

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1994-04-20** | Period of Report: **1994-01-29**
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FILER

MAY DEPARTMENT STORES CO

CIK: **63416** | IRS No.: **430398035** | State of Incorpor.: **NY** | Fiscal Year End: **0201**
Type: **10-K** | Act: **34** | File No.: **001-00079** | Film No.: **94523359**
SIC: **5311** Department stores

Business Address
611 OLIVE ST
ST LOUIS MO 63101
3143426300

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark one)

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended January 29, 1994

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 1-79

THE MAY DEPARTMENT STORES COMPANY
(Exact name of registrant as specified in its charter)

New York
(State or other jurisdiction of
incorporation or organization)

43-0398035
(I.R.S. Employer
Identification Number)

611 Olive Street, St. Louis, Missouri
(Address of principal executive offices)

63101
(Zip Code)

Registrant's telephone number, including area code: (314) 342-6300

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value \$.50 per share	New York Stock Exchange
Preferred stock purchase rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

\$1.80 Preference Stock (assigned value \$50.00 per share), without
par value

(Title of Class)

Indicate by check mark whether the registrant (1) has filed all
reports required to be filed by Section 13 or 15(d) of the
Securities Exchange Act of 1934 during the preceding 12 months (or
for such shorter period that the registrant was required to file
such reports), and (2) has been subject to such filing requirements
for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant
to Item 405 of Regulation S-K is not contained herein, and will not
be contained, to the best of registrant's knowledge, in definitive
proxy or information statements incorporated by reference in Part
III of this Form 10-K or any amendment to this Form 10-K.

Aggregate market value of registrant's common stock held by non-
affiliates as of April 2, 1994: \$10,277,612,683

Indicate the number of shares outstanding of each of the issuer's
classes of common stock, as of the latest practicable date:
248,530,761 shares of common stock, \$.50 par value, as of April 2,
1994.

Documents incorporated by reference:

1. Portions of Registrant's 1993 Annual Report to Shareowners are
incorporated into Parts I and II.
2. Portions of Registrant's 1994 Proxy Statement, dated April 18,
1994, are incorporated into Part III.

PART I

Items 1 and 2. Business and Description of Property

Registrant, a corporation, was organized under the laws of the
State of New York on June 4, 1910, as the successor to a business
founded by David May, who opened his first store in Leadville,
Colorado, in 1877. Registrant is the largest department store
retailer in the country, operating quality regional department
store companies nationwide. At fiscal year-end 1993, registrant
operated 301 department stores in 29 states and the District of
Columbia. The department store companies and their headquarters
are: Lord & Taylor, New York City; Foley's, Houston; Robinsons-
May, Los Angeles; Hecht's, Washington, D.C.; Kaufmann's,
Pittsburgh; Filene's, Boston; Famous-Barr, St. Louis; and Meier &
Frank, Portland, Ore.

In addition, registrant operates Payless ShoeSource, headquartered in Topeka, Kan. At fiscal 1993 year-end, 3,779 stores were operated in 49 states, the District of Columbia, Puerto Rico and the Virgin Islands.

Registrant employs approximately 53,000 full-time and 60,000 part-time associates in 49 states, the District of Columbia, Puerto Rico, the Virgin Islands and eight offices overseas.

The following portions of registrant's 1993 Annual Report to Shareowners are incorporated herein by reference: Management's Discussion and Analysis (pages 12-17); Six Year Summary by Business Segment (pages 28-29).

A. Property Ownership

(i) Department Stores

The following summarizes the property ownership of department stores at January 29, 1994:

	Number of Stores	% of Gross Building Sq. Footage
Entirely or mostly owned*	175	63%
Entirely or mostly leased	70	21
Owned on leased land*	56	16
	301	100%

* Includes a total of 23 department stores subject to financing.

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A. Property Ownership (continued)

(ii) Payless ShoeSource

Payless ShoeSource store locations are substantially all leased, usually on a 10- to 15-year basis with renewal options.

B. Credit Sales

Sales at registrant's department stores are made for cash or credit, including registrant's 30-day charge accounts and open-end credit plans, which include revolving charge accounts and revolving installment accounts. During the fiscal year ended January 29, 1994, 62.4% of the total sales of registrant's department stores were made through registrant's credit plans. All sales of Payless ShoeSource are made either for cash or through third-party credit cards.

