

FEDERATED DEPARTMENT STORES INC /DE/

Form DEF 14A

May 27, 2005

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OMB APPROVAL

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|   |                   |
|---|-------------------|
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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant  **p**  
Filed by a Party other than the Registrant  **o**

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- p** Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**FEDERATED DEPARTMENT STORES, INC.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- p** No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

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2) Aggregate number of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

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o Fee paid previously with preliminary materials.

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o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

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2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

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4) Date Filed:

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SEC 1913 (11-01)

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**TO THE STOCKHOLDERS OF  
FEDERATED DEPARTMENT STORES, INC. AND  
THE MAY DEPARTMENT STORES COMPANY**

Federated Department Stores, Inc., which is referred to as Federated, and The May Department Stores Company, which is referred to as May, have entered into an agreement and plan of merger whereby Federated will acquire May. In the merger, May stockholders will receive 0.3115 shares of Federated common stock and \$17.75 in cash for each share of May common stock they own. Upon completion of the merger, we estimate that May's former stockholders will own approximately 97 million, or approximately 36%, of the then-outstanding shares of Federated common stock. Federated's stockholders will continue to own their existing shares, which will not be affected by the merger. Shares of Federated common stock are listed on the New York Stock Exchange under the symbol FD. Upon completion of the merger, May common stock, which is listed on the New York Stock Exchange under the symbol MAY, will be delisted.

We are each holding our annual meeting of stockholders in order to obtain those approvals necessary to consummate the merger and to approve certain other matters as described in this joint proxy statement/prospectus. Information about these meetings, the merger and other business to be considered by Federated and May stockholders is contained in this joint proxy statement/prospectus. **We urge you to read this joint proxy statement/prospectus, and the documents incorporated by reference into this joint proxy statement/prospectus, carefully and in their entirety, in particular, see Risk Factors beginning on page 22.**

We are very excited about the opportunities the proposed merger brings to both May and Federated stockholders, and we thank you for your consideration and continued support.

Terry J. Lundgren  
Chairman, President and  
Chief Executive Officer  
Federated Department Stores, Inc.

John L. Dunham  
Chairman, President and  
Chief Executive Officer  
The May Department Stores Company

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this joint proxy statement/prospectus. Any representation to the contrary is a criminal offense.**

This joint proxy statement/prospectus is dated May 31, 2005,  
and is first being mailed to May and Federated stockholders on or about May 31, 2005.

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**REFERENCES TO ADDITIONAL INFORMATION**

Except where we indicate otherwise, as used in this joint proxy statement/ prospectus, Federated refers to Federated and its consolidated subsidiaries and May refers to May and its consolidated subsidiaries. This joint proxy statement/ prospectus incorporates important business and financial information about Federated and May from documents that each company has filed with the Securities and Exchange Commission, referred to as the SEC, but that have not been included in or delivered with this joint proxy statement/ prospectus. This joint proxy statement/ prospectus incorporates the annual report on Form 10-K of Federated for the fiscal year ended January 29, 2005, and the annual report on Form 10-K/A of May for the fiscal year ended January 29, 2005. If you are a May stockholder, the May annual report is delivered with this joint proxy statement/ prospectus. If you are a Federated stockholder, the Federated annual report is delivered with this joint proxy statement/ prospectus. For a list of documents incorporated by reference into this joint proxy statement/ prospectus and how you may obtain them, see **Where You Can Find More Information** beginning on page 185.

This information is available to you without charge upon your written or oral request. You can obtain the documents incorporated by reference into this joint proxy statement/ prospectus by accessing the SEC's website maintained at [www.sec.gov](http://www.sec.gov).

In addition, Federated's SEC filings are available to the public on Federated's website, [www.fds.com/corporategovernance](http://www.fds.com/corporategovernance), and May's filings with the SEC are available to the public on May's website, [www.mayco.com](http://www.mayco.com). Information contained on Federated's website, May's website or the website of any other person is not incorporated by reference into this joint proxy statement/ prospectus, and you should not consider information contained on those websites as part of this joint proxy statement/ prospectus.

Federated will provide you with copies of this information relating to Federated, without charge, if you request them in writing or by telephone from:

Federated Department Stores, Inc.  
7 West Seventh Street  
Cincinnati, Ohio 45202  
Attention: Investor Relations  
(513) 579-7780

May will provide you with copies of this information relating to May, without charge, if you request them in writing or by telephone from:

The May Department Stores Company  
611 Olive Street  
St. Louis, Missouri 63101  
Attention: Investor Relations  
(314) 342-6300

**If you would like to request documents, please do so by July 6, 2005, in order to receive them before the annual meetings.**

Federated has supplied all information contained in or incorporated by reference in this joint proxy statement/ prospectus relating to Federated, and May has supplied all information contained in or incorporated by reference in this joint proxy statement/ prospectus relating to May.

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**THE MAY DEPARTMENT STORES COMPANY**  
**611 Olive Street**  
**St. Louis, Missouri 63101**  
**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**  
**TO BE HELD ON JULY 13, 2005**

To our fellow Stockholders and Holders of ESOP preference shares of  
The May Department Stores Company:

We will hold our 2005 annual meeting of stockholders at 10:00 a.m., Eastern Daylight Savings Time, on July 13, 2005, at The Pierre-New York, 2 East 61st Street, New York, New York 10021, unless postponed or adjourned to a later date. The May annual meeting will be held for the following purposes:

1. To approve and adopt the Agreement and Plan of Merger, dated as of February 27, 2005, by and among May, Federated Department Stores, Inc. and Milan Acquisition LLC, a wholly owned subsidiary of Federated, and the transactions contemplated by the merger agreement, including the merger, pursuant to which May will merge with Milan Acquisition LLC, on the terms and subject to the conditions contained in the merger agreement, and each outstanding share of May common stock would be converted into the right to receive \$17.75 in cash and 0.3115 shares of Federated common stock. A copy of the merger agreement is attached as Annex A to the accompanying joint proxy statement/prospectus;

2. To elect four members of May's board of directors;

3. To adopt an amendment to May's amended and restated certificate of incorporation to provide for the annual election of directors;

4. To ratify the appointment of Deloitte & Touche LLP as May's independent registered public accounting firm for the fiscal year ending January 28, 2006;

5. To approve adjournments or postponements of the May annual meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the May annual meeting to approve the above proposals; and

6. To consider and take action upon any other business that may properly come before the May annual meeting or any reconvened meeting following an adjournment or postponement of the May annual meeting.

These items of business are described in the accompanying joint proxy statement/prospectus. Only stockholders of record at the close of business on May 20, 2005, are entitled to notice of the May annual meeting and to vote at the May annual meeting and any adjournments or postponements of the May annual meeting.

**May's board of directors approved the merger agreement and the transactions contemplated by the merger agreement, including the merger, on February 27, 2005, and determined that the transactions contemplated by the merger agreement are advisable and fair to, and in the best interests of, May and its stockholders. May's board of directors recommends that you vote FOR the adoption of the merger agreement and the transactions contemplated by the merger agreement, including the merger.**

**May's board of directors also recommends that you vote FOR the other May annual meeting proposals, all of which are described in detail in the accompanying joint proxy statement/prospectus. Approval of the other May annual meeting proposals is not a condition to the merger.**

Under Delaware law, appraisal rights will be available to May stockholders of record who vote against approval and adoption of the merger agreement. To exercise your appraisal rights, you must strictly follow the procedures prescribed by Delaware law. These procedures are summarized in the accompanying joint proxy statement/prospectus.

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*Your vote is very important.* Whether or not you plan to attend the May annual meeting in person, please complete, sign and date the enclosed proxy card(s) or voting instruction card(s) as soon as possible and return it in the postage-prepaid envelope provided, or vote your shares by telephone or over the Internet as described in the accompanying joint proxy statement/ prospectus. Completing a proxy now will not prevent you from being able to vote at the annual meeting by attending in person and casting a vote. **However, if you do not return or submit the proxy or vote in person at the annual meeting, the effect will be the same as a vote against the proposal to approve and adopt the merger agreement and the transactions contemplated by the merger agreement, including the merger.**

By order of the board of directors,

Richard A. Brickson  
Secretary and Senior Counsel

**Please vote your shares promptly. You can find instructions for voting on the enclosed proxy card or voting instruction card.**

If you have questions, contact:  
The May Department Stores Company  
611 Olive Street  
St. Louis, Missouri 63101  
Attention: Investor Relations  
(314) 342-6300

St. Louis, Missouri, May 31, 2005

**Your vote is important. Please complete, date, sign and return your proxy card(s) or voting instruction card(s), or, if available, vote your shares by telephone or over the Internet at your earliest convenience so that your shares are represented at the meeting.**

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**FEDERATED DEPARTMENT STORES, INC.**  
**7 West Seventh Street**  
**Cincinnati, Ohio 45202**  
**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**  
**TO BE HELD ON JULY 13, 2005**

To our fellow Stockholders of Federated Department Stores, Inc.:

The annual meeting of stockholders of Federated Department Stores, Inc. ( Federated ) will be held at 11:00 a.m., Eastern Daylight Savings Time, on July 13, 2005, at Federated s corporate offices located at 7 West Seventh Street, Cincinnati, Ohio 45202, unless postponed or adjourned to a later date. The Federated annual meeting will be held for the following purposes:

1. To authorize the issuance of Federated common stock pursuant to the terms of the Agreement and Plan of Merger, dated as of February 27, 2005, by and among The May Department Stores Company, Federated and Milan Acquisition LLC, a wholly owned subsidiary of Federated, pursuant to which May will merge with Milan Acquisition LLC on the terms and subject to the conditions contained in the merger agreement. A copy of the merger agreement is attached as Annex A to the accompanying joint proxy statement/ prospectus;

2. To elect three Class II members of Federated s board of directors;

3. To adopt an amendment to Federated s certificate of incorporation to provide for the annual election of directors;

4. To ratify the appointment of KPMG LLP as Federated s independent registered public accounting firm for the fiscal year ending January 28, 2006;

5. To approve adjournments or postponements of the Federated annual meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Federated annual meeting to approve the above proposals; and

6. To consider and take action upon any other business that may properly come before the Federated annual meeting or any reconvened meeting following an adjournment or postponement of the Federated annual meeting.

These items of business are described in the accompanying joint proxy statement/ prospectus. Only stockholders of record at the close of business on May 20, 2005, are entitled to notice of the Federated annual meeting and to vote at the Federated annual meeting and any adjournments or postponements of the Federated annual meeting.

**Federated s board of directors approved the merger agreement and the transactions contemplated by the merger agreement, including the merger, on February 27, 2005, and determined that the transactions contemplated by the merger agreement are advisable and fair to, and in the best interests of, Federated and its stockholders. Federated s board of directors recommends that you vote FOR the issuance of Federated common stock pursuant to the merger agreement.**

**Federated s board of directors also recommends that you vote FOR the other Federated annual meeting proposals, all of which are described in detail in the accompanying joint proxy statement/ prospectus. Approval of the other Federated annual meeting proposals is not a condition to the merger.**

*Your vote is very important.* Whether or not you plan to attend the Federated annual meeting in person, please complete, sign and date the enclosed proxy card(s) or voting instruction card(s) as soon as possible and return it in the postage-prepaid envelope provided, or vote your shares by telephone or over the Internet as described in the accompanying joint proxy statement/ prospectus. Completing a proxy now will not prevent you from being able to vote at the annual meeting by attending in person and casting a vote. **However, if you**

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**do not return or submit the proxy or vote in person at the annual meeting you could negatively effect the outcome of the proposal to approve the issuance of Federated common stock in the merger.**

By order of the board of directors,

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

**Please vote your shares promptly. You can find instructions for voting on the enclosed proxy card or voting instruction card.**

If you have questions, contact:  
Federated Department Stores, Inc.  
7 West Seventh Street  
Cincinnati, Ohio 45202  
Attention: Investor Relations  
(513) 579-7780  
Call Toll-Free: (800) 261-5385

Cincinnati, Ohio, May 31, 2005

**Your vote is important. Please complete, date, sign and return your proxy card(s) or voting instruction card(s) or, if available, vote your shares by telephone or over the Internet at your earliest convenience so that your shares are represented at the meeting.**

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**QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETINGS AND THE MERGER**

*The following questions and answers briefly address some commonly asked questions about the annual meetings and the merger. They may not include all the information that is important to you. Federated and May urge you to read carefully this entire joint proxy statement/prospectus, including the annexes and the other documents to which we have referred you. We have included page references in certain parts of this summary to direct you to a more detailed description of each topic presented elsewhere in this joint proxy statement/prospectus.*

**The Merger**

**Q: Why am I receiving this joint proxy statement/prospectus?**

A: May and Federated have agreed to the acquisition of May by Federated under the terms of a merger agreement that is described in this joint proxy statement/prospectus. A copy of the merger agreement is attached to this joint proxy statement/prospectus as Annex A.

In order to complete the merger, Federated stockholders must vote to approve the issuance of shares of Federated common stock in the merger and May stockholders must approve and adopt the merger agreement and the transactions contemplated by the merger agreement, including the merger. May and Federated will hold separate meetings of their respective stockholders to obtain these approvals, as well as to consider various other proposals unrelated to the transaction.

This joint proxy statement/prospectus contains important information about the merger, the merger agreement and the annual meetings of the respective stockholders of May and Federated, which you should read carefully. The enclosed voting materials allow you to vote your shares without attending your respective company's annual meeting.

Your vote is very important. We encourage you to vote as soon as possible.

**Q: What is the proposed transaction for which I am being asked to vote?**

A: May stockholders are being asked to approve and adopt the merger agreement and the transactions contemplated by the merger agreement, including the merger. The approval of this proposal by May stockholders is a condition to the effectiveness of the merger. See The Merger Agreement – Conditions to Completion of the Merger beginning on page 111.

Federated stockholders are being asked to authorize the issuance of Federated common stock pursuant to the terms of the merger agreement at the Federated annual meeting. The approval of this proposal by the Federated stockholders is a condition to the effectiveness of the merger. See The Merger Agreement – Conditions to Completion of the Merger beginning on page 111.

**Q: What are the positions of the May and Federated boards of directors regarding the merger?**

A: Both boards of directors have approved the merger agreement and the transactions contemplated by the merger agreement, including the merger, and determined that the transactions contemplated by the merger agreement are advisable and fair to, and in the best interests of, their respective company and stockholders. The May board of directors recommends that the May stockholders vote FOR the proposal to adopt the merger agreement and the transactions contemplated by the merger agreement, including the merger, at the May annual meeting. The Federated board of directors recommends that the Federated stockholders vote FOR the proposal to authorize the issuance of Federated common stock pursuant to the terms of the merger agreement at the Federated annual meeting. See The Merger – Federated's Reasons for the Merger and Recommendation of Federated's Board of Directors beginning on page 55 and The Merger – May's Reasons for the Merger and Recommendation of May's



Board of Directors beginning on page 51.

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**Q: What vote is needed by May stockholders to approve and adopt the merger agreement and the transactions contemplated by the merger agreement, including the merger, at the May annual meeting?**

A: The approval and adoption of the merger agreement and the transactions contemplated by the merger agreement, including the merger, requires the approval of a majority of the outstanding shares of May common stock and May Employee Stock Ownership Plan preference stock, which are referred to as ESOP preference shares, entitled to vote, voting together as one class. If a May stockholder does not vote, it will have the same effect as a vote against the approval and adoption of the merger agreement and the transactions contemplated by the merger agreement, including the merger. See *The May Annual Meeting Quorum and Voting Rights* beginning on page 29.

**Q: What vote is needed by Federated stockholders to authorize the issuance of Federated common stock pursuant to the terms of the merger agreement at the Federated annual meeting?**

A: The authorization of the issuance of Federated common stock pursuant to the terms of the merger agreement requires the affirmative vote of at least a majority of the votes cast by the holders of outstanding shares of Federated common stock present (in person or by proxy) at the Federated annual meeting, where the holders of at least a majority of all outstanding shares of Federated common stock vote on the proposal. If a Federated stockholder does not vote, it will not have the same effect as a vote against the merger agreement. However, it can negatively affect the vote on such proposal if their failure to be counted results in less than a majority in interest of all outstanding shares of Federated common stock being voted on such proposal. See *The Federated Annual Meeting Quorum and Voting Rights* beginning on page 37.

**Q: Where does Federated common stock trade?**

A: Shares of Federated common stock trade on the New York Stock Exchange under the symbol *FD*.

**Q: When do you expect to complete the merger?**

A: If the merger agreement and the transactions contemplated by the merger agreement, including the merger, are approved and adopted at the May annual meeting and the issuance of Federated common stock is authorized at the Federated annual meeting, we expect to complete the merger as soon as possible after the satisfaction of the other conditions to the merger. There may be a substantial period of time between the approval of the proposals by stockholders at the annual meetings of May's and Federated's stockholders and the effectiveness of the merger. We currently anticipate that the merger will be completed in the third quarter of 2005. See *The Merger Agreement The Merger; Closing* on page 96.

**Q: Should I send in my stock certificates now?**

A: No. If the merger is completed, Federated will send May stockholders written instructions for sending in their stock certificates. See *The May Annual Meeting Proxy Solicitations* on page 35 and *The Merger Agreement Exchange of Shares* on page 99. Federated stockholders will not need to send in their stock certificates.

**Q: Who can answer my questions about the merger?**

A: If you have any questions about the merger or your annual meeting, need assistance in voting your shares, or need additional copies of this joint proxy statement/ prospectus or the enclosed proxy card(s) or voting instructions, you should contact:  
Federated Department Stores, Inc.

7 West Seventh Street  
Cincinnati, Ohio 45202  
Attention: Investor Relations  
Telephone: (513) 579-7780

or

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The May Department Stores Company  
611 Olive Street  
St. Louis, Missouri 63101  
Attention: Investor Relations  
Telephone: (314) 342-6300

**Other Federated Annual Meeting Proposals**

**Q: On what other proposals am I being asked to vote at the Federated annual meeting?**

A: At Federated's annual meeting, in addition to voting upon the issuance of Federated stock pursuant to the merger agreement, Federated stockholders will be asked:

To elect three Class II members of Federated's board of directors;

To adopt an amendment to Federated's Certificate of Incorporation to provide for the annual election of directors;

To ratify the appointment of KPMG LLP as Federated's independent registered public accounting firm for the fiscal year ending January 28, 2006;

To approve adjournments or postponements of the Federated annual meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Federated annual meeting to approve the above proposals; and

To consider and take action upon any other business that may properly come before the Federated annual meeting (or any reconvened meeting) following an adjournment or postponement of the Federated annual meeting.

See "The Federated Annual Meeting" Purposes of the Federated Annual Meeting beginning on page 36.

