.7% over 1997.

Cost of sales was 60.3% of net sales for 1998 compared to 61.0% for 1997. The 0.7% improvement in the cost of sales rate, as well as the comparable-store sales improvement, reflects positive customer response to the merchandise assortments in the stores during the second quarter of 1998, attributed partially to an improved merchandise receipt flow. Cost of sales was not impacted by the valuation of merchandise inventory on the last-in, first-out basis in 1998 or 1997.

SG&A expenses were 33.3% of net sales for 1998 compared to 33.8% for 1997. The major factor contributing to the 0.5% improvement in the SG&A expense rate was lower distribution-related expenses resulting from restructuring and technological enhancements within the merchandise distribution process.

Net interest expense was \$151 million for 1998 compared to \$203 million for 1997. The lower interest expense for 1998 is principally due to lower levels of borrowings and lower interest rates resulting from refinancings completed in July 1997.

The Company's effective income tax rate of 43.8% for 1998 differs from the federal income tax statutory rate of 35.0% principally because of the effect of state and local income taxes and permanent differences arising from the amortization of intangible assets and from other non-deductible items.

Liquidity and Capital Resources

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

Net cash provided by operating activities in 1998 was \$700 million, an increase of \$136 million compared to the \$564 million provided in 1997. The major factor contributing to this improvement was stronger operating results.

Net cash provided by investing activities was \$33 million in 1998, with the final \$200 million installment of a note

receivable held by the Company being received on May 4, 1998, purchases of property and equipment totaling \$189 million and dispositions of property and equipment totaling \$22 million. The Company opened one new store in August 1998 and intends to open two additional new stores in Fall 1998. On August 1, 1998, the Company completed the sale of its specialty store division to the division's management group. The sale did not have a material impact on the Company's financial position or results of operations.

FEDERATED DEPARTMENT STORES, INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Net cash used by the Company for all financing activities was \$594 million in 1998. During the first quarter of 1998, the Company issued \$300 million of 7.0% Senior Debentures due 2028. The proceeds of such issuance, together with other available funds, were used to repay \$669 million of short-term borrowings and the remaining \$176 million of borrowings under a note monetization facility. Also during the quarter, the Company renewed a portion of the bank credit agreement which provides a \$500 million unsecured revolving credit facility with a termination date of July 26, 1999.

During the quarter, the Company repurchased 2.9 million shares of its common stock at an aggregate cost of approximately \$154 million as part of the previously announced \$500 million stock repurchase program. Under the repurchase program announced in May 1998, the Company intends to continue to repurchase shares throughout the year, depending on prevailing market conditions, alternate uses of capital and other factors. Any such purchases may be discontinued or resumed at any time.

On August 18, 1998, the Company completed a tender offer pursuant to which it purchased approximately \$340 million aggregate principal amount of its 10% Senior Notes due 2001 (the "10% Notes"), leaving approximately \$110 million aggregate principal amount of such notes outstanding. The Company's purchases of the 10% Notes pursuant to the tender offer were financed through a combination of cash on hand and the issuance of commercial paper. Based on the tender premium paid to holders of the 10% Notes and the write-off of the related deferred debt issuance costs, the Company will report an extraordinary charge of approximately \$23 million, net of the related tax benefit, in the 13-week fiscal period ending October 31, 1998. On August 26, 1998, in a related transaction, the Company issued \$350 million of 6 1/8% Term Enhanced ReMarketable Securities. The proceeds from this offering were used by the Company to repurchase outstanding commercial paper used to finance the tender offer and for general corporate purposes.

On August 26, 1998, the Company called for redemption, effective October 1, 1998, all of its 5.0% Convertible Subordinated Notes due 2003 (the "5% Notes") at a redemption price equal to \$1,056.25 for each \$1,000 principal amount thereof (inclusive of accrued interest to October 1, 1998). No interest will accrue on the 5% Notes on or after October 1, 1998. The 5% Notes may be converted into shares of the Company's common stock at any time prior to the close of business on September 30, 1998 at the rate of 29.2547 shares for each \$1,000 principal amount represented by the 5% Notes (equivalent to a conversion price of approximately \$34.1825 per share). However, interest for the period from April 1, 1998 to October 1, 1998 will be paid, without being funded by the holder surrendering a 5% Note for conversion, only with respect to 5% Notes that are surrendered for conversion after

the opening of business on September 24, 1998 and prior to the close of business on September 30, 1998.

FEDERATED DEPARTMENT STORES, INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

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 and other complementary 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 the issuance of debt or other securities, or other possible capital markets transactions, the proceeds of which could be used to refinance current indebtedness or for other corporate purposes.

Year 2000 Matters

The Year 2000 Issue

Many existing computer programs utilized globally use only two digits to identify a year in the date field. These programs, if not corrected, could fail or create erroneous results after the century date changes on January 1, 2000 or when otherwise dealing with dates later than December 31, 1999. This "Year 2000" issue is believed to affect virtually all companies and organizations, including the Company.

The Company relies on computer-based technology and utilizes a variety of third-party hardware and proprietary and third-party software. The Company's retail functions, such as merchandise procurement and distribution, inventory control, point-of-sale information systems and proprietary credit card account servicing, generally use proprietary software, with third-party software being used more extensively for administrative functions, such as accounting and human resource management. In addition to such information technology ("IT") systems, the Company's operations rely on various non-IT equipment and systems that contain embedded computer technology, such as elevators, escalators and energy management systems. Third parties with whom the Company has commercial relationships, including vendors of merchandise for resale by the Company and of products and services used by the Company in its operations (such as banking and financial services, data processing services, telecommunications services and utilities), are also highly reliant on computer-based technology.

In February 1996, the Company commenced an assessment of the potential effects of the Year 2000 issue on the Company's business, financial condition and results of operations. In conjunction with such assessment, the Company developed and commenced the implementation of the compliance program described below.

FEDERATED DEPARTMENT STORES, INC.

Management's Discussion and Analysis
of Financial Condition and Results of Operations (Continued)

The Company's Compliance Program

Proprietary IT Systems. Pursuant to the Company's Year 2000 compliance program, the Company has undertaken an examination of the Company's proprietary IT systems. All such systems that have been identified as relating to a critical function and as not being Year 2000 compliant have been or are being remediated or replaced. The Company believes that the remediation of its proprietary IT systems is substantially complete, and nearly all of the proprietary IT systems that have been remediated have been installed and placed into production. The Company commenced testing of such remediated systems for Year 2000 compliance in August 1998 and presently anticipates completing a comprehensive, integrated test of all of its main-frame and mid-range IT systems (including third-party and proprietary hardware, software, network components and interfaces) by January 31, 1999.

Third-Party IT Systems. The strategy instituted by the Company to identify and address Year 2000 issues affecting third-party IT systems used by the Company includes contacting all third-party providers of computer hardware and software to secure appropriate representations to the effect that such hardware or software is or will timely be Year 2000 compliant. The Company has received Year 2000 compliant versions of almost all third-party software and is currently engaged in developing contingency plans as to third-party hardware and software used by the Company in respect of which the Company has not received adequate compliance assurances to date.

