

FEDERATED DEPARTMENT STORES INC /DE/

Form S-4

March 30, 2005

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As filed with the Securities and Exchange Commission on March 30, 2005

Registration No. 333-

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**FORM S-4
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

FEDERATED DEPARTMENT STORES, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
*(State or Other Jurisdiction of
Incorporation or Organization)*

5311
*(Primary Standard Industrial
Classification Code Number)*

13-3324058
*(I.R.S. Employer
Identification Number)*

**7 West Seventh Street
Cincinnati, Ohio 45202
(513) 579-7000**

and

**151 West 34th Street
New York, New York 10001
(212) 494-1602**

*(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive
Offices)*

Dennis J. Broderick, Esq.
Senior Vice President, General Counsel and Secretary
Federated Department Stores, Inc.
7 West Seventh Street
Cincinnati, Ohio 45202
(513) 579-7000

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies to:

Approximate date of commencement of proposed sale to public: As soon as practicable following the effective date of this registration statement and the date on which all other conditions to the merger of The May Department Stores Company with and into Milan Acquisition Corp. pursuant to the merger agreement described in the enclosed document have been satisfied or waived.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration

statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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Title of Each Class of Securities to Be Registered	Amount To Be Registered(1)	Offering Price Per Unit(2)	Aggregate Offering Price(3)	Amount of Registration Fee
Common shares, par value \$0.01 per share	175,000,000	Not applicable	\$5,768,606,698	\$678,965

- (1) The maximum number of shares of common stock of Federated that may be registered is based on the maximum number of shares issuable upon consummation of the merger described in this joint proxy statement/prospectus.
- (2) Not included pursuant to Rule 457(o).
- (3) Based upon the average high and low prices in the consolidated reporting system of the common stock, par value \$0.50 per share, of May on the New York Stock Exchange on March 23, 2005, multiplied by the maximum number of shares of common stock of May presently outstanding or issuable or expected to be issued in connection with the consummation of the merger described in this joint proxy statement/prospectus (311,059,946 shares), less \$5,521,314,042, which is the total cash consideration expected to be paid by Federated for the outstanding common stock of May (including converted ESOP preference shares) upon consummation of the merger described in this joint proxy statement/prospectus, in accordance with Rules 457(c) and (f), and estimated solely for the purpose of determining the amount of the registration fee pursuant to Rule 457.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this joint proxy statement/prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This joint proxy statement/prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**PRELIMINARY COPY
SUBJECT TO COMPLETION, DATED MARCH 30, 2005**

**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 that will merge May with a wholly owned subsidiary of Federated. Upon successful completion of the merger, May stockholders will receive a combination of cash and Federated common stock in exchange for their shares of May common stock. Pursuant to the merger, each share of May common stock will be converted into the right to receive 0.3115 shares of Federated common stock and \$17.75 in cash. Upon completion of the merger, we estimate that, subject to adjustment as described below, May's former stockholders will own approximately 35% of the then-outstanding shares of Federated common stock, based on the number of shares of May and Federated common stock outstanding on [___], 2005. 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 expect the merger to be nontaxable for federal income tax purposes for May and Federated stockholders, except for the receipt by May stockholders of cash in exchange for their May common stock or cash instead of fractional shares of Federated common stock. In certain circumstances, namely 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 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.

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. At the Federated annual meeting, Federated will ask its common stockholders to authorize the issuance of shares of Federated common stock in connection with the merger and to vote on the other Federated annual meeting matters described in this joint proxy statement/prospectus. At the May annual meeting, May will ask its owners of common stock and of May's Employee Stock Ownership Plan preference stock, which are referred to as ESOP preference shares, to approve and adopt the merger agreement and the transactions contemplated by the merger agreement, including the merger, and to vote on the other May annual meeting matters described in this joint proxy statement/prospectus. The obligations of Federated and May to complete the merger are also subject to the satisfaction or waiver of several other conditions to the merger, including antitrust clearance. More information about Federated, May and the proposed merger 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 30.**

After careful consideration each of our boards of directors has approved the merger agreement and has determined that the merger agreement and the merger are advisable and in the best interests of the stockholders of Federated and

May, respectively. **Accordingly, the May board of directors recommends that the May stockholders vote FOR the approval and adoption of the merger agreement and the transactions contemplated by the merger agreement, including the merger, and FOR the other May annual meeting matters. The Federated board of directors recommends that the Federated stockholders vote FOR the issuance of Federated common stock to be issued in connection with the merger and FOR the other Federated annual meeting matters.**

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 [_____], 2005,
and is first being mailed to May and Federated stockholders on or about [_____], 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 each of Federated and 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 196.

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.

In addition, Federated's SEC filings are available to the public on Federated's website, www.fds.com/corporategovernance, and May's filings with the SEC are available to the public on May's website, 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 [___], 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 [_____], 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 [___] a.m., [___], on [___], 2005, at [___], 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 Corp., 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 Corp., 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 ___, 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.

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

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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, [_____], 2005

Your vote is important. Please complete, date, sign and return your proxy card(s) or voting instruction card(s), or 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 [____], 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 [____] a.m., Eastern Daylight Savings Time, on [____], 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 Corp., a wholly owned subsidiary of Federated, pursuant to which May will merge with Milan Acquisition Corp. 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 ____, 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 do not return or submit the**

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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, [____], 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 116 and Summary Conditions to Completion of the Merger beginning on page 17.

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 116 and Summary Conditions to Completion of the Merger beginning on page 17.

Q: Why are May and Federated proposing the merger?

A: 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, which is capable of creating more stockholder value than either May or Federated could on its own. In addition, May is also proposing the merger to provide its stockholders with the opportunity to receive a premium for their shares and to offer May stockholders the opportunity to participate in the growth and opportunities of the combined companies by receiving Federated stock in the merger. To review the reasons for the merger in greater detail, see The Merger Federated's Reasons for the Merger and Recommendation of Federated's Board of Directors beginning on page 63 and The Merger May's Reasons for the Merger and Recommendation of May's Board of Directors

beginning on page 59.

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

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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 63, *The Merger May's Reasons for the Merger and Recommendation of May's Board of Directors* beginning on page 59, and *Summary Recommendation of the Boards of Directors to May and Federated Stockholders* beginning on page 14.

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 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 37.

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 44.

Q: What will happen in the proposed merger?

A: In the proposed merger, May will merge with a newly formed subsidiary of Federated. After the

merger, May will no longer be a public company and will become a wholly owned subsidiary of Federated. See The Merger Agreement The Merger; Closing beginning on page 102.

Q: What will May stockholders receive in the merger?

A: In the merger, May stockholders will 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.

May stockholders will receive cash for any fractional shares of Federated common stock that they would otherwise be entitled to receive in the merger.

In certain circumstances, namely 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 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. See Summary

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Material United States Federal Income Tax Consequences beginning on page 21 and Material United States Federal Income Tax Consequences beginning on page 98.

Q: How will May's ESOP preference shares be affected by the proposed merger?

A: In connection with the merger and in accordance with the terms and conditions of May's ESOP preference shares, each issued and outstanding ESOP preference share will, in accordance with its terms, 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. See Summary The Merger Merger Consideration beginning on page 12 and The Merger Agreement Merger Consideration beginning on page 103.

Q: How will May employee stock options be affected by the proposed merger?

A: In general, upon completion of the merger, options to purchase shares of May common stock will be converted into options to purchase shares of Federated common stock and will be assumed by Federated. 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.

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 thereof will be entitled to receive the merger consideration with respect to such vested shares upon completion of the merger.

For a full description of the treatment of May equity awards, see The Merger Agreement Executive Employment and Severance Agreements Equity-Based Awards beginning on page 90.

Q: Do May stockholders have appraisal rights?

A: Yes. May stockholders who do not vote in favor of approving and adopting the merger agreement and the transactions contemplated by the merger agreement, including the merger, and who otherwise comply with the requirements of Delaware law will be entitled to appraisal rights to receive the statutorily determined fair value of their shares of May common stock as determined by the Delaware Chancery Court, rather than the merger consideration. May stockholders will not have appraisal rights in connection with any of the other annual meeting proposals. For a full description of the appraisal rights available to May stockholders, see Summary Appraisal Rights beginning on page ___ and The Merger Appraisal Rights of May Stockholders beginning on page 17.

Q: Do Federated stockholders have appraisal rights?

A: No. Federated stockholders are not entitled to appraisal rights in connection with the merger or in connection with any of the other annual meeting proposals on which the Federated stockholders are being asked to vote.

Q: Will the rights of May stockholders change as a result of the merger?

A: Yes. May stockholders will become Federated stockholders and their rights as Federated stockholders will be governed by Delaware law and Federated's certificate of incorporation and by-laws. A description of those rights begins on page 187. For a copy of Federated's certificate of incorporation or by-laws, see Where You Can Find More Information beginning on page 196.

Q: Will the rights of Federated stockholders change as a result of the merger?

A: No. Federated stockholders will retain their shares of Federated common stock and their rights will continue to be governed by Delaware law and Federated's certificate of incorporation and by-laws.

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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 102.

Q: Who will be the directors of Federated after the merger?

A: The directors of Federated immediately prior to the merger will continue as directors after the effective date of the merger. In addition, Federated has agreed to select two members of May's board of directors who are recommended by the nominating committee of Federated's board of directors and, if those individuals are willing to serve, Federated will use its reasonable best efforts to appoint those individuals to Federated's board as of the effective time of the merger.

Q: What are the material U.S. federal income tax consequences of the merger to stockholders?

A: 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.

In certain circumstances, namely 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 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. See Risk Factors Under certain circumstances relating to the price of Federated common stock, 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 on page 32.

If the merger is taxable, each May stockholder 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. For more information regarding the tax consequences of the merger, please see *Material United States Federal Income Tax Consequences* beginning on page 98.

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* beginning on page 41 and

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The Merger Agreement Exchange of Shares on page 103. 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

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 43.

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.

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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;

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 beginning on page 36.

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.

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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 [___], on [___], 2005.

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

Q: Who is eligible to vote at the May and Federated annual meetings?

A: Owners of May common stock and of May's ESOP preference shares are eligible to vote at the May annual meeting if they were stockholders of record at the close of business on [___], 2005. See The May Annual Meeting Record Date; Outstanding Shares; Shares Entitled to Vote beginning on page 36.

Owners of Federated common stock are eligible to vote at the Federated annual meeting if they were stockholders of record at the close of business on [___], 2005. See The Federated Annual Meeting Record Date; Outstanding Shares; Shares Entitled to Vote beginning on page 43.

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. 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. See The May Annual Meeting Voting; Proxies on page 40, The May Annual Meeting How to Vote beginning on page 40, The Federated Annual Meeting Voting; Proxies on page 47 and The Federated Annual Meeting How to Vote beginning on page 47.

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. 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., New York City time on [___], 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. 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

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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 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., New York City time on ____, 2005.

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 *The May Annual Meeting How to Vote* beginning on page 40 and *The Federated Annual Meeting How to Vote* beginning on page 47.

Q: How will my proxy be voted?

A: 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:

For May stockholders, your shares will be voted FOR the approval and adoption of the merger agreement, FOR the election of the members of the board of directors, FOR the ratification of the independent registered public accounting firm and FOR the amendment to the certificate of incorporation. If you vote FOR the adoption of the merger agreement at the May annual meeting, you will lose the appraisal rights to which you would otherwise be entitled. See *Summary Appraisal Rights* beginning on page 17, *The Merger Appraisal Rights of May Stockholders* beginning on page 94 and *The May Annual Meeting How to Vote* beginning on page 40.

For Federated stockholders, your shares will be voted FOR the issuance of Federated common stock, FOR the election of the members of the board of directors, FOR the ratification of the independent registered public accounting firm and FOR the amendment to the certificate of incorporation. See *The Federated Annual Meeting How to Vote* beginning on page 47.

Q: Can I change my vote after I mail my proxy card(s) or voting instruction card(s), or, if available, vote by telephone or the Internet?

A: Yes. 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;

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.

Q: What if my shares are held in street name by my broker?

A: If a broker holds your common stock for your benefit but not in your own name, your shares are in street name. In that case, your broker will send you a voting instruction form to use in voting your shares. The

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availability of Internet and telephone voting depends on your broker's voting procedures. Please follow the instructions on the voting instruction form they send you. If your shares are held in your broker's name and you wish to vote in person at your annual meeting, you must contact your broker 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.

Q: What if I don't provide my broker with instructions on how to vote?

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

May Stockholders

If you wish to vote on the proposal to adopt and approve the merger, you must provide instructions to your broker because this proposal is not routine. If you do not provide your broker with instructions, your broker 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 because this proposal is not routine. If you do not provide your broker with instructions, your broker 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. If you do not provide instructions to your broker, your broker 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. If you do not provide instructions to your broker, your broker generally will have the authority to vote on proposals such as the adjournment or postponement of meetings. However, your broker 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. See *The May Annual Meeting Voting; Proxies* on page 40 and *The May Annual Meeting Quorum and Voting Rights* beginning on page 37.

Federated Stockholders

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 because this proposal is not routine. If you do not provide your broker with instructions, your broker 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 because this proposal is not routine. If you do not provide your broker with instructions, your broker will not be authorized to vote with respect to amending the certificate of

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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 members, 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. If you do not provide your broker with instructions, your brokers 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. If you do not provide instructions to your broker, your broker generally will have the authority to vote on proposals such as the adjournment or postponement of meetings. However, your broker 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. See *The Federated Annual Meeting Voting; Proxies* on page 47 and *The Federated Annual Meeting Quorum and Voting Rights* beginning on page 44.

Q: What if I abstain from voting?

A: Your abstention from voting will have the following effect.
If you are a May stockholder:

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 also 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.

An abstention has the effect of voting against the ratification of the appointment of the independent registered public accounting firm and the approval of adjournments or postponements of the May annual meeting. See *The May Annual Meeting Voting; Proxies* on page 40.

If you are a Federated stockholder:

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.

An abstention will not be counted for the ratification of the appointment of the independent registered public accounting firm or the approval of adjournments or postponements of the Federated annual meeting. See *The*

Federated Annual Meeting Voting; Proxies on page 47.

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

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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 196.

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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 196. 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 122)

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 149)

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 50)

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.

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

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0.3115 fully paid, nonassessable shares of Federated common stock.

As a result, Federated will issue approximately 96 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.

As illustrated in the table below, the value of 0.3115 shares of Federated common stock may be less than or greater than \$17.75, which was the value of the stock portion of the merger consideration as of the announcement of the transaction, based on the 10-day trading average of Federated common stock as of February 25, 2005. In particular, if the closing price of Federated common stock upon completion of the merger is greater than \$56.98, then the value of 0.3115 shares of Federated common stock would be greater than \$17.75. If the closing price of Federated common stock upon completion of the merger is less than \$56.98, then the value of 0.3115 shares of Federated common stock would be less than \$17.75.

Hypothetical Trading Price of Federated Common Stock	Corresponding Value of 0.3115 Shares of Federated		Corresponding Value of Merger
	Common Stock	Cash Consideration	Consideration
\$61.98	\$ 19.31	\$ 17.75	\$ 37.06
\$60.98	\$ 19.00	\$ 17.75	\$ 36.75
\$59.98	\$ 18.68	\$ 17.75	\$ 36.43
\$58.98	\$ 18.37	\$ 17.75	\$ 36.12
\$57.98	\$ 18.06	\$ 17.75	\$ 35.81
\$56.98	\$ 17.75	\$ 17.75	\$ 35.50
\$55.98	\$ 17.44	\$ 17.75	\$ 35.19
\$54.98	\$ 17.13	\$ 17.75	\$ 34.88
\$53.98	\$ 16.81	\$ 17.75	\$ 34.56
\$52.98	\$ 16.50	\$ 17.75	\$ 34.25
\$51.98	\$ 16.19	\$ 17.75	\$ 33.94

In certain circumstances, namely 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.

No fractional shares of Federated common stock will be issued in the merger. All fractional shares of Federated common stock that a May stockholder is entitled to receive will be aggregated. Any fractional shares of Federated common stock resulting from this aggregation will be paid in cash, without interest, in an amount equal to the fractional share interest multiplied by the average closing price for a share of Federated common stock as reported on

the NYSE Composite Transactions Reports for the ten trading days prior to, but not including, the closing date of the merger.

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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 credit card related assets and proceeds from such a transaction may be used 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.

For a full description of the treatment of May equity awards, see *The Merger* Executive Employment and Severance Agreements Equity-Based Awards beginning on page 90.

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.

Recommendation of the Boards of Directors to May and Federated Stockholders (beginning on page 59)

May Stockholders. The May board of directors believes that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are advisable and fair to, and in the best interests of, May and its stockholders and has approved the merger agreement and the transactions contemplated by the merger agreement, including the merger. The May board of directors has resolved to recommend that May stockholders vote **FOR** the approval and adoption of the merger agreement and the transactions contemplated by the merger agreement, including the merger.

Federated Stockholders. The Federated board of directors believes that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are advisable and fair to, and in the best interests of, Federated and its stockholders and has approved the merger agreement and the transactions contemplated by the merger agreement, including the merger. The Federated board of directors has resolved to recommend that Federated stockholders vote **FOR** the issuance of Federated common stock pursuant to the merger agreement.

Opinions of our Financial Advisors (beginning on page 65)

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,

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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 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 43 for Federated and 36 for May)

Federated Stockholders. The record date for the meeting for Federated stockholders was [___], 2005. This means that you must have been a stockholder of record of Federated's common stock at the close of business on [___], 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, Federated's voting securities carried [___] votes, which consisted of [___] shares of common stock (excluding [___] shares of treasury stock).

May Stockholders. The record date for the meeting for May stockholders was [___], 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 [___], 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 [___] votes, which consisted of [___] shares of common stock (excluding [___] shares of treasury stock) and [___] ESOP preference shares, which carry [___] votes.

Stock Ownership of Directors and Executive Officers (beginning on page 147 for Federated and 173 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 [___] 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 [___] shares of Federated common stock, collectively representing approximately [___]% of the shares of Federated common stock outstanding on that date.

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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 96 million shares of Federated common stock and former May stockholders will own approximately 35% of the then-outstanding shares of Federated common stock.

Interests of May Directors and Executive Officers in the Merger (beginning on page 89)

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 may be different from, or in addition to, their interests as stockholders and the interests of May stockholders generally. These interests include:

payments under employment agreements and severance agreements which, in either case, may be triggered if the officer's employment is terminated under certain circumstances following the merger;

potential appointment 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;

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; 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.

The May board of directors was aware of these arrangements 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.

Federated Board of Directors After the Merger (beginning on page 89)

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 Federated shall use its reasonable best efforts to appoint these 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

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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 94)

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.

Conditions to Completion of the Merger (beginning on page 116)

Completion of the merger depends on a number of conditions being satisfied or waived. These conditions include the following:

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

authorization of the issuance of Federated common stock pursuant to the terms of the merger agreement at the Federated annual meeting by the Federated stockholders;

absence of any order or injunction of any governmental authority that would prohibit the consummation of the merger;

approval for listing of Federated common stock to be issued in the merger on the New York Stock Exchange upon official notice of issuance;

the waiting period (including any extension thereof) applicable to the consummation of the merger under the Hart-Scott-Rodino Act, which is referred to as the HSR Act, must have expired or been terminated;

continued effectiveness of the registration statement of which this joint proxy statement/prospectus is a part and the absence of a stop order or proceeding seeking a stop order by the SEC suspending the effectiveness of the registration statement;

accuracy of each party's representations and warranties in the merger agreement, except as would not have a material adverse effect on the party making the representations;

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performance in all material respects of each party's covenants in the merger agreement, and performance of each party's pre-closing operating covenants in the merger agreement, except as would not have a material adverse effect on the party from whom performance is due; and

delivery by both parties of customary officer's certificates and tax opinions.

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.

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 "Summary Termination of the Merger Agreement" beginning on page 18 and in "The Merger Agreement Termination of the Merger Agreement" beginning on page 119. 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 (beginning on page 119)

Before the effective time of the merger, the merger agreement may be terminated:

by the mutual written consent of Federated and May;

by either Federated or May if:

the parties fail to consummate the merger on or before the outside date of October 3, 2005, or such later date, if any, as Federated and May may agree, unless the failure to consummate the merger by the outside date is the result of a breach of the merger agreement by the party seeking the termination; provided that the outside date will be extended to August 31, 2006, if all conditions to the closing have been fulfilled other than the absence of an order or injunction by a governmental entity prohibiting completion of the merger or the expiration or termination of the waiting period under HSR;

the Federated annual meeting has concluded and the authorization of the issuance of shares of Federated common stock pursuant to the merger agreement by the Federated stockholders was not

obtained;

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the May annual meeting has concluded and the approval and adoption of the merger agreement and the transactions contemplated by the merger agreement, including the merger, by the May stockholders was not obtained; or

any governmental entity issues an order or injunction that permanently prohibits the merger and such order or injunction has become final and non-appealable unless the order or injunction results from a breach of the merger agreement by the party seeking the termination;

by May if:

Federated or Merger Sub breaches its representations or warranties or breaches or fails to perform its covenants in the merger agreement, which breach or failure to perform results in a failure of certain of the conditions to the completion of the merger being satisfied and such breach or failure to perform is not cured within 60 days after the receipt of written notice thereof or is incapable of being cured by the outside date;

prior to the receipt of its stockholder approval, May (i) receives a superior proposal, (ii) provides Federated with a written notice that the board of directors has determined, in good faith, after consultation with outside counsel, that it is necessary for the proper discharge of its fiduciary duties under applicable law and (iii) thereafter satisfies the conditions for withdrawing (or modifying in a manner adverse to Federated) the recommendation by its board of directors of the merger or recommending such superior proposal; provided that May pays a \$350 million termination fee to Federated and is not in material breach of its non-solicitation obligations under the merger agreement; or

the Federated board of directors or any committee thereof withdraws or modifies or publicly proposes to withdraw or modify its recommendation that Federated's stockholders authorize the issuance of Federated common stock in the merger;

by Federated if:

May breaches its representations or warranties or breaches or fails to perform its covenants in the merger agreement, which breach or failure to perform results in a failure of certain of the conditions to the completion of the merger being satisfied, provided such breach or failure to perform is not cured within 60 days after receipt of a written notice thereof or is incapable of being cured by the outside date; or

the May board of directors or any committee thereof (i) withdraws or adversely modifies or publicly proposes to withdraw or adversely modify, its recommendation of the merger agreement and the transactions contemplated by the merger agreement, including the merger; or (ii) recommends, adopts or approves, or proposes publicly to recommend, adopt or approve a takeover proposal other than the merger agreement.

Termination Fees (beginning on page 119)

May

May must pay Federated a \$350 million termination fee if the merger agreement is terminated:

by Federated if the May board of directors or any committee thereof (i) withdraws or adversely modifies or publicly proposes to withdraw or adversely modify, its recommendation of the merger agreement and the transactions contemplated by the merger agreement, including the merger, or (ii) recommends, adopts or approves, or proposes publicly to recommend, adopt or approve a takeover proposal other than the merger agreement;

by May if, prior to the receipt of its stockholder approval, May (i) receives a superior proposal, (ii) provides Federated with a written notice that the board of directors has determined, in good faith, after consultation with outside counsel, that it is necessary for the proper discharge of its fiduciary duties under applicable law and (iii) thereafter satisfies the conditions for withdrawing (or modifying in a manner adverse to Federated) the recommendation by its board of directors of the merger or recommending such superior proposal; provided that May is not in material breach of its non-solicitation obligations under the merger agreement; or

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(i) because (x) the merger has not been consummated by the outside date; (y) the May annual meeting has concluded and the approval and adoption of the merger agreement and the transactions contemplated by the merger agreement, including the merger, by the May stockholders was not obtained; or (z) May breaches its representations or warranties or breaches or fails to perform its covenants in the merger agreement, which breach or failure to perform results in a failure of certain of the conditions to the completion of the merger being satisfied, provided such breach or failure to perform is not cured within 60 days after receipt of a written notice thereof or is incapable of being cured by the outside date; (ii) at the time of such termination, Federated is not in breach in any material respect of any of its representations, warranties or covenants contained in the merger agreement; (iii) prior to such termination, any person publicly announces an alternative takeover proposal relating to May that has not been withdrawn; and (iv) within 12 months of such termination May enters into a definitive agreement with respect to, or consummates, an alternative takeover proposal relating to May.

Federated

Federated must pay May a termination fee:

of \$350 million if the merger agreement is terminated by May because the Federated board of directors or any committee thereof has withdrawn or modified, or publicly proposed to withdraw or modify, its recommendation that Federated stockholders authorize the issuance of Federated common stock in the merger;

of \$350 million if the merger agreement is terminated by either party because the merger was not consummated by the outside date and at the time of the termination all of the conditions precedent to the obligations of the parties to consummate the merger agreement had been satisfied except for:

the condition that none of the parties shall be subject to any order or injunction of any government entity that prohibits the consummation of the merger, and the condition that the waiting period applicable to the consummation of the merger under the HSR Act shall have expired or been terminated;

the condition that the shares of Federated common stock issuable to May's stockholders as contemplated in the merger agreement shall have been approved for listing on the NYSE, if such condition is capable of being satisfied at the time of termination, or the condition that Federated shall have received from Jones Day, an opinion dated as of the closing date, to the effect that the merger will constitute a reorganization within the meaning of Section 368(a) of the Code, if such condition is capable of being satisfied at the time of termination; and

any other conditions that are capable of being satisfied on the date of termination but by their terms cannot be satisfied until the closing date.

equal to the product of \$20 million and the quotient (rounded to the nearest fourth decimal point) determined by dividing the number of calendar days between the date of the agreement and the date of the termination by 30, provided however that the amount of the fee will not be less than \$150 million or more than \$350 million, if the merger agreement is terminated by either party because any government entity issues an order or injunction that permanently prohibits the merger, such order or injunction becomes final and non-appealable, and at the time of the termination all of the conditions precedent to the obligation to consummate the merger agreement had been satisfied except for:

the condition that none of the parties shall be subject to any order or injunction of any government entity that prohibits the consummation of the merger, and the condition that the waiting period applicable to the consummation of the merger under the HSR Act shall have expired or been terminated; and

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the condition that the shares of Federated common stock issuable to May's stockholders as contemplated in the merger agreement shall have been approved for listing on the NYSE, if such condition is capable of being satisfied at the time of termination, or the condition that Federated shall have received from Jones Day, an opinion dated as of the closing date, to the effect that the merger will constitute a reorganization within the meaning of Section 368(a) of the Code, if such condition is capable of being satisfied at the time of termination; and

any other conditions that are capable of being satisfied on the date of termination but by their terms cannot be satisfied until the closing date.

No Solicitation by May (beginning on page 108)

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 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 98)

Federated and May intend for the merger to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. If the merger qualifies as a reorganization, the U.S. federal income tax consequences to May stockholders generally will be as follows:

May stockholders will not recognize any 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; and

May stockholders will recognize capital gain, but not loss, in an amount equal to the lesser of (i) the cash they will receive in the merger (excluding any 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 will receive (excluding any cash received in lieu of a fractional share of Federated common stock) over their adjusted tax basis in their May common stock.

Tax matters are complicated, and the tax consequences of the merger to each May stockholder will depend on the facts of each stockholder's situation. May stockholders are urged to read carefully the discussion in the section entitled **Material United States Federal Income Tax Consequences** beginning on page 98 and to consult their own tax advisors for a full understanding of the tax consequences of their participation in 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 30.

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

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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.

Transition Leadership Team

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

Federated	May
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 187)

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.

For a summary of the material differences between the rights of May stockholders and Federated stockholders, see Comparison of Rights of Stockholders beginning on page 187.

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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.

Fiscal Year Ended	Price Range of Common Stock	
	High	Low
February 1, 2003:		
First Quarter	\$ 44.26	\$ 36.83
Second Quarter	44.10	31.39
Third Quarter	38.13	23.59
Fourth Quarter	34.75	25.50
January 31, 2004:		
First Quarter	30.91	23.51
Second Quarter	40.90	29.93
Third Quarter	47.93	38.50
Fourth Quarter	50.60	42.54
January 29, 2005:		
First Quarter	55.06	46.95
Second Quarter	51.07	44.07
Third Quarter	51.10	42.80
Fourth Quarter	59.40	49.33
January 28, 2006:		
First Quarter (through March 29, 2005)	64.54	54.90

The last reported sales prices of Federated common stock on the New York Stock Exchange on February 25, 2005, and March 29, 2005, were \$56.79 and \$61.67, respectively. February 25, 2005, was the last full trading day prior to the public announcement of the merger. March 29, 2005, was the last full trading day prior to the filing of this joint proxy statement/prospectus with the SEC.

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.

Fiscal Year Ended	Price Range of Common Stock	
	High	Low
February 1, 2003:		
First Quarter	\$ 37.75	\$ 33.04
Second Quarter	37.08	25.74
Third Quarter	30.50	20.10
Fourth Quarter	26.10	20.08
January 31, 2004:		
First Quarter	21.72	17.81
Second Quarter	25.34	20.02
Third Quarter	28.20	23.70
Fourth Quarter	34.06	26.37
January 29, 2005:		
First Quarter	36.48	29.84
Second Quarter	30.80	24.62
Third Quarter	26.79	23.04
Fourth Quarter	36.45	25.63
January 28, 2006:		
First Quarter (through March 29, 2005)	37.40	30.55

The last reported sales prices of May common stock on the New York Stock Exchange on February 25, 2005, and March 29, 2005, were \$35.35 and \$36.52, respectively. February 25, 2005, was the last full trading day prior to the public announcement of the merger. March 29, 2005, was the last full trading day prior to the filing of this joint proxy statement/prospectus with the SEC.

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 196.

	January 29, 2005	Year Ended,			
		January 31, 2004	February 1, 2003	February 2, 2002	February 3, 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	\$	\$	\$

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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 for the fiscal year ended January 29, 2005, filed on March 25, 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 196.

	January 29, 2005	January 31, 2004	Year Ended,		February 3, 2001
			February 1, 2003	February 2, 2002	
	(in millions, except per share data)				
Statement of Operations Data:					
Net sales	\$ 14,441	\$ 13,343	\$ 13,491	\$ 13,883	\$ 14,210
Net Earnings	524	434	542	703	858
Balance Sheet Data:					
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
Other Data:					
Earnings per share - diluted:					
Net earnings per share - diluted	\$ 1.70	\$ 1.41	\$ 1.76	\$ 2.21	\$ 2.62
Dividends per common share	\$.97	\$.96	\$.95	\$.94	\$.93

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 196.