**Q: What vote is necessary to approve the other proposals at the Federated annual meeting?**

A: The election of three Class II members of Federated's board of directors requires the affirmative vote of a plurality of the shares of Federated common stock present in person or represented by proxy at the Federated annual meeting and entitled to vote.

The proposal to amend Federated's certificate of incorporation to adopt a system for the annual election of all Federated directors requires the affirmative vote of a majority of all outstanding shares of Federated common stock to take effect in accordance with the schedule more fully described in the proposal.

The ratification of the appointment of KPMG LLP as Federated's independent registered public accounting firm for the fiscal year ending January 28, 2006, requires the affirmative vote of the holders of a majority of Federated common stock present in person or represented by proxy entitled to vote and actually voted at the Federated annual meeting.

A proposal to approve adjournments or postponements of the Federated annual meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Federated annual meeting to approve the above proposals requires the affirmative vote of the holders of a majority of Federated common stock present in person or represented by proxy entitled to vote and actually voted at the Federated annual meeting.

**Other May Annual Meeting Proposals**

**Q: On what other proposals am I being asked to vote at the May annual meeting?**

A: At May's annual meeting, in addition to voting upon the approval and adoption of the merger agreement and the transactions contemplated by the merger agreement, including the merger. May stockholders will be asked:

To elect four members of May's board of directors;

To adopt an amendment to May's amended and restated certificate of incorporation to provide for the annual election of directors;

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To ratify the appointment of Deloitte & Touche LLP as May's independent registered public accounting firm for the fiscal year ending January 28, 2006;

To approve adjournments or postponements of the May annual meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the May annual meeting to approve the above proposals; and

To consider and take action upon any other business that may properly come before the May annual meeting (or any reconvened meeting) following an adjournment or postponement of the May annual meeting.

See "The May Annual Meeting" "Purposes of the May Annual Meeting" on page 29.

**Q: What vote is necessary to approve the other proposals at the May annual meeting?**

A: The election of the four members of May's board of directors requires the affirmative vote of a plurality of the shares of May common stock and ESOP preference shares, voting together as one class, present in person or represented by proxy at the May annual meeting and entitled to vote.

The proposal to amend May's amended and restated certificate of incorporation requires the affirmative vote of a majority of the outstanding shares of May common stock and ESOP preference shares, voting together as one class.

Ratification of the appointment of Deloitte & Touche LLP as May's independent registered public accounting firm for the fiscal year ending January 28, 2006, requires the affirmative vote of the holders of a majority of the shares of May common stock and ESOP preference shares, voting together as one class, present in person or represented by proxy and entitled to vote at the May annual meeting.

A proposal to approve adjournments or postponements of the May annual meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the May annual meeting to approve the above proposals requires the affirmative vote of a majority of the shares of May common stock and ESOP preference shares, voting together as one class, present in person or represented by proxy and entitled to vote at the May annual meeting.

**Procedures**

**Q: When and where are the annual meetings?**

A: The May annual meeting will be held at The Pierre-New York, 2 East 61st Street, New York, New York 10021, on July 13, 2005.

The Federated annual meeting will be held at Federated's corporate offices, 7 West Seventh Street, Cincinnati, Ohio 45202, on July 13, 2005.

**Q: What should I do now?**

A: You should read this joint proxy statement/ prospectus carefully, including the annexes, and return your completed, signed and dated proxy card(s) or voting instruction card(s) by mail in the enclosed postage-paid envelope or, if available, by submitting your proxy by telephone or over the Internet as soon as possible so that your shares will be represented and voted at your annual meeting.

**Q: If I am going to attend my annual meeting, should I return my proxy card(s) or voting instruction card(s)?**

A: Yes. Returning your signed and dated proxy card(s) or voting instruction card(s) or voting by telephone or over the Internet, if available, ensures that your shares will be represented and voted at your annual meeting. See Summary Voting; Proxies beginning on page 9, The May Annual Meeting How to Vote on page 34 and The Federated Annual Meeting How to Vote beginning on page 42.

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**Q: What does it mean if I receive multiple proxy cards?**

A: Your shares may be registered in more than one account, such as brokerage accounts and 401(k) accounts. It is important that you complete, sign, date and return each proxy card or voting instruction card you receive, or, if available, vote using the telephone or the Internet as described in the instructions included with your proxy card(s) or voting instruction card(s).

**Q: Where can I find more information about Federated and May?**

A: You can find more information about Federated and May from various sources described under **Where You Can Find More Information** beginning on page 185.



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**SUMMARY**

*This summary of the material information contained in this joint proxy statement/prospectus may not include all the information that is important to you. To understand fully the proposed merger, and for a more detailed description of the terms and conditions of the merger and certain other matters being considered at your annual meeting, you should read this entire joint proxy statement/prospectus and the documents to which we have referred you. See*

*Where You Can Find More Information* beginning on page 185. We have included page references parenthetically in this summary to direct you to a more detailed description of each topic presented in this summary.

**Information about Federated (beginning on page 117)**

Federated, a Delaware corporation, through its subsidiaries, operates 394 department stores and 65 furniture galleries and specialty stores. In addition, through its subsidiaries, Federated conducts direct-to-customer mail catalog and electronic commerce businesses. The stores are located in 34 states, Puerto Rico and Guam. Federated is headquartered in New York, New York and Cincinnati, Ohio and employs approximately 112,000 full-time and part-time employees.

Federated Department Stores, Inc.  
7 West Seventh Street  
Cincinnati, Ohio 45202  
Attention: Investor Relations  
Telephone: (513) 579-7780

**Information about May (beginning on page 144)**

May, a Delaware corporation, through its subsidiaries, operates seven regional department store divisions nationwide under 12 trade names and a bridal group that includes some of the most recognized names in the wedding industry. At January 29, 2005, May operated 491 department stores in 39 states and the District of Columbia, 239 David's Bridal Stores in 45 states and Puerto Rico, 449 After Hours Formalwear stores in 31 states and 11 Priscilla of Boston stores in nine states. May is headquartered in St. Louis, Missouri and employs approximately 132,000 full-time and part-time employees.

The May Department Stores Company  
611 Olive Street  
St. Louis, Missouri 63101  
Attention: Investor Relations  
Telephone: (314) 342-6300

**The Merger (beginning on page 44)**

***General***

On February 27, 2005, the boards of directors of May and Federated each approved the merger of May with a newly formed and wholly owned subsidiary of Federated, which is referred to as Merger Sub, upon the terms and subject to the conditions contained in the merger agreement. The surviving company of the merger will become a wholly owned subsidiary of Federated.

May and Federated both believe that the merger will provide substantial strategic and financial benefits to the stockholders of both companies by creating one of the largest retail chains in the United States. In addition, May is also proposing the merger to provide its stockholders with the opportunity to receive a premium for their shares (0.42% over the closing price of May common stock on February 25, 2005, the last full trading day before the announcement of the merger, and 27.5% over the closing price of May common stock on January 14, 2005, the last full trading day before reports in the press regarding a potential transaction between May and Federated), and to offer May stockholders the opportunity to participate in the growth and opportunities of the combined companies by receiving Federated common stock in the merger. To review the reasons for the merger in greater detail, see *The Merger* Federated's Reasons for the Merger and

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Recommendation of Federated's Board of Directors beginning on page 55 and The Merger May's Reasons for the Merger and Recommendation of May's Board of Directors beginning on page 51.

We encourage you to read the merger agreement, which governs the merger and is attached as Annex A to this joint proxy statement/ prospectus, because it sets forth the terms of the merger of May with Merger Sub.

***Merger Consideration***

Holders of May common stock (other than May, Federated and dissenting May stockholders who properly exercise their appraisal rights) will be entitled to receive for each share of May common stock:

\$17.75 in cash, without interest; and

0.3115 fully paid, nonassessable shares of Federated common stock.

As a result, Federated will issue approximately 97 million shares of Federated common stock and approximately \$5.5 billion in cash in the merger based upon the number of shares of May common stock outstanding on the record date of the May annual meeting and assuming full conversion of the ESOP preference shares as of such date. We refer to the stock and cash consideration to be paid to May stockholders by Federated as the merger consideration.

The total value of the merger consideration that a May stockholder receives in the merger may vary. The value of the cash portion of the merger consideration is fixed at \$17.75 for each share of May common stock. The value of the stock portion of the merger consideration is not fixed and will depend upon the value of 0.3115 shares of Federated common stock. This value may be ascertained by multiplying the trading price of Federated common stock by 0.3115.

If the total value of the Federated common stock to be received in the merger falls below 40% of the total consideration paid on the closing date, the merger may be taxable for federal income tax purposes. In that event, Federated may elect to pay more in Federated common stock to maintain the nontaxable status of the merger or, if Federated does not so elect, May may elect to increase the cash consideration received in the merger for each share of May common stock to \$18.75. Under the merger agreement, there are no other circumstances in which the exchange ratio or the cash consideration increases. Federated and May will issue a joint press release if either the exchange ratio or the cash consideration increases. See **Risk Factors** If the total value of the Federated common stock to be received falls below 40% of the total consideration, May stockholders could be required to accept \$18.75 per share in cash and 0.3115 shares of Federated common stock in a transaction that is currently taxable to such May stockholders beginning on page 24.

Federated will fund the cash portion of the merger consideration from cash on hand, cash from operations, borrowings under existing or new credit facilities, the issuance of long-term debt or other securities or a combination of the foregoing. Federated may also sell a portion of its or May's credit card related assets and proceeds from such a transaction may be used to fund the cash portion, or to repay debt incurred to fund the cash portion, of the merger consideration.

***May Equity Awards***

In general, upon completion of the merger, options to purchase shares of May common stock granted by May to its employees will be assumed by Federated and converted into options to purchase shares of Federated common stock. Federated has agreed to assume each of May's stock option plans at the effective time of the merger. Each unvested May stock option outstanding under any May stock option plan will become fully vested and exercisable in connection with the merger, as described herein.

Restricted shares of May common stock granted by May to its employees and directors will become fully vested in connection with the merger and the holders of those shares will be entitled to receive the merger consideration with respect to those shares upon completion of the merger.

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For a full description of the treatment of May equity awards, see *The Merger* Interests of May Directors and Executive Officers in the Merger Equity-Based Awards beginning on page 84.

***May ESOP Preference Shares***

In connection with the merger and in accordance with the terms and conditions of the May ESOP preference shares, each issued and outstanding May ESOP preference share will be converted immediately prior to the effectiveness of the merger into shares of May common stock, and such shares of May common stock will be converted into the merger consideration upon completion of the merger, as described herein.

**Opinions of our Financial Advisors (beginning on page 57 for May and 75 for Federated)**

*Opinions of May's Financial Advisors.* In deciding to approve the merger agreement, the May board of directors considered the opinion of May's financial advisor, Morgan Stanley & Co. Incorporated, which is referred to as Morgan Stanley. The May board of directors received a written opinion from Morgan Stanley to the effect that, as of February 27, 2005, and based upon and subject to the various considerations, assumptions and limitations described in its opinion, the merger consideration to be received by holders of shares of May common stock pursuant to the merger agreement was fair, from a financial point of view, to such holders. The full text of Morgan Stanley's written opinion is attached to this joint proxy statement/ prospectus as Annex B. May encourages you to read this opinion carefully in its entirety for a description of the procedures followed, assumptions made, matters considered and limitations on the review undertaken. Morgan Stanley's opinion is addressed to the May board of directors and is one of many factors considered by the May board of directors in deciding to approve the merger. Morgan Stanley's opinion does not constitute a recommendation to any stockholder as to how such stockholder should vote or whether such stockholders should take any other action relating to the transaction. For its services, Morgan Stanley will be entitled to receive a transaction fee, the principal portion of which is payable upon the completion of the transaction.

In deciding to approve the merger agreement, the May board of directors also considered the opinion of May's financial advisor, Peter J. Solomon Company, L.P., which is referred to as Peter J. Solomon Company or PJSC. The May board of directors received a written opinion from Peter J. Solomon Company to the effect that, as of February 27, 2005, and based upon and subject to the various assumptions made, matters considered and limitations described in its opinion, the consideration proposed to be received by holders of May common stock in connection with the merger was fair from a financial point of view to such holders. The full text of Peter J. Solomon Company's written opinion is attached to this joint proxy statement/ prospectus as Annex C. May encourages you to read this opinion carefully in its entirety for a description of the procedures followed, assumptions made, matters considered and limitations on the review undertaken. Peter J. Solomon Company's opinion is addressed to the May board of directors and is one of many factors considered by the May board of directors in deciding to approve the merger. Peter J. Solomon Company's opinion does not constitute a recommendation to any stockholder as to how such stockholder should vote or act on any matter relating to the merger. Under the terms of its engagement with May, Peter J. Solomon Company received a customary fee for its financial advisory services in connection with the merger, all of which was payable upon the delivery of Peter J. Solomon Company's opinion.

*Opinion of Federated's Financial Advisor.* Goldman, Sachs & Co., which is referred to as Goldman Sachs, acted as financial advisor to Federated in connection with the transaction. Goldman Sachs delivered an oral opinion to Federated's board of directors, subsequently confirmed in writing, to the effect that, as of February 27, 2005, and based upon and subject to the factors and assumptions set forth in the opinion, the \$17.75 in cash and 0.3115 shares of Federated common stock to be paid by Federated for each outstanding share of May common stock pursuant to the merger agreement was fair, from a financial point of view, to Federated. The full text of the written opinion of Goldman Sachs, dated February 27, 2005, which sets forth the assumptions made, procedures followed, matters considered, and limitations on the review undertaken in connection with the opinion, is attached as Annex D to this joint proxy statement/ prospectus. Goldman Sachs provided its opinion for the information and assistance of Federated's board of directors in connection with its consideration of the merger. Goldman Sachs' opinion is not a recommendation as to how any holder of Federated common stock should vote with respect to the merger. For its services, Goldman Sachs will be



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entitled to receive a transaction fee, the principal portion of which is payable upon the completion of the transaction.  
**Record Date; Outstanding Shares; Shares Entitled to Vote (beginning on page 29 for May and 37 for Federated)**

*Federated Stockholders.* The record date for the meeting for Federated stockholders was May 20, 2005. This means that you must have been a stockholder of record of Federated's common stock at the close of business on May 20, 2005, in order to vote at the annual meeting. You are entitled to one vote for each share of common stock you own. On Federated's record date, 170,112,496 shares of common stock were outstanding. This number excludes shares held in the treasury of Federated or by subsidiaries of Federated, which carry no votes.

*May Stockholders.* The record date for the meeting for May stockholders was May 20, 2005. This means that you must have been a stockholder of record of May's common stock or of May's ESOP preference shares at the close of business on May 20, 2005, in order to vote at the annual meeting. You are entitled to one vote for each share of common stock you own. On May's record date, May's voting securities carried 311,993,938 votes, which consisted of 299,443,318 shares of common stock (excluding 21,012,176 shares of treasury stock) and 371,457 ESOP preference shares, which carry 12,550,620 votes.

**Voting; Proxies (beginning on page 32 for May and 41 for Federated)**

***General***

You may vote your shares by signing, dating and mailing the enclosed proxy card(s) or voting instruction card(s), or, if available, by voting by telephone or over the Internet. A number of banks and brokerage firms participate in a program that also permits stockholders whose shares are held in street name to direct their vote by the Internet or telephone. This option, if available, will be reflected in the voting instructions from the bank or brokerage firm that accompany this joint proxy statement/prospectus. If your shares are held in an account at a bank or brokerage firm that participates in such a program, you may direct the vote of these shares by the Internet or telephone by following the voting instructions enclosed with the proxy form from the bank or brokerage firm.

If you participate in May's profit sharing plan, you will receive a voting instruction card for the May common stock and ESOP preference shares allocated to your accounts in that plan. Under the terms of the plan, the plan trustee must receive your voting instructions by 11:59 p.m., Eastern Daylight Savings Time on July 8, 2005.

If you participate in Federated's Profit Sharing 401(k) Investment Plan, you will receive a voting instruction card for your proportional interest in any Federated shares in that plan. Under the terms of the plan, the plan trustee must receive your voting instructions by 5:00 p.m., Eastern Daylight Savings Time on July 11, 2005.

***How Proxies Will Be Voted***

If you complete, sign and date your proxy card(s) or voting instruction card(s), or, if available, vote by telephone or the Internet, your proxy will be voted in accordance with your instructions. If you sign and date your proxy card(s) or voting instruction card(s) but do not indicate how you want to vote at your annual meeting, your proxy will be voted FOR each of the proposals presented at your annual meeting.

***Changing Your Vote***

If you are a record holder of May common stock, May ESOP preference shares or Federated common stock, you can change your vote by:

sending a written notice to the corporate secretary of the company in which you hold shares that is received prior to your annual meeting and states that you revoke your proxy;

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signing and delivering a new proxy card(s) or voting instruction card(s) bearing a later date;

if available, voting again by telephone or over the Internet and submitting your proxy so that it is received prior to your annual meeting; or

attending your annual meeting and voting in person, although your attendance alone will not revoke your proxy.

If your shares are held in a street name account, you must contact your broker, bank or other nominee to change your vote.

### ***Voting Shares Held in Street Name***

If a broker, bank or other nominee holds your common stock for your benefit but not in your own name, your shares are in street name. In that case, your broker, bank or other nominee will send you a voting instruction form to use in voting your shares. The availability of Internet and telephone voting depends on the voting procedures of your broker, bank or other nominee. Please follow the instructions on the voting instruction form they send you. If your shares are held in street name and you wish to vote in person at your annual meeting, you must contact your broker, bank or other nominee and request a document called a legal proxy. You must bring this legal proxy to your respective annual meeting in order to vote in person.

Generally, a broker, bank or other nominee may only vote the common stock that it holds in street name for you in accordance with your instructions. However, if your broker, bank or other nominee has not received your instructions, your broker, bank or other nominee has the discretion to vote on certain matters that are considered routine. A broker non-vote occurs if your broker, bank or other nominee cannot vote on a particular matter because your broker, bank or other nominee has not received instructions from you and because the proposal is not routine. See *The May Annual Meeting Voting; Proxies Voting Shares Held in Street Name* beginning on page 33 and *The Federated Annual Meeting Voting; Proxies Voting Shares Held in Street Name* beginning on page 41.

### ***Abstaining from Voting***

Depending upon the nature of the proposal, abstentions will either not be counted and therefore have no effect on the proposal or will have the same effect as a vote against the proposal. See *The May Annual Meeting Voting; Proxies Abstaining from Voting* on page 34 and *The Federated Annual Meeting Voting; Proxies Abstaining from Voting* on page 42.

### **Stock Ownership of Directors and Executive Officers (beginning on page 144 for Federated and 170 for May)**

*May.* At the close of business on the record date for the May annual meeting, directors and executive officers of May and their affiliates beneficially owned and were entitled to vote approximately 1,067,940 shares of May common stock, collectively representing less than 1% of the shares of May common stock outstanding on that date.