Non-IT Systems. The Company has undertaken a review of its non-IT systems and is in the process of implementing a remediation program in respect of such systems that are within the control of the Company. The Company expects to complete this remediation effort by April 30, 1999. In addition, the Company's centralized real estate department has communicated to the developers, landlords and property managers of substantially all of the Company's properties the Company's expectation that the systems utilized in the management and operation of such properties which are not within the Company's control are or will timely be Year 2000 compliant.

Non-IT Vendors and Suppliers. The Company procures its merchandise for resale and supplies for operational purposes from a vast network of vendors located both within and outside the United States, and is not dependent on any one vendor for more than 5% of its merchandise purchases. With respect to private label merchandise, which constitutes approximately 15% of the Company's total sales, procurement is principally from manufacturers located outside the United States. As a part of its contingency planning effort, the Company has commenced making inquiries as to the Year 2000 readiness of selected vendors and private label manufacturers in order to identify any significant exposures that may exist and establish alternate sources or strategies where necessary.

FEDERATED DEPARTMENT STORES, INC.

Management's Discussion and Analysis
of Financial Condition and Results of Operations (Continued)

Costs

The Company has incurred to date approximately \$16 million of costs to implement its Year 2000 compliance program and presently expects to incur approximately \$50 million of costs in the aggregate, of which approximately 30% represents capitalized expenditures for hardware purchases. All of the Company's Year 2000 compliance costs have been or are expected to be funded from the Company's operating cash flow. The Company's Year 2000 compliance budget does not include material amounts for hardware replacement because the Company has historically employed a strategy to continually upgrade its main-frame and mid-range computer systems and to install state of the art point-of-sale systems with respect to both pre-existing operations and in conjunction with the acquisitions and mergers effected by the Company in recent years. Consequently, the Company's Year 2000 budget has not required the diversion of funds from or the postponement of the implementation of other planned IT projects.

Risks Associated With Year 2000 Issues

The Company's Year 2000 compliance program is directed primarily towards ensuring that the Company will be able to continue to perform three critical functions: (i) effect sales, (ii) order and receive merchandise, and (iii) pay its employees and vendors. It is difficult, if not impossible, to assess with any degree of accuracy the impact on any of these three areas of the failure of one or more aspects of the Company's compliance program.

The novelty and complexity of the issues presented and the proposed solutions therefor and the Company's dependence on the technical skills of employees and independent contractors and on the representations and preparedness of third parties are among the factors that could cause the Company's efforts to be less than fully effective. Moreover, Year 2000 issues present a number of risks that are beyond the Company's reasonable control, such as the failure of utility companies to deliver electricity, the failure of telecommunications companies to provide voice and data services, the failure of financial institutions to process transactions and transfer funds, the failure of vendors to deliver merchandise or perform services required by the Company and the collateral effects on the Company of the effects of Year 2000 issues on the economy in general or on the Company's business partners and customers in particular. Although the Company believes that its Year 2000 compliance program is designed to appropriately identify and address those Year 2000 issues that are subject to the Company's reasonable control, there can be no assurance that the Company's efforts in this regard will be fully effective or that Year 2000 issues will not have a material adverse effect on the Company's business, financial condition or results of operations.

PART II -- OTHER INFORMATION

FEDERATED DEPARTMENT STORES, INC.

Item 5. Other Information

This report and other reports, statements and information previously or subsequently filed by the Company with the Securities and Exchange Commission (the "SEC") contain or may contain forward-looking statements. Such statements are based upon the beliefs and assumptions of, and on information available to, the management of the Company at the time such statements are made. The following are or may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995: (i) statements preceded by, followed by or that include the words "may," "will," "could,"

"should," "believe," "expect," "future," "potential," "anticipate," "intend," "plan," "estimate," or "continue" or the negative or other variations thereof and (ii) statements regarding matters that are not historical facts. Such forward-looking statements are subject to various risks and uncertainties, including (i) risks and uncertainties relating to the possible invalidity of the underlying beliefs and assumptions, (ii) possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions, and (iii) actions taken or omitted to be taken by third parties, including customers, suppliers, business partners, competitors and legislative, regulatory, judicial and other governmental authorities and officials. In addition to any risks and uncertainties specifically identified in the text surrounding such forward-looking statements, the statements in the immediately preceding sentence and the statements under captions such as "Risk Factors" and "Special Considerations" in reports, statements and information filed by the Company with the SEC from time to time constitute cautionary statements identifying important factors that could cause actual amounts, results, events and circumstances to differ materially from those reflected in such forward-looking statements.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10.1 Amended and Restated Credit Agreement, dated as of June 29, 1998, by and among the Company, the Initial Lenders named therein, Citibank, N.A., as Administrative Agent and Paying Agent, The Chase Manhattan Bank, as Administrative Agent, BankBoston, N.A., as Syndication Agent, and The Bank of America, National Trust & Savings Association, as Documentation Agent.

10.2 Letter Amendment to the Five-Year Credit Agreement, dated as of June 29, 1998, by and among the Company, the Initial Lenders named therein, Citibank, N.A., as Administrative Agent and Paying Agent, The Chase Manhattan Bank, as Administrative Agent, BankBoston, N.A., as Syndication Agent, and The Bank of America, National Trust & Savings Association, as Documentation Agent.

27 Financial Data Schedule

(b) Reports on Form 8-K

No reports were filed on Form 8-K during the quarter ended August 1, 1998.

FEDERATED DEPARTMENT STORES, INC.

SIGNATURES

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

FEDERATED DEPARTMENT STORES, INC.

Date September 15, 1998 /s/ Dennis J. Broderick
Dennis J. Broderick
Senior Vice President, General Counsel
and Secretary

/s/ Joel A. Belsky
Joel A. Belsky
Vice President and Controller
(Principal Accounting Officer)

EXECUTION COPY

AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of June 29, 1998

FEDERATED DEPARTMENT STORES, INC., a Delaware corporation (the "Borrower"), the banks, financial institutions and other institutional lenders (collectively, the "Initial Lenders") party hereto, CITIBANK, N.A., as an administrative agent (together with any successor thereto appointed pursuant to Article VII of the Existing Credit Agreement referred to below, in such capacity, an "Administrative Agent") for the Lenders (as defined in the Existing Credit Agreement referred to below) and as paying agent (in such capacity, the "Paying Agent") for the Lenders, THE CHASE MANHATTAN BANK, as an administrative agent (together with any successor thereto appointed pursuant to Article VII of the Existing Credit Agreement referred to below, in such capacity, an "Administrative Agent"; the Administrative Agents and the Paying Agent being, collectively, the "Agents") for the Lenders, BANKBOSTON, N.A., as syndication agent, and THE BANK OF AMERICA, NATIONAL TRUST & SAVINGS ASSOCIATION, as documentation agent, hereby agree as follows:

PRELIMINARY STATEMENTS

(1) The Borrower is party to a 364-Day Credit Agreement dated as of July 28, 1997 (as amended, supplemented or otherwise modified from time to time to (but not including) the date of this Amendment and Restatement, the "Existing Credit Agreement") with the banks, financial institutions and other institutional lenders party thereto and Citibank, N.A. and The Chase Manhattan Bank, as Agents for the Lenders and such other lenders. Capitalized terms not otherwise defined in this Amendment and Restatement shall have the same meanings as specified in the Existing Credit Agreement.

(2) The parties to this Amendment and Restatement desire to amend the Existing Credit Agreement as set forth herein and to restate the Existing Credit Agreement in its entirety to read as set forth in the Existing Credit Agreement with the following amendments.