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 credit card related assets and use of the proceeds thereof 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 on page 31.

	Year Ended January 29, 2005	
	(in millions, except per share data)	
Results of Operations Data:		
Net sales	\$	31,064
Earnings from continuing operations		1,074
Diluted earnings per share from continuing operations		3.90
		At January 29, 2005
		(in millions)
Balance Sheet Data:		
Total assets	\$	36,986
Short-term debt		3,490

Long-term debt	12,289
Total debt	15,779
Total shareholders' equity	11,935

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 196.

The unaudited pro forma combined data per Federated common share are 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. See **Pro Forma Financial Data** beginning on page 175. 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 credit card related assets and use of the proceeds thereof 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 on page 31.

			Pro Forma Combined Data Per May Equivalent Common Share
Federated	May	Pro Forma Combined	
Historical Per Share	Historical Per Share Data	Data Per Federated	

	Share Data		Common Share	
At or for the Year Ended January 29, 2005:				
Income from continuing operations per common share:				
Basic	\$ 3.93	\$ 1.74	\$ 3.96	\$ 1.23
Diluted	3.86	1.70	3.90	1.21
Cash dividends declared per common share	.53	.97	1.50	.47
Book value per common share	36.89	15.27	45.37	14.13

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 March 24, 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 March 24, 2005.

	Federated Historical	May Historical	May Equivalent⁽¹⁾
February 25, 2005			
Closing price per common share	\$ 56.79	\$ 35.35	\$ 35.44
Market value of common shares (in billions) ⁽²⁾	\$ 9.52	\$ 10.39	
March 24, 2005			
Closing price per common share	\$ 61.07	\$ 36.36	\$ 36.77
Market value of common shares (in billions) ⁽³⁾	\$ 10.31	\$ 10.68	

- (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 March 24, 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 168,894,367 shares of Federated common stock and 296,875,043 shares of May common stock outstanding and May ESOP preference shares convertible into 13,125,653 shares of May common stock as of March 24, 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 196. 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 respectively in the Federated and May Annual Reports on Form 10-K 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

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, 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 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 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, 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 on page 119.

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:

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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 may be 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 that may be 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, acceleration of vesting and exercisability of options and restricted stock as a result of the merger and the right to continued indemnification and insurance coverage by Federated for acts or omissions occurring prior to the merger.

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* on page 89.

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 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 credit card related assets and use of the proceeds thereof 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 you receive your shares. Federated and May are working to complete

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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.

Under certain circumstances relating to the price of Federated common stock, 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 102 and The Merger Agreement Conditions to Completion of the Merger beginning on page 116.

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

The market price for shares of Federated common stock may be affected by factors different from, or in addition to, those affecting shares of May common stock, 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 196.

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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 March 29, 2005, the sale price of Federated common stock ranged from a low of \$23.51 per share to a high of \$64.54 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. 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. Also, provisions in Federated's certificate of

incorporation, by-laws 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.

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,

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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 environmental protection and health and safety laws and regulations that potentially could adversely affect its business, results of operations or financial condition.

Federated's business is subject to various federal, state and local laws and regulations concerning environmental, health and safety matters. Violations of such laws and regulations can lead to substantial fines and penalties, as well as to substantial remediation costs. Federated cannot assure you that the costs of complying with current and future environmental and health and safety laws, and its liabilities arising from past or future releases of, or exposure to, hazardous materials will not adversely affect its business, results of operations or financial condition.

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 spends a meaningful amount on advertising and marketing. 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.

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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.

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 30; the risks discussed in May'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 ; 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.

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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 [___], 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 [___] a.m., [___], on [___], 2005, at [___].

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 [___], 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 [___], 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 [___] votes, which consisted of [___] shares of common stock (excluding [___] shares of treasury stock) and [___] ESOP preference shares, which carry [___] 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.

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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 or other nominee that are represented at the meeting, but with respect to which such broker or nominee is not instructed by the beneficial owner of such shares to vote on the particular proposal and the broker 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. Abstentions and broker non-votes will have the same effect as a vote against the proposal.

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. Abstentions and broker non-votes are not counted and will not affect the outcome of the 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. Abstentions and broker non-votes will have the same effect as a vote against the proposal.

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. An abstention has the same effect as a vote against the proposal. A broker non-vote is not counted and will not affect the outcome of the vote.

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. An abstention has the same effect as a vote against the proposal. A broker non-vote is not counted and will not affect the outcome of the vote.

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 59; and

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

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ITEM 1 ¾ 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 a vote FOR the merger, and your proxy will be so voted unless you specify otherwise.

ITEM 2 ¾ 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 153.

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 designed 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 150.

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 ¾ 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

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board's decision to approve the merger with Federated and Federated's decision to declassify 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.

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 certificate of incorporation, and your proxy will be so voted unless you specify otherwise.

ITEM 4 ³/₄ 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
Total fees	\$ 5.1	\$ 3.1

- (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 you vote FOR the ratification of the appointment of the independent registered public accounting firm, and your proxy will be so voted unless you specify otherwise.

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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 [___] 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.

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 fail to vote, the proxies cannot vote your shares at the meeting. If you participate in May's dividend reinvestment plan, the enclosed proxy card(s) includes the shares in your dividend reinvestment plan account.

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. With respect to the proposals relating to the approval of the proposed merger and the amendment to the certificate of incorporation, if you do not instruct your bank, broker or other nominee how to vote your shares, those shares will not be voted at the annual meeting. However, if you do not instruct your bank, broker or other nominee how to vote your shares with respect to the election of directors, the ratification of the appointment of the independent registered public accounting firm, the adjournment or postponement of the annual meeting and other routine matters, the bank, broker or other nominee generally has the authority to vote on these matters, even if they have not received instructions from you. However, a bank, broker 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 relating to the merger.

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. 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 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., New York city time on [___], 2005.

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). 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

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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., New York City time, on [___], 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.

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.

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 for the fiscal year ending January 29, 2005 are available on our Internet site at 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

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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.

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.

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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 [___], 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 [___] a.m., Eastern Daylight Savings Time, on [___], 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;
- 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 [___], 2005. This means that you must have been a stockholder of record of Federated's common stock at the close of business on [___], 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, Federated's voting securities carried [___] votes, which consisted of [___] shares of common stock (excluding [___] shares of treasury stock).

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;

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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 or other nominee that are represented at the meeting, but with respect to which such broker or nominee is not instructed by the beneficial owner of such shares to vote on the particular proposal and the broker does not have discretionary voting power on such proposal.

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. Abstentions and broker non-votes will be treated as shares not voted on the issuance of stock pursuant to the merger agreement. Accordingly, an abstention or broker non-vote 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.

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. Abstentions and broker non-votes are not counted and will not affect the outcome of the 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. Abstentions and broker non-votes have the same effect as votes against the proposal.

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. Abstentions and broker non-votes are not counted and will not affect the outcome of the vote.

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

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annual meeting. Abstentions and broker non-votes are not counted and will not affect the outcome of the vote.

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 a vote FOR the issuance of common stock pursuant to the merger and your proxy will be so voted unless you specify otherwise.

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 123.

The Federated board of directors recommends that Federated stockholders vote FOR the election of the nominees named above. Proxies solicited by the Federated board 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

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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.

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
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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.

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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 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.

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 [___] 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 approximately [___]% 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 fail to vote, the proxies cannot vote your shares at the meeting.

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. With respect to the proposals relating to the issuance of Federated common stock pursuant to the merger agreement and the amendment to the certificate of incorporation, if you do not instruct your bank, broker or other nominee how to vote your shares, those shares will not be voted at the annual meeting. However, if you do not instruct your bank, broker or other nominee how to vote your shares with respect to the election of directors, the ratification of the appointment of the independent registered public accounting firm, the adjournment or postponement of the annual meeting and other routine matters, the bank, broker or other nominee generally has the authority to vote on these matters, even if they have not received instructions from you. However, a bank, broker 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 issuance of stock pursuant to the merger.

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. 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 11:59 p.m., New York city time on [____], 2005.

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

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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., New York City time, on [___], 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.

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.

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.

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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 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.

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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 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

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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

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regional corporate presence and incorporating best practices from both companies. He said Federated was willing to move 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.

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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 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.

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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

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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. Messrs. Stiritz 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

¹ The computation implied by this proposal ($50\% \times \$35.25 = \17.63 and $\$17.63/\$57.39 = 3.071$) resulted in a price of \$17.63 in cash and 0.3071 shares of Federated common stock for each share of May common stock.

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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. Stiritz 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, 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.

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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 negotiations with May and the proposed terms and conditions of the merger. During this meeting, Federated's management also reviewed the results of its due diligence investigation. Federated's outside legal counsel reviewed the material terms and conditions of the merger agreement, as reflected in the then current draft, the legal duties and responsibilities of the Federated board in connection with the proposed merger, and the legal risk profile of a combination with May. Federated's financial advisor reviewed its financial analysis of the proposed merger and indicated that it was prepared to deliver to the Federated board an opinion to the effect that, as of that date and based upon and subject to the factors and assumptions set forth in its opinion, the consideration to be paid for each share of May was fair, from a financial point of view, to Federated. The Federated board carefully considered the benefits and risks of a merger with May to Federated and its stockholders, and following a thorough discussion, authorized management to continue negotiations with May on the terms discussed at the meeting.

On the morning of February 26, 2005, May convened its board. At the meeting, the May board reviewed with May's management and legal and financial advisors the status of negotiations with Federated and the proposed terms and conditions of the merger. During this meeting, May's management also reviewed the results of its due diligence investigation. May's outside accountants, Deloitte & Touche, made a presentation and answered questions concerning their due diligence investigation of Federated. May's outside legal counsel reviewed the material terms and conditions of the merger agreement, as reflected in the then current draft. Substantial discussion was devoted to the provisions relating to the risk of non-consummation of the merger once it had been agreed and announced and to the provisions still at issue including circumstances in which May could negotiate with a competing bidder, circumstances in which May could terminate the agreement to accept a better offer, the terms applicable to such circumstances, including payment of termination fees and the amounts thereof, and provisions governing the circumstances if the merger were the subject of opposition from state or federal antitrust regulators and the amount of a reverse termination fee that would be payable if Federated terminated the merger agreement by reason of such opposition. The May board also received and discussed both financial and tactical advice from Morgan Stanley, and tactical advice from Skadden Arps, concerning whether and how to attempt to negotiate an improvement in Federated's proposed merger price. The May board carefully considered the benefits and risks potentially accruing to May and its stockholders as a result of a merger with Federated and following a thorough discussion,

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gave negotiating instructions with respect to the open issues in the merger agreement and authorized Morgan Stanley to communicate with Goldman Sachs seeking an increase in the merger consideration.

Later on February 26, 2005, Morgan Stanley informed Goldman Sachs that the board was divided on the question of price and that if Federated did not increase its price to a current value of \$36 per share there was no assurance of a favorable May response and a unanimously favorable board response could be unlikely. The question of current value was based on whether the computation of the 50% Federated common stock portion of the consideration would be calculated on the Friday, February 25th closing market price of \$56.79 or would remain fixed at the February 16th closing price of 57.39 which, because of the decline in stock price, diminished the current value of the common stock portion of the consideration. Morgan Stanley also communicated certain other information about the board's position on other contractual issues. Later that evening (February 26), R. Dean Wolfe, executive vice president of May, and Alan E. Charlson, senior vice president and general counsel of May, spoke with Mr. Tysoe and Dennis R. Broderick, senior vice president, general counsel and secretary of Federated, on the subject of Federated's contractual obligations relating to obtaining antitrust clearance and the consequences attendant upon a failure to receive such clearance. As a result of that conversation, legal counsel for Federated and legal counsel for May worked out mutually acceptable contractual language to implement the principles discussed in the earlier conversation.

On the morning of February 27, 2005, Mr. Stiritz called Mr. Lundgren to reiterate that the May board was divided on the question of price. He encouraged Mr. Lundgren to increase Federated's price to \$36 per May share and to compute the 50% common stock portion of the consideration using Federated's February 25th closing price of \$56.79. He also stressed the importance of Federated's making the strongest possible contractual commitment to obtain the necessary antitrust clearance and the related importance of the termination fee payable if the merger did not close because such clearance was not received.

Later in the morning of February 27, 2005, Federated reconvened its directors meeting to consider May's request to increase Federated's offer to \$36 per May share. At this meeting, management of Federated asked the Federated board for authority to offer up to \$35.50 per May share, comprised of \$17.75 in cash and 0.3115 shares of Federated common stock per May share, the stock component of which was equal to \$17.75 based on the average of the closing prices for Federated's common stock for the ten trading days ended Friday, February 25, 2005 (which was \$56.99 per Federated share). Management also asked for authority to pay up to a \$350 million termination fee to May in certain circumstances and to make certain commitments with respect to obtaining government approval of the transaction. Legal counsel to Federated then reviewed again with the Federated board the legal risk profile of the proposed combination and the changes that had been made to the merger agreement since the board's February 25, 2005 meeting. Representatives of Goldman Sachs then recapped the negotiations that had taken place with their counterparts at Morgan Stanley since May's board meeting had

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adjourned the day before and delivered its opinion that, as of February 27, 2005, and based on and subject to the factors and assumptions set forth in its opinion, the consideration to be paid for each share of May was fair, from a financial point of view, to Federated. Following a thorough discussion, the Federated board determined that the merger was in the best interests of the stockholders of Federated and, subject to May's approval and the satisfactory negotiation of all open issues, approved the merger and the merger agreement, resolved to recommend that stockholders of Federated vote to approve the issuance of Federated common stock in the merger, and authorized its executive officers to execute and deliver the merger agreement.

On the afternoon on February 27, 2005, May reconvened its board to consider Federated's latest proposal. The May board received a report of the final negotiations of the form of the merger agreement from its legal counsel, including in particular the contractual obligations, conditions and termination rights relating to obtaining regulatory approvals, payment of a reverse termination fee by Federated if the merger was not consummated due to antitrust regulatory opposition, as well as the provisions and termination fees applicable in situations in which the transaction were made the subject of competitive bids from third parties or in which either board withdrew its recommendation of the merger. The board also received the opinions of Morgan Stanley and Peter J. Solomon Company with respect to the fairness from a financial point of view of the consideration to be paid by Federated in the merger to May stockholders, as well as presentations explaining the assumptions, methodologies and bases for such opinions. Following a thorough discussion, the May board unanimously (with one abstention) determined that the merger was in the best interests of the May stockholders and approved the merger and the merger agreement, resolved to recommend that May stockholders vote to approve the merger, and authorized its executive officers to execute and deliver the merger agreement.

On the evening of February 27, 2005, the parties executed and delivered the merger agreement. Prior to the commencement of trading on February 28, 2005, Federated and May issued a joint press release announcing the execution and delivery of the merger agreement.

May's Reasons for the Merger and Recommendation of May's Board of Directors

The May board of directors believes that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are advisable and fair to and in the best interests of May and its stockholders. Accordingly, the May board of directors has approved the merger agreement and the transactions contemplated by the merger agreement, including the merger, and recommends that May stockholders vote **FOR** approval and adoption of the merger agreement and the transactions contemplated by the merger agreement, including the merger.

As described above under **Background of the Merger**, the May board of directors, prior to and in reaching its decision at its meeting on February 27, 2005, to approve and adopt the merger agreement and the transactions contemplated by the merger agreement, including the merger, consulted on numerous occasions with May's senior executive officers and May's financial and legal advisors and considered a variety of factors weighing positively in favor of the merger, including, without limitation, the following:

the strategic nature of the transaction, which will combine May's and Federated's respective businesses to create one of the largest national retail store chains in the United States, with pro forma combined sales expected to exceed \$30 billion, all of which should provide the combined company with a strong foundation for improved performance;

the May board of directors' analysis and understanding of management's stand-alone plans for May in the context of the increasingly competitive conditions in the retail industry generally, including pressures from both discount and high-end retailers, and the board's analysis of the business, operations, financial performance,

financial condition, earnings and prospects of May on a stand-alone basis, particularly in

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view of May's recent financial performance in comparison to May's peers, and the board's belief, based on its analysis and understanding, that the combined company, with its greater size and scale, would be better positioned to succeed in light of the risks and potential rewards associated with May continuing to operate on a stand-alone basis and other alternatives reasonably available to May;

the value to be received by holders of May common stock in the merger, including the fact that, based on the closing price of May's common stock on January 14, 2005 (the last full trading day before the announcement of the resignation of Chairman and CEO Gene Kahn and rumors of a possible business combination transaction between May and Federated were reported by several national news organizations), the value of the merger consideration represented:

a premium of approximately 27.8% over the closing price of May common stock on the NYSE on January 14, 2005;

a premium of approximately 23.7%, 35.5% and 24.3% over the median closing price of May common stock on the NYSE for the thirty-day, six-month and twelve-month trading periods, respectively, ending with January 14, 2005;

the fact that the initial 50/50 split of stock and cash in the merger consideration affords May stockholders both the opportunity to participate in the growth and opportunities of the combined company through the stock component of the merger consideration and to receive cash for the value of their shares through the cash component of the merger consideration;

the fact that May stockholders as a group will own, on a fully-diluted basis, approximately 35% of the outstanding Federated common stock immediately following the merger;

because the stock portion of the merger consideration is a fixed number of shares of Federated common stock, the opportunity for May stockholders to benefit from any increase in the trading price of Federated common stock between the announcement of the merger and the completion of the merger, as well as any increase after completion of the merger;

the fact the Federated agreed to increase its quarterly dividend to \$0.25 following completion of the merger;

the recent and historical information concerning May's and Federated's respective businesses, financial performance and condition, operations, management, competitive positions, prospects and stock performance;

the results of the due diligence review of Federated's businesses and operations;

anticipated cost savings and operating synergies available to the combined company from the merger through consolidation of central functions, division integrations and the adoption of best practices across the combined company, which is expected to positively enhance the combined company's earnings and create value for stockholders;

the potential ability of the combined company to enhance relationships with its supplier base and with mall operators, and the potential opportunity for clear differentiation and better private label penetration;

Morgan Stanley's opinion described in the section entitled "Opinions of May's Financial Advisors" beginning on page 65, including its analysis rendered orally on and confirmed in writing as of February 27, 2005, to the effect that, as of February 27, 2005, and based on and subject to various assumptions made, matters considered

and limitations described in its written opinion, the consideration proposed to be received by holders of May common stock in the merger agreement was fair, from a financial point of view, to such holders;

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Peter J. Solomon Company's opinion described in the section entitled "Opinions of May's Financial Advisors" beginning on page 65, including its analysis rendered orally on and confirmed in writing as of February 27, 2005, to the effect that, as of February 27, 2005, and based on and subject to various assumptions made, matters considered and limitations described in its written opinion, the consideration proposed to be received by holders of May common stock in the merger was fair, from a financial point of view, to such holders;

the fact that the May board of directors had not received any indications of interest from other parties regarding a potential business combination despite public speculation and commentary regarding a potential business combination transaction involving May;

the fact that May stockholders who dissent from the merger will have appraisal rights, as described in the section entitled "Appraisal Rights of May Stockholders" beginning on page 94;

the expected qualification of the merger as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, resulting in the common stock portion of the merger consideration to be received by May stockholders not being subject to federal income tax, as described in the section entitled "Material United States Federal Income Tax Consequences" beginning on page 98;

the May board's belief, in light of the commitments made by Federated in the merger agreement, that, based on available information, the transaction should not present an unacceptable risk of non-consummation due to antitrust concerns; and

the terms and conditions of the merger agreement, including:

the fact that the terms of the merger agreement provide that, under certain circumstances, and subject to certain conditions more fully described in the section entitled "The Merger Agreement Covenants and Agreements No Solicitation by May" beginning on page 108, May can furnish information to and conduct negotiations with a third party in connection with an unsolicited proposal for a business combination or acquisition of May that is likely to lead to a superior proposal and the May board of directors can terminate the merger agreement for a superior proposal or change its recommendation prior to stockholder approval of the merger agreement;

the fact that there are limited circumstances in which the board of directors of Federated may change or modify its recommendation to its stockholders to approve the issuance of shares of Federated common stock in the merger, and that Federated agreed to pay a termination fee of \$350 million to May in the event that the board of directors of Federated changes or modifies its recommendation, as described in the section entitled "The Merger Agreement Termination Fees" on page 119;

the fact that Federated agreed to pay a termination fee to May ranging from \$150 million to \$350 million in the event that the merger agreement is terminated due to a failure to obtain necessary antitrust clearance;

the fact that the completion of the merger is not conditioned on Federated's obtaining financing;

the fact that the conditions required to be satisfied prior to completion of the merger are customary and can be expected to be fulfilled in the ordinary course and the corresponding likelihood that the merger will be consummated;

the fact that two members of the May board of directors are expected to be appointed to the Federated board of directors, which is expected to provide a degree of continuity and involvement by May directors in the combined company following the merger;

the fact that Federated agreed to continue all of May's employee benefit plans in accordance with their terms in effect immediately prior to the effective time of the merger for one year after the

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merger and, for the second and third years after the merger, Federated agreed to provide a substantially comparable level of compensation and employee benefits (excluding equity-based awards) to all continuing May employees (other than those subject to collective bargaining obligations or agreements);

the fact that Federated agreed to maintain a major division headquarters, as well as certain regional corporate support functions, in St. Louis, which the May board of directors considered important in light of May's importance to the St. Louis area and the effect on employees; and

the fact that Federated agreed to honor May's existing charitable contribution commitments and fund future charitable contributions (subject to certain agreed parameters).

In addition to these factors, the May board of directors also considered the potential adverse impact of other factors weighing negatively against the proposed transaction, including, without limitation, the following:

the risk that, notwithstanding the likelihood of the merger's being completed, the merger might not be completed, including the effect of the pendency of the merger and such failure to be completed may have on:

the trading price of May common stock;

May's operating results, including the costs incurred in connection with the transaction;

May's ability to attract and retain key personnel; and

May's ability to retain customers and maintain sales;

the possibility of significant costs and delays resulting from seeking antitrust clearance necessary for completion of the proposed merger;

because the stock portion of the merger consideration is a fixed number of shares of Federated common stock, May stockholders could be adversely affected by a decrease in the trading price of Federated common stock after the date of execution of the merger agreement, and the merger agreement does not provide May with a price-based termination right or other similar protection for May or its stockholders (other than in order to protect the tax-free nature of the transaction to the extent of the stock consideration to be received by May stockholders in the merger, as discussed in "The Merger Agreement - Merger Consideration" beginning on page 102);

the limitations imposed in the merger agreement on the solicitation by May of alternative business combinations prior to the completion of the merger;

the requirement that May must pay to Federated a termination fee of \$350 million if the merger agreement is terminated under circumstances specified in the merger agreement, as described in the section entitled "The Merger Agreement - Termination Fees" beginning on page 119;

the challenges of combining the businesses, operations and workforces of Federated and May and realizing the anticipated cost savings and operating synergies; and

the risks described in the section entitled "Risk Factors" beginning on page 30.

The May board of directors also considered the interests that certain executive officers and directors of May may have with respect to the merger in addition to their interests as stockholders of May generally, as described in the Section entitled "Interests of May's Directors and Executive Officers in the Merger" on page 89, which the May board of

directors considered as being neutral in its evaluation of the proposed transaction.

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The May board of directors concluded that the positive factors significantly outweighed the negative and neutral factors described above. This discussion of the information and factors considered by the May board of directors includes material positive, negative and neutral factors considered by the May board of directors, but it is not intended to be exhaustive and may not include all of the factors considered by the May board of directors. In reaching its determination to approve and recommend the merger agreement and the transactions contemplated by the merger agreement, including the merger, the May board of directors did not find it useful to and did not quantify or assign any relative or specific weights to the various factors that it considered in reaching its determination that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are advisable and fair to and in the best interests of May and its stockholders. Rather, the May board of directors viewed its position and recommendation as being based on an overall analysis and on the totality of the information presented to and factors considered by it. In addition, in considering the factors described above, individual members of the May board of directors may have given differing weights to different factors.

After considering this information, the May board of directors approved the merger agreement and the transactions contemplated by the merger agreement, including the merger, and recommended that May stockholders approve and adopt the merger agreement and the transactions contemplated by the merger agreement, including the merger.

Federated's Reasons for the Merger and Recommendation of Federated's Board of Directors

Federated's board of directors has approved the merger agreement and determined that the transactions contemplated by the merger agreement are advisable and in the best interests of Federated and its stockholders. Federated's board of directors recommends that 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.

In reaching its conclusion to approve the merger and the related transactions and to recommend that Federated stockholders authorize the issuance of Federated common stock in connection with the merger, the Federated board considered the following factors as generally supporting its decision to enter into the merger agreement.

Strategic Considerations. Federated's board believes that the merger with May will provide a number of significant strategic opportunities and benefits, including the following, all of which it viewed as generally supporting its decision to approve the merger with May:

The merger is expected to create a more efficient, competitive national retailer, with approximately \$30 billion in annual revenues and significantly broader geographic coverage, with a total of approximately 1,650 stores (including approximately 700 bridal and formalwear stores) in 49 states, Guam, Puerto Rico and the District of Columbia. The combined companies will own and operate stores in 64 of the nation's top 65 geographic areas with relatively little overlap.

The merger with May will provide the combined companies with an opportunity to compete more effectively in the highly competitive, broad-based retail environment, including with national retailers such as Sears/K-Mart, J.C. Penney's, Target, Wal-Mart, The Limited, Linens 'n Things, Bed, Bath & Beyond, Nordstrom's, Kohl's, Neiman Marcus, Saks Fifth Avenue and others.

Federated's board of directors also considered management's view that the combined companies should produce cost synergies of approximately \$175 million in 2006 and approximately \$450 million in 2007, resulting from purchasing efficiencies, the ability to advertise nationally, the consolidation of corporate services and headquarters functions, reductions in distribution and marketing costs, and the adoption of best practices across

the combined companies, all of which will increase competition and benefit consumers. These benefits are expected to be realized by the end of 2007, and the merger is expected to be accretive to Federated's per share earnings in 2007. While these synergies reflect management's estimates, the Federated board recognized there could be no assurance that they would be achieved. In addition, the potential to realize greater synergies represents an additional factor considered by Federated's board.

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Federated's board also considered the possibility of achieving higher comparable store sales growth as a result of leveraging the combined companies' best people, products and practices and enhanced ability to compete in the retail industry on a national scale.

Federated's board considered the opportunities and benefits of extending its business into additional geographic areas as a result of the merger. May has a strong list of retail store assets located in the midwest and elsewhere, including Famous-Barr, Filene's, Foley's, Hecht's, Kaufmann's, Lord & Taylor, L.S. Ayers, Marshall Field's, Meier & Frank, Robinsons-May, Strawbridge's and The Jones Store, which complement Federated's current geographic footprint.

Federated's board considered that Federated will be able to augment its talent pool with the most capable managers from May.

Other Factors Considered by the Federated Board. In addition to considering the strategic factors outlined above, the Federated board considered the following additional factors, all of which it viewed as generally supporting its decision to approve the merger with May:

historical information concerning May's and Federated's respective businesses, financial performance and condition, operations, management, competitive positions and stock performance, which comparisons generally informed the board's determination as to the relative values of Federated, May and the combined companies;

management's strategy of potentially re-branding many May stores as Macy's, which re-branding strategy management believes will be successful based on the success of the co-branding strategy with respect to Federated's regional stores;

the results of the due diligence review of May's businesses and operations;

management's assessment that the proposed merger was likely to meet certain criteria they deemed necessary for a successful merger: strategic fit, acceptable execution risk, and financial benefits to Federated and Federated's stockholders;

the current and prospective competitive environment in which retailers such as Federated operate;

the financial analyses and presentations of Federated's financial advisor and its opinion that, as of February 27, 2005, the consideration to be paid to the May stockholders in the merger was fair, from a financial point of view, to Federated (the written opinion of Goldman Sachs is attached as Annex D to this joint proxy statement/prospectus and discussed in detail under "Opinion of Federated's Financial Advisor" beginning on page 80);

the terms and conditions of the merger agreement, including:

the limited number and nature of the conditions to May's obligation to consummate the merger and the limited risk of non-satisfaction of such conditions; and

that Federated may be entitled to receive a \$350 million termination fee from May if the merger is not consummated for certain reasons;

the determination that an exchange ratio that is fixed, subject to adjustment in certain circumstances in Federated's discretion, is appropriate to reflect the strategic purpose of the merger and consistent with market

practice for mergers of this type and that a fixed exchange ratio avoids fluctuations caused by near-term market volatility; and

the likelihood that the merger will be completed on a timely basis, including the likelihood that the merger will receive all necessary antitrust and other regulatory approvals without unacceptable conditions on a timely basis.

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Potential Risks Considered by the Federated Board. Federated's board of directors also considered the potential risks of the merger and potential conflicts of interest, including the following:

the challenges of combining the operations of two major retail businesses and effecting certain cultural changes;

the possible disruptions from certain anticipated workforce reductions to be implemented as part of the merger integration plan;

the risk that anticipated operating profit synergies and cost savings will not be achieved (or the risk that certain cost savings will adversely affect operating profits);

the one-time costs of the acquisition and integration, which management estimated at approximately \$1 billion spread over a three-year period;

the risk that Federated may be required under the merger agreement to commit to dispose of assets of the combined companies valued at up to \$4 billion if required by any governmental entity in order to obtain antitrust clearance for the merger;

the risk that Federated will have to pay May a fee of up to \$350 million if the merger agreement is terminated under certain circumstances;

the potential dilution to Federated's stockholders; and

the risk of diverting management's attention from other strategic priorities to implement merger integration efforts.

The foregoing discussion of the information and factors considered by Federated's board of directors is not meant to be exhaustive but is believed to include all material factors considered by it in connection with its determination that the terms of the merger agreement, including the issuance of Federated common stock in the merger, are advisable and in the best interests of Federated and its stockholders. In view of the wide variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, the Federated board did not find it useful, and did not attempt, to quantify, rank or otherwise assign relative weights to these factors. In considering the factors described above, individual members of the Federated board may have given different weight to different factors. The Federated board conducted an overall analysis of the factors described above, including thorough discussions with, and questioning of, Federated's management and Federated's legal and financial advisors, and considered the factors overall to be favorable to, and to support, its determination. The Federated board also considered the experience and expertise of Goldman Sachs, its financial advisor, in reviewing quantitative analyses of the financial terms of the merger. See *Opinion of Federated's Financial Advisor* beginning on page 80.