*Federated.* At the close of business on the record date for the Federated annual meeting, directors and executive officers of Federated and their affiliates beneficially owned and were entitled to vote approximately 422,587 shares of Federated common stock, collectively representing less than 1% of the shares of Federated common stock outstanding on that date.

### **Ownership of Federated After the Merger**

Based on the number of shares of Federated and May common stock outstanding on their respective record dates, after completion of the merger, Federated expects to issue approximately 97 million shares of Federated common stock and former May stockholders will own approximately 36% of the then-outstanding shares of Federated common stock.

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**Interests of May Directors and Executive Officers in the Merger (beginning on page 83)**

When considering the recommendation of its board of directors with respect to the merger agreement and the transactions contemplated by the merger agreement, including the merger, May stockholders should be aware that some directors and executive officers of May have interests in the transactions contemplated by the merger agreement that are different from, or in addition to, their interests as stockholders and the interests of May stockholders generally. The May board of directors was aware of these interests during its deliberations on the merits of the merger and in deciding to recommend that you vote for the approval and adoption of the merger agreement and the transactions contemplated by the merger agreement, including the merger, at the May annual meeting. For a more detailed discussion of these interests, see Risk Factors Certain directors and executive officers of May have interests and arrangements that are different from, or in addition to, May stockholders beginning on page 22 and The Merger Interests of May Directors and Executive Officers in the Merger beginning on page 83.

**Federated Board of Directors After the Merger (beginning on page 83)**

The members of the Federated board of directors who are in office immediately prior to the merger are expected to remain as members of the Federated board of directors after the completion of the merger. Federated will also select two individuals who were directors of May as of the date of the merger agreement and who are recommended by the Nominating and Corporate Governance Committee of Federated's board of directors, and, if those individuals are willing to serve, Federated shall use its reasonable best efforts to appoint those individuals, at the effective time of the merger, to the Federated board of directors.

**Listing of Federated Common Stock and Delisting of May Common Stock**

Application will be made to have the shares of Federated common stock issued in the merger approved for listing on the NYSE, where Federated common stock currently is traded under the symbol FD. If the merger is completed, May common stock will no longer be listed on the NYSE and will be deregistered under the Securities Exchange Act of 1934, as amended, which is referred to as the Exchange Act, and May will no longer file periodic reports with the SEC.

**Appraisal Rights (beginning on page 88)**

*Federated.* Under Delaware law, holders of Federated common stock are not entitled to appraisal rights in connection with the issuance of Federated common stock in the merger or in connection with any other proposal to be voted on at the Federated annual meeting.

*May.* Holders of May common stock who do not wish to accept the consideration payable pursuant to the merger may seek, under Section 262 of the DGCL, judicial appraisal of the fair value of their shares by the Delaware Court of Chancery. This value could be more than, less than or the same as the merger consideration for the May common stock. Failure to strictly comply with all the procedures required by Section 262 of the DGCL will result in a loss of the right to appraisal.

Merely voting against the merger will not preserve the right of May stockholders to appraisal under Delaware law. Also, because a submitted proxy not marked against or abstain will be voted for the proposal to approve and adopt the merger agreement and the transactions contemplated by the merger agreement, including the merger, the submission of a proxy not marked against or abstain will result in the waiver of appraisal rights. May stockholders who hold shares in the name of a broker or other nominee must instruct their nominee to take the steps necessary to enable them to demand appraisal for their shares.

Holders of May common stock are not entitled to appraisal rights in connection with any other proposals to be voted on at the May annual meeting.

Annex E to this joint proxy statement/ prospectus contains the full text of Section 262 of the DGCL, which relates to the rights of appraisal. We encourage you to read these provisions carefully and in their entirety.

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**Conditions to Completion of the Merger (beginning on page 111)**

Completion of the merger depends on a number of conditions being satisfied or waived. See The Merger Agreement Conditions to Completion of the Merger beginning on page 111.

***Antitrust Clearance***

The completion of the merger is subject to compliance with the HSR Act. The notifications required under the HSR Act to the U.S. Federal Trade Commission, or the FTC, and the Antitrust Division of the U.S. Department of Justice, or the Antitrust Division, were filed on March 8, 2005. On April 7, 2005, Federated and May received from the FTC requests for additional information with respect to the proposed merger. As a result of the requests for additional information, the waiting period under United States federal antitrust law will be extended until 11:59 P.M. Eastern Daylight Savings Time on the 30th day after both Federated and May have substantially complied with the requests for additional information or such later time as is agreed among the parties and the FTC, unless the waiting period is earlier terminated because the FTC determines to close its review. In addition, Federated and May have agreed to provide the same information they are providing to the FTC to State Attorneys General that request, and agree to maintain the confidentiality of, such information.

Federated and May have agreed to use their reasonable best efforts to take, or cause to be taken, all actions necessary, proper or advisable under applicable law and regulations, including the HSR Act, to complete the merger as promptly as practicable, but in no event later than October 3, 2005, which date may be extended to August 31, 2006, in circumstances described below, in The Merger Agreement Termination of the Merger Agreement beginning on page 113. We refer to this October 3, 2005 date, as it may be extended, as the outside date.

Among other things, Federated and its subsidiaries have agreed to take any and all actions necessary to ensure that:

no requirement for non-action, a waiver, consent or approval of the FTC, the Antitrust Division, any State Attorney General or other governmental entity;

no decree, judgment, injunction, temporary restraining order or any other order in any suit or proceeding; and

no other matter relating to any antitrust or competition law or regulation, would preclude completion of the merger by the outside date under the merger agreement, provided that in no event shall Federated be required to dispose of, or hold separate, assets of May, Federated or their respective subsidiaries which, in the aggregate, accounted for annual net sales for the most recently completed fiscal year exceeding \$4 billion.

**Termination of the Merger Agreement and Termination Fees (beginning on page 113)**

Before the effective time of the merger, the merger agreement may be terminated by the mutual written consent of Federated and May, or by either Federated or May under certain specified circumstances, including uncured material breaches of the merger agreement. Upon the termination of the merger agreement under certain circumstances, May or Federated may be required to pay a termination fee of up to \$350 million to the other party. See The Merger Agreement Termination of the Merger Agreement beginning on page 113 and The Merger Agreement Termination Fees beginning on page 114.

**No Solicitation by May (beginning on page 104)**

The merger agreement restricts the ability of May to solicit or engage in discussions or negotiations with a third party regarding a proposal to acquire a significant interest in May. However, if May receives an acquisition proposal from a third party that May's board of directors determines in good faith (after consultation with its outside counsel and its financial advisor) constitutes a superior proposal or would reasonably be expected to lead to a superior proposal, May may furnish nonpublic information to that third



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party and engage in negotiations regarding an acquisition proposal with that third party, subject to specified conditions.

### **Material United States Federal Income Tax Consequences (beginning on page 92)**

Federated and May intend that the merger, as currently contemplated, qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

Assuming that the merger is completed as currently contemplated, we expect that the May stockholders will not recognize gain or loss in respect of the stock portion of the merger consideration, except for gain or loss resulting from the receipt of cash in lieu of a fractional share of Federated common stock. In addition, we expect that the May stockholders generally will recognize capital gain, but not loss, in an amount equal to the lesser of (i) the cash they receive in the merger (excluding cash in lieu of a fractional share of Federated common stock) and (ii) the excess of the sum of the fair market value of the Federated common stock and cash they receive (again excluding cash received in lieu of a fractional share of Federated common stock) over their adjusted tax basis in their May common stock.

If the merger is taxable under the circumstances described in The Merger Merger Consideration beginning on page 7, each May stockholder generally will recognize capital gain or loss equal to the difference, if any, between the amount by which the sum of the amount of cash received and the fair market value of the shares of Federated common stock received as of the effective time of the merger exceeds the stockholder's adjusted tax basis in the stockholder's shares of May common stock.

We anticipate that the merger will have no material U.S. federal income tax consequences to Federated stockholders.

Tax matters are very complicated. You should be aware that the tax consequences to you of the merger may depend upon your own situation. In addition, you may be subject to state, local or foreign tax laws that are not discussed in this joint proxy statement/ prospectus. You should therefore consult with your own tax advisor for a full understanding of the tax consequences to you of the merger.

### **Accounting Treatment**

The merger will be accounted for as a business combination using the purchase method of accounting. Federated will be the acquirer for financial accounting purposes.

### **Risks**

In evaluating the merger, the merger agreement or the issuance of shares of Federated common stock in the merger, you should carefully read this joint proxy statement/ prospectus and especially consider the factors discussed in the section entitled Risk Factors beginning on page 22.

### **Litigation Related to the Merger**

As of the date of this joint proxy statement/ prospectus, May and Federated are aware of one purported class action lawsuit that has been filed against May and its board of directors in connection with the merger. Among other things, the complaint in the lawsuit requests an order to prevent the closing of the merger. May believes that the lawsuit is without merit and intends to contest it vigorously. See The Merger Certain Events on page 92.

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**Transition Leadership Team**

In connection with the merger, Federated and May have established a Transition Leadership Team, effective April 1, 2005, to plan for the integration of Federated and May. The team is comprised of the following individuals from both Federated and May:

| <b>Federated</b>  | <b>May</b>   |
|---|--|
| Tom Cole, Vice Chair  | John Dunham, Chairman, President and Chief Executive Officer                             |
| Dennis Broderick, Senior Vice President, General Counsel and Secretary          | Alan Charlson, Senior Vice President and General Counsel                                 |
| David Clark, Senior Vice President, Human Resources                             | John Danahy, Chairman, May Merchandising Company and May Department Stores International |
| Jim Gray, President and Chief Operating Officer, Macy's East                    | Tom Fingleton, Executive Vice President and Chief Financial Officer                      |
| Karen Hoguet, Senior Vice President and Chief Financial Officer                 | Brian Keck, Senior Vice President, Human Resources                                       |
| Len Marcus, President and Chief Operating Officer, Macy's Merchandising Group   |  |
| Peter Sachse, President and Chief Marketing Officer, Macy's Corporate Marketing |  |

**Comparison of Rights of Stockholders (beginning on page 177)**

As a result of the merger, the holders of May common stock will become holders of Federated common stock. Following the merger, May stockholders will have different rights as stockholders of Federated than as stockholders of May due to differences between the certificates of incorporation and by-laws of Federated and May. Federated stockholders will retain their shares of Federated common stock and their rights will continue to be governed by Federated's certificate of incorporation and by-laws. For a copy of Federated's or May's certificate of incorporation or by-laws, see "Where You Can Find More Information" beginning on page 185.

**Table of Contents****FINANCIAL SUMMARY****Federated Market Price Data and Dividends**

Federated common stock is traded on the New York Stock Exchange under the symbol FD. The following table shows for the periods indicated the high and low sales prices for Federated common stock as reported on the New York Stock Exchange.

| <b>Fiscal Year Ended</b>              | <b>Price Range of Common Stock</b> |            |
|---------------------------------------|------------------------------------|------------|
|                                       | <b>High</b>                        | <b>Low</b> |
| <b>February 1, 2003:</b>              |                                    |            |
| First Quarter                         | \$ 44.26                           | \$ 36.83   |
| Second Quarter                        | 44.10                              | 31.39      |
| Third Quarter                         | 38.13                              | 23.59      |
| Fourth Quarter                        | 34.75                              | 25.50      |
| <b>January 31, 2004:</b>              |                                    |            |
| First Quarter                         | 30.91                              | 23.51      |
| Second Quarter                        | 40.90                              | 29.93      |
| Third Quarter                         | 47.93                              | 38.50      |
| Fourth Quarter                        | 50.60                              | 42.54      |
| <b>January 29, 2005:</b>              |                                    |            |
| First Quarter                         | 55.06                              | 46.95      |
| Second Quarter                        | 51.07                              | 44.07      |
| Third Quarter                         | 51.10                              | 42.80      |
| Fourth Quarter                        | 59.40                              | 49.33      |
| <b>January 28, 2006:</b>              |                                    |            |
| First Quarter                         | 65.08                              | 54.90      |
| Second Quarter (through May 20, 2005) | 69.05                              | 57.69      |

The last reported sales prices of Federated common stock on the New York Stock Exchange on February 25, 2005, and May 20, 2005, were \$56.79 and \$68.86, respectively. February 25, 2005, was the last full trading day prior to the public announcement of the merger. May 20, 2005, was the most recent practicable date prior to the mailing of this joint proxy statement/prospectus to Federated's and May's stockholders.

The Federated board of directors has the power to determine the amount and frequency of the payment of dividends. Decisions regarding whether or not to pay dividends and the amount of any dividends are based on compliance with the DGCL, compliance with agreements governing Federated's indebtedness, earnings, cash requirements, results of operations, cash flows, financial condition and other factors that the board of directors considers important. Federated initiated a quarterly dividend of \$0.125 per share in the second quarter of 2003, and increased that dividend to \$0.135 per share in the second quarter of 2004. Under the merger agreement, Federated is permitted to issue a quarterly dividend not to exceed \$0.14 per share during the period before the effective date of the merger. In addition, Federated has agreed to increase its quarterly dividend to \$0.25 per share, beginning with the first quarterly dividend with a record date on or after the effective date of the merger. While Federated intends to maintain dividends at this level for the foreseeable future, it cannot assure that it will continue to pay dividends at this level, or at all.

**Table of Contents****May Market Price Data and Dividends**

May common stock is traded on the New York Stock Exchange under the symbol MAY. The following table shows for the periods indicated the high and low sales prices for May common stock on the New York Stock Exchange.

| <b>Fiscal Year Ended</b>              | <b>Price Range of<br/>Common Stock</b> |            |
|---------------------------------------|--|------------|
|                                       | <b>High</b>                            | <b>Low</b> |
| <b>February 1, 2003:</b>              |  |            |
| First Quarter                         | \$ 37.75                               | \$ 33.04   |
| Second Quarter                        | 37.08                                  | 25.74      |
| Third Quarter                         | 30.50                                  | 20.10      |
| Fourth Quarter                        | 26.10                                  | 20.08      |
| <b>January 31, 2004:</b>              |  |            |
| First Quarter                         | 21.72                                  | 17.81      |
| Second Quarter                        | 25.34                                  | 20.02      |
| Third Quarter                         | 28.20                                  | 23.70      |
| Fourth Quarter                        | 34.06                                  | 26.37      |
| <b>January 29, 2005:</b>              |  |            |
| First Quarter                         | 36.48                                  | 29.84      |
| Second Quarter                        | 30.80                                  | 24.62      |
| Third Quarter                         | 26.79                                  | 23.04      |
| Fourth Quarter                        | 36.45                                  | 25.63      |
| <b>January 28, 2006:</b>              |  |            |
| First Quarter                         | 37.46                                  | 30.55      |
| Second Quarter (through May 20, 2005) | 38.66                                  | 35.15      |

The last reported sales prices of May common stock on the New York Stock Exchange on February 25, 2005, and May 20, 2005, were \$35.35 and \$38.50, respectively. February 25, 2005, was the last full trading day prior to the public announcement of the merger. May 20, 2005, was the most recent practicable date prior to the mailing of this joint proxy statement/prospectus to Federated's and May's stockholders.

The May board of directors has the power to determine the amount and frequency of the payment of dividends. Decisions regarding whether or not to pay dividends and the amount of any dividends are based on compliance with the DGCL, compliance with agreements governing May's indebtedness, earnings, cash requirements, results of operations, cash flows, financial condition and other factors that the board of directors considers important. May paid an annual dividend of \$0.97 per share in 2004. Under the merger agreement, May is permitted to issue a quarterly dividend not to exceed \$0.245 per share during the period before the effective date of the merger. May has consistently paid dividends over the past five years, with dividends increasing one cent per share in each of the last four years. While May anticipates that if the merger were not consummated it would continue to pay dividends at the current level, it cannot assure that it would continue to pay dividends at this level, or at all.

**Table of Contents****Selected Historical Financial Data of Federated**

The following table shows selected historical financial data for Federated. The data as of and for each of the five years ended January 29, 2005, were derived from Federated's audited consolidated financial statements.

Detailed historical financial information is included in the audited consolidated balance sheets as of January 29, 2005, and January 31, 2004, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended January 29, 2005 included in Federated's Annual Report on Form 10-K for the fiscal year ended January 29, 2005, filed on March 28, 2005. You should read the following selected financial data together with Federated's historical consolidated financial statements, including the related notes, and the other information contained or incorporated by reference in this joint proxy statement/ prospectus. See "Where You Can Find More Information" beginning on page 185.

|   | Year Ended,         |                     |                     |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
|   | January 29,<br>2005 | January 31,<br>2004 | February 1,<br>2003 | February 2,<br>2002 | February 3,<br>2001 |
| (In millions, except per share data)                  |                     |                     |                     |                     |                     |
| Consolidated Statement of Operations Data:            |                     |                     |                     |                     |                     |
| Net Sales   | \$ 15,630           | \$ 15,264           | \$ 15,435           | \$ 15,651           | \$ 16,638           |
| Cost of sales   | 9,297               | 9,099               | 9,255               | 9,584               | 9,955               |
| Gross margin  | 6,333               | 6,165               | 6,180               | 6,067               | 6,683               |
| Selling, general and administrative expenses          | 4,933               | 4,824               | 4,837               | 4,801               | 4,912               |
| Asset impairment and restructuring charges            |                     |                     |                     | 162                 | 80                  |
| Operating income                                      | 1,400               | 1,341               | 1,343               | 1,104               | 1,691               |
| Interest expense                                      | (299)               | (266)               | (311)               | (347)               | (327)               |
| Interest income                                       | 15                  | 9                   | 16                  | 7                   | 6                   |
| Income from continuing operations before income taxes | 1,116               | 1,084               | 1,048               | 764                 | 1,370               |
| Federal, state and local income tax expense           | (427)               | (391)               | (410)               | (256)               | (549)               |
| Income from continuing operations                     | 689                 | 693                 | 638                 | 508                 | 821                 |
| Discontinued operations                               |                     |                     | 180                 | (784)               | (1,005)             |
| Net income (loss)                                     | \$ 689              | \$ 693              | \$ 818              | \$ (276)            | \$ (184)            |
| Basic earnings (loss) per share:                      |                     |                     |                     |                     |                     |
| Income from continuing operations                     | \$ 3.93             | \$ 3.76             | \$ 3.23             | \$ 2.60             | \$ 4.01             |
| Net income (loss)                                     | 3.93                | 3.76                | 4.15                | (1.41)              | (.90)               |

Diluted earnings (loss) per share:

|  |    |        |    |        |    |        |    |        |    |        |
|--|----|--------|----|--------|----|--------|----|--------|----|--------|
| Income from continuing operations            | \$ | 3.86   | \$ | 3.71   | \$ | 3.21   | \$ | 2.54   | \$ | 3.97   |
| Net income (loss)                            |    | 3.86   |    | 3.71   |    | 4.12   |    | (1.38) |    | (.89)  |
| Average number of diluted shares outstanding |    | 174.5  |    | 183.8  |    | 196.6  |    | 195.1  |    | 204.3  |
| Cash dividends paid per share                | \$ | .53    | \$ | .375   | \$ |        | \$ |        | \$ |        |
| Depreciation and amortization                | \$ | 737    | \$ | 710    | \$ | 680    | \$ | 689    | \$ | 651    |
| Capital expenditures                         | \$ | 548    | \$ | 568    | \$ | 627    | \$ | 651    | \$ | 786    |
| Balance Sheet Data (at year end):            |    |        |    |        |    |        |    |        |    |        |
| Cash and cash equivalents                    | \$ | 868    | \$ | 925    | \$ | 716    | \$ | 636    | \$ | 222    |
| Total assets                                 |    | 14,885 |    | 14,550 |    | 14,441 |    | 16,112 |    | 17,012 |
| Short-term debt                              |    | 1,242  |    | 908    |    | 946    |    | 1,012  |    | 1,117  |
| Long-term debt                               |    | 2,637  |    | 3,151  |    | 3,408  |    | 3,859  |    | 3,845  |
| Shareholders equity                          |    | 6,167  |    | 5,940  |    | 5,762  |    | 5,564  |    | 5,822  |

**Table of Contents****Selected Historical Financial Data of May**

The following table shows selected historical financial data for May. The data as of and for each of the five years ended January 29, 2005, were derived from May's audited consolidated financial statements.