(3) The Borrower has requested that the Lenders agree to extend credit to it from time to time in an aggregate principal amount of up to \$500,000,000 for general corporate purposes of the Borrower and its Subsidiaries not otherwise prohibited under the terms of this Amendment and Restatement. The Lenders have indicated their willingness to agree to extend credit to the Borrower from time to time in such amount on the terms and conditions of this Amendment and Restatement.

SECTION 1. Amendments to the Existing Credit Agreement. (a) Section 1.01 of the Existing Credit Agreement is, effective as of July 27, 1998 and subject to the satisfaction of the conditions precedent set forth in Section 2, hereby amended by deleting the definitions of "Lenders" and "Revolver Termination Date" set forth therein and replacing them, respectively, with the following new definitions thereof:

"Lenders" means the Initial Lenders, each Assuming Lender that shall become a party hereto pursuant to Section 2.15 and each other Person that shall become a party hereto pursuant to Section 8.07.

"Revolver Termination Date" means the earlier of
(a) July 26, 1999 (subject to the extension thereof pursuant

to Section 2.15) and (b) the date of termination in whole of the Revolving Credit Commitments pursuant to Section 2.04 or 6.01; provided, however, that the Revolver Termination Date of any Lender that is a Non-Consenting Lender to any requested extension pursuant to Section 2.15 shall be the Revolver Termination Date in effect immediately prior to the applicable Extension Date for all purposes of this Agreement and any Notes.

(b) Section 1.01 of the Existing Credit Agreement is, effective as of the date of this Amendment and Restatement and subject to the satisfaction of the conditions precedent set forth in Section 2, hereby amended by adding the following definition of "Investment Grade Date":

"Investment Grade Date" means the first date on which the Paying Agent shall have received evidence satisfactory to it that the Borrower has a Public Debt Rating then in effect of at least BBB from S&P and at least Baa2 from Moody's, provided that the Borrower is not on "negative credit watch" (or any like designation by S&P or Moody's from time to time) at such time as determined by S&P and Moody's.

(c) The recital of parties to the Existing Credit Agreement is, effective as of July 27, 1998 and subject to the satisfaction of the conditions precedent set forth in Section 2, amended by replacing the words "the signature pages hereof" contained in the second line thereof with the words "Schedule I hereto".

(d) Section 3.02(a)(i) of the Existing Credit Agreement is, effective as of the date of this Amendment and Restatement and subject to the satisfaction of the conditions precedent set forth in Section 2, hereby amended in full to read as follows:

"(i) the representations and warranties contained in Section 4.01 (except, from and after the Investment Grade Date, the representations set forth in the last sentence of subsection (e) thereof) are correct on and as of the date of such Borrowing, before and after giving effect to such Borrowing and to the application of the proceeds therefrom, as though made on and as of such date other than any such representations or warranties that, by their terms, refer to a specific date other than the date of such Borrowing, in which case as of such specific date; and"

(e) Section 4.01(g) of the Existing Credit Agreement is, effective as of the date of this Amendment and Restatement and subject to the satisfaction of the conditions precedent set forth in Section 2, hereby amended in full to read as follows:

"(g) The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System); no proceeds of any Advance will be used to purchase or carry any margin stock other than the Voting Stock of the Borrower to the extent otherwise permitted under the Loan Documents; no proceeds of any Advance will be used to extend credit to others for the purpose of purchasing or carrying any margin stock; and following application of the proceeds of each Advance, not more than 25% of the value of the assets (either of the Borrower only or of the Borrower and its Subsidiaries on a Consolidated basis) subject to the provisions of Section 5.02(a) or 5.02(e) or subject to any restriction contained in any agreement or instrument between the Borrower and any Lender Party or any Affiliate of any Lender Party relating to Debt within the scope of Section 6.01(d) will be margin

stock. For purposes of this Section 4.01(g), "assets" of the Borrower or any of its Subsidiaries includes, without limitation, treasury stock of the Borrower that has not been retired."

(f) Section 4.01 of the Existing Credit Agreement is, effective as of the date of this Amendment and Restatement and subject to the satisfaction of the conditions precedent set forth in Section 2, hereby amended by adding a new subsection (n) to be read as follows:

"(n) As of the date hereof, the Borrower has (i) initiated a review and assessment of all areas within its and each of its Subsidiaries' business and operations (including those affected by suppliers, vendors and customers) that are material and that could be materially adversely affected by the risk that computer applications owned by the Borrower or any of its Subsidiaries may be unable to recognize and perform properly date-sensitive functions involving certain dates prior to and any date after December 31, 1999 (the "Year 2000 Problem"), (ii) developed a plan and timeline for addressing the Year 2000 Problem on a timely basis, and (iii) to date, implemented that plan substantially in accordance with that timetable. Based on the foregoing, the Borrower believes that substantially all computer applications owned by the Borrower that are material to its or any of its Subsidiaries' business and operations are reasonably expected barring unforeseen circumstances on a timely basis to be able to perform properly date-sensitive functions for all dates before and after January 1, 2000 ("Year 2000 Compliant")."

(g) Schedule I to the Existing Credit Agreement is, effective as of July 27, 1998 and subject to the satisfaction of the conditions precedent set forth in Section 2, deleted in its entirety and replaced with Schedule I to this Amendment and Restatement.

SECTION 2. Conditions of Effectiveness of this Amendment and Restatement. This Amendment and Restatement shall become effective as of the date first above written (the "Amendment Effective Date") (except, with respect to Sections 1(a), (c) and (g) and 3(d), such later date as set forth in subsection (a) below) when and only if:

(a) With respect to Sections 1(a), (c) and (g) and 3(d), the Paying Agent shall have received counterparts of this Amendment and Restatement executed by the Borrower, the Agents and all of the Initial Lenders or, as to any of the Initial Lenders, advice satisfactory to the Paying Agent that such Initial Lender has executed this Amendment and Restatement.

(b) Other than with respect to Sections 1(a), (c) and (g) and 3(d), the Paying Agent shall have received counterparts of this Amendment and Restatement executed by the Borrower, the Agents and the Required Lenders or, as to any of the Required Lenders, advice satisfactory to the Paying Agent that such Required Lender has executed this Amendment and Restatement.

(c) The Paying Agent shall have received on or before July 27, 1998 the following, each dated such date and (unless otherwise specified below) in form and substance satisfactory to the Paying Agent and in sufficient copies for each Initial Lender: the Revolving Credit Notes payable to the order of each of the Lenders that have requested Revolving Credit Notes prior to July 27, 1998.

(d) The representations and warranties contained in Section 4.01 of the Existing Credit Agreement shall be correct on and as of the Amendment Effective Date, before

and after giving effect to the Amendment Effective Date, as though made on and as of such date.

(e) No event shall have occurred and be continuing, or shall occur as a result of the occurrence of the Amendment Effective Date, that constitutes a Default.

SECTION 3. Reference to and Effect on the Existing Credit Agreement and the Notes. (a) On and after the effectiveness of this Amendment and Restatement, each reference in the Existing Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Existing Credit Agreement, and each reference in the Notes to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Existing Credit Agreement, shall mean and be a reference to the Existing Credit Agreement, as amended by this Amendment and Restatement.

(b) The Existing Credit Agreement and the Notes, as specifically amended by this Amendment and Restatement, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed.