Opinions of May's Financial Advisors

Morgan Stanley

May retained Morgan Stanley to provide financial advisory services in connection with the proposed merger with Federated. The May board of directors selected Morgan Stanley to act as May's financial advisor based on Morgan Stanley's qualifications, expertise and reputation and its knowledge of the business and affairs of May. At the meeting of the May board of directors on February 27, 2005, Morgan Stanley rendered its oral opinion, subsequently confirmed in writing, as of February 27, 2005, that based upon and subject to the assumptions, qualifications and limitations set forth in the opinion, the consideration to be received by the 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 opinion, dated as of February 27, 2005, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the review undertaken by Morgan Stanley in rendering its opinion is attached as Annex B to this joint proxy statement-prospectus. We urge you to read this opinion carefully and in its entirety. Morgan Stanley's opinion is

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directed to the board of directors of May, addresses only the fairness from a financial point of view of the consideration to be received by the holders of May common stock pursuant to the merger agreement and does not address any other aspect of the merger or constitute a recommendation to any May stockholder as to how to vote at the annual meeting. This summary is qualified in its entirety by reference to the full text of the opinion.

In connection with rendering its opinion, Morgan Stanley, among other things:

reviewed certain publicly available financial statements and other business and financial information of May and Federated, respectively;

reviewed certain internal financial statements and other financial and operating data concerning May prepared by the management of May;

reviewed certain financial projections prepared by the management of May;

discussed the past and current operations and financial condition and the prospects of May, with senior executives of May;

discussed the past and current operations and financial condition and the prospects of Federated, with senior executives of Federated;

discussed certain limited financial projections for Federated with the management of Federated;

discussed limited pro forma financial projections, including information relating to strategic, financial and operational benefits and issues anticipated from the merger, with senior executives of Federated;

discussed the strategic rationale of the merger with the management of May and Federated;

reviewed the pro forma impact of the merger on Federated's publicly available operating statistics, consolidated capitalization and financial ratios;

reviewed the reported prices and trading activity for May common stock and Federated common stock;

compared the financial performance of May and Federated and the prices and trading activity of May common stock and Federated common stock with that of certain other comparable publicly-traded companies and their securities;

reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions;

participated in discussions and negotiations among representatives of May, Federated and their financial and legal advisors;

reviewed the draft merger agreement, dated February 27, 2005 and certain related documents; and

considered such other factors and performed such other analyses as Morgan Stanley deemed appropriate.

In arriving at its opinion, among other things, Morgan Stanley assumed and relied upon without independent verification the accuracy and completeness of the information supplied or otherwise made available to it by May and Federated for the purposes of its opinion. With respect to the financial projections supplied to Morgan Stanley or

discussed with Morgan Stanley, including information relating to strategic, financial and operational benefits and issues anticipated from the merger, Morgan Stanley assumed they were reasonably prepared on bases reflecting the

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best currently available estimates and judgments of the future financial performance of May and Federated. For purposes of its analysis with respect to Federated and after discussions with the management of Federated, Morgan Stanley used and relied on publicly available projections of equity research analysts who report on Federated. Morgan Stanley also relied without independent verification on the assessments of management of May and Federated of the strategic rationale of the merger. In addition, Morgan Stanley assumed that the merger would be consummated in accordance with the terms set forth in the merger agreement with no material waiver, delay or amendment, including, among other things, that the merger would be treated as a tax-free reorganization, pursuant to the Internal Revenue Code of 1986, as amended. Morgan Stanley assumed that in connection with the receipt of all the necessary regulatory and other approvals and consents for the proposed merger, no restrictions would be imposed that would have a material adverse effect on the contemplated benefits expected to be derived in the proposed merger. Morgan Stanley is not a legal, regulatory, accounting or tax expert and assumed the accuracy and veracity of assessments by such advisors to May and Federated with respect to such issues. Morgan Stanley also relied upon, without independent verification, the assessment by the management of Federated and May of the timing and risks associated with the integration of Federated and May. Morgan Stanley did not make any independent valuation or appraisal of the assets or liabilities of May or Federated, nor was it furnished with any such appraisals. Morgan Stanley's opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to it as of, the date of its opinion.

The following is a summary of the material financial analyses performed by Morgan Stanley in connection with its oral opinion and the preparation of its written opinion. Although each analysis was provided to the May board of directors, in connection with arriving at its opinion, Morgan Stanley considered all of its analysis as a whole and did not attribute any particular weight to any analysis described below. These summaries of financial analyses include information presented in tabular format. In order to fully understand the financial analyses used by Morgan Stanley, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses.

In connection with its analysis, Morgan Stanley calculated the per share implied merger consideration pursuant to the merger agreement, which was the sum of \$17.75 plus 0.3115 shares of Federated common stock having a value of \$17.75 based on the average price per share of Federated common stock for the ten-day trading period ending February 25, 2005 which was \$56.99.

In addition, for purposes of its analysis, Morgan Stanley noted that both May and Federated have fiscal years ending on January 31, so references to specific years in the following analyses refer to fiscal years ending on January 31 of the following year. For example, a reference to 2007 earnings per share represents the earnings per share for the fiscal year ending January 31, 2008.

May Historical Common Stock Performance

Morgan Stanley performed an historical share price analysis to provide the May board with background information and perspective with respect to the historical share prices of May common stock. Consequently, Morgan Stanley reviewed the historical closing prices and average closing prices of May common stock over various periods over the last ten years. The tables below show Morgan Stanley's findings of the historical performance of May common stock.

Average Share Price ⁽¹⁾ ⁽²⁾	Average Price
For Period Ending February 25, 2005	(\$)
6 Months	28.31

1 Year	28.94
2 Years	27.22
3 Years	27.68
5 Years	29.05
10 Years	31.38

(1) Represents unweighted average

(2) Represents split-adjusted prices

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May Common Stock - Historical Trading Range For Period Ending February 25, 2005	Low (\$)	High (\$)
6 Months	24	35
1 Year	24	36
3 Years	18	38

Morgan Stanley noted that the per share implied merger consideration for May common stock was \$35.50 calculated as of February 25, 2005.

Federated Historical Common Stock Performance

Morgan Stanley performed an historical share price analysis to provide the May board with background information and perspective with respect to the historical share prices of Federated common stock. Consequently, Morgan Stanley reviewed the historical trading ranges of Federated common stock over various periods over the last three years. The tables below show Morgan Stanley's findings of the historical performance of Federated common stock.

Federated Common Stock - Historical Trading Range For Period Ending February 25, 2005	Low (\$)	High (\$)
6 Months	43	59
1 Year	43	59
3 Years	24	59

Morgan Stanley noted that the price per share of Federated common stock as of February 25, 2005 was \$56.79.

Historical Relative Stock Price Analysis

Morgan Stanley reviewed the closing per share prices of May common stock relative to the corresponding closing per share prices of Federated common stock over various periods over the last five years. These relative stock prices are referred to as historical relative stock prices. Morgan Stanley examined these historical relative stock prices and found them to be as follows:

Period Ending February 25, 2005	Historical Relative Stock Price (x)	Implied Price (\$)⁽²⁾
February 25, 2005	0.622	35.35
January 14, 2005 ⁽¹⁾	0.477	27.84
Last 6 Months	0.541	30.72
Last 1 Year	0.571	32.43
Last 2 Years	0.607	34.47
Last 3 Years	0.675	38.36
Last 5 Years	0.749	42.53

(1) Last trading day prior to reports appearing in the popular press regarding a potential transaction

- (2) Calculated by multiplying the historical relative stock price for a given period by Federated's closing share price of \$56.79 as of February 25, 2005, with the exception of the January 14, 2005 implied price which was based on Federated's closing share price of \$58.37 as of that date

Morgan Stanley noted that the implied merger consideration for May common stock was \$35.50 and the implied relative stock price (assuming no cash consideration) was 0.625x, each calculated as of February 25, 2005.

Historical Forward P/E Ratio Analysis

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Morgan Stanley reviewed and compared the historical forward P/E ratios for May and Federated. These ratios are calculated by dividing the share price as of a certain date by the 12-month forward EPS, or future earnings per share, estimate as of that same date based on the I/B/E/S median of publicly available equity research projections. I/B/E/S is a data source that monitors and publishes a compilation of earnings per share estimates produced by selected research analysts on companies of interest to investors. Morgan Stanley examined these ratios over various periods ending February 25, 2005. These average historical forward P/E ratios, as well as the implied premium of May's ratios to those of Federated, are as follows:

Period Ending February 25, 2005	P/E Ratios		May
	May	Federated	Premium
February 25, 2005	15.6x	12.4x	26.4%
January 14, 2005	12.2x	12.7x	(4.2%)
Last 6 Months	12.1x	11.8x	3.0%
Last 1 Year	12.4x	11.9x	4.1%
Last 2 Years	12.7x	11.7x	8.6%
Last 3 Years	12.2x	10.9x	11.5%
Last 5 Years	11.6x	10.3x	13.6%
All-Time High (during the last 5 years)	16.9x ⁽¹⁾	14.1x ⁽²⁾	19.9%

(1) As of February 18, 2004

(2) As of March 4, 2004

Morgan Stanley noted that the implied forward P/E multiple based on the implied merger consideration for May common stock of \$35.50 calculated as of February 25, 2005 was 15.7x and the implied premium represented by the implied merger consideration was 27.0%.

Selected Precedent Transaction Analysis

Morgan Stanley reviewed and compared the proposed financial terms and the premium implied in the merger to corresponding publicly available financial terms and premia of selected transactions. In selecting these transactions Morgan Stanley reviewed transactions since January 1, 2000 to present with an aggregate value greater than \$10 billion involving cash consideration representing between 25% and 50% of the transaction's total aggregate value. In this analysis, aggregate value is a measure of each company's value that is calculated by adding its market capitalization, total debt, preferred shares and minority interest less cash and cash equivalents.

In its analysis, Morgan Stanley reviewed the following precedent transactions:

GPU Inc. / FirstEnergy

Banacci / Citigroup

Sears Roebuck / KMart Holding Corp

Guidant / Johnson & Johnson

Times Mirror / Tribune

Aventis / Sanofi-Synthelabo

Caesars Entertainment / Harrah's Entertainment

Credit Commercial de France / HSBC

No transaction utilized in the selected precedent transactions analysis is identical to the merger. In evaluating the transactions, Morgan Stanley made judgments and assumptions with regard to industry performance, general

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business, economic, market and financial conditions and other matters, many of which are beyond the control of May or Federated, such as the impact of competition on May or Federated and the industry generally, industry growth and the absence of any adverse material change in the financial condition and prospects of May or Federated or in the financial markets in general. Mathematical analysis, such as determining the mean or median, or the high or the low, is not in itself a meaningful method of using comparable transaction data.

Morgan Stanley derived from these selected transactions a reference range of premia paid relative to the trading share prices at two different periods of time preceding the announcement of a transaction. The premium paid relative to the share price four weeks prior to deal announcement ranged from 15.5% to 67.1%, with a median of 32.8%. The premium paid relative to the share price one day prior to deal announcement ranged from 7.0% to 96.1%, with an average of 17.1%. Morgan Stanley then selected an unaffected premium range of 20% to 30% based on the precedent transactions as listed above and applied that range to the May common stock price as of January 14, 2005, the last trading day prior to news reports appearing in the popular press regarding potential discussions between May and Federated. The analysis resulted in a range of implied values of \$33 to \$36 per share of May common stock.

Morgan Stanley noted that the per share implied merger consideration for May common stock was \$35.50 calculated as of February 25, 2005.

Present Value of May Analyst Targets

Morgan Stanley performed a discounted price target analysis to arrive at a range of present values per share of May. Specifically, Morgan Stanley considered the range of publicly available equity research analyst price targets for May before January 14, 2005, and calculated the present value of such targets based on a nine-month period and assuming a 10% estimated cost of equity. This analysis resulted in a range of implied values of \$28 to \$33 per share of May common stock.

Morgan Stanley noted that the per share implied merger consideration for May common stock was \$35.50 calculated as of February 25, 2005.

Present Value of Federated Analyst Targets

Morgan Stanley performed a discounted price target analysis to arrive at a range of present values per share of Federated. Specifically, Morgan Stanley considered the range of publicly available equity research analyst price targets for Federated and calculated the present value of such targets based on a nine-month period and assuming a 10% estimated cost of equity. This analysis resulted in a range of implied values of \$51 to \$61 per share of Federated common stock.

Morgan Stanley noted that the price per share of Federated common stock as of February 25, 2005, was \$56.79.

Present Value of May's Future Stock Price

Morgan Stanley performed a discounted equity value analysis to arrive at the present value of May's future stock price. Specifically, Morgan Stanley considered the range of values per share for May based on the estimated 2007 earnings per share provided by May's management under four different scenarios as well as based on the estimated 2007 earnings per share based on the I/B/E/S median of publicly available equity research projections, referred to as a Research Case. Morgan Stanley assumed all of the scenarios were achievable and did not make any judgment with respect to the potential risks embedded in the different scenarios prepared by May's management. The following table presents the resulting ranges of implied per share values for May, assuming a forward P/E multiple range of 11.0x to 15.0x based on the historical forward P/E range that was used to calculate the future stock price as of the end of 2006

and which was then discounted for a two-year period at a 10% estimated cost of equity.

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	Implied Per Share Value of May Common Stock
Research Case	\$22 - \$31
Management Case A ⁽¹⁾	\$25 - \$34
Management Case B ⁽²⁾	\$26 - \$35
Management Case C ⁽³⁾	\$28 - \$38
Management Case D ⁽⁴⁾	\$29 - \$40

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- (1) May management internal five-year projections
- (2) May management internal five-year projections including share repurchases and debt refinancing
- (3) May management internal five-year projections including share repurchases and debt refinancing and the benefits of divisional consolidation
- (4) May management internal five-year projections including share repurchases and debt refinancing, the benefits of divisional consolidations and sale of the credit card receivables

Morgan Stanley also prepared a sensitivity analysis on the present value of May's future stock price. Specifically, Morgan Stanley considered the range of values per share for May implied by a range of forward P/E multiples between 9.0x and 15.0x and a range of potential earnings per share compound annual growth rate between 2005 and 2007 of 0% to 20% and using May's 2004 earnings per share of \$1.93 (includes \$0.10 of store divestiture costs per 2004 earnings press release and \$0.13 of other charges per management guidance). This analysis resulted in a range of implied values per share of May common stock of \$14 to \$41.

Morgan Stanley noted that the per share implied merger consideration for May common stock was \$35.50 calculated as of February 25, 2005.

Present Value of Federated's Future Stock Price

Morgan Stanley performed a discounted equity value analysis to arrive at the present value of Federated's future stock price. Specifically, Morgan Stanley considered the range of values per share for Federated based on financial forecasts and estimates based on the I/B/E/S median of publicly available equity research projections for 2005 to 2007. The following table presents the resulting ranges of implied per share values for Federated, assuming Federated's current forward P/E multiple range of 12.0x - 13.0x for 2005 to estimate the current Federated stock price and assuming Federated's historical P/E range of 10.0x - 14.0x for 2006 and 2007 to estimate Federated's future stock prices as of the end of 2005 and 2006 and which were then discounted for one year and two years, respectively, at a 10.0% estimated cost of equity.

	Implied Per Share Value of Federated Common Stock
2005E EPS of \$4.60	\$55 - \$60
2006E EPS of \$4.98	\$45 - \$63
2007E EPS of \$5.43	\$45 - \$63

Morgan Stanley noted that the price per share of Federated common stock as of February 25, 2005 was \$56.79.

May Discounted Cash Flow Analysis

Morgan Stanley performed a five-year discounted cash flow analysis for May, calculated as of February 25, 2005, of the after-tax unlevered free cash flows for 2005 through 2009, based on the financial forecasts and estimates of Scenarios A and C (as previously described in Present Value of May Future Stock Price) provided by May management as well as using financial forecasts and estimates based on the I/B/E/S median of publicly available equity research projections. Morgan Stanley estimated a range of terminal values calculated in 2009 based on a perpetual growth rate range of 0.5% to 1.5%. Morgan Stanley discounted the unlevered free cash flow streams and the estimated terminal value to a present value at a discount rate of 8.0% for each case. The discount rates utilized in this analysis were chosen based upon an analysis of the weighted average cost of capital of May and other comparable companies. Based on the aforementioned projections and assumptions, the discounted cash flow analysis of May yielded an implied valuation range of May common stock as follows:

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Research Case: \$22 \$27 per share

Management Case A: \$29 \$35 per share

Management Case C: \$33 \$39 per share

Morgan Stanley noted that the per share implied merger consideration for May common stock was \$35.50 calculated as of February 25, 2005.

Federated Discounted Cash Flow Analysis

Morgan Stanley performed a five-year discounted cash flow analysis for Federated, calculated as of February 25, 2005, of the after-tax unlevered free cash flows for 2005 through 2009, based on financial forecasts and estimates based on the I/B/E/S median of publicly available equity research projections. Morgan Stanley estimated a range of terminal values calculated in 2009 based on a perpetual growth rate range of 0.5% to 1.5%. Morgan Stanley discounted the unlevered free cash flow streams and the estimated terminal value to a present value at a discount rate of 8.0%. The discount rates utilized in this analysis were chosen based upon an analysis of the weighted average cost of capital of Federated and other comparable companies. Based on the aforementioned projections and assumptions, the discounted cash flow analysis of Federated yielded an implied valuation range of Federated common stock of \$58 to \$67 per share.

Morgan Stanley noted that the price per share of Federated common stock as of February 25, 2005 was \$56.79.

Present Value Analysis of the Offer

Morgan Stanley evaluated the components of the per share implied merger consideration for May common stock to arrive at the present value of the merger consideration on a per share basis. In arriving at the present value of the stock portion of the merger consideration on a pro forma basis, Morgan Stanley conducted the analysis using the present value of future stock price methodology, as described above, assuming a forward P/E multiple range of 12.0x to 14.0x and an estimated cost of equity of 10.0% and the discounted cash flow valuation methodology, as described above, assuming a perpetual growth rate range of 1.0% to 1.5% and a weighted average cost of capital of 8.0%. Morgan Stanley used two pro forma scenarios that each based on forecasts and estimates provided by Federated's management which assumed, among other things, cost synergies, certain adjustments for lost sales from stores sold, sales disruption and one time costs based on guidance from Federated's management. The two scenarios differed primarily in the following respects :

Pro Forma Scenario A: no sale of Federated's credit card receivables.

Pro Forma Scenario B: sale of Federated's credit card receivables at par, with Federated retaining 75% of the operating income of the portfolio and using the proceeds from the receivables sale over two years to pay down debt and buy back shares.

Based on the aforementioned assumptions and scenarios, the present value of future stock price analysis of Federated yielded an implied total value per share to May stockholders as follows:

Pro Forma Scenario A: \$38 \$41 per share

Pro Forma Scenario B: \$42 \$46 per share

Based on the aforementioned assumptions and scenarios, the discounted cash flow analysis of Federated yielded an implied total value per share to May stockholders as follows:

Pro Forma Scenario A: \$38 \$40 per share

Pro Forma Scenario B: \$45 \$47 per share

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Morgan Stanley noted that the per share implied merger consideration for May common stock was \$35.50 calculated as of February 25, 2005.

In connection with the review of the merger by May's board of directors, Morgan Stanley performed a variety of financial and comparative analyses for purposes of rendering its opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to a partial analysis or summary description. In arriving at its opinion, Morgan Stanley considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor considered by it. Morgan Stanley believes that the summary provided and the analyses described above must be considered as a whole and that selecting portions of these analyses, without considering all of them as a whole, would create an incomplete view of the process underlying its analyses and opinion. In addition, Morgan Stanley may have given various analyses and factors more or less weight than other analyses and factors and may have deemed various assumptions more or less probable than other assumptions, so that the range of valuations resulting from any particular analysis described above should therefore not be taken to be Morgan Stanley's view of the actual value of May and Federated combined.

In performing its analyses, Morgan Stanley made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of May and Federated. Any estimates contained in Morgan Stanley's analyses are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by these estimates. The analyses performed were prepared solely as a part of the analyses of Morgan Stanley of the fairness from a financial point of view of the consideration to be received by the holders of shares of May common stock pursuant to the merger agreement and were conducted in connection with the delivery by Morgan Stanley of its opinion dated February 27, 2005 to the board of directors of May. Morgan Stanley's analyses do not purport to be appraisals or to reflect the prices at which shares of common stock of May might actually trade. The merger consideration in the merger was determined through arm's-length negotiations between May and Federated and was approved by May's board of directors. Morgan Stanley did not recommend any specific merger consideration to May or that any given merger consideration constituted the only appropriate merger consideration for the merger.

In addition, Morgan Stanley's opinion and its presentation to May's board of directors was one of many factors taken into consideration by May's board of directors in deciding to approve the merger. Consequently, the analyses as described above should not be viewed as determinative of the opinion of May's board of directors with respect to the merger consideration or of whether May's board of directors would have been willing to agree to a different merger consideration.

Morgan Stanley is an internationally recognized investment banking and advisory firm. Morgan Stanley, as part of its investment banking and financial advisory business, is continuously engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. In the ordinary course of business, Morgan Stanley may from time to time trade in the securities of or indebtedness of May and Federated for its own account, the accounts of investment funds and other clients under the management of Morgan Stanley and for the accounts of its customers and, accordingly, may at any time hold a long or short position in these securities or indebtedness. Morgan Stanley has, from time to time, provided investment banking, commercial banking (including extension of credit) and other financial services to May for which it received compensation.

If the merger is consummated, May has agreed to pay Morgan Stanley under the terms of its engagement a fee equal to 0.003 multiplied by the value of the merger. May has also agreed to reimburse Morgan Stanley for its expenses incurred in performing its services and to indemnify Morgan Stanley and its affiliates, their respective directors, officers, agents and employees and each person, if any, controlling Morgan Stanley or any of its affiliates against certain liabilities and expenses, including certain liabilities under federal securities laws, related to or arising

out of Morgan Stanley's engagement and any related transactions.

Peter J. Solomon Company

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On February 23, 2005, May engaged PJSC to act as its financial advisor with respect to rendering a fairness opinion regarding the consideration proposed to be received by the holders of May common stock in the merger. On February 27, 2005, PJSC rendered its oral opinion telephonically to May's board of directors, which opinion was confirmed by delivery of a written opinion, which we refer to in this joint proxy statement/prospectus as PJSC's opinion, to the effect that, based upon and subject to various considerations set forth in such opinion, as of February 27, 2005, the consideration proposed to be received by the holders of May common stock in connection with the merger was fair from a financial point of view to the holders of May common stock.

The full text of PJSC's opinion, which sets forth assumptions made, procedures followed, matters considered, limitations on and scope of the review by PJSC in rendering PJSC's opinion, is attached to this joint proxy statement/prospectus as Annex C and is incorporated by reference into this joint proxy statement/prospectus. **PJSC's opinion was directed only to the fairness of the consideration proposed to be received by the holders of May common stock in the merger from a financial point of view, was provided to May's board of directors in connection with its evaluation of the merger, did not address any other aspect of the merger and did not, and does not, constitute a recommendation to any holder of May common stock as to how any stockholder should vote or act on any matter relating to the merger. The summary of PJSC's opinion set forth in this joint proxy statement/prospectus is qualified in its entirety by reference to the full text of such opinion. Holders of May common stock are urged to read PJSC's opinion carefully and in its entirety.** PJSC has consented to the use of PJSC's opinion in this joint proxy statement/prospectus.

In connection with PJSC's opinion, PJSC:

- (i) reviewed certain publicly available financial statements and other information of May and Federated;
- (ii) reviewed certain internal financial statements and other financial and operating data concerning May prepared by the management of May;
- (iii) reviewed certain financial projections for May prepared by the management of May;
- (iv) reviewed financial forecasts and estimates for Federated prepared by independent research analysts contained in publicly available research reports regarding the future financial performance of Federated and discussed such forecasts and estimates with the management of Federated;
- (v) discussed the past and current operations, financial condition and prospects of May with the management of May;
- (vi) discussed the past and current operations, financial condition and prospects of Federated, including information relating to certain strategic, financial and operational benefits anticipated from the merger, with the management of Federated;
- (vii) reviewed the reported prices and trading activity of May common stock and Federated common stock;
- (viii) compared the financial performance and condition of May and Federated and the reported prices and trading activity of May common stock and Federated common stock with that of certain other comparable publicly traded companies;
- (ix) reviewed publicly available information regarding the financial terms of certain transactions comparable, in whole or in part, to the merger;

- (x) reviewed the draft merger agreement dated as of February 25, 2005; and
- (xi) performed such other analyses as PJSC deemed appropriate.

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PJSC assumed and relied upon the accuracy and completeness of the information reviewed by PJSC for the purposes of this opinion and PJSC did not assume any responsibility for independent verification of such information and relied on such information being complete and correct. With respect to the financial projections of May, PJSC also assumed that the financial projections were reasonably prepared on bases reflecting the best currently available estimates and judgments of the future financial performance of May. PJSC was not provided with, and did not have any access to, any financial projections of Federated prepared by the management of Federated or May. Accordingly, upon advice of the management of Federated and with May's consent, PJSC assumed that the financial forecasts and estimates for Federated published by independent research analysts contained in publicly available research reports that PJSC reviewed were a reasonable basis upon which to evaluate the future financial performance of Federated, and PJSC relied upon such estimates, as modified by additional information from the management of Federated, in performing PJSC's analysis. Furthermore, with May's consent, PJSC relied upon the estimates made by the management of Federated of certain potential strategic, financial and other benefits expected to result from the merger without independent assessment. PJSC did not conduct a physical inspection of the facilities or property of May or Federated. PJSC did not assume any responsibility for any independent valuation or appraisal of the assets or liabilities of May or Federated, nor was PJSC furnished with any such valuation or appraisal. Furthermore, PJSC did not consider any tax effects of the merger on any person or entity.

PJSC assumed that the final form of the merger agreement would be substantially the same as the last draft reviewed by PJSC. PJSC also assumed that the merger would be consummated in accordance with the terms of the merger agreement, without waiver, modification or amendment of any material term, condition or agreement (including, without limitation, the consideration to be received by the holders of May common stock in connection with the merger), and that, in the course of obtaining the necessary regulatory or third party approvals, consents and releases for the merger, no delay, limitation, restriction or condition would be imposed that would have a material adverse effect on May or Federated or the contemplated benefits of the merger. PJSC further assumed that all representations and warranties set forth in the merger agreement were true and correct and that all parties to the merger agreement will comply with all covenants of such party thereunder.

PJSC's opinion was necessarily based on economic, market and other conditions as in effect on, and the information made available to PJSC as of, February 26, 2005. In particular, PJSC did not express any opinion as to the prices at which shares of either May common stock or Federated common stock may trade at any future time. Furthermore, PJSC's opinion did not address May's underlying business decision to undertake the merger.

No limitations were imposed by May's board of directors upon PJSC with respect to investigations made or procedures followed by PJSC in rendering PJSC's opinion.

The following summarizes the significant financial analyses performed by PJSC and reviewed with May's board of directors on February 27, 2005, in connection with the delivery of PJSC's opinion. The financial analyses summarized below include information presented in tabular format. In order to fully understand PJSC's financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of PJSC's financial analyses.

Historical Share Price Analysis – May

PJSC reviewed the closing prices and trading volumes of May common stock on the New York Stock Exchange from February 25, 2000, to February 25, 2005 (one trading day prior to the rendering of PJSC's opinion), to obtain background information with respect to the historical share price of May common stock. During the twelve months ended February 25, 2005, the high closing price for May common stock was \$36.31 per share and the low closing price was \$23.95 per share. In addition, during the twelve months ended February 25, 2005, the average closing price

for May common stock was \$28.94 per share and the median closing price was \$28.51 per share. During the period from February 25, 2000 to February 25, 2005, the high closing price for May common stock was \$41.25 per share and the low closing price was \$18.01 per share.

PJSC calculated the premiums implied by the blended merger consideration of \$35.44, which we refer to as the implied per share merger consideration, for each outstanding share of May common stock to derive premiums over

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the median price of May common stock for the specified time periods below. The implied per share merger consideration of \$35.44 is based on \$17.75 per share in cash and the 0.3115 shares of Federated common stock valued at \$56.79 as of the close of trading on February 25, 2005. PJSC derived premiums over the median price of May common stock for periods prior to (1) January 14, 2005 (the date on which, after the stock market's close, May announced the resignation of its chief executive officer, after which, on the following trading day, the price of May common stock price closed at \$32.21, up 15.7%), and (2) February 25, 2005 (one trading day prior to the rendering of PJSC's opinion). PJSC analyzed premiums over the median price of May common stock prior to January 14, 2005, in order to analyze the premiums without the effect on the price of May common stock of public speculation regarding a potential merger with Federated. The derived premiums were:

	Offer Price Premium to Median
Time Periods Prior to Jan. 14, 2005:	
7 Days Prior	27.6%
30 Days Prior	23.7
60 Days Prior	23.6
90 Days Prior	24.6
180 Days Prior	35.5
Last 1 Year Prior	24.3
Last 3 Years Prior	28.9
Last 5 Years Prior	23.9
Time Periods Prior to Feb. 25, 2005:	
7 Days Prior	4.3
30 Days Prior	6.3
60 Days Prior	11.0
90 Days Prior	20.9
180 Days Prior	25.6
Last 1 Year Prior	24.3
Last 3 Years Prior	28.9
Last 5 Years Prior	23.5

PJSC noted that the implied per share merger consideration exceeded the median for all periods analyzed as shown above.

PJSC also reviewed the relative performance from February 25, 2000, to February 25, 2005, of (1) May, (2) Federated, (3) the Standard & Poor's 500 Index, and (4) a market capitalization weighted industry index consisting of the following department store retailers: Dillard's, Inc., J.C. Penney Company, Inc., Kohl's Corporation, Nordstrom, Inc., The Neiman Marcus Group, Inc. and Saks Incorporated. During the period from February 25, 2004, to February 25, 2005 (one trading day prior to the rendering of PJSC's opinion), the price of May common stock returned 0.0%, the price of Federated common stock increased 8.1%, the market capitalization weighted index appreciated 14.3%, and the S&P 500 Index appreciated 5.9%. During the period from February 25, 2000, to February 25, 2005, the price per share of May common stock increased 38.0%, the price per share of Federated common stock increased 74.4%, the market capitalization weighted index appreciated 97.9%, and the S&P 500 Index depreciated 9.1%.