Detailed historical financial information is included in the audited consolidated balance sheets as of January 29, 2005, and January 31, 2004, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended January 29, 2005 included in May's Annual Report on Form 10-K/A for the fiscal year ended January 29, 2005, filed on May 10, 2005. You should read the following selected financial data together with May's historical consolidated financial statements, including the related notes, and the other information contained or incorporated by reference in this joint proxy statement/prospectus. See "Where You Can Find More Information" beginning on page 185.

|   | <b>Year Ended,</b>          |                             |                             |                             |                             |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|   | <b>January 29,<br/>2005</b> | <b>January 31,<br/>2004</b> | <b>February 1,<br/>2003</b> | <b>February 2,<br/>2002</b> | <b>February 3,<br/>2001</b> |
| <b>(In millions, except per share data)</b> |                             |                             |                             |                             |                             |
| <b>Statement of Operations</b>              |                             |                             |                             |                             |                             |
| <b>Data:</b>                                |                             |                             |                             |                             |                             |
| Net sales                                   | \$ 14,441                   | \$ 13,343                   | \$ 13,491                   | \$ 13,883                   | \$ 14,210                   |
| Net Earnings                                | 524                         | 434                         | 542                         | 703                         | 858                         |
| <b>Balance Sheet Data:</b>                  |                             |                             |                             |                             |                             |
| Total assets                                | \$ 15,163                   | \$ 12,122                   | \$ 12,030                   | \$ 11,964                   | \$ 11,574                   |
| Long-term debt and preference stock         | 5,873                       | 4,032                       | 4,300                       | 4,689                       | 4,833                       |
| Shareowners' equity                         | 4,475                       | 4,191                       | 4,035                       | 3,841                       | 3,855                       |
| <b>Other Data:</b>                          |                             |                             |                             |                             |                             |
| <b>Earnings per share - diluted:</b>        |                             |                             |                             |                             |                             |
| Net earnings per share diluted              | \$ 1.70                     | \$ 1.41                     | \$ 1.76                     | \$ 2.21                     | \$ 2.62                     |
| <b>Dividends per common share</b>           | <b>\$ .97</b>               | <b>\$ .96</b>               | <b>\$ .95</b>               | <b>\$ .94</b>               | <b>\$ .93</b>               |

**Table of Contents****Selected Unaudited Pro Forma Financial Data of Federated**

The following selected unaudited pro forma financial data of Federated give effect to the merger as if the merger had been completed as of February 1, 2004, with respect to the pro forma results of operations data, and as of January 29, 2005, with respect to the pro forma balance sheet data.

The following selected unaudited pro forma financial data should be read in conjunction with the historical consolidated financial statements and notes thereto of Federated and May, which are incorporated by reference in this joint proxy statement/ prospectus, and the other information contained or incorporated by reference in this joint proxy statement/ prospectus. See *Where You Can Find More Information* beginning on page 185.

The following selected unaudited pro forma financial data reflect adjustments, which are based upon preliminary estimates, to allocate the purchase price to May's net assets. The purchase price allocation reflected herein is preliminary, and final allocation of the purchase price will be based upon the actual purchase price and the actual assets and liabilities of May as of the date of the completion of the merger. Accordingly, the actual purchase accounting adjustments may differ from the pro forma adjustments reflected herein.

The following selected unaudited pro forma financial data are presented for illustrative purposes only and are not necessarily indicative of what Federated's actual financial position or results of operations would have been had the merger been completed on the dates indicated above. The following selected unaudited pro forma financial data do not give effect to (1) Federated's or May's results of operations or other transactions or developments since January 29, 2005, (2) the synergies, cost savings and one-time charges expected to result from the merger, or (3) the effects of transactions or developments, including sales of stores or other assets, which may occur subsequent to the merger. In addition, the following selected unaudited pro forma financial data assume the absence of any adjustment to the purchase price provided for in the merger agreement. The foregoing matters, and the possible sale by Federated of its or May's credit card related assets and use of the proceeds from such a transaction to fund the cash portion, or to repay debt incurred to fund the cash portion, of the purchase price payable in the merger, could cause both Federated's pro forma historical financial position and results of operations, and Federated's actual future financial position and results of operations, to differ materially from those presented in the following selected unaudited pro forma financial data. See *Risk Factors*. The unaudited pro forma financial data included in this joint proxy statement/ prospectus are preliminary and Federated's actual financial position and results of operations may differ materially from the unaudited pro forma financial data included in this joint proxy statement/ prospectus beginning on page 23.

|                                    | <b>Year Ended<br/>January 29, 2005</b>              |
|------------------------------------|---|
|                                    | <b>(In millions,<br/>except per share<br/>data)</b> |
| <b>Results of Operations Data:</b> |   |
| Net sales                          | \$ 31,064   |
| Net income                         | 1,018   |
| Diluted earnings per share         | 3.66  |
|                                    | <b>At<br/>January 29,<br/>2005</b>                  |
|                                    | <b>(In millions)</b>                                |
| <b>Balance Sheet Data:</b>         |   |
| Total assets                       | \$ 37,181   |
| Short-term debt                    | 3,520   |



|                           |        |
|---------------------------|--------|
| Long-term debt            | 12,289 |
| Total debt                | 15,809 |
| Total shareholders equity | 12,151 |

**Table of Contents****COMPARATIVE PER SHARE INFORMATION**

The following table presents income from continuing operations, cash dividends declared and book value per common share data separately for Federated and May on a historical basis, on an unaudited pro forma combined basis per Federated common share and on an unaudited pro forma combined basis per May equivalent common share. The following unaudited pro forma data give effect to the merger as if the merger had been completed as of February 1, 2004, with respect to the pro forma income from continuing operations per common share data, and as of January 29, 2005, with respect to the pro forma book value per common share data. The following selected unaudited pro forma financial data should be read in conjunction with the historical consolidated financial statements and notes thereto of Federated and May, which are incorporated by reference in this joint proxy statement/ prospectus, and the other information contained or incorporated by reference in this joint proxy statement/ prospectus. See *Where You Can Find More Information* beginning on page 185.

The unaudited pro forma combined data per Federated common share are (1) based upon the historical weighted average number of Federated common shares outstanding, adjusted to include the estimated number of Federated common shares to be issued in the merger, and (2) in the case of cash dividends paid per common share, reflect Federated's agreement to increase its quarterly dividend to \$0.25 per share following the merger. See *Pro Forma Financial Data* beginning on page 169. We have based the unaudited pro forma combined data per May equivalent common share on the unaudited pro forma combined per Federated common share amounts, multiplied by the exchange ratio of 0.3115.

The following unaudited pro forma data reflect adjustments, which are based upon preliminary estimates, to allocate the purchase price to May's net assets. The purchase price allocation reflected herein is preliminary, and final allocation of the purchase price will be based upon the actual purchase price and the actual assets and liabilities of May as of the date of the completion of the merger. Accordingly, the actual purchase accounting adjustments may differ from the pro forma adjustments reflected herein.

The following unaudited pro forma data are presented for illustrative purposes only and are not necessarily indicative of what Federated's actual financial position or results of operations would have been had the merger been completed on the dates indicated above. The following unaudited pro forma data do not give effect to (1) Federated's or May's results of operations or other transactions or developments since January 29, 2005, (2) the synergies, cost savings and one-time charges expected to result from the merger, or (3) the effects of transactions or developments, including sales of stores or other assets, which may occur subsequent to the merger. In addition, the following unaudited pro forma data assume the absence of any adjustment to the purchase price provided for in the merger agreement. The foregoing matters, and the possible sale by Federated of its or May's credit card related assets and use of the proceeds from such a transaction to fund the cash portion, or to repay debt incurred to fund the cash portion, of the purchase price payable in the merger, could cause both Federated's pro forma historical financial position and results of operations, and Federated's actual future financial position and results of operations, to differ materially from those presented in the following selected unaudited pro forma financial data. See *Risk Factors*. The unaudited pro forma financial data included in this joint proxy statement/ prospectus are preliminary and Federated's actual financial position and results of operations may differ materially from the unaudited pro forma financial data included in this joint proxy statement/ prospectus beginning on page 23.

| <b>Federated</b>  |                   | <b>Pro Forma</b> | <b>Pro Forma</b>    |
|-------------------|-------------------|------------------|---------------------|
| <b>Historical</b> | <b>May</b>        | <b>Combined</b>  | <b>Combined</b>     |
| <b>per</b>        | <b>Historical</b> | <b>Data per</b>  | <b>Data per May</b> |
| <b>Share</b>      | <b>per Share</b>  | <b>Federated</b> | <b>Equivalent</b>   |
| <b>Data</b>       | <b>Data</b>       | <b>Common</b>    | <b>Common Share</b> |
| <b>Data</b>       | <b>Data</b>       | <b>Share</b>     |                     |

**At or for the Year Ended****January 29, 2005:**Income from continuing  
operations per common  
share:

|   |    |       |    |       |    |       |    |       |
|---|----|-------|----|-------|----|-------|----|-------|
| Basic                                       | \$ | 3.93  | \$ | 1.74  | \$ | 3.74  | \$ | 1.17  |
| Diluted                                     |    | 3.86  |    | 1.70  |    | 3.66  |    | 1.14  |
| Cash dividends declared per<br>common share |    | .53   |    | .97   |    | 1.00  |    | .31   |
| Book value per common<br>share              |    | 36.89 |    | 15.27 |    | 45.89 |    | 14.29 |

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**Table of Contents****COMPARATIVE MARKET VALUE INFORMATION**

The following table presents:

the closing prices per share and aggregate market value of Federated common stock and May common stock, in each case based on closing prices for those shares on the New York Stock Exchange, on February 25, 2005, the last trading day prior to the public announcement of the proposed merger, and May 20, 2005, the last trading day for which this information could be calculated prior to the date of this joint proxy statement/ prospectus; and

the equivalent price per share and equivalent market value of shares of May common stock, based on the exchange ratio of 0.3115 and the closing price for Federated common stock on the New York Stock Exchange on May 20, 2005.

|  | <b>Federated<br/>Historical</b> | <b>May<br/>Historical</b> | <b>May<br/>Equivalent(1)</b> |
|--|---------------------------------|---------------------------|------------------------------|
| <b>February 25, 2005</b>                       |                                 |                           |                              |
| Closing price per common share                 | \$ 56.79                        | \$ 35.35                  | \$ 35.44                     |
| Market value of common shares (in billions)(2) | \$ 9.52                         | \$ 10.88                  |                              |
| <b>May 20, 2005</b>                            |                                 |                           |                              |
| Closing price per common share                 | \$ 68.86                        | \$ 38.50                  | \$ 39.20                     |
| Market value of common shares (in billions)(3) | \$ 11.71                        | \$ 12.01                  |                              |

- (1) The May equivalent price per share reflects the fluctuating value of Federated common stock that May stockholders would receive for each share of May common stock if the merger was completed on either February 25, 2005, or May 20, 2005. The May equivalent price per share is equal to the sum of (i) \$17.75 and (ii) the closing price of Federated common stock on the applicable date multiplied by 0.3115.
- (2) Based on 167,598,278 shares of Federated common stock and 293,834,196 shares of May common stock outstanding and May ESOP preference shares convertible into 14,036,843 shares of May common stock as of February 25, 2005.
- (3) Based on 170,112,496 shares of Federated common stock and 299,443,318 shares of May common stock outstanding and May ESOP preference shares convertible into 12,550,620 shares of May common stock as of May 20, 2005.

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**RISK FACTORS**

In deciding whether to vote for approval and adoption of the merger agreement and the transactions contemplated by the merger agreement, including the merger, in the case of May stockholders, or for approval of the issuance of Federated common stock, in the case of Federated stockholders, we urge you to carefully consider all of the information we have included and incorporated by reference in this joint proxy statement/ prospectus. See *Where You Can Find More Information* beginning on page 185. You should also read and consider the risks associated with each of the businesses of Federated and May because these risks will also affect the combined company. These risks can be found in the Federated and May Annual Reports on Form 10-K and Form 10-K/A, respectively, for the year ended January 29, 2005, which are filed with the SEC and incorporated by reference into this joint proxy statement/ prospectus. In addition, we urge you to carefully consider the following material risks relating to the merger and the business of the combined company.

**Risks Relating to the Merger**

***The merger is subject to certain closing conditions that, if not satisfied or waived, will result in the merger not being completed, which may cause the market price of Federated common stock or May common stock to decline.***

The merger is subject to customary conditions to closing, including the receipt of required approvals of the stockholders of May and Federated. If any condition to the merger is not satisfied or, if permissible, waived, the merger will not be completed. In addition, Federated and May may terminate the merger agreement in certain circumstances. If Federated and May do not complete the merger, the market price of Federated common stock or May common stock may fluctuate to the extent that the current market prices of those shares reflect a market assumption that the merger will be completed. Federated and May will also be obligated to pay certain investment banking, financing, legal and accounting fees and related expenses in connection with the merger, whether or not the merger is completed. In addition, Federated and May have each diverted significant management resources in an effort to complete the merger and are each subject to restrictions contained in the merger agreement on the conduct of its business. If the merger is not completed, each of Federated and May will have incurred significant costs, including the diversion of management resources, for which it will have received little or no benefit. Further, in specified circumstances, May and Federated may be required to pay to the other a termination fee of up to \$350 million if the merger agreement is terminated. For a detailed description of the circumstances in which such termination fee will be paid, see *The Merger Agreement Termination Fees* beginning on page 116.

***Whether or not the merger is completed, the announcement and pendency of the merger could cause disruptions in the businesses of Federated and May, which could have an adverse effect on their business and financial results.***

Whether or not the merger is completed, the announcement and pendency of the merger could cause disruptions in the businesses of Federated and May. Specifically:

current and prospective employees may experience uncertainty about their future roles with the combined company, which might adversely affect Federated and May's ability to retain key managers and other employees; and

the attention of management of each of Federated and May may be directed toward the completion of the merger. ***Certain directors and executive officers of May have interests and arrangements that are different from, or in addition to, May stockholders.***

When considering the recommendation of the May board of directors with respect to the merger, May stockholders should be aware that some directors and executive officers of May have interests in the merger

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that are different from, or in addition to, their interests as stockholders and the interests of stockholders generally. These interests include:

payments under employment agreements and severance agreements which, in either case, may be triggered if the executive officer's employment is terminated under certain circumstances following the merger for May's 13 current executive officers, the aggregate of these payments could be up to approximately \$46.8 million;

potential appointment of two members of May's board of directors to the Federated board of directors following the merger;

potentially becoming executive officers, employees or consultants of Federated after the transaction;

accelerated vesting and exercisability of May stock options and restricted stock issued under May's equity compensation plans. May's 13 current executive officers and 8 current non-management directors currently hold, in the aggregate, 511,805 and 49,990 shares of restricted stock, respectively, and May's 13 current executive officers hold 828,450 unvested stock options with a weighted average exercise price of \$30.988 per share;

continued benefits under May plans for one year following the effective date of the merger, as well as continued compensation and benefits from one year following the effective date of the merger through the third year following the effective date of the merger that are in the aggregate substantially comparable to that provided by May immediately prior to the effective time of the merger;

accelerated payment of previously vested amounts credited under May's deferred compensation programs. May's 13 current executive officers currently have credited to their accounts an aggregate of approximately \$5.82 million and 217,055 stock units and May's 8 non-management directors currently have credited to their accounts an aggregate of approximately \$300,000 and 187,965 stock units; and

Federated's agreement to indemnify each present and former May officer and director against liabilities arising out of that person's services as an officer or director, and maintain directors' and officers' liability insurance for a period of six years after closing to cover May directors and officers, subject to certain limitations.

As a result of these interests, these directors and executive officers may be more likely to support and to vote to adopt the merger agreement than if they did not have these interests. Stockholders should consider whether these interests may have influenced those directors and officers to support or recommend adoption of the merger agreement. As of the close of business on the record date for the May annual meeting, May directors and executive officers were entitled to vote less than 1% of the then-outstanding shares of May common stock. See *The Merger - Interests of May Directors and Executive Officers in the Merger* beginning on page 83.

***The unaudited pro forma financial data included in this joint proxy statement/ prospectus are preliminary and Federated's actual financial position and results of operations may differ materially from the unaudited pro forma financial data included in this joint proxy statement/ prospectus.***

The unaudited pro forma financial data in this joint proxy statement/ prospectus reflect adjustments, which are based upon preliminary estimates, to allocate the purchase price to May's net assets. The purchase price allocation reflected in this joint proxy statement/ prospectus is preliminary, and final allocation of the purchase price will be based upon the actual purchase price and the actual assets and liabilities of May as of the date of the completion of the merger. Federated may need to revise materially its current estimates of those assets and liabilities as the valuation process and accounting policy review are finalized. Accordingly, the actual purchase accounting adjustments may differ materially from the pro forma adjustments reflected in this joint proxy statement/ prospectus.