(c) Without limiting any of the other provisions of the Existing Credit Agreement, as amended by this Amendment and Restatement, any references in the Existing Credit Agreement to the phrases "on the date hereof", "on the date of this Agreement" or words of similar import shall mean and be a reference to the date of the Existing Credit Agreement (which is July 28, 1997).

(d) Upon the effectiveness of this Amendment and Restatement pursuant to Section 2(a), the Commitments under the Existing Credit Agreement are automatically terminated and the Commitments under this Amendment and Restatement are automatically effective.

SECTION 4. Costs and Expenses. The Borrower agrees to pay on demand all reasonable out-of-pocket costs and expenses of the Agents in connection with the preparation, execution, delivery and administration, modification and amendment of this Amendment and Restatement, the Notes and the other documents to be delivered hereunder (including, without limitation, the reasonable and documented fees and expenses of counsel for the Agents with respect hereto and thereto) in accordance with the terms of Section 8.04 of the Existing Credit Agreement.

SECTION 5. Execution in Counterparts. This Amendment and Restatement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment and Restatement by telecopier shall be effective as delivery of a manually executed counterpart of this Amendment and Restatement.

SECTION 6. Governing Law. This Amendment and Restatement shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment and Restatement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

THE BORROWER

FEDERATED DEPARTMENT STORES, INC.,

By: /s/ Karen M. Hoguet
Name: Karen M. Hoguet

Title: Senior VP, CFO and Treasurer

THE AGENTS

CITIBANK, N.A.,
as an Administrative Agent and as
Paying Agent

By: /s/ Allen Fisher
Name: Allen Fisher
Title: Vice President

THE CHASE MANHATTAN BANK,
as an Administrative Agent

By: /s/ Barry K. Bergman
Name: Barry K. Bergman
Title: Vice President

BANKBOSTON, N.A.,
as Syndication Agent

By: /s/ Bethann R. Halligan
Name: Bethann R. Halligan
Title: Division Executive

THE BANK OF AMERICA, NT & SA,
as Documentation Agent

By: /s/ Sandra S. Ober
Name: Sandra S. Ober
Title: Managing Director

THE INITIAL LENDERS

CITIBANK, N.A.

By: /s/ Allen Fisher
Name: Allen Fisher
Title: Vice President

THE CHASE MANHATTAN BANK

By: /s/ Barry K. Bergman
Name: Barry K. Bergman
Title: Vice President:

BANKBOSTON, N.A.

By: /s/ Bethann R. Halligan
Name: Bethann R. Halligan
Title: Division Executive:

THE BANK OF AMERICA, NT & SA

By: /s/ Jody A. Pritchard
Name: Jody A. Pritchard
Title: Vice President

ARAB BANK PLC, GRAND CAYMAN

By: /s/ Backer Ali
Name: Backer Ali
Title: Vice President / Controller

THE BANK OF NEW YORK

By: /s/ Paula Regan
Name: Paula Regan
Title: Vice President

BANK ONE, N.A.

By: /s/ Braden T. Krebs
Name: Braden T. Krebs
Title: Officer

NATIONSBANK

By: /s/ Bill Manley
Name: Bill Manely
Title: Sr. Vice President

CREDIT AGRICOLE INDOSUEZ

By: /s/ Dean Balice
Name: Dean Balice
Title: Senior Vice President,
Branch Manager

By: /s/ David Bouhl
Name: David Bouhl, FVP
Title: Head of Corporate Banking, Chicago

COMERICA BANK

By: /s/ Hugh G. Porter
Name: Hugh G. Porter
Title: Vice President

CREDIT SUISSE FIRST BOSTON

By: /s/ Chris T. Horgan
Name: Chris T. Horgan
Title: Vice President

By: /s/ Robert Hetu
Name: Robert Hetu
Title: Associate

THE FIFTH THIRD BANK

By: /s/ A. K. Haven
Name: A. K. Haven
Title: Vice President

THE FIRST NATIONAL BANK OF CHICAGO

By: /s/ Dianne M. Stark
Name: Dianne M. Stark
Title: Vice President

THE FIRST NATIONAL BANK OF MARYLAND

By: /s/ Jerome A. Ratliffe
Name: Jerome A. Ratliffe
Title: Vice President

FLEET NATIONAL BANK

By: /s/ Richard M. Seufert
Name: Richard M. Seufert
Title: Vice President

MELLON BANK, N.A.

By: /s/ Richard J. Schaich
Name: Richard J. Schaich
Title: Assistant Vice President

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK

By: /s/ John M. Mikolay
Name: John M. Mikolay
Title: Vice President

NATIONAL BANK OF KUWAIT

By: /s/ Muhannad Kamal
Name: Muhannad Kamal
Title: Assistant General Manager

By: /s/ Robert J. McNeill
Name: Robert J. McNeill
Title: Executive Manager

PNC BANK, OHIO, NATIONAL ASSOCIATION

By: /s/ C. Joseph Richardson
Name: C. Joseph Richardson
Title: Senior Vice President

THE SANWA BANK, LIMITED
NEW YORK BRANCH

By: /s/ Jean-Michel Fatovic
Name: Jean-Michel Fatovic
Title: Vice President

STANDARD CHARTERED BANK, N.A.

By: /s/ David D. Cutting
Name: David D. Cutting
Title: Senior Vice President

By: /s/ Natalie S. Yang
Name: Natalie S. Yang
Title: Senior Relationship Manager

STAR BANK, N.A.

By: /s/ Derek S. Roudebush
Name: Derek S. Roudebush
Title: Vice President

THE SUMITOMO BANK LTD.,
NEW YORK BRANCH

By: /s/ John C. Kissinger
Name: John C. Kissinger
Title: General Manager

SUNTRUST BANK CENTRAL FLORIDA, N.A.

By: /s/ C. Scott Harrison
Name: C. Scott Harrison
Title: Corporate Banking Officer

UNION BANK OF CALIFORNIA, N.A.

By: /s/ Susan D. Biba
Name: Susan D. Biba
Title: Vice President

WACHOVIA BANK, N.A.

By: /s/ Bradford L. Watkins
Name: Bradford L. Watkins
Title: Vice President

SCHEDULE I TO THE AMENDMENT AND RESTATEMENT
COMMITMENTS AND APPLICABLE LENDING OFFICES

Name of Initial Lender	Revolving Credit Commitment	Domestic Lending Office	Eurodollar Lending Office
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Citibank, N.A.	\$55,000,000	Credit: 399 Park Avenue, 12th Floor New York, NY 10043 Attn: Marc Merlino Phone: (212) 559- 1875 Fax: (212) 793-7585 Administrative: 2 Penns Plaza Suite 200 New Castle, DE 19720 Attn: Leonard Sarcona Phone: (718) 248- 4536 Fax: (718) 248-4844	Credit: 399 Park Avenue, 12th Floor New York, NY 10043 Attn: Marc Merlino Phone: (212) 559- 1875 Fax: (212) 793-7585 Administrative: 2 Penns Plaza Suite 200 New Castle, DE 19720 Attn: Leonard Sarcona Phone: (718) 248- 4536 Fax: (718) 248-4844
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The Chase Manhattan Bank, N.A.	\$55,000,000	Credit: 270 Park Avenue, 48th Fl. New York, NY 10017 Attn: Barry Bergman Phone: (212) 270- 0203 Fax: (212) 270-5646 Administrative: 1 Chase Manhattan Plaza 8th Floor New York, NY 10081 Attn: Amy Labinger	Credit: 270 Park Avenue, 48th Fl. New York, NY 10017 Attn: Barry Bergman Phone: (212) 270- 0203 Fax: (212) 270-5646 Administrative: 1 Chase Manhattan Plaza 8th Floor New York, NY 10081 Attn: Amy Labinger
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Phone: (212) 552- 4025 Phone: (212) 552- 4025
Fax:(212)552-7500 Fax:(212)552-7500