Analysis of Selected Publicly Traded Comparable Companies

PJSC reviewed and compared selected financial data of May with similar data using publicly available information of the following publicly traded companies, which, based on PJSC's experience with companies in the department store retail industry, PJSC deemed comparable to May: Federated, Dillard's, Inc., J.C. Penney Company,

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Inc., Kohl's Corporation, Nordstrom, Inc., The Neiman Marcus Group, Inc. and Saks Incorporated. These companies are referred to in this joint proxy statement/prospectus as the comparable companies.

PJSC calculated and compared various financial multiples and ratios, including, among other things: (1) the most recent stock price per share as a multiple of earnings per share, commonly referred to as E.P.S., for the fiscal years (ended January 31 of the following year) 2004, 2005 and 2006 based upon (i) the closing stock prices as of February 25, 2005, and the median of Wall Street analysts' estimates for E.P.S. as reported by First Call Investment Research on February 25, 2005 (one trading day prior to the date of rendering of PJSC's opinion) for the comparable companies and (ii) E.P.S. for May based on (a) actual 2004 E.P.S. of May, (b) a set of projections prepared by May management, which we refer to as the Base Case, and (c) the median of Wall Street analysts' expectations for fiscal years 2005 and 2006; and (2) enterprise value (which represents total equity value plus book values of total debt, preferred stock and minority interests less cash) as a multiple of (i) net sales, earnings before interest and taxes, commonly referred to as EBIT, and earnings before interest, taxes, depreciation and amortization, commonly referred to as EBITDA, for the comparable companies and (ii) pro forma net sales, EBIT and EBITDA of May (assuming the acquisition of Marshall Field's occurred at the beginning of fiscal 2004, according to management of May), in either case, over the latest twelve months or fiscal year ended January 31, 2005, commonly referred to as the LTM.

Based on this data, as of February 25, 2005, PJSC developed a summary valuation analysis based on a range of trading valuation multiples and ratios for certain of the comparable companies and May. This analysis resulted in the following ranges of multiples and ratios:

	Range of Trading Multiples
Trailing LTM Data	
Enterprise Value as a Ratio of:	
Net Sales	60.0% - 115.0%
EBITDA	6.0x - 8.0x
EBIT	9.0x - 14.0x
Equity Value as a Ratio of:	
Net Income	22.0x - 14.0x
Projected Data	
Equity Value as a Ratio of:	
2005 Net Income	12.0x - 20.0x
2006 Net Income	11.0x - 16.0x

PJSC calculated the implied equity value per share of May common stock using the range of multiples and ratios applied to May financial statistics, both excluding and including a control premium. For these purposes, PJSC used a control premium of 19%, which is the mean control premium paid (to closing price one week prior) in all announced United States mergers and acquisitions transactions valued over \$1 billion since February 22, 2002, as reported by Thomson Mergers & Acquisitions.

Based on the foregoing, this analysis yielded a range of values from \$20.00 to \$40.00 per share for May common stock excluding a control premium and a range of values from \$23.80 to \$47.60 per share of May common stock including a control premium. PJSC noted that the implied per share merger consideration fell within the range of results from these analyses.

Analysis of Selected Comparable Transactions

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Using publicly available information, PJSC reviewed certain mergers and acquisitions transactions in the department store retail industry which PJSC believed were comparable to the merger. The list of transactions reviewed were (including the acquiror and target in the transaction, respectively):

- (i) Kmart Holding Corporation/Sears Roebuck & Co.
- (ii) Jones Apparel Group/Barneys, Inc.
- (iii) May/Marshall Field's and nine Mervyn's stores
- (iv) Proffitt's Inc./Saks Holdings, Inc.
- (v) Dillard's Inc./Mercantile Stores Co. Inc.
- (vi) Proffitt's Inc./Carson Pirie Scott & Co.
- (vii) Proffitt's Inc./Parisian, Inc.
- (viii) May/Strawbridge & Clothier
- (ix) Federated/Broadway Stores Inc.
- (x) Federated/R.H. Macy & Co., Inc.

These transactions are referred to in this joint proxy statement/prospectus as the comparable transactions.

PJSC calculated the multiples of LTM net sales, EBITDA and EBIT paid in these selected comparable transactions. PJSC calculated the implied equity values per share for May using this range of multiples and ratios applied to pro forma statistics for 2004 of May (assuming the acquisition of Marshall Field's occurred at the beginning of fiscal 2004, according to management of May). This analysis resulted in the following ranges of multiples and ratios:

	Range of Multiples
Enterprise Value as a Ratio of:	
Net Sales	65.0% - 125.0%
EBITDA	8.0x - 14.5x
EBIT	11.0x - 19.0x

Based on the foregoing, this analysis yielded a range of values from \$28.00 to \$60.00 per share of May common stock. PJSC noted that the implied per share merger consideration fell in the range of the results of this analysis.

Discounted Cash Flow Analysis

PJSC performed a discounted cash flow analysis to calculate the net present value per share of May common stock based on (a) the Base Case and (b) a set of projections of May provided by May management derived from adding to the Base Case the following: the benefits of combining certain May divisions, the sale of May's receivables portfolio and special share repurchases and debt refinancing per May's management, which we refer to as the Alternative Case. In performing its discounted cash flow analysis, PJSC considered various assumptions that it deemed appropriate

based on a review with management of May's prospects and risks. PJSC believed it appropriate to utilize various discount rates ranging from 7.5% to 9.5% and EBITDA terminal value multiples ranging from 6.5x to 8.5x to apply to forecasted EBITDA for the fiscal year 2008.

Based on the foregoing, this analysis yielded a range of net present values from \$27.00 to \$42.00 per share of May common stock based on the Base Case and a range of net present values from \$32.00 to \$46.00 per share of

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May common stock based on the Alternative Case. PJSC noted that the implied per share merger consideration fell within the range of results from these analyses.

Historical Share Price Analysis Federated

PJSC reviewed the closing prices and trading volumes of Federated common stock on the New York Stock Exchange from February 25, 2000, to February 25, 2005 (one trading day prior to the rendering of PJSC's opinion). During the twelve months ended February 25, 2005, the high closing price for the Federated common stock was \$59.13 per share and the low closing price was \$43.11 per share. In addition, during the twelve months ended February 25, 2005, the average closing price for Federated common stock was \$50.70 per share and the median closing price was \$49.99 per share. During the period from February 25, 2000, to February 25, 2005, the high closing price for Federated common stock was \$59.13 per share and the low closing price was \$23.50 per share.

Relative Contribution Analysis

PJSC calculated the relative net sales, EBITDA, EBIT and net income contributions of May and Federated based on actual historical results and projected results based on Base Case of May and a set of estimates of Federated based on Federated management's guidance relating to net sales, comparable store sales growth, EBITDA and E.P.S. in fiscal year 2005 and fiscal year 2006 and E.P.S. growth rate, which we refer to in this joint proxy statement/prospectus as the Guidance Case. PJSC compared the actual net income contribution of each company for fiscal years 2002, 2003 and 2004 and the projected net income contribution of each company for fiscal years 2005, 2006 and 2007 to the equity value contributions of each company to the combined company based on the implied per share merger consideration for May and the closing price for Federated common stock as of February 25, 2005. PJSC noted that the equity value contribution of May at the implied per share merger consideration exceeded the net income contribution of May for all periods analyzed. PJSC also compared actual net sales, EBITDA and EBIT (pro forma for May in 2004) for fiscal years 2002, 2003 and 2004 and projected net sales, EBITDA and EBIT for fiscal years 2005, 2006 and 2007 to contributions of each company to the enterprise value contributions of each to the combined company based on the implied per share merger consideration for May common stock and the closing price for Federated common stock as of February 25, 2005. PJSC noted that the enterprise value contribution of May at the implied per share merger consideration exceeded each of the net sales, EBITDA and EBIT contributions of May for all periods analyzed.

Historical Exchange Ratio Analysis

PJSC compared the historical per share prices of May common stock and Federated common stock for the one-year period prior to February 25, 2005, in order to determine the implied average exchange ratio that existed for the period. PJSC noted that the implied exchange ratio of 0.624x shares of Federated common stock for each share of May common stock (based on the implied per share merger consideration divided by Federated's closing stock price of \$56.79 per share on February 25, 2005) is greater than the average exchange ratio of 0.571x for the one-year period prior to February 25, 2005.

Pro Forma Merger Analysis

PJSC analyzed the pro forma impact of the merger on Federated's E.P.S. in fiscal years ended January 31, 2007, 2008 and 2009. PSJC compared the projected stand alone earnings per share of Federated common stock based on the Guidance Case, on a standalone basis, to the pro forma earnings per share of the common stock of the combined company based on the Guidance Case of Federated and the Base Case of May. This analysis took into account certain adjustments for lost sales from stores sold and sales disruptions based on guidance from management of Federated. This analysis was performed both with and without synergies in 2007, 2008 and 2009 based on guidance from

management of Federated. This analysis indicated that, excluding synergies, the merger would be dilutive in 2007 and 2008 and accretive in 2009 to holders of Federated common stock. Including the synergies, this analysis indicated that the merger would be accretive on an earnings per share basis in 2007, 2008 and 2009 to holders of Federated common stock.

Miscellaneous

In arriving at PJSC's opinion, PJSC performed a variety of financial analyses, the material portions of which are summarized above. The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant methods of financial analyses and the application of those methods to the

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particular circumstances and, therefore, such an opinion is not necessarily susceptible to a partial analysis or summary description. In arriving at its opinion, PJSC did not attribute any particular weight to any analysis or factor considered by it, but rather made qualitative judgments as to significance and relevance of each analysis and factor. Accordingly, PJSC believes that its analysis must be considered as a whole and that selecting portions of its analysis, without considering all such analyses, could create an incomplete view of the process underlying PJSC's opinion.

In performing its analyses, PJSC relied on numerous assumptions made by the management of May and Federated and made numerous judgments of its own with regard to current and future industry performance, general business and economic conditions and other matters, many of which are beyond the control of May and Federated. Actual values will depend upon several factors, including changes in interest rates, dividend rates, market conditions, general economic conditions and other factors that generally influence the price of securities. The analyses performed by PJSC are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by such analyses. Such analyses were prepared solely as a part of PJSC's analysis of the fairness from a financial point of view of the consideration proposed to be received by the holders of May common stock in connection with the merger and were provided to May's board of directors in connection with the delivery of PJSC's opinion. The analyses do not purport to be appraisals or necessarily reflect the prices at which businesses or securities might actually be sold, which are inherently subject to uncertainty. Because such analyses are inherently subject to uncertainty, neither of May or PJSC or any other person assumes responsibility for their accuracy. With regard to the comparable public company analysis and the comparable transactions analysis summarized above, PJSC selected comparable public companies on the basis of various factors for reference purposes only; however, no public company or transaction utilized as a comparison is fully comparable to May or the merger. Accordingly, an analysis of the foregoing was not mathematical; rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the comparable companies and other factors that could affect the acquisition or public trading value of the comparable companies and transactions to which May and the merger were being compared. The merger consideration in the merger was determined through arm's-length negotiations between May and Federated and was approved by May's board of directors. PJSC did not recommend any specific merger consideration to May or that any given merger consideration constituted the only appropriate merger consideration for the merger. In addition, as described elsewhere in this joint proxy statement/prospectus, PJSC's opinion was one of many factors taken into consideration by May's board of directors in evaluating the merger. Consequently, the PJSC analyses described above should not be viewed as determinative of the opinion of May's board of directors or management with respect to the merger.

As part of its investment banking activities, PJSC is regularly engaged in the evaluation of businesses and their securities in connection with mergers and acquisitions, restructurings and valuations for corporate or other purposes. May's board of directors selected PJSC to deliver an opinion with respect to the consideration proposed to be received by the holders of May common stock in connection with the merger on the basis of such experience.

The financial advisory services PJSC provided to May in connection with the merger were limited to the delivery of PJSC's opinion.

Under the terms of its engagement with May, PJSC received a fee of \$1,650,000 for its financial advisory services in connection with the merger, all of which was payable upon the delivery of PJSC's opinion. In addition, May has also agreed to reimburse PJSC for its out-of-pocket expenses, including fees and disbursements of its counsel, incurred in connection with its engagement and to indemnify PJSC and certain related persons against liabilities and expenses, including liabilities under the federal securities laws, relating to or arising out of its engagement as financial advisor to May.

PJSC has not received compensation during the last two years for providing investment banking services to May or Federated.

Opinion of Federated's Financial Advisor

Goldman, Sachs & Co. 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

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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. 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. We encourage you to read the opinion in its entirety.

In connection with rendering the opinion described above and performing its related financial analyses, Goldman Sachs reviewed, among other things:

the merger agreement;

annual reports to stockholders and Annual Reports on Form 10-K of Federated and May for the five fiscal years ended January 31, 2004;

certain interim reports to stockholders and Quarterly Reports on Form 10-Q of Federated and May;

certain other communications from Federated and May to their respective stockholders;

certain internal financial analyses and forecasts for Federated prepared by its management; and

certain financial analyses and forecasts for May prepared by the management of Federated which are referred to as the Forecasts, including certain cost savings and operating synergies projected by the management of Federated to result from the merger, which are referred to as the synergies.

Goldman Sachs held discussions with members of the senior management of Federated regarding their assessment of the strategic rationale for, and the potential benefits of, the merger. Goldman Sachs also held discussions with members of the senior management of Federated and May regarding the past and current business operations, financial condition and future prospects of Federated and May.

In addition, Goldman Sachs:

reviewed the reported price and trading activity for the shares of Federated common stock and the shares of May common stock;

compared certain financial and stock market information for Federated and May with similar information for certain other companies the securities of which are publicly traded;

reviewed the financial terms of certain recent business combinations in the department store and retail industry specifically and in other industries generally; and

performed such other studies and analyses, and considered such other factors, as Goldman Sachs considered appropriate.

Goldman Sachs has relied upon the accuracy and completeness of all of the financial, accounting, legal, tax and other information discussed with or reviewed by it and has assumed such accuracy and completeness for purposes of rendering its opinion. In that regard, Goldman Sachs has assumed with the consent of Federated that the Forecasts, including the synergies, were reasonably prepared on a basis reflecting the best currently available estimates and

judgments of Federated. In addition, Goldman Sachs did not make an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or off-balance-sheet assets and liabilities and the credit card assets as to which Federated has announced that it is exploring various alternatives) of Federated or May or any of their respective subsidiaries, and Goldman Sachs was not furnished with any such evaluation or appraisal. Goldman Sachs also assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the merger will be obtained without any adverse effect on Federated or May, or the expected benefits of the merger, in any way meaningful to Goldman Sachs analyses.

The following is a summary of the material financial analyses presented by Goldman Sachs on February 25, 2005, and February 27, 2005, to Federated's board of directors in connection with rendering its opinion. The following summary, however, does not purport to be a complete description of the financial analyses performed by Goldman Sachs. The order of analyses described does not represent the relative importance or weight given to those analyses by Goldman Sachs. Some of the summaries of the financial analyses include information presented in

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tabular format. The tables must be read together with the full text of each summary and are alone not a complete description of Goldman Sachs' financial analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before February 27, 2005, and is not necessarily indicative of current market conditions.

Transaction Premium Analysis

Goldman Sachs calculated the implied premia that would be received by May stockholders on the basis of the implied transaction price per share of \$35.50 in the merger which was calculated using a fixed exchange ratio of 0.3115 Federated common shares for each May share of common stock, fixed cash consideration of \$17.75 per share of May common stock and the share price of \$56.99 of Federated common stock based on the ten-day average trading price as of February 25, 2005, (the last trading day prior to the announcement of the proposed merger), compared with the following trading prices for May common stock:

the closing price of \$27.73 on January 13, 2005 (the last full trading day prior to any speculation regarding the resignation of May's chief executive officer and a potential transaction between Federated and May);

the average trading price of \$29.03 over the one-year period prior to January 13, 2005; and

the twelve-month high trading price of \$36.31.

The results of Goldman Sachs' calculations are reflected below:

	Implied Premium Based On Implied Transaction Price Per Share of \$35.50
May Stock Price On:	
January 13, 2005	28.0%
One-year average	22.3%
Twelve-month High	(2.2)%

Implied Transaction Multiples

In performing this analysis, Goldman Sachs first derived the implied fully diluted equity consideration and the implied enterprise value in the merger based on the implied transaction price per share of \$35.50 in the merger. The fully diluted equity consideration amount was derived by multiplying the implied transaction price per share of \$35.50 by the number of fully diluted shares of May common stock outstanding as of February 25, 2005, assuming the conversion of May's convertible preferred shares subject to its employee stock option plan, referred to as the ESOP, based on information provided by May management. The enterprise value of May was derived by adding the fully diluted equity consideration to May's net debt of \$5,925 million, as estimated for May as of July 31, 2005 (the estimated closing date of the merger), by Federated management. Net debt means total debt less cash and cash equivalents.

Goldman Sachs also calculated the fully diluted May equity consideration amount based on the implied transaction price per share of \$35.50 as a multiple of the 2005 and 2006 net income for May based on estimates as of February 12, 2005, prepared by Federated management.

Goldman Sachs also calculated the May enterprise value based on the implied transaction price per share of \$35.50 as a multiple of the following historical and estimated financial results for May:

2004 net sales based on publicly available information;

Federated management's estimates of May net sales for 2005 and 2006;

2004 earnings before interest, taxes, depreciation and amortization, or EBITDA, based on publicly available information;

Federated management's estimates of May EBITDA for 2005 and 2006;

2004 earnings before interest and taxation, or EBIT, based on publicly available information; and

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Federated management's estimates of May EBIT for 2005 and 2006.

All 2004 financial results for May give effect to a full year pro forma adjustment for May's acquisition of Marshall Field's from Target Corporation in July 2004. In addition, all net sales amounts used for purposes of the foregoing calculations exclude leased and licensed department income. Each year referred to relates to the fiscal year ending in January of the following year.

The results of these analyses are as follows:

Fully Diluted Equity Consideration as a Multiple of:	Implied Transaction Price per Share:
2005 estimated net income	17.4x
2006 estimated net income	15.0x
Enterprise Value as a Multiple of:	
2004 net sales	1.1x
2005 estimated net sales	1.1x
2006 estimated net sales	1.0x
2004 EBITDA	8.5x
2005 estimated EBITDA	7.9x
2006 estimated EBITDA	7.5x
2004 EBIT	13.1x
2005 estimated EBIT	11.8x
2006 estimated EBIT	10.9x

Discounted Cash Flow Analysis

Goldman Sachs performed a discounted cash flow analysis with respect to May, giving effect to the synergies projected to result from the merger and related one-time costs, based on projections for May as prepared by Federated management and publicly available information. For the purposes of this analysis, Goldman Sachs utilized outstanding share and option information for May as provided by May management and assumed the conversion of all of May's ESOP preference shares into common shares and the exercise of all in-the-money options.

In performing this discounted cash flow analysis, Goldman Sachs used estimates of May's unlevered free cash flows for the period from 2005 through 2009 and estimates of unlevered free cash flows from synergies projected to result for the period from 2005 through 2014, in each case prepared by Federated management, and applied discount rates ranging from 8.0% to 11.0% and terminal EBITDA multiples ranging from 6.0x to 7.0x. Goldman Sachs derived implied equity value indications ranging from \$32.47 to \$45.46 per share with respect to May common stock.

Pro Forma EPS Analysis

Goldman Sachs compared, for each of 2006 (the first full-year following projected completion of the merger), 2007 and 2008, the estimated earnings per share, referred to as EPS, of Federated on a standalone basis with the estimated EPS of the combined company (in two cases, excluding one-time costs and including one-time costs), using estimates prepared by Federated management for each of Federated, May, and the synergies projected to result from the merger and an illustrative asset integration strategy involving the closing of stores. Goldman Sachs prepared these analyses

based on a total consideration per share of May common stock of \$17.75 in cash and 0.3115 shares of the common stock of Federated.

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Based on the foregoing and a merger closing date of July 31, 2005, and without giving effect to the one-time costs, the merger would be dilutive to Federated's EPS in 2006 and somewhat accretive in each of 2007 and 2008. In giving effect to those one-time costs, the proposed merger would be significantly dilutive to Federated's EPS in 2006, dilutive in 2007 and somewhat accretive in 2008.

Unlevered Internal Rate of Return Analysis

Goldman Sachs performed an analysis of the implied internal rates of return that could theoretically be realized by an acquirer of May by utilizing projections of May's unlevered free cash flows for 2005 through 2014 as estimated by Federated's management and based on publicly available information. These projections included the synergies projected to result from the merger and an illustrative asset integration strategy involving the closing of stores. Goldman Sachs calculated implied rates of return assuming an acquisition of May as of July 31, 2005, based on a range of purchase prices per share of May common stock of \$35.00 to \$36.00 and a disposition of May by the acquirer at the end of 2014 at aggregate prices equal to 6.0x, 6.5x and 7.0x projected 2014 EBITDA. Based on the foregoing assumptions, Goldman Sachs derived a range of implied internal rates of return of 9.6% to 11.1%.

Selected Companies Analysis

Goldman Sachs reviewed selected publicly available financial information, ratios and multiples for May and compared that data to corresponding data for the following selected companies in the department store and retail industry:

Dillard's, Inc.

Federated Department Stores, Inc.

Nordstrom, Inc.

The Neiman Marcus Group, Inc.

J.C. Penney Company, Inc.

Saks Incorporated

Although none of the selected companies are directly comparable to May, the companies included were chosen because they are publicly traded companies with operations that, for purposes of analysis, may be considered similar to the operations of May.

The equity market capitalization for the selected companies utilized by Goldman Sachs was calculated by multiplying each company's closing stock price as of February 25, 2005, by the number of that company's fully diluted shares outstanding. The equity capitalization for May was calculated based on the \$35.50 per share implied transaction price to be received by May stockholders in the merger. Each company's enterprise value was calculated by adding to its diluted equity market capitalization the amount of its net debt as of the end of its most recently completed fiscal quarter. Historical financial results utilized by Goldman Sachs for purposes of this analysis were based upon information contained in the applicable company's latest publicly available financial statements as of February 25, 2005. Estimates of future results used by Goldman Sachs in this analysis were calendarized and based on median estimates provided by Institutional Brokers Estimate System, referred to as IBES (a data service that compiles estimates issued by securities research analysts). Certain historical and estimated results were adjusted to reflect or exclude the pro forma effect of acquisitions. Goldman Sachs' analysis of the selected companies compared the following to the results for May:

the February 25, 2005, closing stock price as a percentage of the 52-week high stock price;

enterprise value as a multiple of (1) sales for the twelve-month period completed as of the end of the quarter most recently completed prior to the announcement of the transaction, referred to as the LTM Period, (2) EBITDA for the LTM Period, (3) EBITDA for 2005, (4) EBITDA for 2006, and (5) EBIT for the LTM Period;

the February 25, 2005, closing stock price as a multiple of estimated 2005 and 2006 EPS, referred to as the 2005 and 2006 P/E;

five-year EPS compounded annual growth rate, referred to as the 5-Year EPS CAGR, based on IBES median estimates;

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the 2006 P/E multiple as a multiple of 5-Year EPS CAGR;

EBITDA and EBIT margins for the LTM Period; and

dividend yield.

The following table compares the multiples and percentages referred to above calculated for the selected companies with comparable information derived by Goldman Sachs with respect to May based on the implied transaction price per share of \$35.50 payable in the merger:

	Selected Companies				May
	High	Low	Mean	Median	Based on Implied Transaction Price Per Share of \$35.50
February 25, 2005 closing stock price as a percentage of the 52-week high stock price (except as noted for May)	100%	87%	95%	97%	98%
Enterprise value to LTM Period Sales	1.2x	0.5x	0.8x	0.8x	1.1x
Enterprise value to LTM Period EBITDA	9.5x	5.9x	7.8x	7.9x	8.6x
Enterprise value to 2005 EBITDA	8.6x	5.9x	7.3x	7.1x	8.1x
Enterprise value to 2006 EBITDA	8.1x	5.9x	6.8x	6.5x	7.4x
Enterprise value to LTM Period EBIT	16.2x	8.7x	12.3x	11.5x	13.2x
2005 P/E	24.5x	12.3x	17.0x	15.2x	17.3x
2006 P/E	20.2x	11.4x	14.7x	13.5x	15.4x
5-Year EPS CAGR	13.0%	5.0%	9.3%	9.6%	7.0%
2006 P/E to 5-Year EPS CAGR	4.0x	1.1x	1.8x	1.2x	2.2x
LTM Period EBITDA margin	14.3%	7.2%	10.5%	10.7%	12.6%
LTM Period EBIT margin	10.4%	3.2%	7.2%	8.1%	8.2%
Dividend yield	1.1%	0.0%	0.8%	0.9%	2.8%

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Goldman Sachs calculated the implied exchange ratios of May common stock to Federated common stock based on the average closing share prices of May common stock and Federated common stock for the three-year and one-year periods ended February 24, 2005 (the last trading day prior to the presentation Goldman Sachs made to the Federated board of directors on February 25, 2005), and on the closing share prices of May common stock and Federated common stock on January 13, 2005, the last full trading day prior to any speculation regarding the resignation of May's chief executive officer and a potential transaction between Federated and May. Goldman Sachs also performed this analysis after taking into account the 50% cash component of the consideration to be paid for each share of May common stock as of February 24, 2005. The following table reflects the results of this analysis:

May Stock Price Over or On:	Exchange Ratio	
	100% Stock	50% Stock
3 Year Average	0.68x	0.34x
1 Year Average	0.57x	0.29x
January 13, 2005	0.48x	0.24x

Selected Transactions Analysis

Goldman Sachs analyzed certain publicly available information relating to selected business combination transactions involving companies in the department store and retail industry announced between December 1993 and January 2005. These transactions (listed by acquirer/target and month and year of announcement) included:

Jones Apparel Group, Inc. / Barney's New York, Inc. (November 2004)

K-Mart Holding Corporation / Sears, Roebuck and Co. (November 2004)

Investor Group consisting of Sun Capital Partners, Inc., Cerberus Capital Management, L.P., Lubert-Adler Real Estate Fund IV, L.P. and Klaff Partners, L.P. / Mervyn's LLC (July 2004)

The May Department Stores Company / Marshall Field's division of Target Corporation (June 2004)

Proffitt's, Inc. / Saks Holdings, Inc. (July 1998)

Dillard's, Inc. / Mercantile Stores Company, Inc. (May 1998)

Proffitt's, Inc. / Carson Pirie Scott & Co. (October 1997)

Proffitt's, Inc. / G.R. Herberger's, Inc. (November 1996)

Proffitt's, Inc. / Parisian, Inc. (July 1996)

Proffitt's, Inc. / Younkers, Inc. (October 1995)

Federated Department Stores, Inc. / Broadway Stores, Inc. (August 1995)

Federated Department Stores, Inc. / R.H. Macy's & Co., Inc. (December 1994)

For each of the selected transactions, Goldman Sachs calculated the implied enterprise value of the target company as a multiple of the target's publicly reported EBITDA and sales, in each case, for the last twelve months, or LTM, period ended immediately prior to the announcement of the transaction (to the extent that information was publicly available). Goldman Sachs then compared the high, low, mean and median EBITDA and sales multiples calculated for the selected transactions with similar EBITDA and sales multiples calculated for the proposed merger between Federated and May. For purposes of this analysis, Goldman Sachs derived an implied enterprise value for May based on:

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- (1) an implied transaction price of \$35.25 per share of May common stock, derived from the closing price of \$57.39 of Federated common shares on February 16, 2005, a fixed exchange ratio of 0.3070 Federated shares for each share of May common stock and fixed cash consideration of \$17.63 per share of May common stock;
- (2) a number of fully diluted outstanding May common shares, which takes into account the number of outstanding common shares issuable upon conversion of all May ESOP preference shares and upon the exercise of all in-the-money May options; and
- (3) net debt of May equal to approximately \$5,925 million as of July 31, 2005, the expected closing date of the proposed merger, as estimated by Federated management.

The following table shows the results of this comparison which takes into account the full pro forma effect of May's acquisition of Marshall Field's from Target Corporation in July 2004:

	Enterprise Value as a Multiple of:		Selected Transactions				
			High	Low	Mean	Median	Proposed Transaction
EBITDA			20.1x	5.9x	10.7x	9.4x	8.5x
Sales			1.5x	0.4x	0.8x	0.7x	1.1x

Premium Analysis of Selected Transactions

Using publicly available information, Goldman Sachs calculated the premia paid in selected pending and completed cash-and-stock business combination transactions announced since January 1, 2000, in which all the target's shares are being, or have been, acquired for consideration in excess of \$10 billion, 25% to 50% of which is paid in cash. These transactions (listed by acquirer/target and date of announcement) included:

The Procter & Gamble Company / The Gillette Company (January 28, 2005)

Johnson & Johnson / Guidant Corporation (December 15, 2004)

Sanofi-Synthelabo / Aventis (January 26, 2004)

Anthem Inc. / WellPoint Health Networks Inc. (October 27, 2003)

Allianz Aktiengesellschaft / Dresdner Bank AG (April 1, 2001)

DB Investments consisting of Anglo American, the Oppenheimer Family and the Botswana Government / De Beers Consolidated Mines (February 15, 2001)

Deutsche Telekom AG / VoiceStream Wireless Corporation (July 24, 2000)

HSBC Holdings PLC / Credit Commercial de France (April 1, 2000)

Tribune Company / The Times Mirror Company (March 13, 2000)

Goldman Sachs calculated the premia represented by the transaction consideration in those transactions based on each target's closing stock price one day, one week and four weeks prior to announcement of the applicable transaction. Goldman Sachs compared the high, low, mean and median premia calculated for the selected transactions

with the implied premium based on the closing prices of May common stock on the one day, one week and four weeks prior to: (i) January 13, 2005, referred to as the undisturbed price, and (ii) February 24, 2005, referred to as the market price.

In performing this analysis, Goldman Sachs calculated an implied enterprise value of May of \$16,821 million as of February 24, 2005, that was determined based on the same assumptions enumerated in (1) through (3) under the Selected Transactions Analysis described above.