The unaudited pro forma financial data in this joint proxy statement/ prospectus are presented for illustrative purposes only and are not necessarily indicative of what Federated's actual financial position or



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results of operations would have been had the merger been completed on the dates indicated. The unaudited pro forma financial data in this joint proxy statement/ prospectus do not give effect to (1) Federated or May's results of operations or other transactions or developments since January 29, 2005, (2) the synergies, cost savings and one-time charges expected to result from the merger or (3) the effects of transactions or developments, including sales of stores or other assets, which may occur after the merger. In addition, the unaudited pro forma financial data in this joint proxy statement/ prospectus assume the absence of any adjustment to the purchase price provided for in the merger agreement. The foregoing matters, Federated's possible sale of its or May's credit card related assets and use of the proceeds from such a transaction to fund the cash portion, or to repay debt incurred to fund the cash portion, of the purchase price payable in the merger, and other factors could cause both Federated's pro forma historical financial position and results of operations, and Federated's actual future financial position and results of operations, to differ materially from those presented in the unaudited pro forma financial data in this joint proxy statement/ prospectus.

***The value of the Federated common stock that May stockholders receive in the merger may be less than the value of such Federated common stock when the merger was publicly announced. Further, at the May annual meeting, May stockholders will not know the exact value of Federated common stock that will be issued in the merger.***

The exchange ratio for Federated common stock to be issued in the merger has been fixed. The price of Federated common stock will fluctuate until May's stockholders receive their shares. Federated and May are working to complete the merger as quickly as possible. However, the time period between the stockholder votes taken at the annual meetings and the completion of the merger will depend upon the status of antitrust clearance that must be obtained prior to the completion of the merger and the satisfaction or waiver of the other conditions described in this joint proxy statement/ prospectus, and there is currently no way to predict how long it will take to obtain these approvals. Because the date when the merger is completed may be later than the date of the annual meetings, Federated and May stockholders will not know the exact value of the Federated common stock that will be issued in the merger at the time they vote on the merger proposals. As a result, if the market price of Federated common stock at the completion of the merger is higher or lower than the market price on the date of the May annual meeting, the value of the Federated common stock received by May stockholders in the merger will be higher or lower, respectively, than the value of such Federated common stock on the date of the May annual meeting.

***If the total value of the Federated common stock to be received falls below 40% of the total consideration, May stockholders could be required to accept \$18.75 per share in cash and 0.3115 shares of Federated common stock in a transaction that is currently taxable to such May stockholders.***

Generally, in order to preserve the tax-deferral feature of the merger sought by qualifying it as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, the market value of the Federated common stock portion of the total consideration paid in the merger, as of the closing, must represent a sufficiently high proportion of the total consideration to satisfy the so-called "continuity of interest" requirement for such reorganizations. The "continuity of interest" requirement would begin to be in doubt if the per share market price of Federated common stock were to deteriorate so substantially that the total common stock portion of the total consideration constituted less than 40% of the total consideration. If the opinions described under the caption "Material United States Federal Income Tax Consequences" were not able to be delivered by reason of such a price deterioration in Federated common stock, Federated would then have the option to increase the number of shares of Federated common stock issuable in the merger to maintain qualification as a reorganization. If Federated were to decline to make such an election, May would then have the right to require Federated to increase the cash portion of the consideration payable by \$1.00 to \$18.75 and to complete the merger, notwithstanding that the merger would be fully taxable to May stockholders. May would also have the right to decline to complete the merger. See the Risk Factor immediately above generally describing the risk relating to the value of the Federated common stock that May stockholders receive in the merger, as well as "The Merger Agreement - Merger Consideration" beginning on page 97 and "The Merger Agreement - Conditions to Completion of the Merger" beginning on page 111. May does not currently anticipate requesting updated fairness opinions from its financial advisors in the event





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the consideration to be received by May stockholders will differ as described above as a result of a significant decline in the value of Federated common stock.

***Federated may be required under the merger agreement to dispose of assets that account for up to \$4 billion in annual net sales if required by governmental entities to obtain antitrust clearance for the merger.***

Each of Federated and May has agreed to use its reasonable best efforts to obtain all governmental clearances or approvals under federal, state or foreign antitrust laws. In connection with obtaining antitrust clearance for the proposed merger, Federated may be required under the merger agreement to dispose of any assets required by governmental entities, but only to the extent such assets do not account for more than \$4 billion in net sales for the most recently completed fiscal year. It is uncertain whether asset dispositions will be required and in what amount, whether Federated will be able to dispose of such assets or, if those assets are sold, at what price they may be sold and the impact that such dispositions may have on Federated's profitability.

### **Risks Relating to Federated's Operations After the Consummation of the Merger**

***Federated's failure to integrate May successfully and on a timely basis into Federated's operations could reduce Federated's profitability.***

Federated expects that the acquisition of May will result in certain synergies, business opportunities and growth prospects. Federated, however, may never realize these expected synergies, business opportunities and growth prospects. Federated may experience increased competition that limits its ability to expand its business, Federated may not be able to capitalize on expected business opportunities, including retaining May's current retail customers, assumptions underlying estimates of expected cost savings may be inaccurate, or general industry and business conditions may deteriorate. In addition, there can be no assurance that Federated's execution of its post-merger strategy to rebrand certain May stores will improve its operating performance. Integrating operations will require significant efforts and expenses on the part of both Federated and May. Personnel may leave or be terminated because of the merger. Federated's management may have its attention diverted while trying to integrate May. If these factors limit Federated's ability to integrate the operations of May successfully or on a timely basis, Federated's expectations of future results of operations, including certain cost savings and synergies expected to result from the merger, may not be met. In addition, Federated's growth and operating strategies for May's business, including the possibility of rebranding certain May stores, may be different from the strategies that May currently is pursuing. If Federated's strategies are not the proper strategies for May, it could have a material adverse effect on the business, financial condition and results of operations of Federated.

***The results of Federated's operations after the merger may be affected by factors different from, or in addition to, those currently affecting the results of May's operations, and the market value of Federated common stock may decrease after the closing date of the merger.***

Upon completion of the merger, the holders of May common stock will become holders of Federated common stock. Federated is involved in different geographic areas than May and the results of Federated's operations after the merger may be affected by factors different from or in addition to those currently affecting the results of May's operations. The market value of the shares of Federated common stock that May stockholders receive in the merger could decrease following the closing date of the merger. For a discussion of the businesses of Federated and May and factors to consider in connection with those businesses, please see the documents incorporated by reference into this joint proxy statement/prospectus and listed under the section captioned "Where You Can Find More Information" beginning on page 185.

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***The price of Federated common stock has been volatile and may continue to fluctuate significantly, which may cause you to lose a significant portion of your investment.***

The market price of Federated common stock has been and may continue to be volatile. From February 1, 2002, to May 20, 2005, the sale price of Federated common stock ranged from a low of \$23.51 per share to a high of \$69.05 per share. Federated common stock may continue to be subject to fluctuations as a result of a variety of factors, including factors beyond its control. These include:

competitive conditions in retail and related services industries;

changes in consumer confidence, tastes, preferences, fashion trends and spending;

the availability and level of consumer debt;

anticipated cash flow and the ability of Federated to maintain sufficient operating cash flow and liquidity;

the possibility that new business and strategic options for one or more business segments will be identified, potentially including selective acquisitions, dispositions, restructurings, joint ventures and partnerships;

trade restrictions, tariffs and other factors potentially affecting the ability to find qualified vendors and access products in an efficient manner;

the ability to successfully implement initiatives to improve inventory management capabilities;

changes in interest rates;

social and political conditions such as war, political unrest and terrorism or natural disasters;

volatility in financial markets;

changes in debt ratings, credit spreads and cost of funds;

the possibility of interruptions in systematically accessing the public debt markets;

the impact of seasonal buying patterns, which are difficult to forecast with certainty; and

general economic conditions and normal business uncertainty.

Federated may fail to meet expectations of its stockholders or of analysts at some time in the future, and its stock price could decline as a result. In addition, sales of a substantial number of shares of Federated common stock in the public market or the appearance that these shares are available for sale could adversely affect the market price for Federated common stock.

***Anti-takeover provisions could delay, deter or prevent a change in control of Federated even if the change in control would be beneficial to Federated stockholders.***

Federated is a Delaware corporation subject to Delaware state law. Some provisions of Delaware law could interfere with or restrict takeover bids or other change in control events affecting Federated. Also, provisions in Federated's certificate of incorporation and other agreements to which Federated is a party could delay, deter or prevent a change in control of Federated, even if a change in control would be beneficial to stockholders. One statutory provision prohibits, except under specified circumstances, Federated from engaging in any business combination with any stockholder who owns 15% or more of Federated's common stock (which stockholder, under the statute, would be considered an interested stockholder) for a period of three years following the time that such stockholder became an interested stockholder. Federated's certificate of incorporation contains a similar prohibition. In

addition, Federated may be required to make payments to certain officers of Federated under severance agreements in connection with a change in control of Federated, which may make Federated a less attractive target to a potential acquirer.

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***Federated faces significant competition in the retail industry.***

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

***Federated's sales and operating results depend on consumer preferences and fashion trends.***

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

***Federated is subject to global economic and political conditions.***

Global economic and political factors that are beyond Federated's control influence its forecasts and directly affect performance. These factors include interest rates, rates of economic growth, fiscal and monetary policies of governments, inflation, deflation, consumer credit availability, consumer debt levels, tax rates and policy, unemployment trends, terrorist threats and activities, worldwide military and domestic disturbances and conflicts, and other matters that influence consumer confidence, spending and tourism. Increasing volatility in financial markets may cause these factors to change with a greater degree of frequency and magnitude. Increases in interest rates may increase our financing costs.

***Federated depends upon the success of its advertising and marketing programs.***

Federated's advertising and promotional costs, net of cooperative advertising allowances, amounted to \$716 million for the fiscal year ended January 29, 2005. Its business depends on high customer traffic in its stores and effective marketing. Federated has many initiatives in this area, and it often changes its advertising and marketing programs. If its advertising and marketing efforts are not effective, this could negatively affect its results.

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This joint proxy statement/prospectus, including information and other documents incorporated by reference into this joint proxy statement/prospectus, contains or may contain forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995 that relate to the businesses of Federated and May. These forward-looking statements are found at various places throughout this joint proxy statement/prospectus and the other documents incorporated by reference in this joint proxy statement/prospectus. These forward-looking statements include, without limitation, those relating to projected financial and operating results, earnings and cash flows, future actions, new projects, strategies and the outcome of contingencies such as legal proceedings, in each case relating to Federated or May, respectively. Those forward looking statements, wherever they occur in this joint proxy statement/prospectus or the other documents incorporated by reference in this joint proxy statement/prospectus, are necessarily estimates or projections reflecting the judgment of the respective management of Federated and May and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from any future results, performance or achievements expressed or implied by those forward-looking statements.

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You should understand that the risks, uncertainties, factors and assumptions listed and discussed in this joint proxy statement/ prospectus, including those set forth under the heading "Risk Factors" beginning on page 22; the risks discussed in May's Annual Report on Form 10-K/A for the fiscal year ended January 29, 2005, in Item 7A "Qualitative and Quantitative Disclosures about Market Risk"; the risks discussed in Federated's Annual Report on Form 10-K for the fiscal year ended January 29, 2005, in Item 7A "Qualitative and Quantitative Disclosures about Market Risk"; and the following important factors and assumptions, could affect the future results of Federated following the merger, or the future results of Federated and May if the merger does not occur, and could cause actual results to differ materially from those expressed in any forward-looking statements:

the ability of Federated to integrate the May businesses with Federated's businesses and achieve the expected synergies from the merger;

the approval and adoption of the merger agreement and the transactions contemplated by the merger agreement, including the merger, at the May annual meeting;

the approval of the issuance of Federated common stock in connection with the merger at the Federated annual meeting;

the timing of the completion of the merger;

the actual financial position and results of operations of Federated following the merger, which may differ significantly from the pro forma financial data contained in this joint proxy statement/ prospectus;

the impact of competitive products and pricing;

general market conditions in the retail industry;

the level of capital resources required for future acquisitions and operations; and

changes in laws and regulations.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of the joint proxy statement/ prospectus or, in the case of documents incorporated by reference, as of the date of those documents. Neither Federated nor May undertakes any obligation to publicly update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this joint proxy statement/ prospectus or to reflect the occurrence of unanticipated events, except as required by law.

### **THE MAY ANNUAL MEETING**

#### **General**

This joint proxy statement/ prospectus is being provided to May stockholders as part of a solicitation of proxies by the May board of directors for use at the annual meeting of May stockholders and at any adjournment or postponement thereof. This joint proxy statement/ prospectus is first being furnished to stockholders of May on or about May 31, 2005. In addition, this joint proxy statement/ prospectus is being furnished to May stockholders as a prospectus for Federated in connection with the issuance by Federated of shares of Federated common stock to May stockholders in connection with the merger. This joint proxy statement/ prospectus provides May stockholders with the information they need to know to be able to vote or instruct their vote to be cast at the annual meeting of May stockholders.

#### **Date, Time and Place of the May Annual Meeting**

The annual meeting of May stockholders will be held at 10:00 a.m., Eastern Daylight Savings Time, on July 13, 2005, at The Pierre-New York, 2 East 61st Street, New York, New York 10021.



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### **Purposes of the May Annual Meeting**

At the May annual meeting, May's stockholders will be asked:

To approve and adopt the merger agreement and the transactions contemplated by the merger agreement, including the merger;

To elect four members of May's board of directors;

To adopt an amendment to May's amended and restated certificate of incorporation to provide for the annual election of directors;

To ratify the appointment of Deloitte & Touche LLP as May's independent registered public accounting firm for the fiscal year ending January 28, 2006;

To approve adjournments or postponements of the May annual meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the May annual meeting to approve the above proposals; and

To consider and take action upon any other business that may properly come before the May annual meeting, or any reconvened meeting, following an adjournment or postponement of the May annual meeting.

### **Record Date; Outstanding Shares; Shares Entitled to Vote**

The record date for the meeting for May stockholders was May 20, 2005. This means that you must have been a stockholder of record of May's common stock or of May's ESOP preference shares at the close of business on May 20, 2005, in order to vote at the annual meeting. You are entitled to one vote for each share of common stock you own (or in the case of ESOP preference shares, one vote for each whole share of May common stock represented by such ESOP preference share). On May's record date, May's voting securities carried 311,993,938 votes, which consisted of 299,443,318 shares of common stock (excluding 21,012,176 shares of treasury stock) and 371,457 ESOP preference shares, which carry 12,550,620 votes.

A complete list of May stockholders entitled to vote at the May annual meeting will be available for inspection at the executive offices of May during regular business hours for a period of no less than ten days before the annual meeting.

### **Quorum and Voting Rights**

A quorum of stockholders is necessary to hold a valid annual meeting of May. The required quorum for the transaction of business at the annual meeting is a majority of the outstanding shares of May common stock entitled to vote and present at the annual meeting, whether in person or by proxy. All shares of May common stock represented at the May annual meeting, including abstentions and broker non-votes, will be treated as shares that are present for purposes of determining the presence of a quorum. Broker non-votes are shares held by a broker, bank or other nominee that are represented at the meeting, but with respect to which such broker, bank or nominee is not instructed by the beneficial owner of such shares to vote on the particular proposal and the broker, bank or other nominee does not have discretionary voting power on such proposal. For purposes of voting on each of the proposals set forth below, the owners of shares of common stock and ESOP preference shares vote together as one class.

The votes required to approve the respective proposals at the May annual meeting are:

Approval and adoption of the merger agreement and the transactions contemplated by the merger agreement, including the merger, requires the approval of a majority of the outstanding shares of May common stock and ESOP preference shares entitled to vote, voting together as one class.



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The election of four members of May's board of directors requires the affirmative vote of a plurality of the shares of May common stock and ESOP preference shares, voting together as one class, present in person or represented by proxy at the May annual meeting and entitled to vote.

Approval of the amendment to May's amended and restated certificate of incorporation to provide for the annual election of directors requires the affirmative vote of a majority of the outstanding shares of May common stock and ESOP preference shares, voting together as one class.

Ratification of the appointment of Deloitte & Touche LLP as May's independent registered public accounting firm for fiscal year ending January 28, 2006, requires the affirmative vote of the holders of a majority of the shares of May common stock and ESOP preference shares, voting together as one class, present in person or represented by proxy and entitled to vote at the May annual meeting.

Approval of adjournments or postponements of the May annual meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the May annual meeting to approve the above proposals, requires the affirmative vote of a majority of the shares of May common stock and ESOP preference shares, voting together as one class, present in person or represented by proxy and entitled to vote at the May annual meeting.

For a discussion of how broker non-votes and abstentions will affect the outcome of the vote on these proposals, see Voting; Proxies Voting Shares Held in Street Name beginning on page 33 and Voting; Proxies Abstaining from Voting on page 34.

### **Recommendation of the Board of Directors**

**As discussed elsewhere in this joint proxy statement/ prospectus, May's board of directors has approved the merger agreement and the transactions contemplated by the merger agreement, including the merger, and has determined that the transactions contemplated by the merger agreement are advisable and fair to and in the best interests of May and its stockholders. The May board of directors recommends that May stockholders vote:**

**FOR the proposal to approve and adopt the merger agreement and the transactions contemplated by the merger agreement, including the merger, at the May annual meeting. See May's Reasons for the Merger and Recommendation of May's Board of Directors beginning on page 51; and**

**FOR each of the other proposals presented at the May annual meeting.**

#### **ITEM 1 THE MERGER**

As discussed elsewhere in this joint proxy statement/ prospectus, May stockholders are considering and voting on a proposal to approve and adopt the merger agreement and the transactions contemplated by the merger agreement, including the merger. You should read carefully this joint proxy statement/ prospectus in its entirety for more detailed information concerning the merger agreement and the merger. In particular, you are directed to the merger agreement, which is attached as Annex A to this joint proxy statement/ prospectus.

**The May board of directors recommends that May stockholders vote FOR the merger, and your proxy will be so voted unless you specify otherwise.**

#### **ITEM 2 ELECTION OF DIRECTORS**

Four directors are to be elected by stockholders at the May annual meeting. In accordance with the recommendation of the nominating and governance committee of the board of directors, the May board of directors has nominated Marsha J. Evans, David B. Rickard, Joyce M. Roché and R. Dean Wolfe, each of whom is currently a member of the board, for election. Each non-management nominee (Mrs. Evans, Mr. Rickard and Ms. Roché) and May's other non-management directors are independent directors under May's independence standards described on page 148.

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The board of directors is currently divided into three classes and the terms of the remaining directors expire in 2006 or 2007. If you approve the proposal to amend the amended and restated certificate of incorporation to provide for the annual election of directors, as more fully described in the following item, all four nominees will serve for one year terms expiring at the 2006 annual meeting of stockholders. If you do not approve the proposal to amend the amended and restated certificate of incorporation, the four nominees will serve three-year terms expiring in 2008.

The May board of directors has no reason to believe that any of the nominees will not serve if elected. However, if any nominee should subsequently become unavailable to serve as a director, the May board may designate a substitute nominee and the persons named as proxies may, in their discretion, vote for such substitute nominee designated by the May board. Alternatively, the May board may reduce the number of directors to be elected at the May annual meeting.