BankBoston, N.A. \$42,000,000 Credit: Credit:
100 Federal Street 100 Federal Street
Mail Stop 01-09-05 Mail Stop 01-09-05
Boston, MA 02106 Boston, MA 02106
Attn: Judy Kelly Attn: Judy Kelly
Phone: (617) 434- 5280 Phone: (617) 434- 5280
Fax: (617) 434-6685 Fax: (617) 434-6685
Administrative: Administrative:
100 Federal Street 100 Federal Street
Mail Stop 01-21-01 Mail Stop 01-21-01
Boston, MA 02110 Boston, MA 02110
Attn: Michelle Attn: Michelle
Taglione Taglione
Phone: (617) 434- 4039 Phone: (617) 434- 4039
Fax:(617)434-6685 Fax:(617)434-6685

The Bank of America, \$42,000,000 Credit: Credit:
NT & SA 231 South LaSalle 231 South LaSalle
Street Street
Chicago, IL 60697 Chicago, IL 60697
Attn: Sandy Ober Attn: Sandy Ober
Phone: (312) 828- 1307 Phone: (312) 828- 1307
Fax: (312) 987-0303 Fax: (312) 987-0303
Administrative: Administrative:
231 South LaSalle 231 So. LaSalle
Street Street
Chicago, IL Chicago, IL
60697 60697
Attn: Sandra Attn: Sandra
Kramer Kramer
Phone: (312) 828- 6645 Phone: (312) 828- 6645
Fax:(312)987-5833 Fax: (312)987-5833

The Bank of New York \$24,000,000 Credit: Credit:
One Wall Street, One Wall Street,
22nd Floor 22nd Floor
New York, NY 10286 New York, NY 10286
Attn: Paula Regan Attn: Paula Regan
Phone: (212) 635- 7867 Phone: (212) 635- 7867
Fax: (212) 635-1483 Fax: (212) 635-1483
Administrative: Administrative:
One Wall Street, One Wall Street,
22nd Floor 22nd Floor
New York, NY New York, NY
10286 10286
Attn: Susan Attn: Susan
Baratta Baratta
Phone: (212) 635- 6761 Phone: (212) 635- 6761
Fax:(212)635-6397 Fax:(212)635-6397

Credit Suisse First \$24,000,000 Credit: Credit:
Boston 11 Madison Ave., 11 Madison Ave.,
19th Fl. 19th Fl.
New York, NY 10010 New York, NY 10010
Attn: Chris Hogan Attn: Chris Hogan
Phone: (212) 325- 9157 Phone: (212) 325- 9157
Fax: (212) 325-8309 Fax: (212) 325-8309
Administrative: Administrative:
11 Madison Ave. 11 Madison Ave.
New York, NY 10010 New York, NY 10010
Attn: Gina Attn: Gina

Manginello Manginello
Phone: (212) 325- Phone: (212) 325-
9149 9149
Fax: (212) 325- Fax: (212) 325-
8319 8319

Fleet National Bank \$24,000,000 Credit: Credit:
One Federal Street One Federal Street
MA OF 0320 MA OF 0320
Boston, MA 02110 Boston, MA 02110
Attn: Richard Attn: Richard
Seufert Seufert
Phone: (617) 346- Phone: (617) 346-
0611 0611
Fax: (617) 346-0689 Fax: (617) 346-0689
Administrative: Administrative:
One Federal Street One Federal Street
MA OF 0308 MA OF 0308
Boston, MA 02110 Boston, MA 02110
Attn: Michael Attn: Michael
Araujo Araujo
Phone: (617) 346- Phone: (617) 346-
0601 0601
Fax: (617) 346-0595 Fax: (617) 346-0595

PNC Bank, Ohio,
National Association \$24,000,000 Credit: Credit:
201 East 5th Street 201 East 5th Street
Cincinnati, OH Cincinnati, OH
45202 45202
Attn: Joe Attn: Joe
Richardson Richardson
Phone: (513) 651- Phone: (513) 651-
8688 8688
Fax: (513) 651-8951 Fax: (513) 651-8951
Administrative: Administrative:
201 E. 5th Street 201 E. 5th Street
Cincinnati, OH Cincinnati, OH
45202 45202
Attn: Sandy Wilson Attn: Sandy Wilson
Phone:(513) 651- Phone: (513) 651-
8984 8984
Fax: (513) 651-8951 Fax: (513)651-8951

The Sumitomo Bank,
Ltd. \$20,000,000 Credit: Credit:
U.S. Corporate U.S. Corporate
Dept. Dept.
277 Park Avenue, 277 Park Avenue,
6th Floor 6th Floor
New York, NY 10172 New York, NY 10172
Attn: Bruce Gregory Attn: Bruce Gregory
Phone: (212) 224- Phone: (212) 224-
4143 4143
Fax (212) 418-4848 Fax (212) 418-4848
Administrative: Administrative:
International International
Finance Dept. Finance Dept.
277 Park Avenue, 277 Park Avenue,
6th Floor 6th Floor
New York, NY 10172 New York, NY 10172
Attn: Daria Soriano Attn: Daria Soriano
Phone: (212) 224- Phone: (212) 224-
4061 4061
Fax (212) 224-5192 Fax (212) 224-5192

Union Bank of
California, N.A. \$23,750,000 Credit: Credit:
350 California St., 350 California St.,
11th Fl. 11th Fl.
San Francisco, CA San Francisco, CA
94104 94104
Attn: Timothy P. Attn: Timothy P.
Streb, VP Streb, VP
Phone: (415) 705- Phone: (415) 705-
7021 7021

Fax: (415) 705-7085 Fax: (415) 705-7085
Administrative: Administrative:
350 California St., 350 California St.,
11th Fl. 11th Fl.
San Francisco, CA San Francisco, CA
94104 94104
Attn: Richard A. Attn: Richard A.
Sutter, VP Sutter, VP
Phone: (415) 705- Phone: (415) 705-
7090 7090
Fax: (415) 705-7085 Fax: (415) 705-7085

Mellon Bank, N.A. \$19,000,000 Credit: Credit:
One Mellon Bank One Mellon Bank
Center, Room 4535 Center, Room 4535
Pittsburgh, PA Pittsburgh, PA
15258-0001 15258-0001
Attn: Rich Schaich Attn: Rich Schaich
Phone: (412) 234- Phone: (412) 234-
4420 4420
Fax: (412) 236-1914 Fax: (412) 236-1914
Administrative: Administrative:
Three Mellon Bank Three Mellon Bank
Center Center,
Room 2305 Room 2305
Pittsburgh, PA Pittsburgh, PA
15259-0003 15259-0003
Attn: Greg Klino Attn: Greg Klino
Phone: (412) 234- Phone: (412) 234-
1867 1867
Fax: (412) 234-5049 Fax: (412) 234-5049