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The results of this analysis appear in the following tables:

	Transaction		Selected Transaction		
	(Value in millions)	Percent Cash	1 Day Prior to Announcement	1 Week Prior to Announcement	4 Weeks Prior to Announcement
High	\$ 65,657	40.0%	98.2%	84.2%	68.9%
Low	\$ 10,984	25.9%	0.3%	3.1%	13.1%
Mean	\$ 28,007	32.9%	23.7%	26.3%	35.1%
Median	\$ 19,656	33.7%	17.6%	21.3%	32.4%

	Transaction		Proposed Transaction		
	(Value in millions)	Percent Cash	1 Day Prior to:	1 Week Prior to:	4 Weeks Prior to:
Undisturbed Price	\$ 16,821	50.0%	27.1%	24.9%	24.7%
Market Price	\$ 16,821	50.0%	3.4%	11.8%	6.3%

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Goldman Sachs' opinion. In arriving at its fairness determination, Goldman Sachs considered the results of all the analyses and did not attribute any particular weight to any factor or analysis considered by it. Rather, Goldman Sachs made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all the analyses. No company or transaction used in the above analyses as a comparison is directly comparable to Federated or May or the proposed merger.

Goldman Sachs prepared these analyses for purposes of Goldman Sachs' providing its opinion to Federated's board of directors as to the fairness from a financial point of view to Federated of 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. These analyses do not purport to be appraisals nor do they necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of Federated, Goldman Sachs or any other person assumes responsibility if future results are materially different from those forecast. As described above, Goldman Sachs' opinion to Federated's board of directors was one of many factors taken into consideration by Federated's board of directors in making its determination to approve the merger agreement.

Goldman Sachs and its affiliates, as part of their investment banking business, are continually engaged in performing financial analyses with respect to businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and other transactions as well as for estate, corporate and other purposes. Goldman Sachs has acted

as financial advisor to Federated in connection with, and has participated in certain of the negotiations leading to, the merger contemplated by the merger agreement. Goldman Sachs expects to receive fees for its services in connection with the merger, the principal portion of which is contingent upon consummation of the merger, and Federated has agreed to reimburse Goldman Sachs expenses and indemnify Goldman Sachs against certain liabilities arising out of Goldman Sachs engagement. Goldman Sachs also may provide investment banking and other services to Federated, May and their respective affiliates in the future for which Goldman Sachs may receive compensation.

In addition, Goldman Sachs is a full service securities firm engaged, either directly or through its affiliates, in securities trading, investment management, financial planning and benefits counseling, risk management, hedging, financing and brokerage activities for both companies and individuals. In the ordinary course of these activities, Goldman Sachs and its affiliates may provide such services to Federated, May and their respective affiliates, may

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actively trade the debt and equity securities (or related derivative securities) of Federated and May for their own account and for the accounts of their customers and may at any time hold long and short positions of such securities.

Federated selected Goldman Sachs as its financial advisor because it is an internationally recognized investment banking firm that has substantial experience in transactions similar to the merger. Pursuant to a letter agreement, dated February 25, 2005, Federated engaged Goldman Sachs to act as its financial advisor in connection with a possible acquisition of May. Pursuant to the terms of this letter agreement, Federated agreed to pay Goldman Sachs a transaction fee of \$27,500,000, \$2,750,000 of which was payable upon Federated's entering into a merger agreement to acquire May and \$24,750,000 of which is payable upon consummation of the merger. Federated has also agreed to reimburse Goldman Sachs for its reasonable expenses, including attorneys' fees and disbursements, and to indemnify Goldman Sachs against various liabilities, including various liabilities under the federal securities laws.

Interests of May Directors and Executive Officers in the Merger

May's executive officers and members of the May board of directors, in their capacities as such, may have financial interests in the merger that are in addition to or different from their interests as stockholders of May generally. May's board of directors was aware of these interests and considered them, among other matters, in approving the merger agreement and the transactions contemplated thereby.

Federated Board of Directors After the Merger

Under the merger agreement, Federated has agreed to select two members of May's board of directors who are recommended by the NCG Committee of Federated's board of directors and, if those individuals are willing to serve, Federated will use its reasonable best efforts to appoint those individuals to Federated's board of directors as of the effective time of the merger.

Executive Employment and Severance Agreements

Under the merger agreement, May may, in the ordinary course of business, continue to enter into employment agreements or agree to employment agreement extensions, subject to certain limitations.

May has entered into employment agreements with approximately 375 of its current employees, including all but one of its current executive officers. Each of these agreements provides, among other things, for a non-competition covenant that is to be in effect for six months, one year or two years, as the case may be, after termination of employment. During the non-competition period, the executive is to be paid an amount equal to his or her base salary (we refer to this payment below as the "non-compete payment").

May has entered into severance agreements with approximately 38 of its current employees, including each of its current executive officers. Each of these agreements provides for cash severance and other benefits in the event that the individual's employment is terminated under certain circumstances as of or within two years following a change in control of May. For purposes of the severance agreements, a change in control will occur at the effective time of the merger. Severance benefits under the agreements with the executive officers currently include: (i) a lump sum in cash equal to (a) 300% of the greater of the executive's base salary at the time of termination or immediately prior to the change in control, plus (b) 300% of the executive's target bonus with respect to the year in which the change in control occurs; (ii) continuation of life and health insurance benefits for three years; and (iii) for executive officers, a cash payment, in consideration of the cancellation of all outstanding stock options, that is equal to the spread of those

options at the time of termination. Each of the severance agreements also provides that the executive will receive the non-compete payment. Each of the severance agreements further provides that if, after taking into account the 20% golden parachute excise tax that may be applied to the executive's payments and benefits under his or her severance agreement and other May plans and programs, the executive's net benefits would be less than the executive's safe harbor amount under the Internal Revenue Code's so-called golden parachute rules, May will reduce the executive's cash severance payments so that the total change in control-related payments and benefits paid to the executive will not exceed the executive's safe harbor amount. Mr. Dunham's agreement provides that if the reduction described in the preceding sentence is not applicable, May will pay to Mr. Dunham 50% of the amount that would be otherwise necessary to make Mr. Dunham whole with respect to the excise tax.

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Under the merger agreement, May may amend the severance agreements to eliminate the mandatory cash-out of options and to clarify that certain fringe benefits to which the executive is entitled under the executive's employment agreement immediately before the termination date will be provided through the end of the term of the employment agreement, as though employment had not been terminated, provided that this results in no duplication of benefits to be provided under the executive's severance agreement.

The table below lists the estimated aggregate cash severance and non-compete payment to which each of May's executive officers named in the Summary Compensation Table on page 160 other than Mr. Kahn, May's former chief executive officer (we will refer to these five individuals as the named executive officers), would be entitled under his employment and severance agreements if the executive officer's employment with May was terminated as of the effective time of the merger under circumstances entitling the executive officer to the non-compete payment and to severance under the executive officer's severance agreement. We have also included the aggregate amount of cash severance and non-compete payments that would be payable under these circumstances to all of May's executive officers as a group.

Name	Cash Severance and Non-Compete Payment
Mr. Dunham	\$ 9,372,500
Mr. Wolfe	\$ 6,120,000
Mr. McNamara	\$ 5,678,000
Mr. Fingleton	\$ 5,202,000
Mr. Levitt	\$ 4,726,000
All executive officers as a group (12 persons)	\$ 44,585,400

Equity-Based Awards

Under the merger agreement, May may make grants of equity awards in fiscal 2005 and 2006 (if the merger is not consummated during fiscal 2005) in the ordinary course of business, subject to certain limitations.

All outstanding stock options and restricted stock awards granted by May prior to February 27, 2005, will become immediately vested upon approval of the merger agreement by May's stockholders. Stock options and restricted stock awards granted by May on or after February 27, 2005, will become immediately vested upon the effective time of the merger. May stock options that are outstanding immediately prior to the effective time of the merger will be converted into options to purchase Federated common stock (as more fully described in the section entitled "The Merger Agreement Covenants and Agreements May Options," on page 112), which options will be otherwise subject to their terms. May restricted stock awards will be converted, along with all other outstanding shares of May common stock, into the right to receive the merger consideration, as described in the section entitled "The Merger Agreement beginning on page 101.

The following table lists, with respect to the named executive officers, all of May's executive officers as a group, and all of May's non-management directors as a group, the number of (i) unvested options to purchase May common stock, along with the weighted average exercise price of such options, and (ii) restricted shares of May common stock, all of which will become vested as a result of either the approval of the merger agreement by May's stockholders or the consummation of the merger. The information shown on this table is based on the equity awards outstanding as of March 28, 2005.

Name	Number of Shares	Subject to Unvested Options	Weighted Average Exercise Price of Unvested Options	Number of Restricted Shares
Mr. Dunham		252,500	\$ 28.042	140,000
Mr. Wolfe		86,250	\$ 28.255	45,000

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Name	Number of Shares Subject to Unvested Options	Weighted Average Exercise Price of Unvested Options	Number of Restricted Shares
Mr. McNamara	105,000	\$ 28.259	110,000
Mr. Fingleton	86,250	\$ 28.255	90,000
Mr. Levitt	87,500	\$ 28.277	44,500
All executive officers as a group (12 persons)	758,450	\$ 28.187	518,780
All non-management directors as a group (8 persons)	N/A	N/A	49,990

Bonuses; Profit Sharing Plan

Under the merger agreement, with respect to annual bonuses for May's fiscal year in which the effective time of the merger occurs, if May determines that it would be impractical after the effective time of the merger to continue to utilize one or more of the goals applicable in determining all or any portion of a May employee's bonus for that year, May may authorize a bonus for any employee who remains employed at the end of the fiscal year, which bonus includes an amount that would have been payable to the employee assuming performance under the discontinued goal had been at target levels.

Under the merger agreement, if, within the 18-month period following the effective time of the merger, a May employee is terminated at the initiative of Federated or an affiliate of Federated (including May and its subsidiaries) other than for cause, the employee will be entitled to payment of a pro-rata bonus with respect to the year of termination, based on actual results or assuming performance at target levels (depending upon the underlying performance goals). Each May employee will have the right individually to enforce his or her rights to this pro-rata bonus.

Under the merger agreement, with respect to May's tax-qualified Profit Sharing Plan, May may take such actions as are necessary to (i) equitably adjust the goals applied for purposes of determining matching contributions under the plan for the year in which the effective time of the merger occurs and (ii) based on this equitable adjustment, provide for a pro-rata matching contribution (at a rate of at least 33 1/3% for the portion of the plan year), up to the closing date of the merger, to be allocated under the plan as if the then-current plan year ended on the closing date of the merger.

Other Severance Arrangements

May has established the Severance Policy for Associates, which provides for severance payments and benefits in the event that a participating employee is terminated under qualifying circumstances within 12 months following a change in control. Those of May's employees who are party to an individual severance agreement (including all executive officers) are not eligible to participate in this plan. The plan currently provides that a change in control would occur when May's stockholders approve the merger agreement. Under the merger agreement, May may modify the plan to provide that a change in control will occur at the effective time of the merger rather than upon approval of the merger agreement by May's stockholders, and to provide that the period during which a May employee may become entitled to benefits under the plan will be extended from 12 months to 24 months following the effective time of the merger.

Under the merger agreement, Federated and its affiliates (including May and its subsidiaries) will provide at least 30 days' notice to any May employee whose employment is terminated (other than for cause) as a result of the merger

at or within 18 months after the effective time of the merger.

Retirement Benefits

Deferred Compensation Plans. May maintains two non-qualified deferred compensation plans, the Deferred Compensation Plan for Directors, as amended (referred to below as the Director Plan), which covers non-employee directors of May, and the Deferred Compensation Plan (referred to below as the Employee Plan), which covers certain May employees, including all executive officers. The Director Plan provides for deferrals of fees in either cash accounts, which accrue interest, or stock units, each of which is equivalent in value to one share of May common stock. All amounts deferred, whether deferred in a cash account or a stock unit account, will be paid in cash. The Employee Plan provides for deferrals of salary and bonuses in either cash accounts, which accrue interest,

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or in the form of stock units, each of which is equivalent in value to one share of May common stock and which may be paid in shares of May common stock or cash, as determined by the plan administrator. Each of these plans provides for a lump sum payout of the participant's accounts upon the occurrence of a change in control which, under their current terms, would occur upon approval of the merger agreement by May's stockholders; provided, that under the Director Plan, payment may not commence until the director's board service is terminated. Each May director will cease service on May's board of directors as of the effective time of the merger. All amounts deferred under the Director Plan and the Employee Plan are vested.

Under the merger agreement, May may make certain modifications to these non-qualified deferred compensation plans, to provide that (i) a change in control under these plans will occur at the effective time of the merger rather than upon approval of the merger agreement by May's stockholders and (ii) if the merger agreement has been approved by May's stockholders but the merger has not been consummated before December 28, 2005, then all outstanding balances under the deferred compensation plans will be distributed prior to the end of 2005, with stock units allocated under the plans being valued for this purpose as if the closing date of the merger were December 28, 2005.

The following table lists, with respect to the named executive officers, May's executive officers as a group, and May's non-management directors as a group, the amount of cash or the number of stock units, as applicable, credited to their accounts under the applicable May deferred compensation plan as of March 28, 2005.

Name	Cash Account	Stock Units
Mr. Dunham	\$ 349,193	68,948
Mr. Wolfe	\$ 0	0
Mr. McNamara	\$ 1,804,850	41,860
Mr. Fingleton	\$ 996,256	17,591
Mr. Levitt	\$ 1,255,340	48,050
All executive officers as a group (12 persons)	\$ 5,449,325	207,691
All non-management directors as a group (8 persons)	\$ 298,325	171,285

Supplementary Retirement Plan. May maintains the Supplementary Retirement Plan, as amended, for the benefit of certain May employees, including May's executive officers. Under the plan generally, participants may become entitled to receive (i) a benefit based on 2% of the participant's final average pay, with credit for up to 25 years of service, or, if greater, (ii) a benefit based on the benefits to which the individual would have been entitled under May's tax-qualified retirement plans if certain Internal Revenue Code limitations did not apply (referred to as the Annual Minimum Benefit). Subject to certain transition rules adopted in 1997, benefits under the plan generally vest when a participant reaches age 60 with 10 years of service. However, in the event that (i) within five years after a change in control (currently defined under the plan as stockholder approval of the merger agreement), a participant's employment is terminated other than for cause, and (ii) as of the date of the change in control, the participant is within five years of qualifying for benefits under the Supplementary Retirement Plan, the participant is entitled to receive a benefit computed as if the participant had continued to be employed through the period ending on the earliest date on which he or she would have qualified for benefits, using the participant's final average pay as determined as of the date of the change in control or, if greater, as of the date of termination, and crediting the participant with additional years of service during this period.

Under the merger agreement, May may make the following modifications to the Supplementary Retirement Plan:

a change in control under the plan will occur at the effective time of the merger, rather than at the time May's stockholders approve the merger agreement;

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any plan participant who is employed with May or one of its subsidiaries immediately prior to the effective time of the merger, who has completed five or more years of service and who is more than five years away from qualifying for benefits will be fully vested in the Annual Minimum Benefit that the participant has accrued as of the effective time of the merger;

eligibility for change in control-related benefits under the plan will be extended to plan participants who (i) as of the effective time of the merger have attained age 50 with five or more years of service, (ii) otherwise qualify for change in control related benefits, but whose employment terminates after the effective time of the merger because of death, or (iii) otherwise qualify for change in control-related benefits, but whose employment terminates because of death between the date on which May's stockholders approve the merger agreement and the closing date of the merger, provided that the merger is consummated;

as of the effective time of the merger, any plan participant who has not then completed five years of service will become vested in the participant's Annual Minimum Benefit accrued as of the effective time of the merger, which vesting will occur upon the completion of five years of service or upon the participant's termination of employment within 18 months following the effective time of the merger, if the termination of employment is at the initiative of Federated or an affiliate of Federated (including May and its subsidiaries) other than for cause; and

benefits under the plan may commence on an actuarially reduced basis prior to the date currently provided under the plan, but in no event prior to age 55 (except in the case of survivor benefits payable in respect of a deceased participant).

Retiree Welfare Benefits. Under the merger agreement, May and Federated have agreed to certain matters with respect to May's retiree welfare benefit programs, including the following:

Federated and its affiliates (including May and its subsidiaries) will continue to provide to each May employee who is currently retired and each May employee who retires on or before the closing date of the merger (and eligible dependents), all benefits to which the individual (and eligible dependents) is entitled under May's retiree welfare benefit plans (e.g., post-retirement medical and life), without adverse modifications, in each case for the life of the retiree and the retiree's spouse;

specified active May employees (including each of the May named executive officers, one other executive officer and an additional 19 executives) who, immediately prior to the effective time of the merger, are eligible for retiree welfare benefits under a May retiree welfare benefit plan will qualify for retiree welfare benefits upon termination of employment for any reason following the effective time of the merger, provided that these benefits will generally not commence until the employee reaches age 55, and Federated and its affiliates (including May and its subsidiaries) will not adversely alter or modify the requirement that May's retiree welfare benefits be provided for the life of any such retired May employee and any such employee's spouse, or require any premium payments by any such retired May employee or any such employee's eligible dependents; and

the level of excess medical benefits to be provided to or on behalf of the active May employees described above will not be reduced from that currently provided under the applicable May plan, and the level of medical benefits to which these May employees become entitled will be no less favorable than is provided from time to time to similarly situated employees of Federated and its affiliates.

Federated has also agreed that each affected May employee or retiree will have the right individually to enforce his or her rights to these retiree welfare benefits.

Store Discounts. Under the merger agreement, Federated and its affiliates (including May and its subsidiaries) will provide to each director and employee of May and its affiliates who is currently retired or who retires prior to the effective time of the merger, a lifetime discount on purchases in accordance with May's policy currently covering that person. Federated has also agreed that each of these May directors and employees will have the right individually to enforce his or her rights as described in the immediately preceding sentence. In addition, Federated has agreed that Federated and its affiliates (including May and its subsidiaries) will provide to each May director or employee who, as of the effective time of the merger, has met the age and service requirements for retirement and to

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each May employee or director who meets those age and service requirements within three years after the effective time of the merger, a lifetime discount on purchases at any Federated store on a basis no less favorable than is provided pursuant to the discount policy covering that person at the time of retirement.

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.

Appraisal Rights of May Stockholders

Holders of record of May common stock who do not vote in favor of adopting the merger agreement and the transactions contemplated by the merger agreement, including the merger, and who otherwise comply with the applicable provisions of Section 262 of the Delaware General Corporation Law, which we refer to throughout this joint proxy statement/prospectus as the DGCL, will be entitled to exercise appraisal rights under Section 262 of the DGCL. A person having a beneficial interest in shares of May common stock held of record in the name of another person, such as a broker, bank or other nominee, must act promptly to cause the record holder to follow the steps summarized below properly and in a timely manner to perfect appraisal rights.

The following discussion is not a complete statement of the law pertaining to appraisal rights under the DGCL and is qualified in its entirety by the full text of Section 262 of the DGCL, which is reprinted in its entirety as Annex E and incorporated into this joint proxy statement/prospectus by reference. All references in Section 262 of the DGCL and in this summary to a shareholder, stockholder or holder are to the record holder of the shares of May common stock as to which appraisal rights are asserted.

Under Section 262 of the DGCL, holders of shares of May common stock who follow the procedures set forth in Section 262 of the DGCL will be entitled to have their May common stock appraised by the Delaware Court of Chancery and to receive payment in cash of the fair value of these shares of May common stock, exclusive of any element of value arising from the accomplishment or expectation of the merger, together with a fair rate of interest, if any, as determined by that court.

Under Section 262 of the DGCL, when a proposed merger is to be submitted for approval at a meeting of stockholders, as in the case of the approval of the merger agreement and the transactions contemplated by the merger agreement, including the merger, by May stockholders, the company, not less than 20 days prior to the meeting, must notify each of its stockholders who was a stockholder on the record date for this meeting with respect to shares for which appraisal rights are available, that appraisal rights are so available, and must include in this required notice a copy of Section 262 of the DGCL.

This joint proxy statement/prospectus constitutes the required notice to the holders of these shares of May common stock and the applicable statutory provisions of the DGCL are attached to this joint proxy statement/prospectus as Annex E. Any May stockholder who wishes to exercise their appraisal rights or who wishes to preserve their right to do so should review the following discussion and Annex E carefully, because failure to timely and properly comply with the procedures specified in Annex E will result in the loss of appraisal rights under the DGCL.

A holder of May common stock wishing to exercise appraisal rights must not vote in favor of the approval and adoption of the merger agreement and must deliver to May before the taking of the vote on the merger agreement and the transactions contemplated by the merger agreement, including the merger, at the May annual meeting a written

demand for appraisal of their May common stock. This written demand for appraisal must be separate from any proxy or vote abstaining from the vote on the merger or against the merger. This demand must reasonably inform May of the identity of the stockholder and of the stockholder's intent thereby to demand appraisal of their shares. A holder of May common stock wishing to exercise appraisal rights must be the record holder of these shares of May common stock on the date the written demand for appraisal is made and must continue to hold these shares of May common stock through the effective date of the merger. Accordingly, a holder of May common stock who is the record holder of May common stock on the date the written demand for appraisal is made, but who thereafter transfers these shares of May common stock prior to consummation of the merger, will lose any right to appraisal in respect of these shares of May common stock.

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A proxy that is signed and does not contain voting instructions will, unless revoked, be voted in favor of the approval and adoption of the merger agreement and the transactions contemplated by the merger agreement, including the merger, and it will constitute a waiver of the stockholder's right of appraisal and will nullify any previously delivered written demand for appraisal. Therefore, a stockholder who votes by proxy and who wishes to exercise appraisal rights must vote against the approval and adoption of the merger agreement and the transactions contemplated by the merger agreement, including the merger, or abstain from voting on the merger agreement.

Only a holder of record of May common stock on the record date for the May annual meeting is entitled to assert appraisal rights for the shares of May common stock registered in that holder's name. A demand for appraisal should be executed by or on behalf of the holder of record, fully and correctly, as the holder's name appears on the holder's stock certificates, should specify the holder's mailing address and the number of shares registered in the holder's name, and must state that the person intends to demand appraisal of the holder's shares pursuant to the merger agreement. If the shares of May common stock are held of record in a fiduciary capacity, such as by a trustee, guardian or custodian, execution of the demand should be made in that capacity, and if the May common stock is held of record by more than one holder as in a joint tenancy or tenancy in common, the demand should be executed by or on behalf of all joint holders. An authorized agent, including an agent for one or more joint holders, may execute a demand for appraisal on behalf of a holder of record. The agent, however, must identify the record holder or holders and expressly disclose the fact that, in executing the demand, the agent is acting as agent for the holder or holders. A record holder such as a broker who holds May common stock as nominee for several beneficial owners may exercise appraisal rights with respect to the shares of May common stock held for one or more beneficial owners while not exercising appraisal rights with respect to the May common stock held for other beneficial owners. In this case, the written demand should set forth the number of shares of May common stock as to which appraisal is sought. When no number of shares of May common stock is expressly mentioned, the demand will be presumed to cover all May common stock in brokerage accounts or other nominee forms held by such record holder, and those who hold shares in brokerage accounts or other nominee forms and who wish to exercise appraisal rights under Section 262 of the DGCL are urged to consult with their brokers to determine the appropriate procedures for the making of a demand for appraisal by such a nominee.

All written demands for appraisal should be sent or delivered to The May Department Stores Company, 611 Olive Street, St. Louis, Missouri 63101, Attention: Corporate Secretary.

Within ten days after the effective date of the merger, Milan Acquisition Corp., or its successor in interest, which we refer to generally as the surviving company, will notify each former May stockholder who has properly asserted appraisal rights under Section 262 of the DGCL and has not voted in favor of adopting the merger agreement and the transactions contemplated by the merger agreement, including the merger, of the date the merger became effective.

Within 120 days after the effective date of the merger, but not thereafter, the surviving company or any former May stockholder who has complied with the statutory requirements summarized above may file a petition in the Delaware Court of Chancery demanding a determination of the fair value of the shares of May common stock that are entitled to appraisal rights. None of Federated, the surviving company or May is under any obligation to and none of them has any present intention to file a petition with respect to the appraisal of the fair value of the shares of May common stock. Accordingly, it is the obligation of May stockholders wishing to assert appraisal rights to take all necessary action to perfect and maintain their appraisal rights within the time prescribed in Section 262 of the DGCL.

Within 120 days after the effective date of the merger, any former May stockholder who has complied with the requirements for exercise of appraisal rights will be entitled, upon written request, to receive from the surviving company a statement setting forth the aggregate number of shares of May common stock not voted in favor of adopting the merger agreement and the transactions contemplated by the merger agreement, including the merger, and with respect to which demands for appraisal have been timely received and the aggregate number of former holders of

these shares of May common stock. These statements must be mailed within ten days after a written request therefore has been received by the surviving company or within 10 days after expiration of the period for delivery of demands for appraisal under Section 262 of the DGCL, whichever is later.

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If a petition for an appraisal is filed timely with the Delaware Court of Chancery by a former May stockholder and a copy thereof is served upon the surviving company, the surviving company will then be obligated within 20 days of service to file with the Delaware Register in Chancery a duly certified list containing the names and addresses of all former May stockholders who have demanded appraisal of their shares of May common stock and with whom agreements as to value have not been reached. After notice to such former May stockholders as required by the Delaware Court of Chancery, the Delaware Court of Chancery may conduct a hearing on such petition to determine those former May stockholders who have complied with Section 262 of the DGCL and who have become entitled to appraisal rights thereunder. The Delaware Court of Chancery may require the former May stockholders who demanded appraisal of their shares of May common stock to submit their stock certificates to the Register in Chancery for notation thereon of the pendency of the appraisal proceeding. If any former stockholder fails to comply with such direction, the Delaware Court of Chancery may dismiss the proceedings as to that former stockholder.

After determining which, if any, former May stockholders are entitled to appraisal, the Delaware Court of Chancery will appraise their shares of May common stock, determining their fair value, exclusive of any element of value arising from the accomplishment or expectation of the merger, together with a fair rate of interest, if any, to be paid upon the amount determined to be the fair value. May stockholders considering seeking appraisal should be aware that the fair value of their shares of May common stock as determined under Section 262 of the DGCL could be more than, the same as or less than the value of the consideration they would receive pursuant to the merger agreement if they did not seek appraisal of their shares of May common stock and that investment banking opinions as to fairness from a financial point of view are not necessarily opinions as to fair value under Section 262 of the DGCL. The Delaware Supreme Court has stated that, among other factors, proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court should be considered in the appraisal proceedings.

In addition, Delaware courts have decided that a stockholder's statutory appraisal remedy may or may not be a dissenter's exclusive remedy, depending on the factual circumstances.

The costs of the appraisal action may be determined by the Delaware Court of Chancery and levied upon the parties as the Delaware Court of Chancery deems equitable. Upon application of a former May stockholder, the Delaware Court of Chancery may also order that all or a portion of the expenses incurred by any former May stockholder in connection with an appraisal proceeding, including, without limitation, reasonable attorneys' fees and the fees and expenses of experts used in the appraisal proceeding, be charged pro rata against the value of all of the shares of May common stock entitled to appraisal.

Any holder of May common stock who has duly demanded an appraisal in compliance with Section 262 of the DGCL will not, after the consummation of the merger, be entitled to vote the shares of May common stock subject to this demand for any purpose or be entitled to the payment of dividends or other distributions on those shares of May common stock (except dividends or other distributions payable to holders of record of May common stock as of a record date prior to the effective date of the merger).

If any stockholder who properly demands appraisal of their May common stock under Section 262 of the DGCL fails to perfect, or effectively withdraws or loses, their right to appraisal, as provided in Section 262 of the DGCL, that stockholder's shares of May common stock will be converted into the right to receive the consideration payable with respect to those shares of May common stock in accordance with the merger agreement (without interest). A May stockholder will fail to perfect, or effectively lose or withdraw, their right to appraisal if, among other things, no petition for appraisal is filed within 120 days after the effective date of the merger, or if the stockholder delivers to May or the surviving company, as the case may be, a written withdrawal of their demand for appraisal. Any attempt to withdraw an appraisal demand in this matter more than 60 days after the effective date of the merger will require the written approval of the surviving company and, once a petition for appraisal is filed, the appraisal proceeding may not

be dismissed as to any holder absent court approval.

Failure to follow the steps required by Section 262 of the DGCL for perfecting appraisal rights may result in the loss of these rights, in which event a May stockholder will be entitled to receive the consideration payable with respect to their shares of May common stock in accordance with the merger agreement (without interest).

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Consequently, any stockholder willing to exercise appraisal rights is urged to consult with legal counsel prior to attempting to exercise such rights.

Delisting and Deregistration of May Common Stock

If the merger is completed, May common stock will be delisted from the New York Stock Exchange and will be deregistered under the Exchange Act, and May will no longer file periodic reports with the SEC. The stockholders of May will become stockholders of Federated and their rights as stockholders will be governed by applicable Delaware law and by Federated's certificate of incorporation and by-laws. See *Comparison of Rights of Stockholders* beginning on page 187.

Federal Securities Laws Consequences; Resale Restrictions

All shares of Federated common stock that will be distributed to May stockholders in the merger will be freely transferable, except for restrictions applicable to affiliates of May and except that resale restrictions may be imposed by securities laws in non-U.S. jurisdictions insofar as subsequent trades are made within these jurisdictions. Persons who are deemed to be affiliates of May may resell shares of Federated common stock received by them only in transactions permitted by the resale provisions of Rule 145 or as otherwise permitted under the Securities Act of 1933. Persons who may be deemed to be affiliates of May generally include executive officers, directors and holders of more than 10% of the outstanding shares of May. The merger agreement requires May to use its reasonable best efforts to cause each of its directors and executive officers who May believes may be deemed to be affiliates of May to execute a written agreement to the effect that those persons will not sell, assign or transfer any of the shares of Federated common stock issued to them in the merger unless that sale, assignment or transfer has been registered under the Securities Act of 1933, is in conformity with Rule 145 or is otherwise exempt from the registration requirements under the Securities Act of 1933.

This joint proxy statement/prospectus does not cover any resales of the shares of Federated common stock to be received by May stockholders in the merger, and no person is authorized to make any use of this joint proxy statement/prospectus in connection with any resale.