For information regarding the four nominees and regarding the May board of directors as a whole, see Information about May Directors of May beginning on page 145.

**The May board of directors recommends that May stockholders vote FOR the election of the nominees named above, and your proxy will be so voted unless you specify otherwise.**

**ITEM 3 AMENDMENT TO THE AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO PROVIDE FOR THE ANNUAL ELECTION OF DIRECTORS**

Article Thirteenth of May's amended and restated certificate of incorporation currently provides that the May board is to be divided into three classes of approximately equal size that have staggered three-year terms. The May board is submitting for a stockholder vote a proposal to amend May's certificate of incorporation to phase out the classification of the board and to provide instead for the annual election of all directors.

May stockholders have considered a proposal submitted by Mrs. Evelyn Y. Davis, Editor, Highlights and Lowlights, to declassify the May board of directors at each annual stockholder meeting since 1988. At each of the last five annual meetings, the proposal received a favorable vote of a majority of the votes cast. At each of the last two annual meetings, the proposal received a favorable vote of a majority of the shares outstanding. Mrs. Davis submitted again a similar proposal for consideration at the 2005 May annual meeting.

The nominating and governance committee and the full board regularly have considered the advantages, disadvantages and appropriateness of annually elected and staggered boards, taking a variety of perspectives into account. In light of the increasing sentiment among May's stockholders to support declassifying the board, the board's decision to approve the merger with Federated and Federated's board's decision to recommend the declassification of its board, May's board of directors, upon recommendation of the nominating and governance committee, has decided that it is an appropriate time to recommend that the stockholders declassify the May board. May's board has authorized May's management to reach an agreement with Mrs. Davis providing for the withdrawal of Mrs. Davis' proposal in return for the May board's submission of this proposal.

If you approve the amendment to the certificate of incorporation, all directors standing for election would be elected for one-year terms, as described below:

All directors elected at the 2005 annual meeting or thereafter would be elected for one-year terms;

Directors assigned to the class of 2006, who were previously elected at earlier annual meetings, would stand for election in 2006 and would be elected for one-year terms thereafter;

Directors assigned to the class of 2007, who were previously elected at an earlier annual meeting, would stand for election in 2007 and would be elected for one-year terms thereafter; and

Vacancies that occur during the year would continue to be filled by the board of directors to serve only until the next annual meeting.

If you do not approve the proposed amendment to May's amended and restated certificate of incorporation at this meeting, the board will remain classified and the directors elected at this meeting will serve for a term ending at May's 2008 annual meeting.



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The proposed amendment to May's amended and restated certificate of incorporation is attached to this joint proxy statement/prospectus as Annex G.

**The May board of directors recommends that May stockholders vote FOR the amendment to May's amended and restated certificate of incorporation, and your proxy will be so voted unless you specify otherwise.**

**ITEM 4 RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The audit committee appointed Deloitte & Touche LLP, an independent registered public accounting firm, as auditors for May and its subsidiaries for the fiscal year ending January 28, 2006. This appointment is subject to ratification by May stockholders at the annual meeting. Unless you direct otherwise, the proxies will vote your shares for the ratification of this appointment. A representative of Deloitte & Touche LLP will attend the meeting to respond to appropriate questions and to make a statement if he so desires.

For fiscal 2004 and 2003, May paid to Deloitte & Touche LLP the following fees (dollars in millions):

|                       | 2004          | 2003          |
|-----------------------|---------------|---------------|
| Audit Fees            | \$ 4.3        | \$ 2.6        |
| Audit-Related Fees(1) | 0.3           | 0.3           |
| Tax Fees(2)           | 0.2           | 0.2           |
| All Other Fees(3)     | 0.3           | 0.0           |
| <b>Total fees</b>     | <b>\$ 5.1</b> | <b>\$ 3.1</b> |

(1) Audit-Related Fees include fees related to benefit plans, foundation and trust audits.

(2) Tax Fees consist of tax compliance services.

(3) All Other Fees include acquisition financial due diligence and purchase accounting services.

**The May board of directors recommends that May stockholders vote FOR the ratification of the appointment of Deloitte & Touche LLP, and your proxy will be so voted unless you specify otherwise.**

**ITEM 5 APPROVE ADJOURNMENTS OR POSTPONEMENTS OF THE ANNUAL MEETING, IF NECESSARY, TO PERMIT FURTHER SOLICITATION OF PROXIES**

Stockholders may be asked to vote on a proposal to adjourn or postpone the annual meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the annual meeting to approve the other proposals. See the discussion regarding adjournments and postponements below in Other Business; Adjournments and Postponements on page 36.

**The May board of directors recommends that May stockholders, if necessary or appropriate, vote FOR the proposal to adjourn or postpone the May annual meeting, and your proxy will be so voted unless you specify otherwise.**

**Voting by May's Directors and Executive Officers**

As of the record date for the May annual meeting, May's directors and executive officers had the right to vote approximately 1,067,940 shares of the then outstanding May voting stock at the May annual meeting. As of the record date of the May annual meeting, these shares represented less than 1% of the May common stock outstanding and entitled to vote at the meeting.

**Voting; Proxies**

You may vote in person at the May annual meeting or by proxy. We recommend you vote by proxy even if you plan to attend the annual meeting. If you vote by proxy, you may change your vote if you attend the annual meeting.



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If you own common stock in your own name, you are an owner of record. This means that you may use the enclosed proxy card(s) to tell the persons named as proxies how to vote your shares. If you properly complete, sign and date your proxy card(s), or, if available, vote by telephone or over the Internet, your proxy will be voted in accordance with your instructions. If you participate in May's dividend reinvestment plan, the enclosed proxy card(s) includes the shares in your dividend reinvestment plan account. The named proxies will vote all shares at the meeting that have been properly voted (whether by Internet, telephone or mail) and not revoked. If you sign and return your proxy card(s) but do not mark your card(s) to tell the proxies how to vote your shares on each proposal, your proxy will be voted FOR each of the proposals presented.

If you hold shares of May common stock in a stock brokerage account or through a bank, broker or other nominee, or, in other words, in street name, please follow the voting instructions provided by that entity. Also, see *Voting Shares Held in Street Name* beginning on page 33.

If you participate in May's profit sharing plan, you will receive a voting instruction card for the common stock and ESOP preference shares allocated to your accounts in that plan. You may instruct the plan trustee on how to vote your shares by signing, dating and mailing the enclosed voting instruction card(s), or by submitting your voting instructions by telephone or over the Internet. The plan trustee will vote your shares in accordance with your instructions and the terms of the plan. If you fail to vote, the trustee, subject to its fiduciary obligations under the Employee Retirement Income Security Act of 1974, as amended, which is referred to as ERISA, will vote your shares in the same proportion as it votes the shares for which it receives instructions from other plan participants. Under the terms of the plan, the trustee must receive your voting instructions by 11:59 p.m., Eastern Daylight Savings Time on July 8, 2005.

***Voting Shares Held in Street Name***

Generally, a broker, bank or other nominee may only vote the common stock that it holds in street name for you in accordance with your instructions. However, if your broker, bank or other nominee has not received your instructions, your broker, bank or other nominee has the discretion to vote on certain matters that are considered routine. A broker non-vote occurs if your broker, bank or other nominee cannot vote on a particular matter because your broker, bank or other nominee has not received instructions from you and because the proposal is not routine.

If you wish to vote on the proposal to adopt and approve the merger, you must provide instructions to your broker, bank or other nominee because this proposal is not routine. If you do not provide your broker, bank or other nominee with instructions, your broker, bank or other nominee will not be authorized to vote with respect to adopting and approving the merger, and a broker non-vote will occur. This will have the same effect as a vote against the approval and adoption of the merger agreement and the transactions contemplated by the merger agreement, including the merger.

If you wish to vote on the proposal to amend May's amended and restated certificate of incorporation, you must provide instructions to your broker, bank or other nominee because this proposal is not routine. If you do not provide your broker, bank or other nominee with instructions, your broker, bank or other nominee will not be authorized to vote with respect to amending the amended and restated certificate of incorporation and a broker non-vote will occur. This will have the same effect as a vote against the amendment of the amended and restated certificate of incorporation.

If you wish to vote on the proposals to elect the four directors, to ratify the appointment of May's independent registered public accounting firm or to act upon any other routine business that may properly come before the May annual meeting, you should provide instructions to your broker, bank or other nominee. If you do not provide instructions to your broker, bank or other nominee, your broker, bank or other nominee generally will have the authority to vote on the election of directors, the ratification of the appointment of the independent registered public accounting firm and other routine matters.

If you wish to vote on any proposal to approve adjournments or postponements of the May annual meeting, you should provide instructions to your broker, bank or other nominee. If you do not provide instructions to your broker, bank or other nominee, your broker, bank or other nominee generally will have the

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authority to vote on proposals such as the adjournment or postponement of meetings. However, your broker, bank or other nominee will not be authorized to vote on any proposal to adjourn or postpone the meeting solely relating to the solicitation of proxies to approve and adopt the merger agreement and the transactions contemplated by the merger agreement, including the merger.

### ***Abstaining from Voting***

Your abstention from voting will have the following effects:

Abstentions will have the same effect as a vote against the approval and adoption of the merger agreement and the transactions contemplated by the merger agreement, including the merger.

Abstentions will have the same effect as a vote against the approval of the amendment to May's amended and restated certificate of incorporation.

Abstentions will not be counted for determining the election of the board of directors. As a result, abstentions will not have an effect on the outcome of the election of the board of directors.

Abstentions will have the same effect as a vote against the ratification of the appointment of the independent registered public accounting firm.

Abstentions will have the same effect as a vote against the approval of adjournments or postponements of the May annual meeting.

### **How to Vote**

You have three voting options:

***Internet:*** You can vote over the Internet at the Web address shown on your proxy card or voting instruction card ([www.proxyvote.com](http://www.proxyvote.com)). Internet voting is available 24 hours a day. If you vote over the Internet, do not return your proxy card(s) or voting instruction card(s).

***Telephone:*** You can vote by telephone by calling the toll-free number on your proxy card(s) or voting instruction card(s). Telephone voting is available 24 hours a day. Easy-to-follow voice prompts allow you to vote your shares and confirm that your instructions have been properly recorded. If you vote by telephone, do not return your proxy card(s) or voting instruction card(s).

***Mail:*** You can vote by mail by simply signing, dating and mailing your proxy card(s) or voting instruction card(s) in the postage-paid envelope included with this joint proxy statement/ prospectus.

A number of banks and brokerage firms participate in a program that also permits stockholders whose shares are held in street name to direct their vote over the Internet or by telephone. This option, if available, will be reflected in the voting instructions from the bank or brokerage firm that accompany this joint proxy statement/ prospectus. If your shares are held in an account at a bank or brokerage firm that participates in such a program, you may direct the vote of these shares by the Internet or telephone by following the voting instructions enclosed with the proxy form from the bank or brokerage firm. The Internet and telephone proxy procedures are designed to authenticate stockholders identities, to allow stockholders to give their proxy voting instructions and to confirm that those instructions have been properly recorded. Votes directed by the Internet or telephone through such a program must be received by 11:59 p.m., Eastern Daylight Savings Time, on July 12, 2005. Requesting a legal proxy prior to the deadline described above will automatically cancel any voting directions you have previously given by the Internet or by telephone with respect to your shares. Directing the voting of your shares will not affect your right to vote in person if you decide to attend the May annual meeting; however, you must first obtain a signed and properly executed legal proxy from your bank, broker or other nominee to vote your shares held in street name at the annual meeting.

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### **Revoking Your Proxy**

You can revoke your proxy at any time before its exercise by:

sending a written notice to the Corporate Secretary of May, at 611 Olive Street, St. Louis, Missouri 63101, bearing a date later than the date of the proxy, that is received prior to the May annual meeting and states that you revoke your proxy;

voting again over the Internet or by telephone;

signing another proxy card(s) or voting instruction card(s) bearing a later date and mailing it so that it is received prior to the annual meeting; or

attending the annual meeting and voting in person, although attendance at the annual meeting will not, by itself, revoke a proxy.

If your shares are held in street name by your broker, you will need to contact your broker to revoke your proxy.

### **Other Voting Matters**

#### ***Voting in Person***

If you plan to attend the May annual meeting and wish to vote in person, we will give you a ballot at the annual meeting. However, if your shares are held in street name, you must first obtain a legal proxy authorizing you to vote the shares in person, which you must bring with you to the annual meeting.

#### ***Electronic Access to Proxy Materials***

This joint proxy statement/ prospectus and May's 2004 Form 10-K/A for the fiscal year ending January 29, 2005, are available on our Internet site at [www.mayco.com](http://www.mayco.com).

#### ***People with Disabilities***

We can provide reasonable assistance to help you participate in the annual meeting if you tell us about your disability and how you plan to attend. Please call or write to May's Corporate Secretary at 611 Olive Street, St. Louis, Missouri 63101, (314) 342-6300.

### **Proxy Solicitations**

May is soliciting proxies for the May annual meeting from May stockholders. May will bear the entire cost of soliciting proxies from May stockholders, except that Federated and May will share equally the expenses incurred in connection with the filing of the registration statement of which this joint proxy statement/ prospectus forms a part with the SEC and the printing and mailing of this joint proxy statement/ prospectus. In addition to this mailing, May's directors, officers and employees (who will not receive any additional compensation for their services) may solicit proxies personally, electronically or by telephone. May has also engaged D.F. King & Co., Inc., for a fee of \$19,500 plus reimbursement of expenses to assist in the solicitation of proxies. May and its proxy solicitors will also request that banks, brokerage houses and other custodians, nominees and fiduciaries send proxy materials to the beneficial owners of May common stock and will, if requested, reimburse the record holders for their reasonable out-of-pocket expenses in doing so. The extent to which these proxy-soliciting efforts will be necessary depends upon how promptly proxies are submitted. You should promptly vote by telephone or over the Internet or submit your completed proxy card(s) without delay by mail.

**Stockholders should not submit any stock certificates with their proxy cards.**



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### **Other Business; Adjournment and Postponements**

We are not aware of any other business to be acted upon at the annual meeting. If, however, other matters are properly brought before the annual meeting, your proxies will have discretion to vote or act on those matters according to their best judgment.

**Any adjournment may be made from time to time by approval of the stockholders holding a majority of the voting power present in person or by proxy at the annual meeting, whether or not a quorum exists, without further notice other than by an announcement made at the annual meeting. In addition, if the adjournment of the annual meeting is for more than 30 days or if after the adjournment a new record date is fixed for an adjourned meeting, notice of the adjourned meeting must be given to each stockholder of record entitled to vote at such annual meeting. If a quorum is not present at the annual meeting, stockholders may be asked to vote on a proposal to adjourn or postpone the annual meeting to solicit additional proxies. If a quorum is not present at the annual meeting, the holders of a majority of the shares entitled to vote who are present in person or by proxy may adjourn or postpone the annual meeting. If a quorum is present at the annual meeting but there are not sufficient votes at the time of the annual meeting to approve the other proposal(s), holders of common stock may also be asked to vote on a proposal to approve the adjournment or postponement of the annual meeting to permit further solicitation of proxies.**

### **Assistance**

If you need assistance in completing your proxy card or have questions regarding May's annual meeting, please contact May's Investor Relations at (314) 342-6300 or write to The May Department Stores Company, 611 Olive Street, St. Louis, Missouri 63101, Attention: Investor Relations.

## **THE FEDERATED ANNUAL MEETING**

### **General**

This joint proxy statement/ prospectus is being provided to Federated stockholders as part of a solicitation of proxies by the Federated board of directors for use at the annual meeting of Federated stockholders and at any adjournment or postponement thereof. This joint proxy statement/ prospectus is first being furnished to stockholders of Federated on or about May 31, 2005. This joint proxy statement/ prospectus provides Federated stockholders with the information they need to know to be able to vote or instruct their vote to be cast at the annual meeting of Federated stockholders.

### **Date, Time and Place of the Federated Annual Meeting**

The annual meeting of Federated stockholders will be held at 11:00 a.m., Eastern Daylight Savings Time, on July 13, 2005, at Federated's corporate offices located at 7 West Seventh Street, Cincinnati, Ohio 45202.

### **Purposes of the Federated Annual Meeting**

At the Federated annual meeting, Federated stockholders will be asked:

to authorize the issuance of Federated common stock pursuant to the terms of the merger agreement;

to elect three Class II members of Federated's board of directors;

to amend Federated's certificate of incorporation to adopt a system for the annual election of all of Federated's directors;

to ratify the appointment of KPMG LLP as Federated's independent registered public accounting firm for the fiscal year ending January 28, 2006;

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to approve adjournments or postponements of the Federated annual meeting, if necessary to permit further solicitation of proxies if at the time of the Federated annual meeting to approve the above proposals; and

to consider and take action upon any other business that may properly come before the Federated annual meeting or any reconvened meeting following an adjournment or postponement of the Federated annual meeting.

**Record Date; Outstanding Shares; Shares Entitled to Vote**

The record date for the meeting for Federated stockholders was May 20, 2005. This means that you must have been a stockholder of record of Federated's common stock at the close of business on May 20, 2005, in order to vote at the annual meeting. You are entitled to one vote for each share of common stock you own. On Federated's record date, 170,112,496 shares of common stock were outstanding. This number excludes shares held in the treasury of Federated or by subsidiaries of Federated, which carry no votes.

A complete list of Federated stockholders entitled to vote at the Federated annual meeting will be available for inspection at the executive offices of Federated during regular business hours for a period of no less than ten days before the annual meeting.

The Federated board of directors has adopted a policy under which all voting materials that identify the votes of specific stockholders will be kept confidential and will not be disclosed to officers, directors or employees of Federated or third parties except as described below. Voting materials may be disclosed in any of the following circumstances:

if required by applicable law;

to persons engaged in the receipt, counting, tabulation or solicitation of proxies who have agreed to maintain stockholder confidentiality as provided in the policy;

in those instances in which stockholders write comments on their proxy cards or otherwise consent to the disclosure of their vote to Federated's management;

in the event of a proxy contest or a solicitation of proxies in opposition to the voting recommendations of the board;

in respect of a stockholder proposal that Federated's Nominating and Corporate Governance Committee, after having allowed the proponent of the proposal an opportunity to present its views, determines is not in the best interests of Federated and its stockholders; and

in the event that representatives of Federated determine in good faith that a bona fide dispute exists as to the authenticity or tabulation of voting materials.

The policy described above will apply to the Federated annual meeting.