Sanwa Bank Ltd., \$16,250,000 Credit: Credit:
New York Branch 55 East 52nd Street 55 East 52nd Street
New York, NY 10055 New York, NY 10055
Attn: Jean-Michel Attn: Jean-Michel
Fatovic Fatovic
Phone: (212) 339- Phone: (212) 339-
6397 6397
Fax: (212) 754-1304 Fax: (212) 754-1304
Administrative: Administrative:
55 East 52nd Street 55 East 52nd Street
New York, NY 10055 New York, NY 10055
Attn: Marlin Chin Attn: Marlin Chin
Phone:(212)339-6592 Phone:(212)339-6592
Fax:(212)754-2368 Fax:(212)754-2368

Credit Agricole \$12,500,000 Credit: Credit:
Indosuez 55 E. Monroe 55 E. Monroe
Street Street
Suite 4700 Suite 4700
Chicago, IL Chicago, IL
60603 60603
Attn: Ray Attn: Ray
Falkenberg Falkenberg
Phone:(312) 917 - Phone:(312) 917-
7426 7426
Fax: (312) 372- Fax: (312) 372-
3724 3724
Administrative: Administrative:
55 E. Monroe 55 E. Monroe
Street Street
Suite 4700 Suite 4700
Chicago, IL Chicago, IL
60603 60603
Attn: James Attn: James
Barrett Barrett
Phone: (312) 917- Phone: (312) 917-
7429 7429
Fax: (312) 372- Fax: (312) 372-
4421 4421

First National Bank of Chicago	\$15,000,000	Credit:	Credit:
	One First National Plaza	One First National Plaza	
	Chicago, IL 60670	Chicago, IL 60670	
	Attn: Diane Stare	Attn: Diane Stare	
	Phone: (312) 732-8251	Phone: (312) 732-8251	
	Fax: (312) 336-4380	Fax: (312) 336-4380	
	Administrative:	Administrative:	
	One First National Plaza	One First National Plaza	
	Chicago, IL 60670	Chicago, IL 60670	
	Attn: Mary Hart	Attn: Mary Hart	
	Phone: (312) 732-6137	Phone: (312) 732-6137	
	Fax: (312) 732-2715	Fax: (312) 732-2715	

Morgan Guaranty Trust Company of New York	\$15,000,000	Credit:	Credit:
	60 Wall Street	60 Wall Street	
	New York, NY 10260-0060	New York, NY 10260-0060	
	Attn: Deborah Boodheim	Attn: Deborah Boodheim	
	Phone: (212) 648-8063	Phone: (212) 648-8063	
	Fax: (212) 648-5018	Fax: (212) 648-5018	
	Administrative:	Administrative:	
	500 Stanton Christiana Ctr.	500 Stanton Christiana Ctr.	
	Newark, DE 19713-2107	Newark, DE 19713-2107	
	Attn: Vickie Fedele	Attn: Vickie Fedele	
	Phone: (302) 634-4225	Phone: (302) 634-4225	
	Fax: (302) 634-1852	Fax: (302) 634-1852	

Standard Chartered Bank	\$15,000,000	Credit:	Credit:
	7 World Trade Center	7 World Trade Center	
	27th Floor	27th Floor	
	New York, NY 10048	New York, NY 10048	
	Attn: David Cutting	Attn: David Cutting	
	Phone: (212) 667-0469	Phone: (212) 667-0469	
	Fax: (212) 667-0225	Fax: (212) 667-0225	
	Administrative:	Administrative:	
	707 Wilshire Blvd., W-8-33	707 Wilshire Blvd., W-8-33	
	Los Angeles, CA 90017	Los Angeles, CA 90017	
	Attn: Qustanti Shiber	Attn: Qustanti Shiber	
	Phone: (213) 614-5037	Phone: (213) 614-5037	
	Fax: (213) 614-4270	Fax: (213) 614-4270	

Wachovia Bank of Georgia, N.A.	\$10,000,000	Credit:	Credit:
	191 Peachtree Street, N.E.	191 Peachtree Street, N.E.	
	28th Floor, GA-370	28th Floor, GA-370	
	Atlanta, GA 30303	Atlanta, GA 30303	
	Attn: Brad Watkins	Attn: Brad Watkins	
	Phone:(404) 332-7093	Phone:(404)332-7093	
	Fax: (404) 332-6898	Fax: (404)332-6898	
	Administrative:	Administrative:	
	191 Peachtree Street, N.E.	191 Peachtree Street, N.E.	
	28th Floor, GA-370	28th Floor, GA-370	
	Atlanta, GA 30303	Atlanta, GA 30303	
	Attn: Christy N. Howard	Attn: Christy N. Howard	
	Phone:(404)332-6261	Phone:(404)332-6261	
	Fax:(404) 332-6898	Fax: (404)332-6898	

Comerica Bank	<div> <div>\$7,500,000 Credit:</div> <div>Credit:</div> <div>500 Woodward Ave. 500 Woodward Ave.</div> <div>MC 3268 MC 3268</div> <div>Detroit, MI 48226 Detroit, MI 48226</div> <div>Attn: Hugh Porter Attn: Hugh Porter</div> <div>Phone (313) 222-6192 Phone (313) 222-6192</div> <div>Fax: (312) 222-9514 Fax: (312) 222-9514</div> <div>Administrative: Administrative:</div> <div>500 Woodward Ave. 500 Woodward Ave.</div> <div>MC 3268 MC 3268</div> <div>Detroit, MI 48226 Detroit, MI 48226</div> <div>Attn: Beverly Jones Attn: Beverly Jones</div> <div>Phone (313) 222-3805 Phone (313) 222-3805</div> <div>Fax: (312) 222-3351 Fax: (312) 222-3351</div> </div>
National Bank of Kuwait	<div> <div>\$7,500,000 Credit:</div> <div>Credit:</div> <div>299 Park Avenue 299 Park Avenue</div> <div>New York, NY 10171-0023 New York, NY 10171-0023</div> <div>Attn: Jeff Ganter Attn: Jeff Ganter</div> <div>Phone: (212) 303-9828 Phone: (212) 303-9828</div> <div>Fax: (212) 319-8269 Fax: (212) 319-8269</div> <div>Administrative: Administrative:</div> <div>299 Park Avenue 299 Park Avenue</div> <div>New York, NY 10171-0023 New York, NY 10171-0023</div> <div>Attn: Jeff Ganter Attn: Jeff Ganter</div> <div>(212) 303-9868 (212) 303-9868</div> <div>(212) 319-8269 (212) 319-8269</div> </div>
Arab Bank PLC, Grand Cayman	<div> <div>\$6,250,000 Credit:</div> <div>Credit:</div> <div>520 Madison Ave. 520 Madison Ave.</div> <div>New York, NY 10022 New York, NY 10022</div> <div>Attn: Samer Tamimi Attn: Samer Tamimi</div> <div>Phone: (212) 715-9712 Phone: (212) 715-9712</div> <div>Fax: (212) 593-4632 Fax: (212) 593-4632</div> <div>Administrative: Administrative:</div> <div>520 Madison Ave. 520 Madison Ave.</div> <div>New York, NY 10022 New York, NY 10022</div> <div>Attn: Justo Huapaya Attn: Justo Huapaya</div> <div>Phone: (212) 715-9713 Phone: (212) 715-9713</div> <div>Fax: (212) 593-4632 Fax: (212) 593-4632</div> </div>
Bank One, Columbus, N.A.	<div> <div>\$6,250,000 Credit:</div> <div>Credit:</div> <div>40 North Maine, 3rd Floor 40 North Maine, 3rd Floor</div> <div>Dayton, OH 45402 Dayton, OH 45402</div> <div>Attn: Joey Williams Attn: Joey Williams</div> <div>Phone: (937) 449-8671 Phone: (937) 449-8671</div> <div>Fax: (937) 449-4885 Fax: (937) 449-4885</div> <div>Administrative: Administrative:</div> <div>P.O. Box 710209 P.O. Box 710209</div> <div>Columbus, OH 43271-0209 Columbus, OH 43271-0209</div> <div>Attn: Jim Zook Attn: Jim Zook</div> <div>Phone: (614) 248-6187 Phone: (614) 248-6187</div> <div>Fax: (614) 248-5518 Fax: (614) 248-5518</div> </div>
NationsBank, N.A.	<div> <div>\$8,500,000 Credit:</div> <div>Credit:</div> <div>100 North Tryon Street, 8th Floor 100 North Tryon Street, 8th Floor</div> <div>NationsBank Corp. NationsBank Corp.</div> <div>Center, NC1-007-08-04 Center, NC1-007-08-04</div> </div>