Certain Events

On or about February 28, 2005, Edward Decristofaro, an alleged May stockholder, filed a purported class action lawsuit on behalf of all May stockholders in the Circuit Court of St. Louis, Missouri against May and all of the members of the board of directors of May. The complaint generally alleges that the directors of May breached their fiduciary duties of loyalty, good faith and candor to May stockholders in connection with the proposed merger. The plaintiff requests "rescissory damages" as well as the following relief:

an order declaring that the action is properly maintainable as a class action;

an order declaring that the merger agreement was entered into in breach of the fiduciary duties of the defendants;

an order enjoining defendants from consummating the merger as planned;

an order directing that the defendants exercise their fiduciary duties to obtain a transaction which is in the best interests of May stockholders;

an order rescinding the merger to the extent already implemented;

an award of costs and disbursements, including reasonable attorneys' and experts' fees; and

such other and further equitable relief as the court may deem just and proper.

May believes the lawsuit is without merit and intends to contest it vigorously.

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MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of the material United States federal income tax consequences of the merger to U.S. holders of Federated or May common stock who hold their stock as a capital asset. The summary is based on the Internal Revenue Code of 1986, as amended, referred to as the Code, Treasury regulations issued under the Code, and administrative rulings and court decisions in effect as of the date of this joint proxy statement/prospectus, all of which are subject to change at any time, possibly with retroactive effect.

For purposes of this discussion, the term "U.S. holder" means:

a citizen or resident of the United States;

a corporation created or organized under the laws of the United States or any of its political subdivisions;

a trust that (i) is subject to the supervision of a court within the United States and the control of one or more United States persons or (ii) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person; or

an estate that is subject to United States federal income tax on its income regardless of its source.

If a partnership holds Federated or May common stock, the tax treatment of a partner will generally depend on the status of the partners and the activities of the partnership. If a U.S. holder is a partner in a partnership holding Federated or May common stock, the U.S. holder should consult its tax advisors.

This summary is not a complete description of all the tax consequences of the merger and, in particular, may not address United States federal income tax considerations applicable to holders of Federated or May common stock who are subject to special treatment under United States federal income tax law (including, for example, non-United States persons, financial institutions, dealers in securities, insurance companies or tax-exempt entities, holders who acquired Federated common stock or May common stock pursuant to the exercise of an employee stock option or right or otherwise as compensation, and holders who hold Federated common stock or May common stock as part of a hedge, straddle or conversion transaction). This summary does not address the tax consequences of any transaction other than the merger. This summary does not address the tax consequences to any person who actually or constructively owns 5% or more of Federated or May common stock. Also, this summary does not address United States federal income tax considerations applicable to holders of options or warrants to purchase Federated or May common stock, or holders of debt instruments convertible into Federated or May common stock. In addition, no information is provided with respect to the tax consequences of the merger under applicable state, local or non-United States laws.

The obligations of Federated and May to consummate the merger as currently anticipated are conditioned on the receipt of opinions of their respective tax counsel, Jones Day (as to Federated) and Skadden, Arps, Slate, Meagher & Flom LLP (as to May), dated the effective date of the merger, each referred to as a Tax Opinion, to the effect that the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code and that May and Federated will each be a party to the reorganization within the meaning of Section 368(b) of the Code. Each of the Tax Opinions will be subject to customary qualifications and assumptions, including the assumption that the merger will be completed according to the terms of the merger agreement. In rendering the Tax Opinions, each counsel may rely upon representations and covenants, including those contained in certificates of officers of Federated and May. Although the merger agreement allows each of Federated and May to waive this condition to closing, neither Federated nor May currently anticipates doing so. However, in the event that Federated's stock price declines to the point where counsel are unable to render one or both Tax Opinions, the structure of the merger may change and holders of May common stock may recognize taxable gain on the exchange of their shares, as more fully explained below under "Federal income tax consequences to May stockholders if the transaction is restructured because tax

deferred exchange treatment cannot be obtained.

Neither the Tax Opinions nor the discussion that follows is binding on the Internal Revenue Service, referred to as the IRS, or the courts. In addition, the parties do not intend to request a ruling from the IRS with respect to the merger. Accordingly, there can be no assurance that the IRS will not challenge the conclusion expressed in the Tax Opinions or the discussion below, or that a court will not sustain such a challenge.

Federal income tax consequences to Federated stockholders who do not hold any May common stock

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Because holders of Federated common stock will retain their common stock in the merger, holders of Federated common stock will not recognize gain or loss upon the merger.

Federal income tax consequences to May stockholders if the merger is consummated as currently anticipated

The following discussion assumes that the exchange of May common stock for Federated common stock pursuant to the merger will constitute a reorganization within the meaning of Section 368(a) of the Code.

A holder of May common stock who receives cash and Federated common stock in the merger generally will recognize gain equal to the lesser of (i) the excess of the sum of the fair market value of the Federated common stock received by the holder in exchange for May common stock and the amount of cash received by the holder (excluding any cash received in lieu of fractional shares) in exchange for May common stock over the holder's tax basis in the May common stock and (ii) the amount of cash received by the holder in exchange for May common stock (excluding any cash received in lieu of fractional shares). No loss will be recognized by holders of May common stock in the merger, except, possibly, in connection with the receipt of cash in lieu of fractional shares, as discussed below. Any gain recognized by a holder of May common stock generally will be long-term capital gain if the holder's holding period of the May common stock is more than one year. Capital gains of individuals derived in respect of capital assets held for more than one year are eligible for reduced rates of taxation. The aggregate tax basis of the Federated common stock received (including fractional shares deemed received and redeemed as described below) will be equal to the aggregate tax basis of the May common stock surrendered, reduced by the amount of cash the holder of May common stock receives (excluding any cash received in lieu of fractional shares), and increased by the amount of gain that the holder of May common stock recognizes, but excluding any gain or loss from the deemed receipt and redemption of fractional shares described below. The holding period of Federated common stock received by a holder of May common stock in the merger will include the holding period of the holder's May common stock.

Cash received by a holder of May common stock in lieu of fractional shares will generally be treated as if the holder received the fractional shares in the merger and then received the cash in a redemption of the fractional shares. The holder should generally recognize capital gain or loss equal to the difference between the amount of the cash received in lieu of fractional shares and the portion of the holder's tax basis allocable to the fractional shares.

Federal income tax consequences to May stockholders if the transaction is restructured because tax deferred exchange treatment cannot be obtained

If Federated's stock price declines to the point where one or both Tax Opinions cannot be issued and if Federated, in these circumstances, does not opt to increase the amount of Federated common stock provided to holders of May common stock in the merger, May may elect to increase the cash consideration received in the merger for each share of May common stock to \$18.75. If this restructuring occurs, a holder of May common stock who receives cash and Federated common stock in the merger generally will recognize gain or loss equal to the difference, if any, between (i) the sum of the fair market value of the Federated common stock and the amount of cash received, and (ii) the holder's tax basis in the May common stock. Gain or loss will be determined separately for each block of shares (i.e., shares acquired at the same cost in a single transaction) of May common stock surrendered for the consideration described above pursuant to the merger. Any gain or loss recognized by a holder of May common stock generally will be long-term capital gain or loss if the holder's holding period of the May common stock is more than one year. Capital gains of individuals derived in respect of capital assets held for more than one year are eligible for reduced rates of taxation. There are limitations on the deductibility of capital losses.

Backup withholding

Backup withholding may apply with respect to the cash consideration received by a holder of May common stock in the merger unless the holder:

is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact; or

provides a correct taxpayer identification number, certifies as to no loss of exemption from backup withholding and that such holder is a U.S. person (including a U.S. resident alien) and otherwise complies with applicable requirements of the backup withholding rules.

A holder of May common stock who does not provide Federated (or the exchange agent) with its correct taxpayer identification number may be subject to penalties imposed by the IRS. Any amounts withheld under the

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backup withholding rules may be allowed as a refund or a credit against the holder's federal income tax liability, provided that the holder furnishes certain required information to the IRS.

Reporting requirements

U.S. holders of May common stock receiving Federated common stock in the merger will be required to attach to their federal income tax returns for the taxable year in which the merger occurs, a complete statement, and maintain a permanent record, of all the facts relating to the exchange of stock in connection with the merger. The facts to be disclosed by a U.S. holder include the holder's basis in the May common stock transferred to Federated and the number of shares of Federated common stock received by the holder in the merger.

THE FOREGOING DISCUSSION OF UNITED STATES FEDERAL INCOME TAX CONSEQUENCES IS FOR GENERAL INFORMATION PURPOSES ONLY AND IS NOT INTENDED TO CONSTITUTE A COMPLETE DESCRIPTION OF ALL TAX CONSEQUENCES RELATING TO THE MERGER. TAX MATTERS ARE VERY COMPLICATED, AND THE TAX CONSEQUENCES OF THE MERGER TO YOU WILL DEPEND UPON THE FACTS OF YOUR PARTICULAR SITUATION. BECAUSE INDIVIDUAL CIRCUMSTANCES MAY DIFFER, WE URGE YOU TO CONSULT WITH YOUR TAX ADVISOR REGARDING THE APPLICABILITY TO YOU OF THE RULES DISCUSSED ABOVE AND THE PARTICULAR TAX EFFECTS TO YOU OF THE MERGER, INCLUDING THE APPLICATION OF STATE, LOCAL AND FOREIGN TAX LAWS.

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THE MERGER AGREEMENT

The following is a summary of certain material provisions of the merger agreement, a copy of which is attached as Annex A to this joint proxy statement/prospectus and is incorporated into this joint proxy statement/prospectus by reference. We urge you to read carefully this entire joint proxy statement/prospectus, including the annexes and the other documents to which we have referred you. See Where You Can Find More Information beginning on page 196.

The merger agreement has been included for your convenience to provide you with information regarding its terms, and we recommend that you read it in its entirety. Except for its status as the contractual document that establishes and governs the legal relations between Federated and May with respect to the merger, we do not intend for its text to be a source of factual, business or operational information about either Federated or May. That kind of information can be found elsewhere in this joint proxy statement/prospectus and in the other public filings each of us makes with the SEC, which are available without charge at the SEC's website (www.sec.gov). See Where You Can Find More Information beginning on page 196.

The merger agreement contains representations and warranties we have made to each other. Those representations and warranties are qualified in several important respects, which you should consider as you read them in the merger agreement.

First, except for the parties themselves, under the terms of the merger agreement only certain other specifically identified persons are third party beneficiaries of the merger agreement who may enforce it and rely on its terms. As stockholders, you are not third party beneficiaries of the merger agreement and therefore may not directly enforce or rely upon its terms and conditions.

Second, the representations and warranties are qualified in their entirety by all information each of us filed with the SEC prior to the date of the merger agreement, as well as by a confidential disclosure letter each of us prepared and delivered to the other immediately prior to signing the merger agreement.

Third, all of the representations and warranties that deal with the business and operations of Federated and May are qualified to the extent that any inaccuracy would not reasonably be expected to have or result in, individually or in the aggregate, a material adverse effect on the party making the representation and warranty.

Fourth, none of the representations or warranties will survive the closing of the merger and they will therefore have no legal effect among the parties to the merger agreement after the closing, nor will the parties be able to assert the inaccuracy of the representations and warranties as a basis for refusing to close unless all such inaccuracies as a whole would reasonably be expected to have or result in, individually or in the aggregate, a material adverse effect on the party that made the representations and warranties. Otherwise, for purposes of the merger agreement, the representations and warranties will be deemed to have been sufficiently accurate to require a closing.

Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the merger agreement, and subsequently developed or new information qualifying a representation or warranty may have been included in a filing with the SEC made since the date of the merger agreement (including in this joint proxy statement/prospectus).

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The Merger; Closing

Upon the terms and subject to the conditions of the merger agreement, and in accordance with Delaware law, at the effective time of the merger, May will merge with and into Merger Sub, a wholly owned subsidiary of Federated. The separate corporate existence of May will cease.

The closing of the merger will occur no later than the second business day following the date on which all of the conditions to the merger, other than conditions that, by their terms, cannot be satisfied until the closing date (but subject to satisfaction of such conditions) have been satisfied or waived, unless the parties agree on another time. Federated and May expect to complete the merger in the third quarter of 2005. However, we cannot assure you that such timing will occur or that the merger will be completed as expected.

As soon as practicable on or after the closing date of the merger, Federated and May will file a certificate of merger with the Secretary of State of the State of Delaware. The effective time of the merger will be the time Federated and May file the certificate of merger or at a later time Federated and May may agree and specify in the certificate of merger.

Directors and Officers

The directors of Merger Sub immediately prior to the effective time of the merger will be the directors of the surviving company, until the earlier of their death, resignation or removal or until their respective successors are duly elected and qualified, as the case may be. The officers of May immediately prior to the effective time of the merger will be the officers of the surviving company, until the earlier of their death, resignation or removal or until their respective successors are duly elected and qualified, as the case may be.

Federated will select two individuals who are directors of May as of the date of the merger agreement and who are recommended by the NCG Committee of Federated's board of directors and, if such individuals are willing to serve, Federated will use its reasonable best efforts to appoint these individuals, as of the effective time of the merger, to Federated's board of directors.

Merger Consideration

Upon the effectiveness of the merger, each share of May common stock (other than shares held by any dissenting May stockholder that has properly exercised appraisal rights in accordance with Delaware law as described above) will be converted into the right to receive from Federated the merger consideration, consisting of the following:

\$17.75 in cash, without interest; and

0.3115 fully paid, nonassessable shares of Federated common stock.

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 consideration 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 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.

The exchange ratio in the merger and the cash consideration will be proportionately and appropriately adjusted to reflect the effect of any reclassification, recapitalization, split-up, stock split, subdivision, combination or exchange of

shares or readjustment, or stock dividend, or other like change with respect to Federated common stock or May common stock having a record date on or after the date of the merger agreement and prior to completion of the merger.

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Upon completion of the merger, each share of May common stock held by Federated, May or any direct or indirect majority owned subsidiary of Federated or May immediately prior to the merger will be automatically cancelled and extinguished, and none of Federated, May or any of their respective direct or indirect majority owned subsidiaries will receive any consideration in exchange for those shares.

Treatment of ESOP Preference Shares

Each issued and outstanding May ESOP preference share will be converted into the right to receive the merger consideration on an as converted basis in the same manner as the shares of May common stock, as described above.

Fractional Shares

No fractional Federated common shares will be issued in the merger. Instead, holders who would otherwise be entitled to receive a fractional share of Federated common stock will receive an amount in cash (without interest) determined by multiplying the fractional share interest by the average closing price for a share of Federated common stock as reported on the NYSE composite transactions reports for the ten trading days prior to, but not including, the closing date of the merger.

Dissenters Shares

Shares of May common stock held by any May stockholder that properly demands payment for its shares in compliance with the appraisal rights under Section 262 of the DGCL will not be converted into the right to receive the merger consideration. May stockholders properly exercising appraisal rights will be entitled to payment as further described above under *The Merger Appraisal Rights of May Stockholders* beginning on page 94. However, if any May stockholder withdraws his or her demand for appraisal (in accordance with Section 262 of the DGCL) or becomes ineligible for appraisal, then that May stockholder will not be paid in accordance with Section 262 of the DGCL and the shares of May common stock held by that May stockholder will be converted as of the effective time of the merger into and represent the right to receive the merger consideration, without interest.

Exchange Procedures

Not later than 15 business days prior to the effective time of the merger, Federated will enter into an agreement with an exchange agent for the merger to handle the exchange of shares of May common stock for the merger consideration, including the payment of cash for fractional shares. As of the effective time of the merger, Federated will deposit with the exchange agent, for the benefit of the holders of May common stock, cash and certificates representing Federated common shares issuable in the merger in exchange for outstanding shares of May common stock and ESOP preference shares, including any cash to be paid in lieu of fractional shares or in respect of any dividends or distributions on shares of Federated common stock with a record date after the effective time of the merger or in respect of dividends or distributions on shares of May common stock with a record date prior to the effective time of the merger which remain unpaid at the effective time of the merger.

At the effective time of the merger, each certificate representing shares of May common stock that has not been surrendered will represent only the right to receive upon surrender of that certificate the merger consideration, dividends and other distributions on shares of Federated common stock with a record date after the effective time of the merger, dividends and other distributions on shares of May common stock with a record date prior to the effective time of the merger that remain unpaid as of the effective time of the merger and cash, without interest, in lieu of fractional shares. Following the effective time of the merger, no further registrations of transfers on the stock transfer books of the surviving company of the shares of May common stock will be made. If, after the effective time of the

merger, May stock certificates are presented to Federated, the surviving company or the exchange agent for any reason, they will be cancelled and exchanged as described above.

Exchange of Shares

As soon as reasonably practicable after the effective time of the merger, the exchange agent will mail to each holder of record of a May stock certificate whose shares of May common stock were converted into the right to

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receive the merger consideration, a letter of transmittal and instructions explaining how to surrender May stock certificates in exchange for the merger consideration.

After the effective time of the merger, upon surrender of a May stock certificate to the exchange agent, together with a letter of transmittal, duly executed, and other documents as may reasonably be required by the exchange agent, the holder of the May stock certificate will be entitled to receive the merger consideration, dividends and other distributions on shares of Federated common stock with a record date after the effective time of the merger, dividends and other distributions on shares of May common stock with a record date prior to the effective time of the merger that remain unpaid as of the effective time of the merger and cash, without interest, in lieu of fractional shares, and the May stock certificates surrendered will be cancelled.

Transfers of Ownership and Lost Stock Certificates

A May stockholder desiring to receive payment upon the surrender of stock certificates registered in the name of another person will receive payment if the stock certificates have been properly endorsed or are otherwise in proper form for transfer and the stockholder:

pays any transfer or other taxes required because the payment is made to a person other than the registered holder of the May stock certificate; or

establishes to the satisfaction of the exchange agent that any transfer or other taxes described above have been paid or are not applicable.

If any stock certificate has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the stock certificate to be lost, stolen or destroyed and, if required by Federated or the surviving company, as the case may be, the posting by such person of a bond in a reasonable amount as Federated or the surviving company, as the case may be, may direct as indemnity against any claim that may be made against it with respect to the stock certificate, the exchange agent will issue, in exchange for such lost, stolen or destroyed stock certificate, the merger consideration, dividends and other distributions on shares of Federated common stock with a record date after the effective time of the merger, dividends and other distributions on shares of May common stock with a record date prior to the effective time of the merger that remain unpaid as of the effective time of the merger and cash, without interest, in lieu of fractional shares.

May stock certificates should not be returned with the enclosed proxy card(s). May stock certificates should be returned with a validly executed transmittal letter and accompanying instructions that will be provided to May stockholders following the effective time of the merger.

Termination of Exchange Fund

Six months after the effective time of the merger, Federated may require the exchange agent to deliver to Federated all cash and shares of Federated common stock remaining in the exchange fund. Thereafter, May stockholders must look only to Federated for payment of the merger consideration on their shares of May common stock.

No Liability

None of Federated, the surviving company or the exchange agent will be liable to any person in respect of any shares of Federated common stock, any dividends or distributions on Federated common stock with a record date after

the effective time of the merger, dividends and other distributions on May common stock with a record date prior to the effective time of the merger that remain unpaid as of the effective time of the merger or cash, without interest, in lieu of fractional shares of Federated common stock or any cash from the exchange fund, in each case, delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

Representations and Warranties

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The merger agreement contains representations and warranties made by each party to the other. These representations and warranties relate to, among other things:

due organization, good standing and the requisite corporate power and authority to carry on their respective businesses;

ownership of subsidiaries;

capital structure and equity securities;

corporate power and authority to enter into the merger agreement and due execution, delivery and enforceability of the merger agreement;

board of directors approval;

absence of conflicts with charter documents, breaches of contracts and agreements, liens upon assets and violations of applicable law resulting from the execution and delivery of the merger agreement and consummation of the transactions contemplated by the merger agreement;

absence of required governmental or other third party consents in connection with execution and delivery of the merger agreement and consummation of the transactions contemplated by the merger agreement other than governmental filings specified in the merger agreement, such as filing premerger notification under the HSR Act;

timely filing of required documents with the SEC, material compliance with the requirements of the Securities Act and the Exchange Act and the absence of untrue statements of material facts or omissions of material facts in those documents;

material compliance of financial statements as to form with applicable accounting requirements and SEC rules and regulations and preparation in accordance with U.S. generally accepted accounting principles;

absence of misleading information contained or incorporated into this joint proxy statement/prospectus or the registration statement of which this joint proxy statement/prospectus forms a part;

absence of specified changes or events and that the conduct of its business has been in the ordinary course since January 31, 2004;

compliance with applicable laws and holding of all necessary permits;

employee benefits matters and ERISA compliance;

tax matters;

environmental matters and compliance with environmental laws;

the stockholder votes required to approve and adopt the merger agreement and authorize the issuance of Federated common stock;

receipt of a fairness opinion from each company's financial advisors; and

brokers or finders fees.

Federated and Merger Sub made additional representations and warranties to May in the merger agreement, including the availability of funds sufficient to pay the cash portion of the merger consideration and all other cash

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amounts to be paid pursuant to the merger agreement and that Merger Sub is a duly incorporated, wholly owned subsidiary of Federated, formed solely to enter into the merger agreement and engaging in the transactions contemplated by the merger agreement.

May also made additional representations and warranties to Federated, including the non-applicability of anti-takeover laws to the merger and that it had taken all action necessary on the part of May to render May's rights agreement inapplicable to the merger.

The representations and warranties contained in the merger agreement will not survive the consummation of the merger, but they form the basis of specified conditions to the parties' obligations to complete the merger.

Covenants and Agreements

Operating Covenants

May has agreed that prior to the effective time of the merger it and its subsidiaries will carry on their businesses in the ordinary course. With specified exceptions, May has agreed, among other things, not to:

declare, set aside or pay any dividends on, or make any other distributions in respect of, any of its capital stock, except, among other things, for quarterly cash dividends not in excess of \$0.245 per share, and any dividends required under the terms of the ESOP preference shares;

split, combine or reclassify any of its capital stock;

except as required in connection with the ESOP preference shares or May's stock plans, purchase, redeem or otherwise acquire any shares of its or its subsidiaries' capital stock or any other securities of May or any of its subsidiaries or any rights, warrants or options to acquire any of those shares or other securities;

issue or authorize the issuance of, deliver or sell any shares of its capital stock, any other voting securities or any securities convertible into, or any rights, warrants or options to acquire, any such shares, voting securities or convertible securities, other than in connection with May's stock plans or the ESOP preference shares;

amend its certificate of incorporation or by-laws, other than amendments or changes to any such documents of May's subsidiaries in the ordinary course of business;

sell, lease, license, mortgage or otherwise encumber or subject to any lien or otherwise dispose of any of its material properties or assets, other than in the ordinary course of business;

incur any material long or short-term indebtedness other than in the ordinary course of business or under existing lines of credit;

other than in the ordinary course of business, grant any increase in the compensation or benefits payable or to become payable by May or any of its subsidiaries to any current or former director, officer, employee or consultant;

other than in the ordinary course of business, adopt, enter into, amend or otherwise increase, reprice or accelerate the payment or vesting of the amounts, benefits or rights payable or accrued or to become payable or accrued under any of May's or its subsidiaries' employee benefit plans;

other than in the ordinary course of business, enter into or amend any employment, bonus, severance, change-in-control, retention agreement or any similar agreement or any collective bargaining agreement, or grant any severance, bonus, termination or retention pay to any officer, director, employee or consultant;

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other than in the ordinary course of business, pay or award any pension, retirement, allowance or other non-equity incentive awards, or other employee or director benefit not required by any outstanding May employee benefit plans;

change the accounting principles used by it unless required by applicable generally accepted accounting principles or by any government entity;

acquire by merging or consolidating with, by purchasing any substantial equity interest in or a substantial portion of the assets of, or by any other manner, any significant business or any corporation, partnership, association or other business organization or division of that entity, or otherwise acquire any assets that are material to May and its subsidiaries, taken as a whole, other than; (i) the purchase of assets from suppliers or vendors in the ordinary course of business, (ii) items reflected in the capital plan of May previously made available to Federated, or (iii) acquisitions of businesses or assets involving consideration up to an aggregate amount not to exceed \$50 million;

except in the ordinary course of business, make or rescind any material express or deemed election or settle or compromise any material claim or action relating to taxes, or materially change any of its methods of accounting or of reporting income or deductions for tax purposes;

satisfy any material claims or liabilities, other than satisfaction in the ordinary course of business or in accordance with their terms;

make any loans, advances or capital contributions to, or investments in, any other person in excess of \$25 million in the aggregate, except for (i) loans, advances, capital contributions or investments between any wholly owned May subsidiary and May or another wholly owned May subsidiary, (ii) employee advances for expenses in the ordinary course of business or (iii) ordinary course proprietary credit card transactions;

other than in the ordinary course of business and other than contracts that may be terminated within one year or amendments renewing, on substantially similar terms, any contract existing on the date of the merger agreement, terminate or adversely modify or amend any contract having a duration of more than one year and total payment obligations of May in excess of \$25 million;

other than in the ordinary course of business, waive, release, relinquish or assign any right or claim of material value to May;

other than in the ordinary course of business, cancel or forgive any material indebtedness owed to May or any of its subsidiaries; or

authorize, or commit or agree to take, any of the foregoing actions.

Federated has agreed that, prior to the effective time of the merger, it and its subsidiaries will carry on their businesses in the ordinary course. Merger Sub has agreed that prior to the effective time of the merger, it will not engage in any activities of any nature except as contemplated in the merger agreement. With specified exceptions, Federated has agreed, among other things, not to:

declare, set aside or pay any dividends on, or make any other distributions in respect of, any of its capital stock, except, among other things, for quarterly cash dividends of \$0.14 per share;

split, combine or reclassify any of its capital stock;

except pursuant to agreements entered into with respect to Federated stock plans that are in effect as of the close of business on the date of the merger agreement, purchase, redeem or otherwise acquire any shares of capital stock of Federated or any of its subsidiaries or any other securities of

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Federated or any of its subsidiaries or any rights, warrants or options to acquire any of those shares or other securities;

issue or authorize the issuance of, deliver, or sell any shares of its capital stock, or any other securities in respect of, in lieu of, or in substitution for, shares of its capital stock, any other voting securities or any securities convertible into, or any rights, warrants or options to acquire, any of such shares, voting securities or convertible securities, other than in connection with Federated's stock plans;

amend its certificate of incorporation or by-laws, other than amendments or changes to any such documents of Federated's subsidiaries in the ordinary course of business;

sell, lease, license, mortgage or otherwise encumber or subject to any lien or otherwise dispose of any of its material properties or assets other than in the ordinary course of business;

change the accounting principles used by it unless required by applicable generally accepted accounting principles or by any government entity;

acquire by merging or consolidating with, by purchasing any substantial equity interest in or a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division of that entity, or otherwise acquire assets that are material to Federated and its subsidiaries, taken as a whole, other than; (i) the purchase of assets from suppliers or vendors in the ordinary course of business, (ii) items reflected in the capital plan of Federated previously made available to May, or (iii) acquisitions of businesses or assets involving consideration up to an aggregate amount not to exceed \$50 million;

except in the ordinary course of business, make or rescind any material express or deemed election or settle or compromise any material claim or action relating to taxes, or materially change any of its methods of accounting or of reporting income or deductions for tax purposes;

satisfy any material claims or liabilities, other than in the ordinary course of business or in accordance with their terms;

other than in the ordinary course of business and other than contracts that may be terminated within one year or amendments renewing, on substantially similar terms, any contract existing on the date of the merger agreement, terminate or adversely modify or amend any contract having a duration of more than one year and total payment obligations of Federated in excess of \$25 million;

other than in the ordinary course of business, waive, release, relinquish or assign any right or claim of material value to Federated;

other than in the ordinary course of business, cancel or forgive any material indebtedness owed to Federated or any of its subsidiaries; or

authorize, or commit or agree to take, any of the foregoing actions.

No Solicitation by May

May has agreed, and agreed to use its reasonable best efforts to cause its officers, directors, employees, financial advisors, attorneys, accountants and other advisors, investment bankers, representatives and agents, to cease all then existing activities with any parties with respect to or that could reasonably be expected to lead to a company takeover

proposal. A company takeover proposal means any bona fide written proposal or offer from any person relating to any:

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direct or indirect acquisition or purchase of a business that constitutes 50% or more of the net revenues, net income or the assets of May and its subsidiaries, taken as a whole;

direct or indirect acquisition or purchase of 50% or more of the combined voting power of May;

any tender offer or exchange offer that if consummated would result in any person beneficially owning 50% or more of the combined voting power of May; or

any merger, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving May, other than the transactions contemplated by the merger agreement.

In addition, May has agreed that it will not, and will not permit its officers, directors, employees, financial advisors, attorneys, accountants and other advisors, investment bankers, representatives and agents to, directly or indirectly:

solicit, initiate or knowingly encourage the making of a company takeover proposal;

enter into any agreement, arrangement or understanding with respect to any company takeover proposal; or

other than informing persons of the existence of the non-solicitation provision, participate in any discussions or negotiations regarding, or furnish or disclose to any person (other than to Federated) any non-public information with respect to May in connection with any inquiries or the making of any proposal that constitutes, or would reasonably be expected to lead to, any company takeover proposal.

Notwithstanding the foregoing, May may, at any time prior to obtaining May stockholder approval at the May annual meeting, in response to an unsolicited company takeover proposal that the board of directors of May determines in good faith (after consultation with its outside counsel and a financial advisor of nationally recognized reputation) constitutes or would reasonably be expected to lead to a superior proposal (as defined below), and which company takeover proposal was made after the date of the merger agreement and did not otherwise result from a breach of May's non-solicitation obligations:

furnish information with respect to May to the person making the company takeover proposal (and its representatives) pursuant to a customary confidentiality agreement not less restrictive of the person than the existing confidentiality agreement between May and Federated, provided that all the information is, in substance, simultaneously provided to Federated; and

participate in discussions or negotiations with the person making the company takeover proposal (and its representatives) regarding the company takeover proposal.

Superior proposal means a company takeover proposal from any person to acquire, directly or indirectly, for consideration consisting of cash and/or securities, all of the combined voting power of May then outstanding or all or substantially all of the assets of May that the board of directors of May determines in its good faith judgment (after consulting with a nationally recognized investment banking firm), taking into account all legal, financial and regulatory and other aspects of the proposal and the person making the proposal (including any break-up fees, expense reimbursement provisions and conditions to consummation):

would be more favorable from a financial point of view to the stockholders of May than the transactions contemplated by the merger agreement (including any adjustment to the terms and conditions proposed by Federated in response to such company takeover proposal), and

for which financing, to the extent required, is then committed or may reasonably be expected to be committed.