**Quorum and Voting Rights**

A quorum of stockholders is necessary to hold a valid annual meeting of Federated. The holders of a majority of the stock issued and outstanding and entitled to vote at the annual meeting, present in person or represented by proxy, will constitute a quorum at the annual meeting of the stockholders for the transaction of business at the meeting. All shares of Federated common stock represented at the Federated annual meeting, including abstentions and broker non-votes, will be treated as shares that are present and entitled to vote for purposes of determining the presence of a quorum. Broker non-votes are shares held by a broker, bank or other nominee that are represented at the meeting, but with respect to which such broker, bank or nominee is not instructed by the beneficial owner of such shares to vote on the particular proposal and the broker, bank or nominee does not have discretionary voting power on such proposal.

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The votes required to approve the respective proposals at the Federated annual meeting are:

The authorization of the issuance of Federated common stock pursuant to the terms of the merger agreement requires the approval of at least a majority of the votes cast by the holders of outstanding shares of Federated common stock present (in person or by proxy) at the Federated annual meeting, where the holders of at least a majority of all outstanding shares of Federated common stock vote on the proposal.

The election of three Class II members of Federated's board of directors requires the affirmative vote of a plurality of the shares of Federated common stock present in person or represented by proxy at the Federated annual meeting and entitled to vote.

In order to take effect in accordance with the schedule more fully described in the proposal, the proposal to amend Federated's certificate of incorporation to adopt a system for the annual election of all Federated directors requires the affirmative vote of a majority of all outstanding shares of Federated common stock.

Ratification of the appointment of KPMG LLP as Federated's independent registered public accounting firm for the fiscal year ending January 28, 2006, requires the affirmative vote of the holders of a majority of Federated common stock present in person or represented by proxy entitled to vote and actually voted at the Federated annual meeting.

Approval of adjournments or postponements of the Federated annual meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Federated annual meeting to approve the above proposals, requires the affirmative vote of the holders of a majority of Federated common stock present in person or represented by proxy entitled to vote and actually voted at the Federated annual meeting.

For a discussion of how broker non-votes and abstentions will affect the outcome of the vote on these proposals, see Voting; Proxies Voting Shares Held in Street Name beginning on page 41 and Voting; Proxies Abstaining from Voting on page 42.

**Recommendation of the Board of Directors**

**As discussed elsewhere in this joint proxy statement/ prospectus, Federated's board of directors has approved the merger agreement and the transactions contemplated by the merger agreement, including the merger, and has determined that the transactions contemplated by the merger agreement are advisable and fair to and in the best interests of Federated and its stockholders. The Federated board of directors recommends that Federated stockholders vote:**

**FOR the issuance of Federated common stock pursuant to the merger agreement.**

**FOR the other proposals presented at the Federated annual meeting.**

**ITEM 1 THE ISSUANCE OF FEDERATED COMMON STOCK PURSUANT TO THE MERGER AGREEMENT**

As discussed elsewhere in this joint proxy statement/ prospectus, Federated stockholders are considering and voting on a proposal to approve the issuance of shares of Federated common stock pursuant to the terms of the merger agreement. Federated stockholders should read carefully this joint proxy statement/ prospectus in its entirety for more detailed information concerning the merger agreement and the merger. In particular, Federated stockholders are directed to the merger agreement, which is attached as Annex A to this joint proxy statement/ prospectus.

**The Federated board of directors recommends that Federated stockholders vote FOR the issuance of common stock pursuant to the merger, and your proxy will be so voted unless you specify otherwise.**

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**ITEM 2 ELECTION OF DIRECTORS**

Federated's certificate of incorporation and by-laws provide that the directors of Federated are to be classified into three classes, with the directors in each class serving for three-year terms and until their successors are elected. Mr. Earl G. Graves, Sr., a Class III director, will retire at the Federated annual meeting in accordance with the mandatory retirement policy set forth in Federated's Corporate Governance Principles.

In accordance with the recommendation of the Nominating and Corporate Governance Committee, referred to herein as the NCG Committee, the Federated board of directors has nominated Meyer Feldberg, Terry J. Lundgren and Marna C. Whittington, each of whom is currently a member of the board, for election as Class II Directors. If elected, such nominees will serve for a three-year term to expire at Federated's annual meeting of stockholders in 2008 or until their successors are duly elected and qualified.

The Federated board of directors has no reason to believe that any of the nominees will not serve if elected. However, if any nominee should subsequently become unavailable to serve as a director, the Federated board may designate a substitute nominee and the persons named as proxies may, in their discretion, vote for such substitute nominee designated by the Federated board. Alternatively, the Federated board may reduce the number of directors to be elected at the Federated annual meeting.

For information regarding the Class II directors nominated for reelection, and regarding the Federated board of directors as a whole, see Information about Federated Directors of Federated beginning on page 118.

**The Federated board of directors recommends that Federated stockholders vote FOR the election of the nominees named above, and your proxy will be so voted unless you specify otherwise.**

**ITEM 3 AMENDMENT TO THE CERTIFICATE OF INCORPORATION SEEKING THE ANNUAL ELECTION OF ALL DIRECTORS**

Federated's certificate of incorporation presently provides that the Federated board is to be divided into three classes that have staggered three-year terms. The Federated board is submitting for a stockholder vote a proposal to amend Federated's certificate of incorporation to declassify its board of directors. If this proposal is approved, Federated's amended certificate of incorporation will provide that beginning at the annual meeting in 2006, as current terms expire, directors will be elected at each annual meeting of Federated stockholders for a one-year term. Thus, if this proposal is approved, present directors, including the directors elected at the 2005 Federated annual meeting, would continue to serve for their elected terms. By 2008, all directors would be elected annually and would be serving one year terms.

The proposed amendment to Federated's certificate of incorporation is attached to this joint proxy statement/prospectus as Annex F and this discussion is qualified in its entirety by such Annex. If the proposed amendment is adopted, references to the existence of a classified board will be deleted from Article Seventh of Federated's certificate of incorporation. Article Seventh of Federated's certificate of incorporation will be further amended to set forth the procedure to phase in the annual election of directors.

Federated stockholders have considered a proposal submitted by Mrs. Evelyn Y. Davis, Editor, Highlights and Lowlights, to declassify the Federated board of directors at six of the seven most recent Federated annual meetings. At the 2004 annual meeting, the proposal received a favorable vote of 87% of the votes cast. Mrs. Davis submitted again a similar proposal for consideration at the 2005 Federated annual meeting. Over the past several years, Federated's board of directors, management and outside advisors have, on numerous occasions, considered the advantages, disadvantages and appropriateness of having a classified board of directors. Federated's board recognizes that Federated stockholders have consistently provided majority support for proposals to declassify Federated's board and that, in general, classified director terms are opposed by a number of stockholder groups. In light of the support for prior Federated declassification proposals, the Federated board has determined to submit the proposal to a binding vote and authorized Federated's management to reach an agreement with Mrs. Davis providing for the withdrawal of Mrs. Davis' proposal in return for the Federated board's submission of this proposal.

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Under the provisions of Federated's certificate of incorporation the proposal to amend its certificate of incorporation will require the affirmative vote of the holders of at least a majority of the voting stock of Federated to take effect in accordance with the schedule more fully described in the proposal.

**The Federated board of directors recommends that Federated stockholders vote FOR the amendment to Federated's certificate of incorporation, and your proxy will be so voted unless you specify otherwise.**

**ITEM 4 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has appointed the firm of KPMG LLP, an independent registered public accounting firm, to audit the books, records and accounts of Federated for the fiscal year ending January 28, 2006. The Audit Committee's appointment is subject to ratification by Federated's stockholders. KPMG LLP and its predecessors have served as the independent registered public accounting firm for Federated since 1988, and are considered well qualified. Representatives of KPMG LLP are expected to be present at the Federated annual meeting and will have the opportunity to make a statement if they desire to do so. It is also expected that they will be available to respond to appropriate questions.

***Fees Paid to Independent Registered Public Accounting Firm***

The table below summarizes the fees paid to KPMG LLP during fiscal 2004 and fiscal year 2003:

| Year | Audit (\$) | Audit-Related (\$) | Tax (\$) | All Other (\$) | Total (\$) |
|------|------------|--------------------|----------|----------------|------------|
| 2004 | 3,723,000  | 830,500            | 309,747  | 0              | 4,863,247  |
| 2003 | 2,325,650  | 787,400            | 162,000  | 69,000         | 3,344,050  |

Audit fees represent fees for professional services rendered for the audit of Federated's annual financial statements, the audit of Federated's internal control over financial reporting and the reviews of the interim financial statements included in Federated's Forms 10-Q.

Audit-related fees represent professional services principally related to the audits of financial statements of employee benefit plans, audits of financial statements of certain subsidiaries and certain agreed upon procedures reports.

Tax fees represent professional services related to tax compliance and consulting services, provided, however, that such tax consulting services did not involve the provision of advice regarding tax strategy or planning.

All other fees represent professional services other than those covered above. Included in this are fees related to consulting services specifically on one project in fiscal year 2003.

**The Federated board of directors recommends that Federated stockholders vote FOR the ratification of the appointment of KPMG LLP, and your proxy will be so voted unless you specify otherwise.**

**ITEM 5 APPROVE ADJOURNMENTS OR POSTPONEMENTS OF THE ANNUAL MEETING, IF NECESSARY, TO PERMIT FURTHER SOLICITATION OF PROXIES**

Stockholders may be asked to vote on a proposal to adjourn or postpone the annual meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the annual meeting to approve the other proposals. See the discussion regarding adjournments and postponements below in Other Business; Adjournments and Postponements on page 44.

**The Federated board of directors recommends that Federated stockholders, if necessary or appropriate, vote FOR the proposal to adjourn or postpone the Federated annual meeting, and your proxy will be so voted unless you specify otherwise.**

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**Voting by Federated's Directors and Executive Officers**

As of the record date for the Federated annual meeting, Federated's directors and executive officers had the right to vote approximately 422,587 shares of the then outstanding Federated common stock at the Federated annual meeting. As of the record date of the Federated annual meeting, these shares represented less than 1% of the Federated common stock outstanding and entitled to vote at the meeting.

**Voting; Proxies**

You may vote in person at the Federated annual meeting or by proxy. We recommend you vote by proxy even if you plan to attend the annual meeting. If you vote by proxy, you may change your vote if you attend the annual meeting.

If you own common stock in your own name, you are an owner of record. This means that you may use the enclosed proxy card(s) to tell the persons named as proxies how to vote your shares. If you properly complete, sign and date your proxy card(s), or, if available, vote by telephone or over the Internet, your proxy will be voted in accordance with your instructions. The named proxies will vote all shares at the meeting that have been properly voted (whether by Internet, telephone or mail) and not revoked. If you sign and return your proxy card(s) but do not mark your card(s) to tell the proxies how to vote your shares on each proposal, your proxy will be voted FOR each of the proposals presented.

If you hold shares of Federated common stock in a stock brokerage account or through a bank, broker or other nominee, or, in other words, in street name, please follow the voting instructions provided by that entity. Also, see *Voting Shares Held in Street Name* beginning on page 41.

If you participate in Federated's Profit Sharing 401(k) Investment Plan, you will receive a voting instruction card for the common stock allocated to your accounts in that plan. You may instruct the plan trustee on how to vote your proportional interest in any Federated shares by signing, dating and mailing the enclosed voting instruction card(s), or by submitting your voting instructions by telephone or over the Internet. The plan trustee will vote your proportional interest in accordance with your instructions and the terms of the plan. If you fail to vote, the trustee, subject to its fiduciary obligations under ERISA, will vote your proportional interest in the same proportion as it votes the proportional interests for which it receives instructions from other plan participants. Under the terms of the plan, the trustee must receive your voting instructions by 5:00 p.m., Eastern Daylight Savings Time on July 11, 2005.

***Voting Shares Held in Street Name***

Generally, a broker, bank or other nominee may only vote the common stock that it holds in street name for you in accordance with your instructions. However, if your broker, bank or other nominee has not received your instructions, your broker, bank or other nominee has the discretion to vote on certain matters that are considered routine. A broker non-vote occurs if your broker, bank or other nominee cannot vote on a particular matter because your broker, bank or other nominee has not received instructions from you and because the proposal is not routine.

If you wish to vote on the proposal to issue Federated common stock pursuant to the merger agreement, you must provide instructions to your broker, bank or other nominee because this proposal is not routine. If you do not provide your broker, bank or other nominee with instructions, your broker, bank or other nominee will not be authorized to vote with respect to the issuance of Federated common stock, and a broker non-vote will occur. Such a broker non-vote will not be counted for determining whether the share issuance proposal has been approved. However, broker non-votes can negatively affect the vote on the Federated share issuance proposal if their failure to be counted results in less than a majority of all outstanding shares of Federated common stock being voted.

If you wish to vote on the proposal to amend Federated's certificate of incorporation, you must provide instructions to your broker, bank or other nominee because this proposal is not routine. If you do not provide your broker, bank or other nominee with instructions, your broker, bank or other nominee will not be

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authorized to vote with respect to amending the certificate of incorporation, and a broker non-vote will occur. This will have the same effect as a vote against the amendment of the certificate of incorporation.

If you wish to vote on the proposals to elect the three Class II directors, to ratify the appointment of Federated's independent registered public accounting firm or to act upon any other routine business that may properly come before the Federated annual meeting, you should provide instructions to your broker, bank or other nominee. If you do not provide your broker, bank or other nominee with instructions, your broker, bank or other nominee generally will have the authority to vote on the election of directors, the ratification of the appointment of the independent registered public accounting firm and other routine matters.

If you wish to vote on any proposal to approve adjournments or postponements of the Federated annual meeting, you should provide instructions to your broker, bank or other nominee. If you do not provide instructions to your broker, bank or other nominee, your broker, bank or other nominee generally will have the authority to vote on proposals such as the adjournment or postponement of meetings. However, your broker, bank or other nominee will not be authorized to vote on any proposal to adjourn or postpone the meeting solely relating to the solicitation of proxies to approve the proposal to issue Federated common stock pursuant to the merger agreement.

### ***Abstaining from Voting***

Your abstention from voting will have the following effects:

Abstentions will not be counted for determining whether the share issuance proposal has been approved.

However, an abstention can negatively affect the vote on the Federated share issuance proposal if their failure to be counted results in less than a majority of all outstanding shares of Federated common stock being voted.

Abstentions will have the same effect as a vote against the approval of the amendment to Federated's certificate of incorporation.

Abstentions will not be counted for determining the election of the board of directors. As a result, abstentions will not have an effect on the outcome of the election of the board of directors.

Abstentions will not be counted for the ratification of the appointment of the independent registered public accounting firm.

Abstentions will not be counted for the approval of adjournments or postponements of the Federated annual meeting.

### **How to Vote**

You have three voting options:

***Internet:*** You can vote over the Internet at the Web address shown on your proxy card(s). Internet voting is available 24 hours a day. If you vote over the Internet, do not return your proxy card(s) or voting instruction card(s).

***Telephone:*** You can vote by telephone by calling the toll-free number on your proxy card(s) or voting instruction card(s). Telephone voting is available 24 hours a day. Easy-to-follow voice prompts allow you to vote your shares and confirm that your instructions have been properly recorded. If you vote by telephone, do not return your proxy card(s) or voting instruction card(s).

***Mail:*** You can vote by mail by simply signing, dating and mailing your proxy card(s) or voting instruction card(s) in the postage-paid envelope included with this joint proxy statement/ prospectus.

A number of banks and brokerage firms participate in a program that also permits stockholders whose shares are held in street name to direct their vote over the Internet or by telephone. This option, if available, will be reflected in the voting instructions from the bank or brokerage firm that accompany this joint proxy statement/ prospectus. If your shares are held in an account at a bank or brokerage firm that participates in





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such a program, you may direct the vote of these shares by the Internet or telephone by following the voting instructions enclosed with the proxy form from the bank or brokerage firm. The Internet and telephone proxy procedures are designed to authenticate stockholders' identities, to allow stockholders to give their proxy voting instructions and to confirm that those instructions have been properly recorded. Votes directed by the Internet or telephone through such a program must be received by 5:00 p.m., Eastern Daylight Savings Time, on July 12, 2005. Requesting a legal proxy prior to the deadline described above will automatically cancel any voting directions you have previously given by the Internet or by telephone with respect to your shares. Directing the voting of your shares will not affect your right to vote in person if you decide to attend the Federated annual meeting; however, you must first obtain a signed and properly executed legal proxy from your bank, broker or other nominee to vote your shares held in street name at your annual meeting.

### **Revoking Your Proxy**

You can revoke your proxy at any time before its exercise by:

sending a written notice to the Corporate Secretary of Federated, at 7 West Seventh Street, Cincinnati, Ohio 45202, bearing a date later than the date of the proxy that is received prior to the Federated annual meeting and states that you revoke your proxy;

voting again over the Internet or by telephone;

signing another proxy card(s) or voting instruction card(s) bearing a later date and mailing it so that it is received prior to the annual meeting; or

attending the annual meeting and voting in person, although attendance at the annual meeting will not, by itself, revoke a proxy.

If your shares are held in street name by your broker, you will need to contact your broker to revoke your proxy.

### **Other Voting Matters**

#### ***Voting in Person***

If you plan to attend the Federated annual meeting and wish to vote in person, we will give you a ballot at the annual meeting. However, if your shares are held in street name, you must first obtain a legal proxy authorizing you to vote the shares in person, which you must bring with you to the annual meeting.

#### ***Electronic Access to Proxy Material***

This joint proxy statement/ prospectus and Federated's 2004 Form 10-K for the fiscal year ending January 29, 2005, are available on our Internet site at [www.fds.com/corporategovernance](http://www.fds.com/corporategovernance).

#### ***People with Disabilities***

We can provide you with reasonable assistance to help you participate in the annual meeting if you tell us about your disability and how you plan to attend. Please call or write to Federated's Corporate Secretary at 7 West Seventh Street, Cincinnati, Ohio 45202, (513) 579-7000, at least two weeks before your annual meeting.

### **Proxy Solicitations**

Federated is soliciting proxies for the Federated annual meeting from Federated stockholders. Federated will bear the entire cost of soliciting proxies from Federated stockholders, except that Federated and May will share equally the expenses incurred in connection with the filing of the registration statement of which this joint proxy statement/ prospectus forms a part with the SEC and the printing and mailing of this joint proxy statement/ prospectus. In addition to this mailing, Federated's directors, officers and employees (who will not receive any additional compensation for their services) may solicit proxies personally, electronically or by

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telephone. Federated has also engaged Georgeson Shareholder Communications, Inc. for a fee of approximately \$25,000 plus reimbursement of expenses to assist in the solicitation of proxies. Federated and its proxy solicitors will also request that banks, brokerage houses and other custodians, nominees and fiduciaries send proxy materials to the beneficial owners of Federated common stock and will, if requested, reimburse the record holders for their reasonable out-of-pocket expenses in doing so. The extent to which these proxy-soliciting efforts will be necessary depends upon how promptly proxies are submitted. You should promptly vote by telephone or over the Internet or submit your completed proxy card(s) without delay by mail.