Charlotte, NC 28255 Charlotte, NC 28255
Attn: Tim Spanos Attn: Tim Spanos
Phone: (704) 386- Phone: (704) 386-
4507 4507
Fax: (704) 388-0906 Fax: (704) 388-0906
Administrative: Administrative:
100 North Tryon 100 North Tryon
Street, Street,
8th Floor 8th Floor
NationsBank Corp. NationsBank Corp.
Center, NC1-007-08- Center, NC1-007-08-
04 04
Charlotte, NC 28255 Charlotte, NC 28255
Attn: Tim Spanos Attn: Tim Spanos
Phone: (704) 386- Phone: (704) 386-
4507 4507
Fax: (704) 388-0906 Fax: (704) 388-0906

The Fifth-Third Bank \$6,250,000 Credit: Credit:
38 Fountain 38 Fountain
Square Plaza Square Plaza
Cincinnati, OH Cincinnati, OH
45263 45263
Attn: Andy Hauck Attn: Andy Hauck
Phone: (513) 579- Phone: (513) 579-
4178 4178
Fax: (513) 579- Fax: (513) 579-
5226 5226
Administrative: Administrative:
38 Fountain 38 Fountain
Square Plaza Square Plaza
Cincinnati, OH Cincinnati, OH
45263 45263
Attn: Daniel Attn: Daniel
Mullen Mullen
Phone: (513) 579- Phone: (513) 579-
4104 4104
Fax: (513) 579- Fax: (513) 579-
4226 4226

First National Bank of \$7,500,000 Credit: Credit:
Maryland 25 S. Charles 25 S. Charles
Street Street
Baltimore, MD Baltimore, MD
21201 21201
Attn: Jerome Attn: Jerome
Ratliffe Ratliffe
Phone: (410) 244- Phone: (410) 244-
4852 4852
Fax: (410) 545- Fax: (410) 244-
2047 2047
Administrative: Administrative:
25 S. Charles 25 S. Charles
Street Street
Baltimore, MD Baltimore, MD
21201 21201
Attn: Emilia Attn: Emilia
Schwartz Schwartz
Phone: (410) 244- Phone: (410) 244-
4201 4201
Fax: (410) 244- Fax: (410) 244-
4294 4294

Star Bank, N.A. \$7,500,000 Credit: Credit:
425 Walnut Street 425 Walnut Street
Cincinnati, OH Cincinnati, OH
45202 45202
Attn: Bill Goodwin Attn: Bill Goodwin
Phone: (513) 762- Phone: (513) 762-
8973 8973
Fax: (513) 762-2068 Fax: (513) 762-2068
Administrative: Administrative:
425 Walnut Street 425 Walnut Street

Cincinnati, OH	Cincinnati, OH
45202	45202
Attn: Tracy	Attn: Tracy
Briede	Briede
Phone: (513) 632-4034	Phone: (513) 632-4034
Fax: (513) 632-3099	Fax: (513) 632-3099

SunTrust Bank, N.A.	\$6,250,000	Credit:	Credit:
200 S. Orange Ave.	200 S. Orange Ave.		
MC 0-1043	MC 0-1043		
Orlando, FL 32801	Orlando, FL 32801		
Attn: Stephen L. Leister	Attn: Stephen L. Leister		
Phone: (407) 237-4705	Phone: (407) 237-4705		
Fax: (407) 237-6894	Fax: (407) 237-6894		
Administrative:	Administrative:		
200 S. Orange Ave.	200 S. Orange Ave.		
MC 0-1043	MC 0-1043		
Orlando, FL 32801	Orlando, FL 32801		
Attn: Lois Keezel	Attn: Lois Keezel		
Phone: (407) 237-4855	Phone: (407) 237-4855		
Fax: (407) 237-6894	Fax: (407) 237-6894		

TOTAL OF COMMITMENTS: \$500,000,000

EXECUTION COPY

LETTER AMENDMENT

Dated as of June 29, 1998

To the banks, financial institutions
and other institutional lenders
(collectively, the "Lenders") parties
to the Credit Agreement referred to below,
Citibank, N.A., as an administrative agent
and as paying agent (the "Paying Agent") for
the Lenders, The Chase Manhattan Bank, as
an administrative agent, BankBoston, N.A., as
syndication agent, and The Bank of America
National Trust & Savings Association, as
documentation agent

Ladies and Gentlemen:

We refer to the Five-Year Credit Agreement dated as of
July 28, 1997 (as amended, supplemented or otherwise modified
through the date hereof, the "Credit Agreement") among the
undersigned and you. Capitalized terms not otherwise defined in
this Letter Amendment have the same meanings as specified in the
Credit Agreement.

It is hereby agreed by you and us as follows:

The Credit Agreement is, effective as of the date of
this Letter Amendment, hereby amended as follows:

(a) Section 1.01 of the Credit Agreement is amended by
adding a new definition of "Investment Grade Date" to read
as follows:

"Investment Grade Date" means the first date on
which the Paying Agent shall have received evidence
satisfactory to it that the Borrower has a Public Debt
Rating then in effect of at least BBB from S&P and at
least Baa2 from Moody's, provided that the Borrower is
not on "negative credit watch" (or any like
designation by S&P or Moody's from time to time) at
such time as determined by S&P and Moody's."