In 1991, registrant formed three national banks (May National Bank of Arizona (MBA), May National Bank of Ohio (MBO) and May National Bank of Maryland (MBM)), which are indirectly wholly owned and consolidated subsidiaries of registrant. MBM notified the Office of the Comptroller of the Currency that it has commenced liquidation, completion of which will occur in the first quarter of 1994.

During the last fiscal year, MBA and MBO (and, through August 4, 1993, MBM) extended credit to certain customers of registrant's Robinsons-May, Kaufmann's, Meier & Frank and G. Fox department stores companies. Throughout 1993, MBA and MBO (MBM through August 4, 1993) sold the resulting accounts receivables at face value, to their parent, May Funding, Inc. In addition, MBA and MBO (MBM through August 4, 1993) process remittances for May Funding, Inc. and certain of registrant's department store credit card accounts receivable. MBA and MBO receive processing fee revenue for this service.

C. Competition in Retail Merchandising

Registrant's retail merchandising business is conducted under highly competitive conditions. During the past five years, the retail industry has seen major changes which have increased competition. Although registrant is the nation's largest

department store retailer, it has thousands of competitors at the local level which compete with registrant's individual department and Payless ShoeSource stores. Competition at the local level is characterized by numerous factors including convenience of facilities, reputation, procurement of merchandise, product mix, advertising, price, quality, service and credit availability. Registrant believes that it is in a strong competitive position with regard to each of these factors. Registrant has been able to perform in a competitive environment through effective merchandising.

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D. Executive Officers of Registrant

The names and ages (as of April 20, 1994) of all executive officers of registrant, and the positions and offices held with registrant by each such person are as follows:

Name	Age	Positions and Offices
David C. Farrell	60	Chairman and Chief Executive Officer
Thomas A. Hays	61	Deputy Chairman
Jerome T. Loeb	53	President and Chief Financial Officer
Richard L. Battram	59	Vice Chairman
Anthony J. Torcasio	48	President and Chief Executive Officer, May Merchandising Company
Louis J. Garr, Jr.	54	Executive Vice President and General Counsel
R. Dean Wolfe	50	Executive Vice President
William D. Edkins	41	Senior Vice President
Lonny J. Jay	52	Senior Vice President
Jan R. Kniffen	45	Senior Vice President
Richard A. Brickson	46	Secretary and Senior Counsel
Andrew T. Hall	33	Vice President

Each of the above named executive officers shall remain in office until the annual meeting of directors following the next annual meeting of shareowners of registrant, or until their respective successors shall have been elected and shall qualify. Messrs. Farrell, Hays, Loeb and Battram also serve as directors of registrant.

Each of the executive officers has been an officer of registrant for at least the last five years, with the following exceptions: Mr. Torcasio was president of the former L.S. Ayres division and president and chief executive officer of Famous-Barr during the past five years. In 1993, Mr. Torcasio became president and chief executive officer of May Merchandising Company and became an executive officer of registrant. Mr. Edkins was associated with the management consulting firm McKinsey & Company, Inc., from 1984 to 1990 and became an executive officer of registrant in 1990. Mr. Hall was associated with the public accounting firm of Arthur Andersen & Co. from 1983 to 1993 and became an executive officer of registrant in 1994.

Item 3. Legal Proceedings

There are no material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which registrant or any of its subsidiaries is a party or of which any of their property is the subject. In the Notes to Consolidated Financial Statements (registrant's 1993 Annual Report to Shareowners at page 26) the registrant reported that it is a defendant in a lawsuit filed in Montgomery, Alabama, by certain former bondholders who allege, among other things, that the registrant reacquired certain indebtedness with lower-interest cost debt in violation of the bond indentures. The lawsuit seeks either reinstatement of the indebtedness plus reimbursement of the

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Item 3. Legal Proceedings (continued)

plaintiffs' attorneys fees or contractual damages in excess of \$25 million. The lawsuit also seeks punitive damages in excess of \$100 million. The registrant believes its actions were legal and proper and will vigorously defend its position. While the final outcome of this lawsuit cannot be determined with certainty, the registrant

believes that the final outcome will not have a material adverse effect on the registrant's results of operations or its financial position.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the 13 weeks ended January 29, 1994.