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Unless the board of directors of May determines in good faith, after consulting with outside counsel, that taking such action would result in a reasonable probability that the board of directors of May would breach its fiduciary duties, May has agreed to promptly (but in any event within one business day) advise Federated of the receipt, directly or indirectly, of any inquiries, requests, discussions, negotiations or proposals relating to a company takeover proposal, or any request for nonpublic information relating to May by any person that informs May or its representatives that the person is considering making, or has made, a company takeover proposal, or an inquiry from a person seeking to have discussions or negotiations relating to a possible company takeover proposal.

May's board of directors will convene and hold a meeting of May stockholders, recommend that such stockholders approve the merger and use its reasonable best efforts to obtain such approval. May has further agreed that neither May's board of directors nor any committee of May's board of directors will

cause a company adverse recommendation change (as defined below); or

approve or recommend, or allow May or any of its subsidiaries to execute or enter into, any letter of intent, memorandum of understanding, agreement in principle, merger agreement, acquisition agreement, option agreement, joint venture agreement, partnership agreement or other similar agreement constituting or related to any company takeover proposal.

A company adverse recommendation change is where the May board of directors decides to (i) withdraw, or publicly propose to withdraw, (or, in either case, modify in a manner adverse to Federated) the approval recommendation or declaration of advisability by the board of directors of the merger agreement or (ii) recommend, adopt or approve, or propose publicly to recommend, adopt or approve, any company takeover proposal

However, in the event that prior to obtaining May stockholder approval, May's board of directors receives a company takeover proposal, then May's board of directors may (1) make a company adverse recommendation change and/or (2) upon termination of the merger agreement and payment of the termination fee described below, approve and enter into an agreement relating to a company takeover proposal that constitutes a superior proposal, if May's board of directors determines in good faith, after consultation with outside counsel, that it is necessary for the proper discharge of its fiduciary duties under applicable law to do so and if, in either case, May provides written notice advising Federated that the May board of directors intends to take such action and specifying the reasons therefor, and negotiates in good faith with Federated for three days following its receipt of such notice to make such adjustments to the terms and conditions of the merger agreement as would enable May to proceed with its recommendation of this merger agreement and/or not terminate the merger agreement.

The merger agreement does not prohibit May from taking and disclosing to its stockholders, in compliance with the rules and regulations of the Exchange Act, a position regarding any unsolicited tender offer for May common stock or from making any other disclosure to May stockholders if, in the good faith judgment of the May board of directors, after consultation with outside counsel, failure to disclose would be inconsistent with the fulfillment of the fiduciary duties or any other obligations of the May board of directors under applicable law.

Federated Annual Meeting

Federated's board of directors will convene and hold an annual meeting of Federated stockholders, recommend that such stockholders authorize the issuance of Federated common stock in connection with the merger and use its reasonable best efforts to obtain such authorization. However, in the event that, prior to obtaining Federated stockholder approval, Federated's board of directors receives a third-party takeover proposal (as defined below), then Federated's board of directors may withdraw or modify or publicly propose to withdraw or modify its recommendation of the issuance of Federated common stock in connection with the merger, if Federated's board of directors determines in good faith, after consultation with outside counsel, that it is necessary for the proper discharge of its fiduciary duties under applicable law to do so, and, in either case, Federated provides written notice advising May that the Federated

board of directors intends to take such action and specifying the reasons therefor, and negotiates in good faith with May for three days following its receipt of such notice to make such adjustments to the terms and conditions of the merger agreement as would enable Federated to proceed with its recommendation. A third-party takeover proposal with respect to Federated means any bona fide written proposal or offer from any person relating to any (A) direct or indirect acquisition or purchase of a business that constitutes 50% or more of the net revenues, net income or the assets of Federated and its subsidiaries, taken as a whole, (B) direct or indirect acquisition of equity securities of Federated representing 50% or more of the combined voting power of Federated,

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(C) tender offer or exchange offer that if consummated would result in any person beneficially owning equity securities of Federated representing 50% or more of the combined voting power of Federated or (D) merger, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving Federated.

Access to Information; Confidentiality

During the period prior to the effective time of the merger, Federated and May will, and will cause each of their subsidiaries to, afford to the other party and its representatives reasonable access during normal business hours to all of their respective properties, books, contracts, commitments, personnel and records, except that neither party is required to provide the other with any information that it reasonably believes it can not provide due to contractual restrictions or legal restrictions, or which it believes is competitively sensitive information. The information will be held in confidence to the extent required by the provisions of the confidentiality agreement between Federated and May.

Regulatory and Antitrust Approvals and Clearances

Federated and May have each agreed to use its reasonable best efforts to cooperate and to take, or cause to be taken, all actions necessary, proper or advisable to complete and make effective the merger and the other transactions contemplated by the merger agreement, as promptly as practicable, but in no event later than the outside date of October 3, 2005, unless such date is extended up to and including August 31, 2006 in circumstances described below, in *The Merger Agreement* Termination of the Merger Agreement beginning on page 118. This includes:

obtaining all necessary actions or nonactions, waivers, consents and approvals from governmental entities and making all necessary registrations and filings and taking all reasonable steps as may be necessary to obtain an approval or waiver from, or to avoid an action or proceeding by, any governmental entity;

the avoidance of impediments under any antitrust, merger control, competition or trade regulation law that may be asserted by any governmental entity;

obtaining all necessary consents, approvals or waivers from third parties;

defending any lawsuits or other legal proceedings challenging the merger agreement or the transactions contemplated by the merger agreement, including seeking to have any stay or temporary restraining order vacated or reversed; and

executing and delivering any additional instruments necessary to complete the merger and the other transactions contemplated by the merger agreement and to fully carry out the purposes of the merger agreement.

Federated and its subsidiaries are required to commit to any and all divestitures, licenses or hold separate or similar arrangements with respect to its assets or conduct of business arrangements as a condition to obtaining any and all approvals from any government entity for any reason in order to complete, as promptly as practicable, the merger and other transactions contemplated by the merger agreement to be performed or completed by Federated and its subsidiaries. Specifically, Federated and its subsidiaries will 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 August 31, 2006, provided that in no event will 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.

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In addition, Federated and May each agreed to:

file as soon as practicable (after the execution and delivery of the merger agreement) a Notification and Report Form under the HSR Act with the FTC and the Antitrust Division, which Notification and Report Form was filed on March 8, 2005;

respond as promptly as practicable under the circumstances to any inquiries received from the FTC or the Antitrust Division for additional information or documentation and to all inquiries and requests received from any State Attorney General or other governmental entity in connection with antitrust matters;

not extend any waiting period under the HSR Act or enter into any agreement with the FTC or the Antitrust Division not to complete the transactions contemplated by the merger agreement;

subject to applicable laws and except as may be prohibited by any representative of any governmental entity, promptly notify the other party of any written communication to that party from the FTC, the Antitrust Division, any State Attorney General or any other governmental entity, and permit the other party to review in advance any proposed written communication to any of the foregoing;

subject to applicable laws and except as may be prohibited by any representative of any governmental entity, not agree to participate in any substantive meeting or discussion with any governmental entity regarding any filings, investigation or inquiry concerning the merger agreement or the merger unless it consults with the other party in advance and, to the extent permitted by the governmental entity, gives the other party the opportunity to attend and participate in the meeting; and

subject to applicable laws and except as may be prohibited by any representative of any governmental entity, furnish the other party with copies of all correspondence, filings, and written communications, including summary memoranda, between it and its affiliates and their respective representatives on the one hand, and any governmental entity or members or their respective staffs on the other hand, with respect to the merger agreement and the merger.

In connection with and without limiting these obligations, each of Federated and May will take all reasonable action necessary to ensure that no state takeover statute or similar statute or regulation is or becomes applicable to the merger agreement or any transaction contemplated by the merger agreement, including the merger. If any state takeover statute or similar statute or regulation becomes applicable to the merger agreement or any transaction contemplated by the merger agreement, each of Federated and May will take all action reasonably necessary to ensure that the merger agreement and the transactions contemplated by the merger agreement, including the merger, may be completed as promptly as practicable on the terms contemplated by the merger agreement and otherwise to minimize the effect of the statute or regulation on the merger agreement and the transactions contemplated by the merger agreement, including the merger.

May Stock Options

At the effective time of the merger each outstanding May stock option and stock plan will be assumed by Federated. To the extent provided under terms of May's stock plans, all outstanding options will accelerate and become immediately exercisable in connection with the merger. Except for acceleration in accordance with the terms of May's stock plans, each May stock option assumed by Federated will continue to have the same terms and conditions as were applicable immediately before the effective time of the merger, except that each May stock option will be exercisable for a number of shares of Federated common stock equal to the product of the number of shares of May common stock issuable upon exercise of the option immediately before the effective time of the merger multiplied by the sum of (1) the stock consideration plus (2) the cash consideration divided by the average closing price for a share of

Federated common stock as reported on the NYSE Composite Transaction Reports for the ten days prior to the closing date of the merger. In addition, the per share exercise price of each May stock option will be equal to the quotient determined by dividing the per share exercise price of the May stock option by the sum of (1) the stock consideration plus (2) the cash consideration divided by the average closing price for a share of Federated common stock as reported on the NYSE Composite Transaction Reports for the ten days prior to the closing date of the merger.

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For example, if an executive has options to purchase 1,000 shares of May common stock for an exercise price of \$20 per share, and if the average closing price of Federated common stock were \$60 per share, then the stock option conversion calculations would be as follows:

	May Options		Conversion Calculation		Federated Options
Options	1,000	x	$.3115 + (\$17.75/\$60) = .3115 + .2958 =$	=	607 options
			.6073		
Exercise price per share	\$20 per share	÷	.6073	=	\$32.9326 per share
Aggregate exercise price	\$20,000.00				\$19,990.09*

* Aggregate exercise values fluctuate due to fractional share rounding and rounding of exercise price.

If, on the other hand, the average closing price of Federated shares in the above example were \$52 per share, then the conversion factor would be $.3115 + (\$17.75/\$52) = .3115 + .3413 = .6528$, so that the options for 1,000 shares of May stock would convert to options for 653 shares of Federated stock, and the \$20 per share exercise price would convert to a \$30.6373 per share exercise price, with an aggregate exercise price of \$20,006.13.

The conversion of any May stock options which are incentive stock options, within the meaning of Section 422 of the Internal Revenue Code, into options to purchase Federated common stock will be made so as not to constitute a modification of those May stock options within the meaning of Section 424 of the Internal Revenue Code.

Federated will take all corporate action necessary to reserve for issuance a sufficient number of shares of Federated common stock for delivery upon exercise or settlement of the May stock plans described above that it will assume or settle pursuant to the merger agreement. Promptly after the effective time of the merger, Federated will file a registration statement on Form S-8, or other appropriate form, with respect to the shares of Federated common stock subject to the May stock plans and will maintain the effectiveness of such registration statement and maintain the current status of the prospectus or prospectuses contained in such registration statement, for so long as the May stock options assumed by Federated remain outstanding.

Indemnification and Insurance

Federated has agreed that all rights to indemnification and exculpation, including any obligations to advance funds or expenses, from liabilities for acts or omissions occurring at or prior to the effective time of the merger existing in favor of the current or former directors, officers and employees of May and its subsidiaries, as provided in their respective certificates of incorporation, by-laws and indemnification agreements will be assumed by the surviving company and will survive the merger and continue in full force and effect in accordance with their terms, and to the fullest extent permitted by law. In addition, Federated has agreed not to amend or otherwise modify those rights in any manner that would adversely affect the rights of individuals who on or prior to the effective time of the merger were directors, officers, employees or agents of May, unless the modification is required by law.

Federated has agreed to maintain in effect, for at least six years after the effective time of the merger, the current May directors and officers liability insurance policies covering acts or omissions occurring at or prior to the effective

time of the merger with respect to those persons who are currently covered by May's directors' and officers' liability insurance policies for (or substitute policies of at least the same coverage and amounts containing terms and conditions which are no less advantageous than the May policies), provided that Federated or the surviving company will not be required to expend in any one year an amount in excess of 300% of the annual premiums paid by May at the date of the merger agreement for the insurance and, provided, that, if the annual premiums exceed that amount, Federated will be obligated to obtain a policy with the greatest coverage available for a cost not exceeding the limit set forth above.

Employee Benefits Matters

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Federated agreed to assume all of the May benefit plans and honor and pay or provide the benefits required under the plans, recognizing that the consummation of the merger or approval of the merger agreement by May's stockholders, as the case may be, will constitute a change in control for purposes of each such plan that includes a definition of change in control.

Federated agreed to cause the surviving company to continue all May benefit plans in accordance with their terms as in effect immediately before the effective time of the merger until the first anniversary of the effective time of the merger, except as may be required under applicable law.

From the first anniversary of the effective time of the merger until the third anniversary of the effective time of the merger, Federated agreed to provide to those individuals who were employees of May immediately before the effective time of the merger (other than those subject to collective bargaining obligations or agreements), compensation and employee benefits substantially comparable in the aggregate to those provided to the employees immediately before the effective time of the merger (excluding equity-based compensation) and consider May employees for equity-based award grants on the same basis that similarly situated employees of Federated are considered for such grants.

Employees of May immediately before the effective time of the merger who are provided benefits under Federated employee benefit plans after the merger will receive credit for their service with May and its affiliates before the effective time of the merger for purposes of eligibility, vesting and benefit accrual (other than benefit accrual under a Federated defined benefit plan) to the same extent as they were entitled, before the effective time of the merger, to credit for service under any similar or comparable May benefit plan.

For purposes of each Federated benefit plan providing medical, dental or health benefits to any May employee described above, Federated agreed to cause all pre-existing condition limitations and exclusions and all actively-at-work requirements of the plan to be waived for the employee and his or her covered dependents (but only to the extent that the limitations, exclusions and requirements would have been waived (or inapplicable) under the comparable May benefit plan). Federated also agreed to cause any eligible expenses incurred by the employee and his or her covered dependents during the portion of the plan year of the May plan ending on the date the employee's participation in the corresponding Federated plan begins to be taken into account under the Federated plan for purposes of satisfying all deductible, coinsurance and maximum out-of-pocket requirements applicable to the employee and his or her covered dependents for the applicable plan year as if the amounts had been paid in accordance with the Federated plan.

Under the merger agreement, May may take such action as may be necessary so that all unit awards granted under the Stock Appreciation Plan of the May Department Stores Company and Its Subsidiaries for International Employees will be settled in cash, whether or not the units are vested at the effective time of the merger. The amount of cash to be paid under the plan will be calculated as an amount equal to the product of (i) the closing price of May's common stock on the last trading day prior to the date on which the merger closes over the base price of the unit award and (ii) the number of shares of May common stock represented by the unit award.

Federated acknowledged and agreed to continue the following May practices with respect to its equity awards: (i) with respect to the noncompetition provisions under its 1994 Stock Incentive Plan, May has enforced the forfeiture provisions under the plan only with respect to terminating employees who terminate voluntarily at their own initiative or who have been terminated for cause; and (ii) with respect to options granted prior to the effective time of the merger, an option holder who is party to an employment agreement with May or a May affiliate and whose employment is terminated by the option holder's employer other than for cause, will have his or her stock options generally remain exercisable until the scheduled expiration of the term of the employment agreement and, if at the expiration of the term of the employment agreement, the option holder would be treated as a retiree for stock option

purposes, the option holder's options will remain exercisable generally until the third anniversary of the date of termination of employment (or, if earlier, the expiration of the option term).

Federated Dividends

Federated agreed to increase its quarterly dividend on Federated common stock to \$0.25 per share beginning with the first quarterly dividend with a record date on or after the effective time of the merger. While Federated

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intends to maintain dividends at this level for the foreseeable future, it cannot assure you that dividends will be paid in future periods in any particular amount, or at all.

St. Louis Operations

Federated will maintain in St. Louis, Missouri a major divisional headquarters, as well as certain regional corporate support functions.

Community Involvement

Federated has agreed to honor any charitable contribution obligations of May in existence on the date of the merger agreement. For one year following the effective time of the merger, Federated will not reduce the total aggregate amount of funding for charitable causes by May from the total amount of such funding in the twelve month period immediately preceding the closing date of the merger. Between the first and second anniversary of the closing date of the merger, Federated will not reduce the total aggregate amount of funding for charitable causes by May by more than 50% from the total amount of such funding in the prior twelve month period. Between the second and third anniversary of the closing date of the merger, Federated will not reduce the total aggregate amount of funding for charitable causes by May by more than 75% from the total amount of such funding in the prior twelve month period. Federated's funding obligations will in each case be reduced by the total aggregate amount of funding for charitable causes by the May Department Stores Company Foundation during the relevant time period.

Stockholder Litigation

Federated and May shall cooperate and consult with one another in connection with any stockholder litigation against any of them or any of their respective directors or officers with respect to the transactions contemplated by the merger agreement. Each of the parties will use its respective reasonable best efforts to prevail in such litigation so as to permit the consummation of the transactions contemplated by the merger agreement in the manner contemplated by the merger agreement. May has agreed that it will not compromise or settle (other than compromises or settlements involving solely monetary damages) any litigation commenced against it or its directors and officers relating to the merger agreement or the transactions contemplated by the merger agreement (including the merger) without Federated's prior written consent, not to be unreasonably withheld or delayed. However, May may compromise or settle any such litigation without Federated's consent solely for monetary damages.

Additional Agreements

The merger agreement contains additional agreements between Federated and May relating to, among other things:

preparation of the Form S-4 and this joint proxy statement/prospectus;

tax treatment of the merger, and cooperation with respect to obtaining opinions from outside counsel that the merger will constitute a reorganization within the meaning of Section 368(a) of the Code;

consultations regarding public announcements;

delivery of a letter identifying all persons who are affiliates of May;

use of reasonable best efforts to cause the shares of Federated common stock to be issued to be approved for listing on the NYSE; and

ensure exemption under Rule 16b-3 of the Exchange Act.

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Conditions to Completion of the Merger

The obligations of Federated and May to complete the merger are subject to the satisfaction or waiver on or prior to the closing date of the merger of the following conditions:

the requisite stockholder approval from May and Federated stockholders;

the absence of any order or injunction of any governmental entity of competent jurisdiction that prohibits the consummation of the merger; provided, however, that prior to asserting this condition each of the parties shall have used its reasonable best efforts to prevent the entry of any such order or injunction and to appeal as promptly as possible any such order or injunction that may be entered;

the registration statement of which this joint proxy statement/prospectus forms a part must not be subject to any stop order or proceedings seeking a stop order;

the waiting period applicable to the consummation of the merger under the HSR Act shall have expired or been terminated; and

the shares of Federated common stock issuable to May's stockholders as contemplated by the merger agreement must have been approved for listing on the New York Stock Exchange, subject to official notice of issuance.

The obligation of Federated to effect the merger is further subject to satisfaction or waiver of the following conditions:

the representations and warranties of May set forth in the merger agreement must be true and correct in all respects (without giving effect to any materiality or material adverse effect qualifications contained in them) both when made and at and as of the closing date of the merger, as if made at and as of the closing date of the merger (except to the extent expressly made as of an earlier date, in which case as of that date), except where the failure of such representations and warranties to be so true and correct would not reasonably be expected to have or result in, individually or in the aggregate, a material adverse effect on May;

May must have performed (i) in all material respects all of its obligations, except for the pre-closing conduct of business covenant described above, required to be performed by it under the merger agreement at or prior to the closing date of the merger and (ii) in all respects all of its obligations required to be performed by it under the pre-closing conduct of business covenant described above, except where the failure to do so would not have or result in, individually or in the aggregate, a material adverse effect on May;

May must have furnished Federated with a certificate dated the closing date of the merger signed on its behalf by an executive officer to the effect that the conditions set forth above in the two immediately preceding bullets have been satisfied; and

Federated shall have received from Jones Day, its counsel, an opinion dated as of the closing date of the merger, to the effect that the merger will constitute a reorganization within the meaning of Section 368(a) of the Code. The obligation of May to effect the merger is further subject to satisfaction or waiver of the following conditions:

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the representations and warranties of Federated and Merger Sub set forth in the merger agreement must be true and correct in all respects (without giving effect to any materiality or material adverse effect qualifications contained in them) both when made and at and as of the closing date of the merger, as if made at and as of the closing date of the merger (except to the extent expressly made as of an earlier date, in which case as of that date), except where the failure of the representations and warranties to be so true and correct would not have or result in, individually or in the aggregate, a material adverse effect on Federated and Merger Sub;

Federated and Merger Sub must have performed (i) in all material respects all of its obligations, except for the pre-closing conduct of business covenant described above, required to be performed by it under the merger agreement at or prior to the closing date of the merger and (ii) in all respects all of its obligations required to be performed by it under the pre-closing conduct of business covenant described above, except where the failure to do so would not have or result in, individually or in the aggregate, a material adverse effect;

Federated and Merger Sub must have each furnished May with a certificate dated the closing date of the merger signed on its behalf by an executive officer to the effect that the conditions set forth above in the two immediately preceding bullets have been satisfied; and

May shall have received from Skadden, Arps, Slate, Meagher, & Flom LLP, its counsel, an opinion dated as of the closing date, to the effect that the merger will constitute a reorganization within the meaning of Section 368(a) of the Code.

Material adverse effect, when used in reference to May or Federated, means any change, effect, event, occurrence or state of facts that is, or would reasonably be expected to be, materially adverse to the business, financial condition, or results of operations of the referenced company and its subsidiaries taken as a whole. However, any changes, effects, events, occurrences or state of facts will not be deemed to have a material adverse effect if they relate to:

the economy or financial markets in general, to the extent that they do not disproportionately affect the referenced company relative to the other participants in the industries in which the referenced company operates;

the industry in which the referenced company and its subsidiaries operate in general, to the extent that they do not disproportionately affect the referenced company relative to the other participants in the industries in which the referenced company operates;

the negotiation and entry into the merger agreement, the announcement of the merger agreement or the undertaking and performance or observance of the obligations contemplated by the merger agreement or necessary to consummate the transactions contemplated by the merger agreement (including adverse effects on results of operations attributable to the uncertainties associated with the period between the date of the merger agreement and the closing date of the merger);

the effect of incurring and paying expenses in connection with negotiating, entering into, performing and consummating the transactions contemplated by the merger agreement;

changes in applicable laws after the date of the merger agreement; and

changes in GAAP after the date of the merger agreement.

May's same store sales decreased by 2.4% in the fiscal year ended January 29, 2005. Although May has instituted a number of remedial measures designed to reverse this trend and to improve same store sales performance in fiscal 2005, there can be no assurance that this result will be successfully implemented or that same store sales performance will not continue the trends experienced in fiscal 2004 or that they will not be further adversely affected by the disruption caused by the merger with Federated. Before May and Federated signed the merger agreement, May

informed Federated that comparative store for store sales performance may continue on a downward trend, and may be negatively influenced by the transactions contemplated by the merger agreement.

In addition, compliance with the terms of the merger agreement, including the provisions with respect to the actions to be taken to obtain regulatory and antitrust approvals, and the consequences of compliance with the terms of the merger agreement will not be taken into account in determining whether a material adverse effect will have occurred or will be expected to occur.

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Neither Federated, nor Merger Sub, nor May, as applicable, may rely on the failure of any condition set forth above to be satisfied if the failure was caused by its failure to comply with its obligations to consummate the merger and the other transactions contemplated by the merger agreement.

Termination of the Merger Agreement

Before the effective time of the merger, the merger agreement may be terminated:

by the mutual written consent of Federated and May;

by either Federated or May if:

the parties fail to consummate the merger on or before the outside date of October 3, 2005, or such later date, if any, as Federated and May may agree, unless the failure to consummate the merger by the outside date is the result of a breach of the merger agreement by the party seeking the termination; provided that the outside date will be extended to August 31, 2006, if all conditions to the closing have been fulfilled other than the absence of an order or injunction by a governmental entity prohibiting completion of the merger or the expiration or termination of the waiting period under HSR;

the Federated annual meeting has concluded and the authorization of the issuance of shares of Federated common stock pursuant to the merger agreement by the Federated stockholders was not obtained;

the May annual meeting has concluded and the approval and adoption of the merger agreement and the transactions contemplated by the merger agreement, including the merger, by the May stockholders was not obtained; or

any governmental entity issues an order or injunction that permanently prohibits the merger and such order or injunction has become final and non-appealable unless the order or injunction results from a breach of the merger agreement by the party seeking the termination;

by May if:

Federated or Merger Sub breaches its representations or warranties or breaches or fails to perform its covenants in the merger agreement, which breach or failure to perform results in a failure of certain of the conditions to the completion of the merger being satisfied and such breach or failure to perform is not cured within 60 days after the receipt of written notice thereof or is incapable of being cured by the outside date;

prior to the receipt of its stockholder approval, May (i) receives a superior proposal, (ii) provides Federated with a written notice that the board of directors has determined, in good faith, after consultation with outside counsel, that it is necessary for the proper discharge of its fiduciary duties under applicable law and (iii) thereafter satisfies the conditions for withdrawing (or modifying in a manner adverse to Federated) the recommendation by its board of directors of the merger or recommending such superior proposal; provided that May pays a \$350 million termination fee to Federated and is not in material breach of its non-solicitation obligations under the merger agreement; or

the Federated board of directors or any committee thereof withdraws or modifies or publicly proposes to withdraw or modify its recommendation that Federated's stockholders authorize the issuance of Federated common stock in the merger;

by Federated if:

May breaches its representations or warranties or breaches or fails to perform its covenants in the merger agreement, which breach or failure to perform results in a failure of certain of

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the conditions to the completion of the merger being satisfied, provided such breach or failure to perform is not cured within 60 days after receipt of a written notice thereof or is incapable of being cured by the outside date; or

the May board of directors or any committee thereof (i) withdraws or adversely modifies or publicly proposes to withdraw or adversely modify, its recommendation of the merger agreement and the transactions contemplated by the merger agreement, including the merger; or (ii) recommends, adopts or approves, or proposes publicly to recommend, adopt or approve a takeover proposal other than the merger agreement.

Termination Fees

May

May must pay Federated a \$350 million termination fee if the merger agreement is terminated:

by Federated if the May board of directors or any committee thereof (i) withdraws or adversely modifies or publicly proposes to withdraw or adversely modify, its recommendation of the merger agreement and the transactions contemplated by the merger agreement, including the merger; or (ii) recommends, adopts or approves, or proposes publicly to recommend, adopt or approve a takeover proposal other than the merger agreement;

by May if, prior to the receipt of its stockholder approval, May (i) receives a superior proposal, (ii) provides Federated with a written notice that the board of directors has determined, in good faith, after consultation with outside counsel, that it is necessary for the proper discharge of its fiduciary duties under applicable law and (iii) thereafter satisfies the conditions for withdrawing (or modifying in a manner adverse to Federated) the recommendation by its board of directors of the merger or recommending such superior proposal; provided that May is not in material breach of its non-solicitation obligations under the merger agreement; or

(i) because (x) the merger has not been consummated by the outside date; (y) the May annual meeting has concluded and the approval and adoption of the merger agreement and the transactions contemplated by the merger agreement, including the merger, by the May stockholders was not obtained; or (z) May breaches its representations or warranties or breaches or fails to perform its covenants in the merger agreement, which breach or failure to perform results in a failure of certain of the conditions to the completion of the merger being satisfied, provided such breach or failure to perform is not cured within 60 days after receipt of a written notice thereof or is incapable of being cured by the outside date; (ii) at the time of such termination, Federated is not in breach in any material respect of any of its representations, warranties or covenants contained in the merger agreement; (iii) prior to such termination, any person publicly announces an alternative takeover proposal relating to May that has not been withdrawn; and (iv) within 12 months of such termination May enters into a definitive agreement with respect to, or consummates, an alternative takeover proposal relating to May.

Federated

Federated must pay May a termination fee:

of \$350 million if the merger agreement is terminated by May because the Federated board of directors or any committee thereof has withdrawn or modified, or publicly proposed to withdraw or modify, its recommendation that Federated stockholders authorize the issuance of Federated common stock in the merger;

of \$350 million if the merger agreement is terminated by either party because the merger was not consummated by the outside date and at the time of the termination all of the conditions precedent to the obligations of the parties to consummate the merger agreement had been satisfied except for:

the condition that none of the parties shall be subject to any order or injunction of any government entity that prohibits the consummation of the merger, and the condition that

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the waiting period applicable to the consummation of the merger under the HSR Act shall have expired or been terminated;

the condition that the shares of Federated common stock issuable to May's stockholders as contemplated in the merger agreement shall have been approved for listing on the NYSE, if such condition is capable of being satisfied at the time of termination, or the condition that Federated shall have received from Jones Day, an opinion dated as of the closing date, to the effect that the merger will constitute a reorganization within the meaning of Section 368(a) of the Code, if such condition is capable of being satisfied at the time of termination; and

any other conditions that are capable of being satisfied on the date of termination but by their terms cannot be satisfied until the closing date.

equal to the product of \$20 million and the quotient (rounded to the nearest fourth decimal point) determined by dividing the number of calendar days between the date of the agreement and the date of the termination by 30, provided however that the amount of the fee will not be less than \$150 million or more than \$350 million, if the merger agreement is terminated by either party because any government entity issues an order or injunction that permanently prohibits the merger, such order or injunction becomes final and non-appealable, and at the time of the termination all of the conditions precedent to the obligation to consummate the merger agreement had been satisfied except for:

the condition that none of the parties shall be subject to any order or injunction of any government entity that prohibits the consummation of the merger, and the condition that the waiting period applicable to the consummation of the merger under the HSR Act shall have expired or been terminated; and

the condition that the shares of Federated common stock issuable to May's stockholders as contemplated in the merger agreement shall have been approved for listing on the NYSE, if such condition is capable of being satisfied at the time of termination, or the condition that Federated shall have received from Jones Day, an opinion dated as of the closing date, to the effect that the merger will constitute a reorganization within the meaning of Section 368(a) of the Code, if such condition is capable of being satisfied at the time of termination; and

any other conditions that are capable of being satisfied on the date of termination but by their terms cannot be satisfied until the closing date.

In general, each of Federated and May will bear its own expenses in connection with the merger agreement and the related transactions except that Federated and May will share equally the costs and expenses in connection with filing, printing and mailing of the registration statement and this joint proxy statement/prospectus.