(b) Section 3.02(a)(i) is amended in full to read as
follows:

"(i)the representations and warranties contained
in Section 4.01 (except, from and after the Investment
Grade Date, the representations set forth in the last
sentence of subsection (e) thereof) are correct on and
as of the date of such Borrowing, before and after
giving effect to such Borrowing and to the application
of the proceeds therefrom, as though made on and as of
such date other than any such representations or
warranties that, by their terms, refer to a specific
date other than the date of such Borrowing, in which
case as of such specific date; and"

(c) Section 4.01(g) is amended in full to read as
follows:

"(g)The Borrower is not engaged in the business
of extending credit for the purpose of purchasing or
carrying margin stock (within the meaning of
Regulation U issued by the Board of Governors of the

Federal Reserve System); no proceeds of any Advance or drawings under any Letter of Credit will be used to purchase or carry any margin stock other than the Voting Stock of the Borrower to the extent otherwise permitted under the Loan Documents; no proceeds of any Advance or drawings under any Letter of Credit will be used to extend credit to others for the purpose of purchasing or carrying any margin stock; and following application of the proceeds of each Advance or drawing under each Letter of Credit, not more than 25% of the value of the assets (either of the Borrower only or of the Borrower and its Subsidiaries on a Consolidated basis) subject to the provisions of Section 5.02(a) or 5.02(e) or subject to any restriction contained in any agreement or instrument between the Borrower and any Lender Party or any Affiliate of any Lender Party relating to Debt within the scope of Section 6.01(d) will be margin stock. For purposes of this Section 4.01(g), "assets" of the Borrower or any of its Subsidiaries includes, without limitation, treasury stock of the Borrower that has not been retired."

This Letter Amendment shall become effective as of the date first above written when, and only when, the Paying Agent shall have received counterparts of this Letter Amendment executed by the undersigned and the Required Lenders or, as to any of the Required Lenders, advice satisfactory to the Paying Agent that such Required Lender has executed this Letter Amendment. This Letter Amendment is subject to the provisions of Section 8.01 of the Credit Agreement.

On and after the effectiveness of this Letter Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, and each reference in the Notes and each of the other Loan Documents to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended by this Letter Amendment.

The Credit Agreement and the Notes, as specifically amended by this Letter Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed. The execution, delivery and effectiveness of this Letter Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Paying Agent under the Credit Agreement, nor constitute a waiver of any provision of the Credit Agreement.

If you agree to the terms and provisions hereof, please evidence such agreement by executing and returning at least three counterparts of this Letter Amendment to Ms. Anna Rodriguez, Citicorp Securities, Inc., 399 Park Avenue, 11th Floor, Zone 20, New York, NY 10043, no later than 5:00 p.m. EDST on June 29, 1998.

This Letter Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Letter Amendment by telecopier shall be effective as delivery of a manually executed counterpart of this Letter Amendment.

This Letter Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

Very truly yours,

FEDERATED DEPARTMENT STORES, INC.

By: /s/ Karen M. Hoguet
Name: Karen M. Hoguet
Title: Senior VP, CFO and Treasurer

Agreed as of the date first above written:

CITIBANK, N.A.,
as an Administrative Agent and as Paying Agent

By: /s/ Allen Fisher
Name: Allen Fisher
Title: Vice President

THE CHASE MANHATTAN BANK,
as an Administrative Agent

By: /s/ Barry K. Bergman
Name: Barry K. Bergman
Title: Vice President

BANKBOSTON, N.A.,
as Syndication Agent

By: /s/ Bethann R. Halligan
Name: Bethann R. Halligan
Title: Division Executive

THE BANK OF AMERICA, NT & SA,
as Documentation Agent

By: /s/ Sandra S. Ober
Name: Sandra S. Ober
Title: Managing Director

THE INITIAL LENDERS

CITIBANK, N.A.

By: /s/ Allen Fisher
Name: Allen Fisher
Title: Vice President

THE CHASE MANHATTAN BANK

By: /s/ Barry K. Bergman
Name: Barry K. Bergman
Title: Vice President

BANKBOSTON, N.A.

By: /s/ Bethann R. Halligan
Name: Bethann R. Halligan
Title: Division Executive

THE BANK OF AMERICA, NT & SA

By: /s/ Jody A. Pritchard
Name: Jody A. Pritchard
Title: Vice President

BANK OF SCOTLAND

By: /s/ Annie Chin Tat
Name: Annie Chin Tat
Title: Senior Vice President

BANK ONE, N.A.

By: /s/ Braden T. Krebs
Name: Braden T. Krebs
Title: Officer

BANQUE PARIBAS

By: /s/ Karen E. Coons
Name: Karen E. Coons
Title: Vice President

By: /s/ Ann B. McAloon
Name: Ann B. McAloon
Title: Vice President

CREDIT AGRICOLE INDOSUEZ

By: /s/ Dean Balice
Name: Dean Balice
Title: Senior Vice President, Branch Manager

By: /s/ David Bouhl
Name: David Bouhl
Title: Head of Corporate Banking, Chicago

COMERICA BANK

By: /s/ Hugh G. Porter
Name: Hugh G. Porter
Title: Vice President

CREDIT SUISSE FIRST BOSTON

By: /s/ Chris T. Horgan
Name: Chris T. Horgan
Title: Vice President

By: /s/ Robert Hetu
Name: Robert Hetu
Title: Associate

THE FIFTH THIRD BANK

By: /s/ A. K. Havcn
Name: A. K. Havcn
Title: Vice President

THE FIRST NATIONAL BANK OF CHICAGO

By: /s/ Dianne M. Stark
Name: Dianne M. Stark
Title: Vice President

THE FIRST NATIONAL BANK OF MARYLAND

By: /s/ Jerome A. Ratliffe
Name: Jerome A/ Ratliffe
Title: Vice President

FLEET NATIONAL BANK

By: /s/ Richard M. Seufert
Name: Richard M. Seufert
Title: Vice President

THE MITSUI TRUST & BANKING
COMPANY, LTD.

By: /s/ Eiilhi Akama
Name: Eiilhi Akama
Title: Vice President

NATIONAL BANK OF KUWAIT

By: /s/ Muhannad Kamai
Name: Muhannad Kamai
Title: Assistant General Manager

By: /s/ Robert J. McNeill
Name: Robert J. McNeill
Title: Executive Manager

PNC BANK, OHIO, NATIONAL ASSOCIATION

By: /s/ Bruce A. Kintner
Name: Bruce A. Kintner
Title: Vice President

THE SANWA BANK, LIMITED
NEW YORK BRANCH

By: /s/ Jean-Michel Fatovie
Name: Jean-Michel Fatovie
Title: Vice President

STANDARD CHARTERED BANK, N.A.

By: /s/ David D. Cutting
Name: David D. Cutting
Title: Senior Vice President

By: /s/ Natalie S. Yang
Name: Natalie S. Yang
Title: Senior Relationship Manager

STAR BANK, N.A.

By: /s/ Derek S. Roudebush
Name: Derek S. Roudebush
Title: Vice President

SUNTRUST BANK CENTRAL FLORIDA, N.A.

By: /s/ C. Scott Harrison
Name: C. Scott Harrison
Title: Corporate Banking Officer

UNION BANK OF CALIFORNIA, N.A.

By: /s/ Susan D. Biba
Name: Susan D. Biba
Title: Vice President

WACHOVIA BANK, N.A.

By: /s/ Bradford L. Watkins
Name: Bradford L. Watkins
Title: Vice President

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<F1>Includes the following:

(1) Supplies and prepaid expenses	118
Deferred income tax assets	105

<F2>Includes the following:

(2) Intangible assets - net	677
Other assets	317

<F3>Includes the following:

(3) Deferred income taxes	977
Other liabilities	557
Shareholders' Equity	5,309

<F4>Includes the following:

(4) Interest Income	2
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</FN>

</TABLE>