PART II

Item 5. Market for Registrant's Common Equity and Related Shareowner Matters

Common Stock Split, Dividends and Market Prices (page 17) of registrant's 1993 Annual Report to Shareowners are incorporated herein by reference.

Item 6. Selected Financial Data

The Eleven Year Financial Summary (pages 30 and 31) of registrant's 1993 Annual Report to Shareowners is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis (pages 12-17), Summary of Significant Accounting Policies (page 18) and Notes to Consolidated Financial Statements (pages 23-29) of registrant's 1993 Annual Report to Shareowners are incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

Summary of Significant Accounting Policies (page 18), Consolidated Financial Statements (pages 19-22), Notes to Consolidated Financial Statements (pages 23-29) and Report of Independent Public Accountants (page 32) of registrant's 1993 Annual Report to Shareowners are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

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PART III

Items 10, 11, 12, 13. Directors and Executive Officers of Registrant, Executive Compensation, Security Ownership of Certain Beneficial Owners and Management, Certain Relationships and Related Transactions

Pursuant to paragraph G (Information to be Incorporated by Reference) of the General Instructions to Form 10-K, the information required by Items 10, 11, 12 and 13 (other than information about executive officers of registrant) is incorporated by reference from the definitive proxy statement dated April 18, 1994, and filed pursuant to Regulation 14A. Information about executive officers of registrant is set forth in Part I of this Form 10-K, under the heading "Items 1 and 2. Business and Description of Property."

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Documents filed as part of this report:

- (1) Financial Statements. Incorporated by reference to registrant's 1993 Annual Report to Shareowners (Exhibit 13):

	Location in
	Annual Report
Summary of Significant Accounting Policies	18
Financial Statements-	
Consolidated Statement of Earnings for	

the three fiscal years ended January 29, 1994	19
Consolidated Balance Sheet - January 29, 1994, and January 30, 1993	20
Consolidated Statement of Cash Flows for the three fiscal years ended January 29, 1994	21
Consolidated Statement of Shareowners' Equity for the three fiscal years ended January 29, 1994	22
Notes to Consolidated Financial Statements	23-29
Report of Independent Public Accountants	32

Location in
this Report

(2) Supplemental Financial Statement
Schedules (for the three fiscal years
ended January 29, 1994):

Report of Independent Public Accountants on financial statement schedules	10
II Amounts receivable from employees	11-12
V Property and equipment	13
VI Accumulated depreciation and amortization of property and equipment	14
VIII Valuation and qualifying accounts	15

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Item 14. Exhibits, Financial Statement Schedules and Reports on
Form 8-K (continued)

(3) Exhibits: Location

3(a) Restated Certificate of Incorporation of Registrant, dated March 22, 1994	Filed herewith.
3(b) By-Laws of Registrant, as amended	Filed herewith.
11 Computation of Net Earnings Per Share	Filed herewith.
12 Computation of Ratio of Earnings to Fixed Charges	Filed herewith.
13 The May Department Stores Company 1993 Annual Report to Shareowners (only those portions specifically incorporated by reference shall be deemed filed with the Commission)	Filed herewith.
21 Subsidiaries of Registrant	Filed herewith.
23 Consent of Independent Public Accountants	Page 10 of this Report.
99 Form 11-K Annual Report of the Profit Sharing and Savings Plan of The May Department Stores Company for the fiscal year ended December 31, 1993	Filed herewith.

(4) Reports on Form 8-K

The registrant has not filed any reports on Form 8-K
during the last quarter covered by this report.

All other schedules and exhibits of registrant for which provision
is made in the applicable regulations of the Securities and
Exchange Commission have been omitted as they are not required or
are inapplicable or the information required thereby has been given
otherwise.

SIGNATURES

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

THE MAY DEPARTMENT STORES COMPANY

Date: April 20, 1994

By: /s/ Jerome T. Loeb
Jerome T. Loeb
Director, President and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of registrant and in the capacities and on the dates indicated.