Amendments, Extensions and Waivers

Amendments

The merger agreement may be amended by the parties at any time prior to the effective time of the merger by an instrument in writing signed on behalf of each of the parties. However, after the approval and adoption of the merger agreement with the transactions contemplated by the merger agreement, including the merger, at the May annual meeting or the approval of the issuance of shares of Federated common stock in the merger at the Federated annual meeting, there will be no amendment to the merger agreement made that by law, or, in the case of the approval at the Federated annual meeting, by the regulations established by the NYSE, requires further approval by the stockholders of May or Federated without the further approval of the stockholders of May or Federated.

Extensions and Waivers

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At any time prior to the effective time of the merger, any party to the merger agreement may:

extend the time for the performance of any of the obligations or other acts of the other parties;

waive any inaccuracies in the representations and warranties of the other parties contained in the merger agreement or in any document delivered pursuant to the merger agreement; or

waive compliance by the other parties with any of the agreements or conditions contained in the merger agreement except as limited by the provisions of the merger agreement described above in the section Amendments.

Any agreement on the part of either party to any extension or waiver will be valid only if set forth in an instrument in writing signed by that party. The failure of any party to the merger agreement to assert any of its rights under the merger agreement or otherwise will not constitute a waiver of those rights.

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INFORMATION ABOUT FEDERATED

Business

General

Federated is a Delaware corporation. Federated and its predecessors have been operating department stores since 1820.

As of January 29, 2005, Federated, through its subsidiaries, operated 394 department stores and 65 furniture galleries and other specialty stores. The stores are located in 34 states, Puerto Rico and Guam, with 152 stores being located on the west coast, 104 stores in the southeast, 90 stores in the northeast, 48 stores in the midwest and the remaining 65 stores spread in other areas of the United States and its territories. Prior to March 6, 2005, the stores were operated under the names Bloomingdale's, Bon-Macy's, Burdines-Macy's, Goldsmith's-Macy's, Lazarus-Macy's and Rich's-Macy's. Pursuant to a broad national strategy announced by Federated in September 2004 to more fully leverage its Macy's brand, the stores operating under the names Bon-Macy's, Burdines-Macy's, Goldsmith's-Macy's, Lazarus-Macy's and Rich's-Macy's were renamed effective March 6, 2005, to become Macy's stores. The department stores sell a wide range of merchandise, including men's, women's and children's apparel and accessories, cosmetics, home furnishings and other consumer goods, and are diversified by size of store, merchandising character and character of community served. Most stores are located at urban or suburban sites, principally in densely populated areas across the United States.

Federated, through its subsidiaries, conducts direct-to-customer mail catalog and electronic commerce businesses under the names Bloomingdale's By Mail and macys.com. Additionally, Federated offers an on-line bridal registry to customers.

Federated provides various support functions to its retail operating divisions on an integrated, company-wide basis.

Federated's financial, administrative and credit services subsidiary, FACS Group, Inc., referred to as FACS, provides credit processing, collections, customer service and credit marketing services for the proprietary credit programs of Federated's retail operating divisions in respect of all proprietary and non-proprietary credit card accounts owned by Federated and credit processing, customer service and credit marketing for those accounts owned by GE Money Bank, referred to as GE Bank. GE Bank owns all of the Macy's credit card accounts originated prior to December 19, 1994, when R.H. Macy & Co., Inc. was acquired pursuant to a merger, and an allocated portion of the Macy's credit card accounts originated subsequent to such merger. In addition, FACS provides payroll and benefits services to Federated's retail operating and service divisions. As of the date of this joint proxy statement/prospectus, Federated is exploring various alternatives with respect to its credit card related assets, including the possible purchase of the portion of the Macy's accounts currently owned by GE Bank, the possible sale of all or a portion of Federated-owned accounts and related assets or possible entry into modified arrangements with GE Bank or another third party with respect thereto.

Federated's data processing subsidiary, Federated Systems Group, Inc., referred to as FSG, provides (directly and pursuant to outsourcing arrangements with third parties) operational electronic data processing and management information services to each of Federated's retail operating and service divisions.

Macy's Merchandising Group, LLC, referred to as MMG, a wholly owned indirect subsidiary of Federated and successor in interest to Federated Merchandising Group, helps Federated to centrally develop and execute consistent merchandise strategies while retaining the ability to tailor merchandise assortments and strategies to the particular character and customer base of Federated's various department store franchises.

MMG is also responsible for all of the private label development of Federated's retail operating divisions. However, Bloomingdale's sources some of its private label merchandise through Associated Merchandising Corporation.

Federated Logistics and Operations, referred to as FLO, a division of a subsidiary of Federated, provides warehousing and merchandise distribution services, store design and construction services and certain supply purchasing services for Federated's retail operating divisions.

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Since April 2004, Macy's Home Store, LLC, a wholly owned indirect subsidiary of Federated, has been responsible for the overall strategy, merchandising and marketing of home-related categories of business in all of Federated's retail operating stores, except stores operated under the Bloomingdale's name.

A specialized staff maintained in Federated's corporate offices provides services for all divisions of Federated in such areas as accounting, legal, marketing, real estate and insurance, as well as various other corporate office functions.

FACS, FSG and MMG also offer their services to unrelated third parties.

Federated's executive offices are located at 7 West Seventh Street, Cincinnati, Ohio 45202, telephone number: (513) 579-7000 and 151 West 34th Street, New York, New York 10001, telephone number: (212) 494-1602.

Employees

As of January 29, 2005, Federated had approximately 112,000 regular full-time and part-time employees. Because of the seasonal nature of the retail business, the number of employees peaks in the holiday season. Approximately 10% of Federated's employees as of January 29, 2005, were represented by unions. Federated management considers its relations with employees to be satisfactory.

Seasonality

The retail business is seasonal in nature with a high proportion of sales and operating income generated in the months of November and December. Working capital requirements fluctuate during the year, increasing somewhat in mid-summer in anticipation of the fall merchandising season and increasing substantially prior to the holiday season when Federated must carry significantly higher inventory levels.

Purchasing

Federated purchases merchandise from many suppliers, no one of which accounted for more than 5% of Federated's net purchases during the fiscal year ended January 29, 2005, referred to as fiscal 2004. Federated has no long-term purchase commitments or arrangements with any of its suppliers, and believes that it is not dependent on any one supplier. Federated considers its relations with its suppliers to be satisfactory.

Competition

The retailing industry is intensely competitive. Federated's stores and direct-to-customer business operations compete with many retailing formats, including department stores, specialty stores, general merchandise stores, off-price and discount stores, new and established forms of home shopping (including the Internet, mail-order catalogs and television) and manufacturers' outlets, among others. The retailers with which Federated competes include Dillard's, J.C. Penney, Kohl's, May, Nordstrom, Sears, Neiman Marcus, Saks, The Gap, The Limited, Old Navy, TJ Maxx, Wal-Mart, Target, Linens 'n Things, Bed, Bath & Beyond and many others. Federated seeks to attract customers by offering superior selections, value pricing and strong private label merchandise, and by providing an exciting shopping environment and superior service. Other retailers may compete for customers on some or all of these bases, or on other bases, and may be perceived by some potential customers as being better aligned with their particular preferences.

Credit Sales

Sales at Federated's stores are made for cash or credit, including Federated's 30-day charge accounts and open-end credit plans for department store divisions, which include revolving charge accounts and revolving installment accounts. During fiscal 2004, approximately 42% of net sales were made through Federated's department store credit plans, including the credit plans relating to certain operations of Federated that are owned by GE Money Bank.

Directors of Federated

Nominees for Election as Class II Directors Term expires at the 2008 annual meeting

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Meyer Feldberg

Professor Feldberg, age 63, has been Dean Emeritus and Sanford Bernstein Professor of Leadership and Ethics at Columbia Business School at Columbia University since June 2004. Prior thereto he served as the Dean of the Columbia Business School at Columbia University from 1989 to June 2004. He is also a member of the boards of directors of Revlon, Inc., Primedia, Inc., UBS Global Asset Management, SAPPI Limited and Select Medical Corporation. Professor Feldberg is a member of the NCG and Compensation and Management Development, referred to as the CMD Committee, Committees of the board. Professor Feldberg has been a director since 1992.

Terry J. Lundgren

Mr. Lundgren, age 53, has been Chairman of Federated since January 15, 2004, and President and Chief Executive Officer of Federated since February 26, 2003. Prior thereto he served as the President/Chief Operating Officer and Chief Merchandising Officer of Federated since April 15, 2002. From May 1997 until April 15, 2002, he was President and Chief Merchandising Officer of Federated. Mr. Lundgren has been a director since May 1997.

Marna C. Whittington

Dr. Whittington, age 57, has been President of Nicholas Applegate Capital Management since 2001 and Chief Operating Officer of Allianz Global Investors, the parent of Nicholas Applegate Capital Management, since 2002. From 1996 until 2001 she was Chief Operating Officer of Morgan Stanley Dean Witter Investment Management. Dr. Whittington is also a member of the board of directors of Rohm & Haas Company. Dr. Whittington is a member of the Audit and Finance Committees of the board. Dr. Whittington has been a director since 1993.

Class III Directors Term expires at the 2006 annual meeting

Earl G. Graves, Sr.

Mr. Graves, age 70, has been Chairman and Chief Executive Officer of Earl G. Graves, Ltd., a multi-faceted communications company, since 1970, and is the Publisher and Chief Executive Officer of Black Enterprise magazine, which he founded. From 1990 until 1998, Mr. Graves was Chairman and Chief Executive Officer of Pepsi-Cola of Washington, D.C., L.P., a Pepsi-Cola bottling franchise. Since 1998, Mr. Graves has been Chairman of the Pepsi-Cola Ethnic Advisory Board. Mr. Graves is also a member of the boards of directors of Aetna Inc., AMR Corporation, DaimlerChrysler Corporation and Rohm & Haas Company. He is a member of the NCG, Public Policy and Audit Committees of the board. Mr. Graves has been a director since 1994. Although Mr. Graves term expires at the 2006 annual meeting, he intends to resign his position as a Federated director effective at the 2005 annual meeting.

Craig E. Weatherup

Mr. Weatherup, age 59, was Chairman and Chief Executive Officer of The Pepsi Bottling Group, Inc. from November 1998 until January 2003. Mr. Weatherup is also a member of the board of directors of Starbucks Corporation. Mr. Weatherup has been a director since August 1996.

Class I Directors Term expires at the 2007 annual meeting

Sara Levinson

Ms. Levinson, age 54, has been President, Women's Group of Rodale, Inc. since October 2002 and has been Non-Executive Chairman of Club Mom since May 2000. Prior to October 2000, she was President of NFL Properties,

Inc. since September 1994. Ms. Levinson is also a member of the board of directors of Harley Davidson, Inc. Ms. Levinson is a member of the NCG and CMD Committees of the board. Ms. Levinson has been a director since May 1997.

Joseph Neubauer

Mr. Neubauer, age 64, has been Chairman and Chief Executive Officer of ARAMARK Corporation since September 2004. From January 2004 to September 2004 he served as Executive Chairman of ARAMARK Corporation. Prior thereto, he was Chief Executive Officer of ARAMARK Corporation from 1983 until December 2003 and Chairman from 1984 until December 2003. He is also a member of the boards of directors of ARAMARK Corporation, Verizon Communications, Inc., Wachovia Corporation and CIGNA Corporation. Mr. Neubauer is a member of the Audit, CMD and Finance Committees of the board. Mr. Neubauer has been a director since 1992.

Joseph A. Pichler

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Mr. Pichler, age 65, was Chairman of The Kroger Co. from June 2003 until June 2004 and was Chief Executive Officer of The Kroger Co. from June 1990 until June 2003. Mr. Pichler is a member of the NCG and CMD Committees of the board. Mr. Pichler has been a director since December 1997.

Karl M. von der Heyden

Mr. von der Heyden, age 68, was Vice Chairman of the Board of Directors of PepsiCo, Inc. from September 1996 to January 2001. He is also a member of the boards of directors of ARAMARK Corporation and PanAmSat Corp. Mr. von der Heyden is a member of the Audit and Finance Committees of the board. Mr. von der Heyden has been a director since 1992.

Attendance at Board Meetings

The board held nine meetings fiscal 2004. During fiscal 2004, no director attended fewer than 75%, in the aggregate, of the total number of meetings of the board and board committees on which such director served.

Director Attendance at Annual Meetings

As a matter of policy, Federated expects its directors to make reasonable efforts to attend Federated's annual meetings of stockholders. All of Federated's directors attended its most recent annual meeting of stockholders.

Communications with the Board

Interested parties may communicate with the full board, the Audit Committee, directors who are not employees of Federated, referred to as the non-management directors, or any individual director by communicating through Federated's Internet website at www.fds.com/corporategovernance or by mailing such communications to 7 West Seventh Street, Cincinnati, Ohio 45202, Attention: General Counsel. Such communications should indicate to whom they are addressed. Any comments received that relate to accounting, internal accounting controls or auditing matters will be referred to members of the Audit Committee unless the communication is otherwise addressed. Parties may communicate anonymously and/or confidentially if they desire. All communications received will be collected by the Office of the General Counsel of Federated and forwarded to the appropriate director or directors.

Director Independence

Federated's Corporate Governance Guidelines require that a majority of the board consist of directors who the board has determined do not have any material relationship with Federated and are independent. The board has adopted standards for director independence, a copy of which is attached as [Annex H](#) to this joint proxy statement/prospectus, to assist the board in determining if a director is independent.

The board has determined that, except for Messrs. Lundgren and Tysoe, who are senior executives of Federated, and Mr. Weatherup, the remaining members of the board who are non-management directors qualify as independent. The board determined that, following the expiration of the transition rule applicable to Section 303A.02(b)(iv) of the New York Stock Exchange Listed Company Manual, referred to as the NYSE Manual, on October 31, 2004, Mr. Weatherup was not independent under Federated's standards for director independence. Mr. Weatherup was Chairman and Chief Executive Officer of the Pepsi Bottling Group, Inc., referred to as PBG, from November 1998 until January 2003. Susan Kronick, a member of PBG's compensation committee since 1999, became an executive officer of Federated on February 25, 2003. Although Mr. Weatherup's tenure as a PBG executive officer did not overlap Ms. Kronick's service on PBG's compensation committee while she was also a Federated executive officer, the board determined that Mr. Weatherup was not independent based on the application of the three-year look-back under

Section 303A.02(b)(iv) of the NYSE Manual. Each of the directors who were determined to be independent by the board satisfied Federated's standards for director independence.

Non-Management Directors Meetings

The non-management directors of the board meet in executive session without management either before or after all regularly scheduled board meetings. The chairpersons of the board committees preside at such sessions by rotation. Non-management directors who are not independent under the NYSE listing standards may participate in these executive sessions, but an executive session in which only independent directors participate is convened at least once per year.

Committees of the Board

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The following standing committees of the board were in existence throughout fiscal 2004: the Finance Committee, the Audit Committee, the NCG Committee (formerly called the Board Organization and Corporate Governance Committee), and the Compensation and Management Development Committee (formerly called the Compensation Committee). The Public Policy Committee and the Section 162(m) Subcommittee were in existence until May 2004. On the recommendation of the NCG Committee, the board resolved to dissolve the Public Policy Committee and the Section 162(m) Subcommittee as of May 21, 2004.

Audit Committee. The Audit Committee (formerly called the Audit Review Committee) is presently composed of Dr. Whittington and Messrs. Graves, Neubauer and von der Heyden. The Audit Committee Charter is disclosed on Federated's website at www.fds.com/corporategovernance. As required by the Audit Committee Charter, the board has determined that all members of the Audit Committee are independent and that Dr. Whittington and other members of the Audit Committee qualify as financial experts. For a portion of fiscal 2004, Mr. von der Heyden served on the audit committees of three other public companies. The board previously determined that such service did not impair Mr. von der Heyden's ability to serve on Federated's Audit Committee.

The responsibilities of the Audit Committee include:

Reviewing the professional services provided by Federated's independent registered public accounting firm and the independence of such firm;

Reviewing the scope of the audit by Federated's independent registered public accounting firm;

Reviewing any proposed non-audit services by Federated's independent registered public accounting firm to determine if the provision of such services is compatible with the maintenance of their independence, and approval of same;

Reviewing Federated's annual financial statements, systems of internal accounting controls, material legal developments relating thereto, and legal compliance policies and procedures;

Reviewing matters with respect to the legal, accounting, auditing and financial reporting practices and procedures of Federated as it may find appropriate or as may be brought to its attention, including Federated's compliance with applicable laws and regulations;

Reviewing with members of Federated's internal audit staff the internal audit department's staffing, responsibilities and performance, including its audit plans, audit results and actions taken with respect to those results; and

Establishing procedures for the Audit Committee to receive, review and respond to complaints regarding accounting, internal accounting controls, and auditing matters, as well as confidential, anonymous submissions by employees of concerns related to questionable accounting or auditing matters.

See Report of the Audit Committee for further information regarding the Audit Committee's review. The Audit Committee met seven times during fiscal 2004.

Compensation and Management Development Committee. The charter for the CMD Committee is disclosed on Federated's website at www.fds.com/corporategovernance. The CMD Committee is presently composed of Ms. Levinson and Messrs. Feldberg, Neubauer and Pichler. Prior to November 1, 2004, Mr. Weatherup also was a member of the CMD Committee. As required by the CMD Committee Charter, all current members of the CMD Committee are independent under Federated's standards for director independence.

The responsibilities of the CMD Committee include:

Reviewing and approving any proposed employment agreement with, and any proposed severance, termination or retention plans, agreements or payments applicable to, any executive officer of Federated;

Reviewing and approving the salaries of the chief executive officer and other executive officers of Federated;

Administering the bonus, incentive and stock option plans of Federated, including (i) establishing any annual or long-term performance goals and objectives and maximum annual or long-term incentive awards for the chief executive officer and the other executives, (ii) determining whether

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and the extent to which annual and/or long-term performance goals and objectives have been achieved, and (iii) determining related annual and/or long-term incentive awards for the chief executive officer and the other executives;

Reviewing and approving the benefits of the chief executive officer and the other executive officers of Federated;

Advising and consulting with Federated's management regarding pension, benefit and compensation plans, policies and practices of Federated;

Establishing chief executive officer and key executive succession plans, including plans in the event of an emergency, resignation or retirement; and

Reviewing management development plans for key executives.

The CMD Committee met four times during fiscal 2004.

Finance Committee. The Finance Committee is presently composed of Dr. Whittington and Messrs. Neubauer and von der Heyden.

The Finance Committee:

Reviews with the appropriate officers of Federated the financial considerations relating to acquisitions and dispositions of businesses and operations involving projected costs or income above \$15 million and below \$25 million and approves all such transactions, and makes recommendations to the Federated board on all such transactions involving projected costs or income of \$25 million and above;

Reports to the Federated board on potential transactions affecting Federated's capital structure, such as financings, refinancings and the issuance, redemption or repurchase of Federated's debt or equity securities;

Reports to the Federated board on potential changes in Federated's financial policy which could have a material financial impact on Federated;

Reviews capital projects and other financial commitments and approves such projects and commitments above \$15 million and below \$25 million, and makes recommendations to the Federated board on all such projects and commitments of \$25 million and above; and

Reviews investment performance of pension and savings plans.

The Finance Committee met twelve times during fiscal 2004.

Nominating and Corporate Governance Committee. The charter for the NCG Committee is disclosed on Federated's website at www.fds.com/corporategovernance. The NCG Committee is presently composed of Ms. Levinson and Messrs. Feldberg, Graves and Pichler. Prior to November 1, 2004, Mr. Weatherup also was a member of the NCG Committee. As required by the NCG Committee Charter, all current members of the NCG Committee are independent under Federated's standards for director independence.

The responsibilities of the NCG Committee include:

Identifying and screening candidates for future board membership;

Proposing candidates to the board to fill vacancies as they occur, and proposing nominees to the board for election by the stockholders at annual meetings;

Reviewing Federated's Corporate Governance Principles and Practices and recommending to the board any modifications that the NCG Committee deems appropriate;

Overseeing the evaluation of and reporting to the board on the performance and effectiveness of the board and its committees, and other issues of corporate governance and recommending to the board any changes concerning the composition, size, structure and activities of the board and the committees of the board as the NCG Committee deems appropriate based on its evaluations;

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Reviewing and reporting to the board with respect to director compensation and benefits and make recommendations to the board as the Committee deems appropriate; and

Considering possible conflicts of interest of board members and management and making recommendations to prevent, minimize, or eliminate such conflicts of interest.

The NCG Committee met six times during fiscal 2004.

Among other means of identifying potential candidates, under the NCG Committee Charter, the NCG Committee is authorized to employ third-party search firms. The criteria considered by the NCG Committee in evaluating potential candidates include the following:

Personal qualities and characteristics, accomplishments and reputation in the business community;

Knowledge of the communities in which Federated does business and Federated's industry or other industries relevant to Federated's business;

Relevant experience and background that would benefit Federated;

Ability and willingness to commit adequate time to Federated board and committee matters;

The fit of the individual's skills and personality with those of other directors and potential directors in building a board that is effective, collegial and responsive to the needs of Federated; and

Diversity of viewpoints, background, experience and demographics.

The NCG Committee also takes into consideration whether particular individuals satisfy the independence criteria set forth in the New York Stock Exchange listing standards together with any special criteria applicable to service on various standing committees of the Federated board. The full Federated board (a) considers candidates recommended to it by the NCG Committee, (b) considers the optimum size of the Federated board, (c) determines the manner in which any vacancies on the Federated board are addressed, and (d) determines the composition of all Federated board committees.

The NCG Committee will consider nominees for directors recommended by stockholders of Federated and will evaluate such nominees using the same criteria used to evaluate director candidates otherwise identified by the NCG Committee. Stockholders wishing to make such recommendations should write to the Nominating and Corporate Governance Committee, c/o Dennis J. Broderick, Secretary, Federated Department Stores, Inc., 7 West Seventh Street, Cincinnati, Ohio 45202. Persons making submissions should include the full name and address of the recommended nominee, a description of the proposed nominee's qualifications and other relevant biographical information. See *Directors of Federated Director Nomination Procedures* on page 129 for a discussion of nomination procedures under Federated's by-laws.

Public Policy Committee. The Public Policy Committee ceased to exist as of May 21, 2004. Prior to its dissolution, the Public Policy Committee was composed of Ms. Levinson and Messrs. Graves, von der Heyden and Weatherup, and had the following responsibilities:

Establishing, when necessary or appropriate, policies involving Federated's role as a corporate citizen;

Reviewing, evaluating and monitoring the policies, programs and practices in public policy areas;

Maintaining an awareness of public affairs developments and trends; and

Reviewing and making recommendations to the Federated board on stockholder proposals relating to various matters.

The Public Policy Committee met one time during fiscal 2004. The Federated board and the CMD Committee now perform the responsibilities previously performed by the Public Policy Committee.

Section 162(m) Subcommittee. The Section 162(m) Subcommittee was established by the Federated board as a subcommittee of the CMD Committee, and was required to be composed solely of two or more members of the CMD Committee who were outside directors within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, and the regulations of the Internal Revenue Service relating thereto, referred to collectively as Section

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162(m). The Section 162(m) Subcommittee ceased to exist as of May 21, 2004, because all members of the CMD Committee are independent under Section 162(m).

Prior to its dissolution, the Section 162(m) Subcommittee was composed of Messrs. Feldberg and Pichler and was authorized to take all required actions under the 1995 Equity Plan and the 1992 Bonus Plan, and such other compensation plans, agreements or arrangements of Federated as were specified by the Federated board from time to time, in each case with respect to such action as may be necessary under Section 162(m) in order to cause any compensation that was paid thereunder to a person who was specified by the CMD Committee as being reasonably likely to become, a covered employee within the meaning of Section 162(m) to qualify as performance based within the meaning of Section 162(m).

The Section 162(m) Subcommittee did not meet during fiscal 2004. The CMD Committee now performs the responsibilities previously performed by the Section 162(m) Subcommittee.

Director Nomination Procedures

Federated's by-laws provide that nominations for election of directors by the stockholders will be made by the Federated board or by any stockholder entitled to vote in the election of directors generally. The by-laws require that stockholders intending to nominate candidates for election as directors deliver written notice thereof to the Secretary of Federated not less than 60 days prior to the annual meeting of stockholders. However, in the event that the date of the meeting is not publicly announced by Federated by inclusion in a report filed with the SEC or furnished to stockholders, or by mail, press release or otherwise more than 75 days prior to the meeting, notice by the stockholder to be timely must be delivered to the Secretary of Federated not later than the close of business on the tenth day following the day on which such announcement of the date of the meeting was so communicated. The by-laws further require, among other things, that the notice by the stockholder set forth certain information concerning such stockholder and the stockholder's nominees, including their names and addresses, a representation that the stockholder is entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice, the class and number of shares of Federated's stock owned beneficially and of record by such stockholder, a description of all arrangements or understandings between the stockholder and each nominee, such other information as would be required to be included in a proxy statement soliciting proxies for the election of the nominees of such stockholder, and the consent of each nominee to serve as a director of Federated if so elected. The chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with these requirements. Similar procedures prescribed by Federated's by-laws are applicable to stockholders desiring to bring any other business before an annual meeting of Federated's stockholders. See Submission of Future Stockholder Proposals beginning on page 194.

Corporate Governance Guidelines and Code of Business Conduct and Ethics

The Federated board approved the adoption by Federated of Corporate Governance Guidelines and a Code of Business Conduct and Ethics, each of which is disclosed on Federated's website at www.fds.com/corporategovernance.

Director Compensation

Non-management directors receive the following compensation:

Type of Fee	Amount of Fee
Base Retainer	\$40,000 annually *

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increments, as any individual director may have elected) in credits representing the right to receive shares of common stock, with the balance being paid in cash. Such stock credits will be settled in shares of common stock three years following the issuance of such stock credits (or at such later time as any individual director's service on the Federated board ends, if such individual director has elected to defer compensation under the directors' deferred compensation plan).

Subject to the holding period described above for stock credits covering a portion of retainer and meeting fees, any Non-Management Director may defer all or a portion of the total fees received by him or her either as stock credits or cash credits under the directors' deferred compensation plan until such director's service on the Federated board ends, provided that the stock credits subject to the holding period described above may be deferred under the directors' deferred compensation plan only as stock credits.

In connection with the termination of the retirement plan for non-management directors described below, the 1995 Equity Plan was amended to make each Non-Management Director eligible to receive annual grants of options to purchase up to 3,500 shares of Federated common stock. The 1995 Equity Plan was further amended to make each Non-Management Director eligible to receive, commencing with fiscal year 2001, annual grants of options to purchase up to 5,000 shares of Federated common stock. Each Non-Management Director was granted an option to purchase 5,000 shares of common stock in respect of his or her service during fiscal 2004. Directors who are also full-time employees of Federated receive no additional compensation for service as directors.

Federated's retirement plan for non-management directors was terminated on a prospective basis effective May 16, 1997, referred to as the plan termination date. As a result of such termination, persons who first become non-management directors after the plan termination date will not be entitled to receive any payment thereunder. Persons who were non-management directors as of the plan termination date will be entitled to receive retirement benefits accrued as of the plan termination date. Subject to an overall limit in an amount equal to the aggregate retirement benefit accrued as of the plan termination date (i.e., the product of the amount of the annual base retainer fee earned immediately prior to retirement and the years of Federated board service prior to the plan termination date), and the vesting requirements described below, persons who retire from service as non-management directors after the plan termination date will be entitled to receive an annual payment equal to the amount of the annual base retainer fee earned immediately prior to retirement, payable in monthly installments, commencing at age 60 (if such person's termination of Federated board service occurred prior to reaching age 60) and continuing for the lesser of such person's remaining life or a number of years equal to such person's years of Federated board service prior to the plan termination date. Full vesting will occur for non-management directors who reach age 60 while serving on the Federated board, irrespective of such person's years of Federated board service. Vesting will occur as follows for non-management directors whose Federated board service terminates before the director reaches age 60: 50% vesting after five years of Federated board service and an additional 10% vesting for each year of Federated board service after five years. Federated board service following the plan termination date will be given effect for purposes of the foregoing vesting requirements. There are no survivor benefits under the terms of the retirement plan.

Non-management directors also receive executive discounts on merchandise purchased.

Certain Relationships and Related Transactions

Dr. Whittington, a director of Federated, is Chief Operating Officer of Allianz Global Investors, which through its insurance affiliate, Allianz Insurance Company, is providing to Federated during fiscal year 2005 portions of Federated's excess casualty insurance coverage at an aggregate premium cost of \$111,000.

Earl G. Graves, Sr., a director of Federated, is the Publisher and Chief Executive Officer of Black Enterprise magazine and Chairman and Chief Executive Officer of Earl G. Graves, Ltd. Federated anticipates that in fiscal year

2005 it will purchase at least \$30,000 in advertising space in Black Enterprise magazine and spend approximately \$30,000 for event sponsorship with Earl G. Graves, Ltd. These expenditures are being made in furtherance of Federated's minority hiring programs.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Exchange Act requires Federated's directors and executive officers, and certain persons who own more than 10% of the common stock outstanding, to file with the SEC and the NYSE initial reports of ownership and reports of changes in ownership of common stock. Executive officers, directors and greater than 10% stockholders are required by SEC regulation to furnish Federated with copies of all Section 16(a) reports they file. See Beneficial Ownership of Federated Common Stock beginning on page 145.

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To Federated's knowledge, based solely on a review of the copies of reports furnished to Federated and written representations signed by all directors and executive officers that no other reports were required with respect to their beneficial ownership of common stock during fiscal 2004, all reports required by Section 16(a) of the Exchange Act to be filed by the directors and executive officers and all beneficial owners of more than 10% of the common stock outstanding to report transactions in securities were timely filed, except as described below.

Mr. Graves filed one report late because of inadvertent miscommunications between Mr. Graves and the broker at the time the option was exercised, which delayed the completion of the option exercise procedures.

Mr. Weatherup filed one report late because the transactions required to be reported occurred through a discretionary investment account with an unaffiliated broker without the knowledge of Mr. Weatherup. The unintended acquisitions were corrected retroactively by the broker through its error account.

Executive Officers of Federated

List of Officers

The names, ages and current positions of the executive officers of Federated are listed below. All executive officers listed below were elected at the 2004 annual meeting of the Federated board of directors. They are expected to serve as executive officers until the next annual meeting of the Federated board of directors.

Name	Age	Positions and Offices
Terry J. Lundgren	53	Chairman, President and Chief Executive Officer; Director