### **Other Business; Adjournments or Postponements**

We are not aware of any other business to be acted upon at the annual meeting. If, however, other matters are properly brought before the annual meeting, your proxies will have discretion to vote or act on those matters according to their best judgment.

**Any adjournment may be made from time to time by approval of the stockholders holding a majority of the voting power present in person or by proxy at the annual meeting, whether or not a quorum exists, without further notice other than by an announcement made at the annual meeting. In addition, if the adjournment of the annual meeting is for more than 30 days or if after the adjournment a new record date is fixed for an adjourned meeting, notice of the adjourned meeting must be given to each stockholder of record entitled to vote at such annual meeting. If a quorum is not present at the annual meeting, stockholders may be asked to vote on a proposal to adjourn or postpone the annual meeting to solicit additional proxies. If a quorum is not present at the annual meeting, the holders of a majority of the shares entitled to vote who are present in person or by proxy may adjourn or postpone the annual meeting. If a quorum is present at the annual meeting but there are not sufficient votes at the time of the annual meeting to approve the other proposal(s), holders of common stock may also be asked to vote on a proposal to approve the adjournment or postponement of the annual meeting to permit further solicitation of proxies.**

### **Assistance**

If you need assistance in completing your proxy card or have questions regarding Federated's annual meeting, please contact Federated's Investor Relations at (513) 579-7780 or write to Federated Department Stores, Inc., 7 West Seventh Street Cincinnati, Ohio 45202, Attention: Investor Relations.

## **THE MERGER**

### **Background of the Merger**

Growth through acquisitions has been one of the hallmarks of Federated's business strategy since Federated was born through the combination of Abraham & Straus of Brooklyn, Filene's of Boston, F&R Lazarus & Co. of Columbus, Ohio and Bloomingdale's of New York on March 6, 1929. Since that time, Federated has considered a number of possible acquisition candidates, including, periodically over the past two decades, May.

In 1988, May and Federated discussed the possibility of May's acquiring Federated, but did not reach agreement on a transaction. However, in conjunction with another transaction by Federated that year, May did acquire two divisions then owned by Federated - Foley's and Filene's.

In the more recent past, the two companies have twice discussed the possibility of a stock-for-stock merger of equals - once in 1999 and again in 2002. In each case, the two companies entered into a confidentiality agreement, provided one another with the opportunity for due diligence and discussed how such a transaction might be structured. Neither discussion reached the stage of a possible agreement either on the economics of an exchange ratio or the structure of a transaction and the post-transaction governance arrangements.

On December 9, 2004, Federated's management and Goldman Sachs, financial advisors to Federated, met with Federated's board to discuss its options in response to industry trends facing Federated, which

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included a possible business combination with May, and structural governance and other issues to be considered in an acquisition of May. During the course of the December 9, 2004 meeting, Federated's management indicated to Federated's board that it intended to perform additional reviews and analyses regarding a possible business combination with May. On January 11, 2005, Federated's management updated Federated's board telephonically and reported on the results of the additional analytical work undertaken by Federated's management regarding a possible business combination with May. At the close of management's presentation, Federated's board authorized management to approach May regarding a possible business combination with May.

Later in the day on January 11, 2005, Terry J. Lundgren, chairman of the board, president and chief executive officer of Federated, called Eugene S. Kahn, then chairman of the board and chief executive officer of May, to propose discussion of a business combination between Federated and May in which Federated would be the surviving company. No specifics were discussed on this call. Mr. Lundgren and Mr. Kahn agreed to meet shortly thereafter to explore the possibility of such a business combination in detail.

On January 14, 2005, May announced Mr. Kahn's resignation as chairman and chief executive officer of May, which Mr. Kahn had tendered earlier that day. May also said John L. Dunham, president of May, had been named by the board of directors as acting chairman and chief executive officer in addition to his duties as president, and that the board would immediately begin a search to fill the chief executive officer position. At its meeting that day the board elected Russell E. Palmer as lead director and designated James M. Kilts as the chairman of the CEO search committee. The board noted the pending appointment between Mr. Kahn and Mr. Lundgren and suggested Mr. Dunham should let Mr. Lundgren call again to renew his request for a meeting. The board authorized Mr. Dunham to meet with Mr. Lundgren if Mr. Lundgren asked, and generally authorized management under Mr. Dunham's leadership to discuss a possible business combination with Federated if the occasion arose. The board also designated Mr. William Stiritz to participate in such discussions on behalf of the board, as appropriate, if they were to occur.

On January 17, 2005, Mr. Lundgren telephoned Mr. Dunham and suggested they meet so that Mr. Lundgren could share with Mr. Dunham his vision of a combined Federated-May. They also discussed whether to include their respective financial advisors in the meeting.

On January 18, 2005, Mr. Lundgren called Mr. Dunham and proposed that he and Mr. Ronald W. Tysoe, vice chair, finance and real estate of Federated, would come to St. Louis the next Tuesday or Wednesday (January 25 or 26). Mr. Dunham said he would consider this proposal and call Mr. Lundgren back with an answer.

On January 20, 2005, Mr. Dunham called Mr. Lundgren. He described generally what kinds of things May was working on and specifically said the board was pursuing a search for a new CEO. He said May's board and its management were extremely concerned with the rumors in the market regarding a potential transaction between the two companies that were distracting for everyone and a disruption for May's business. He informed Mr. Lundgren of the special role conferred on Mr. Stiritz in connection with any business combination discussions. Acknowledging the pendency of the meeting request on behalf of Mr. Lundgren, Mr. Dunham suggested that Morgan Stanley and Goldman Sachs should meet before the company representatives did. Mr. Lundgren agreed to this suggestion.

The following day a representative of Morgan Stanley met with a representative of Goldman Sachs. They discussed shareholder value, the fact that Federated considered this transaction an acquisition of May rather than a merger-of-equals and that Federated could move very quickly to a definitive agreement. In addition, Goldman Sachs reiterated Mr. Lundgren's request for a meeting of senior executives of both companies in St. Louis and specifically suggested it occur on Wednesday, January 26. The meeting took place on January 26, 2005. May was represented by Mr. Dunham and Mr. William P. McNamara, vice chairman. Federated was represented by Mr. Lundgren, Mr. Thomas G. Cody, vice chair, and Mr. Tysoe. Morgan Stanley and Goldman Sachs also attended. Mr. Lundgren described his vision for a combined Federated-May, namely creating the premier fashion retailer in the United States. Mr. Lundgren expressed his interest in retaining May's associates, having a divisional headquarters in St. Louis as well as a regional corporate presence and incorporating best practices from both companies. He said Federated was willing to move



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quickly toward executing a definitive agreement and would make a strong contractual commitment to complete the deal. Mr. Lundgren did not discuss price, but said Federated wished to acquire all outstanding shares of May in exchange for a combination of cash and Federated common stock. Mr. Dunham emphasized he was not in a position to negotiate a transaction or to discuss price. He said he and May's management would discuss the matter with the board, and if there were interest in pursuing a transaction, the two companies would need to enter into an appropriate confidentiality agreement. Concurrently on January 26, Morgan Stanley met separately with Goldman Sachs. They discussed in general terms the structure of a possible transaction, Federated's willingness to undertake a strong contractual commitment to close the transaction, Federated's intention to increase the post-closing annual dividend to \$1.00 per share and the possibility of May designating two of its board members to the Federated board. In addition, Goldman Sachs conveyed Federated's belief that due diligence could be completed very quickly.

On the morning of January 31, 2005, May held a previously scheduled board meeting. Management gave the board a general update on January sales and a status report on the integration of Marshall Field's. Following that discussion, representatives of Morgan Stanley joined the meeting. They and May management reported to the board on the prior week's meeting with Federated and informed the board that Mr. Lundgren had called Mr. Dunham to tell him Federated's board would be meeting later in the day and he would then be sending a letter to the attention of Mr. Stiritz and Mr. Dunham.

On the afternoon of January 31, 2005, the Federated board met to receive an update from management and Goldman Sachs on the discussions with May, and authorized management to make a formal offer to May. Following the board meeting, Federated delivered a letter to the board of directors of May communicating Federated's proposal to acquire May. Quoting directly from the letter, the specific elements of the proposal consisted of the following:

Based on the information currently available to us, Federated is prepared to offer \$33.25 per share for all the outstanding common stock of May. This price represents a premium of approximately 20% to both the closing price of May's stock on January 13, 2005 and to the 3-year average price prior to that date. We are contemplating a cash and stock transaction involving 40% cash and 60% stock, assuming a fixed number of Federated shares.

Our projected financial plan anticipates raising the current Federated dividend significantly to \$1.00 per share after closing.

The capital structure of the new company contemplates that there will be significant share repurchases in the future, while at the same time preserving the company's investment grade rating.

In order to ensure that there is some continuity of the May perspective in the boardroom, we are willing to discuss adding two existing May directors to the Federated Board should there be an interest in doing so.

The Federated Board of Directors has been fully briefed on this proposal and is very excited about the prospect of putting our two companies together. We are prepared to act quickly to execute a definitive agreement and consummate a transaction as soon as possible. Our team and advisors are available to complete our due diligence immediately. As we explained to [Mr. Dunham and Mr. McNamara] last week, we do not anticipate any delays in our ability to expeditiously complete a transaction and we are prepared to provide your Board with a strong contractual commitment to close the acquisition.

This proposal should be considered non-binding and is subject to, among other things, the satisfactory completion of our due diligence and the negotiation and execution of a mutually satisfactory merger agreement. We would expect the definitive documentation to contain customary representations and warranties, closing conditions and no-shop and deal protection provisions.

The May board met briefly in the afternoon on February 1, 2005, to review and discuss the proposal letter from Federated and to consider whether and how best to proceed with further discussions with Federated. The May board reconvened on February 2, 2005, and again on February 3, 2005, to discuss Federated's proposal to acquire May, as

well as whether and how to proceed. Among other considerations, the board believed it was

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necessary to reinstate a version of the confidentiality agreement that May and Federated had had in place for the 2002 merger of equals discussions, which had expired. Particular consideration was given to the question whether such agreement should as had been the case in the 2002 agreement include a mutual standstill agreement preventing unsolicited tender offers or acquisition proposals by either side. At the conclusion of the February 3 meeting the board authorized May management and legal counsel to negotiate a confidentiality agreement, appropriate in the circumstances, to permit the companies to exchange confidential financial information as part of a bilateral due diligence. The board also authorized Morgan Stanley to communicate to Goldman Sachs on behalf of Federated that the board had rejected Federated's proposal. On the evening of February 3, 2005, legal counsel for May and Federated discussed, negotiated and agreed on the form of confidentiality agreement they could recommend respectively to May and Federated.

On Friday, February 4, 2005, Federated and May signed a confidentiality agreement which contained standstill obligations on the parties for a period of 18 months, subject to certain specified exceptions. Also on February 4, 2005, May and Federated convened a due diligence conference call that included Mr. Dunham and Mr. Thomas D. Fingleton, May's executive vice president and chief financial officer, Mr. Thomas G. Cody, Mr. Tysoe and Ms. Karen M. Hoguet, Federated's chief financial officer, as well as representatives of Morgan Stanley and Goldman Sachs.

The Federated board met on February 5, 2005. At this board meeting, Goldman Sachs presented a preliminary analysis of a Federated-May combination. In addition, legal counsel to Federated discussed the board's fiduciary duties in the context of an acquisition transaction.

Between February 5, 2005, and February 7, 2005, representatives of Goldman Sachs and Morgan Stanley were in frequent communication, discussing a variety of issues relating to how a possible transaction might be structured, what type of additional information and due diligence was needed to make progress and how to price the transaction. In the latter regard, Morgan Stanley informed Goldman Sachs the May board had rejected the proposal in Federated's January 31 letter because, among other reasons, the price was not high enough and needed to be increased substantially.

On February 7, 2005, Federated delivered a second letter to the May board communicating a revised proposal. The operative paragraphs of that letter read as follows:

Federated is prepared to increase its offer by \$1.00 to \$34.25 per share. In an effort to pay our best price, we are also shifting the mix of consideration to 50% cash and 50% stock. In light of Morgan Stanley's clear guidance that the upfront purchase price is a priority for May directors, this change was necessary to deliver maximum value to your shareholders. As we indicated in our letter of January 31, 2005, we are contemplating offering a unit to May's shareholders made up of cash and stock and the number of Federated shares will be fixed upon acceptance of this proposal.

I want to emphasize to you that in formulating this revised offer we are putting our best foot forward. The price of 34.25 per share represents a premium in excess of 23% to the closing price of May's stock on January 13, 2005 and it represents an attractive premium to May's one, three and five year average stock price. In addition, I want to reiterate that we are prepared to enter into a definitive merger agreement quickly, and we are willing to provide your Board with a strong contractual commitment to close.

On February 9, 2005, the May board met to consider Federated's revised proposal. Management presented a comparison of expected performance and related results in two basic scenarios—one scenario contemplating May's continuing as an independent company and the second scenario contemplating Federated's acquisition of May. After considering management's presentation and receipt of advice from its independent advisors, the board concluded the acquisition proposal from Federated would be unlikely to produce value for stockholders superior to the value expected in the independent company scenario, taking into account the risks and uncertainties associated with each scenario. Accordingly, the board rejected the Federated proposal and authorized management and Mr. Stiritz to seek a higher price.

On February 10, 2005, Messrs. Stiritz and Dunham called Messrs. Lundgren and Tysoe to convey the May board's message that the \$34.25 price per share was not adequate and had been rejected by the board.





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Messrs. Stirtz and Dunham also informed Messrs. Lundgren and Tysoe that the May board had authorized them to state that the May board would be willing to entertain favorably, subject to contract terms and conditions, a proposal from Federated that would equal or exceed a value of \$36 per May share, keeping the consideration split at 50% cash and 50% Federated common stock. Mr. Lundgren replied that Federated would not pay \$36 per share for May's outstanding common stock and that, in view of the May board's position, there would be no further discussions because they could serve no purpose.

On February 14, 2005, the May board met for an update concerning discussions with Federated. The board was informed that Federated had rejected May's \$36.00 per share proposal and had said the negotiations were over. The board reconsidered and reconfirmed the position it had adopted at its February 9 meeting and instructed Morgan Stanley to refrain from further discussions with Goldman Sachs or Federated. The board also instructed management to pursue the strategic plan for remaining independent presented to the board at the February 9 meeting and advised that the search for a new CEO would continue.

On February 16, 2005, the Federated board met telephonically to receive an update from management and Goldman Sachs on discussions with May, and authorized management to increase the offer price for May.

On February 17, 2005, Federated sent a letter to the May board proposing to reconvene the discussions between the two companies on a revised basis. The text of the letter was as follows:

I am writing to convey the terms of a revised and final proposal whereby Federated would acquire all of the common stock of May.

Federated is prepared to increase its offer by \$1.00 to \$35.25 per share in a transaction comprised of 50% cash and 50% stock. As indicated in our letter of February 7, 2005, we are offering May shareholders consideration in the form of a unit made up of cash and stock where the number of Federated shares will be fixed based on our closing price of \$57.39 on February 16, 2005.(1)

I believe both our companies need to promptly resolve the matter of the potential merger. The leaks and rumors about a possible transaction have been damaging to both Federated and May. Under the circumstances, we are prepared to immediately commence our due diligence and simultaneously negotiate a definitive merger agreement. If at all possible, it would be our intention to announce a transaction concurrent with the release of our year end financials on Tuesday, February 22, 2005. Therefore, in the spirit of trying to bring our respective efforts to negotiate a transaction to a swift conclusion, this proposal will remain open until 12:00 noon (EST) on Friday, February 18, 2005.

I look forward to hearing back from you as soon as possible.

Later on February 17, 2005, after consultation with Morgan Stanley and Skadden Arps, legal counsel to May, on the subject of the letter, Mr. Stirtz and Mr. Dunham called Mr. Lundgren. They told him May would not be able to meet the one-day deadline set in the letter, among other reasons because it would be necessary to convene an in-person board meeting to respond. They also told him May was prepared to begin working on a draft merger agreement but that the May board would only negotiate price if the parties could agree on a mutually acceptable form of merger agreement and could complete all their due diligence inquiries. They specifically expressed doubt that the \$35.25 price proposed would be acceptable to the May board. Finally, they said they did not think the February 22 target for an announcement was realistic. On February 18, 2005, Mr. Tysoe called Mr. Dunham to tell him May would shortly receive a draft merger agreement which he thought could be fully negotiated to the parties' mutual satisfaction in a very short time. Later the same day Federated's legal counsel distributed a draft merger agreement to May and its legal counsel.

Between February 19, 2005 and February 23, 2005, Federated and May, together with their legal and financial advisors, conducted reciprocal business and legal due diligence. On February 23, 2005, May retained

(1) The computation implied by this proposal ( $50\% \times \$35.25 = \$17.63$  and  $\$17.63/\$57.39 = 0.3072$ ) resulted in a price of \$17.63 in cash and 0.3072 shares of Federated common stock for each share of May common stock.

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Peter J. Solomon Company as an additional financial advisor in connection with the possible business combination transaction with Federated. May retained Peter J. Solomon Company because of its qualifications, reputation and experience, particularly its expertise as a financial advisor in the retail sector, and because, in light of the extraordinary nature and significance of the proposed transaction to May and the size and complexity of the proposed transaction, the May board of directors believed May and its stockholders would benefit from Peter J. Solomon Company's advice. That day, counsel to May distributed a revised draft of the merger agreement to Federated and its counsel.

During the week of February 21, 2005, Mr. Lundgren called Mr. Stiritz on one or two occasions and they discussed the progress of the negotiations.

On February 24, 2005, representatives of May and its legal counsel held a telephonic meeting with representatives of Federated and its legal counsel to discuss May's comments on the draft merger agreement. Many issues were resolved as a result of that conversation. Issues that remained open included the language regarding the parties' obligations to obtain governmental approvals, conditions, termination events and related termination fee triggers, various issues relating to how all May associates would be treated in the merger and thereafter and how the merger would affect various May employee benefit programs. The principal focus of these discussions for May was minimizing the risk of non-consummation of the merger because of regulatory or other obstacles.

Between February 24, 2005, and February 27, 2005, representatives of May and its legal counsel continued to negotiate with representatives of Federated and its legal counsel over the remaining issues to the merger agreement. The significant open issues that remained were the size of the break up fees each party would pay to the other and the language regarding the parties' obligations to obtain governmental approvals and the consequences attendant upon a failure to do so. Concurrently with such negotiations, the parties continued their respective due diligence reviews.

On February 25, 2005, the Federated board convened a regularly scheduled meeting. At this meeting, the Federated board reviewed with Federated's management and legal and financial advisors the status of negotiatio