Date	Signature	Title
Principal Executive Officer:		
April 20, 1994	/s/ David C. Farrell David C. Farrell	Director, Chairman and Chief Executive Officer
Principal Financial and Accounting Officer:		
April 20, 1994	/s/ Jerome T. Loeb Jerome T. Loeb	Director, President and Chief Financial Officer
Directors:		
April 20, 1994	/s/ Thomas A. Hays Thomas A. Hays	Director and Deputy Chairman
April 20, 1994	/s/ Richard L. Battram Richard L. Battram	Director and Vice Chairman

Date	Signature	Title
April 20, 1994	/s/ Helene L. Kaplan Helene L. Kaplan	Director
April 20, 1994	/s/ Edward H. Meyer Edward H. Meyer	Director
April 20, 1994	/s/ Russell E. Palmer Russell E. Palmer	Director
April 20, 1994	/s/ Andrall E. Pearson	Director

Andrall E. Pearson

April 20, 1994	/s/	Michael R. Quinlan Michael R. Quinlan	Director
April 20, 1994	/s/	William P. Stiritz William P. Stiritz	Director
April 20, 1994	/s/	Robert D. Storey Robert D. Storey	Director
April 20, 1994	/s/	Murray L. Weidenbaum Murray L. Weidenbaum	Director
April 20, 1994	/s/	Edward E. Whitacre, Jr. Edward E. Whitacre, Jr.	Director

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To The May Department Stores Company:

We have audited, in accordance with generally accepted auditing standards, the consolidated financial statements included in The May Department Stores Company's Annual Report to Shareowners incorporated by reference in this Form 10-K, and have issued our report thereon dated February 21, 1994. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. Schedules II, V, VI and VIII included in this Form 10-K are the responsibility of the company's management and are presented for the purpose of complying with the Securities and Exchange Commission's rules and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the consolidated financial statements taken as a whole.

ARTHUR ANDERSEN & CO.

1010 Market Street
St. Louis, Missouri 63101-2089
February 21, 1994

Exhibit 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included or incorporated by reference in this Annual Report on Form 10-K for the year ended January 29,

1994, into the Company's previously filed Registration Statements on Form S-3 (No. 33-37966, 33-38585 and 33-46021) and Form S-8 (No. 33-26016, 33-38104 and 33-51849).

ARTHUR ANDERSEN & CO.

1010 Market Street
St. Louis, Missouri 63101-2089
April 20, 1994

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SCHEDULE II
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THE MAY DEPARTMENT STORES COMPANY AND SUBSIDIARIES

(Thousands)

AMOUNTS RECEIVABLE FROM EMPLOYEES (A)

FOR THE THREE FISCAL YEARS ENDED JANUARY 29, 1994

Name of Employee	Inter- est Rate	Due Date	Balance at 2/2/91	(B) Activity	Balance at 2/1/92	(B) Activity	Balance at 1/30/93	(B) Activity	Balance at 1/29/94
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Donald R. Andrus	9%	4/01/98 (*)	\$ 200	\$ -	\$ 200	\$ (50)	\$ 150	\$ (75)	\$ 75
Richard Bennet	-	-	-	-	-	-	-	200 (200)	-
	-	-	-	-	-	-	-	92 (92)	-
Joseph Bornhorst	-	-	-	-	-	101 (101)	-	-	-
Susan Brodbeck	-	-	-	-	-	114	114	(114)	-
John Busch	-	-	-	100 (100)	-	-	-	-	-
Lucy Cindric	-	-	-	-	-	100 (1)	99	(99)	-
Maxine Clark	-	1/02/03 (*)	-	-	-	-	-	200	200
Joseph S. Davis	-	-	145	-	145	-	145	(145)	-
Fred DiIorio	9%	8/01/95 (*)	536	-	536	-	536	-	536
Steven J. Douglass	-	-	-	-	-	-	-	409 (409)	-
Dave Garner	-	-	-	-	-	-	-	25 (25)	-
	-	-	-	-	-	-	-	210 (210)	-
Sandy Gonzalez	-	-	-	220	220	(220)	-	-	-
Bill Harmon	-	-	-	-	-	-	-	117 (117)	-
Pam Hicks	-	-	-	100	100	(100)	-	-	-
Marshall Hilsberg	-	4/30/94 (*)	550	-	550	(275)	275	-	275
Judith K. Hofer	-	-	250	-	250	-	250	(250)	-
Eugene S. Kahn	-	2/24/93	-	-	-	60	60	-	60
	-	4/30/97 (*)	-	-	-	-	-	150	150
	-	-	285	-	285	-	285	(285)	-
	-	1/02/03 (*)	-	-	-	315	315	-	315
Matthew Langweber	-	-	175	-	175	-	175	(175)	-
John Lefebvre	7%	10/30/00 (*)	412	(58)	354	75	429	-	429
Stan Leff	-	-	-	175	175	-	175	(175)	-
Jay Levitt	-	-	-	120 (120)	-	-	-	-	-
John McClymonds	-	-	-	-	-	110 (110)	-	-	-
Richard Maloney	8%	7/01/95 (*)	100	-	100	(25)	75	-	75

(A) All of the listed loans were made in connection with executive employment or relocation, are due on the date indicated and were unsecured, unless otherwise indicated.

(B) Represents additions and (collections).

(*) Collateral is mortgage on certain real estate.

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SCHEDULE II
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THE MAY DEPARTMENT STORES COMPANY AND SUBSIDIARIES

(Thousands)

AMOUNTS RECEIVABLE FROM EMPLOYEES (A)

FOR THE THREE FISCAL YEARS ENDED JANUARY 29, 1994

Name of Employee	Inter- est Rate	Due Date	Balance at 2/2/91	(B) Activity	Balance at 2/1/92	(B) Activity	Balance at 1/30/93	(B) Activity	Balance at 1/29/94
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Joseph M. Melvin	9%	1/02/01(*)	\$ 250	\$ -	\$ 250	\$ (175)	\$ 75	\$ -	\$ 75
Robert L. Mettler	-	-	375	-	375	-	375	(375)	-
Jerry Miller	-	-	-	130 (130)	-	-	-	-	-
David P. Mullen	-	1/01/97(*)	-	750	750	(250)	500	-	500
Duane Nicks	-	-	-	-	-	-	-	140 (140)	-
Paul Oscarson	-	-	-	-	-	-	-	125 (125)	-
Joe Petrome	-	-	-	-	-	-	-	100 (100)	-
Warren Phillips	-	-	134	(41)	93	(93)	-	-	-
Tom Remby	-	-	-	30 (10)	20	(20)	-	-	-
	-	9/30/93	-	98	98	(81)	17	-	17
	9%	10/29/93(*)	-	-	-	75	75	-	75
John G. Rutenis	-	-	475	-	475	(475)	-	-	-
Eric Salus	-	-	-	300	300	(300)	-	-	-
	-	-	-	70 (70)	-	-	-	-	-
Gerald A. Sampson	-	-	-	100 (100)	-	-	-	-	-
	-	-	-	500	500	-	500	(500)	-
Steve Sloane	-	-	-	-	-	-	-	100 (100)	-
Earl Sluss	7%	5/01/00(*)	300	-	300	-	300	-	300
Kenneth F. Sokol	-	-	200	(200)	-	-	-	-	-
Robert Soroka	7%	12/01/00(*)	270	-	270	(143)	127	-	127
	-	-	163	(163)	-	-	-	-	-
Terry Talley	-	-	200	-	200	-	200	(200)	-
	-	-	-	-	-	-	-	75 (75)	-
Ronald F. Tanler	-	-	300	-	300	-	300	(300)	-
Richard Tao	-	-	-	500 (500)	-	-	-	-	-
Heywood Wilansky	-	-	250	(250)	-	-	-	-	-
	-	-	-	350	350	(350)	-	-	-
	-	4/30/99	-	-	-	750	750	-	750
Kenneth Wilkerson	7%	4/01/00(*)	500	-	500	-	500	-	500
Charles Wilson	-	-	-	100 (100)	-	-	-	-	-

(A) All of the listed loans were made in connection with executive employment or relocation, are due on the date indicated and were unsecured, unless otherwise indicated.

(B) Represents additions and (collections).

(*) Collateral is mortgage on certain real estate.

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SCHEDULE V

THE MAY DEPARTMENT STORES COMPANY AND SUBSIDIARIES

PROPERTY AND EQUIPMENT FOR THE THREE FISCAL YEARS

ENDED JANUARY 29, 1994

(Millions)	Balance beginning of period	Additions, at cost	(Retire- ments)	Balance end of period
FISCAL YEAR ENDED				
JANUARY 29, 1994:				
Land	\$ 247	\$ 17	\$ (16)	\$ 248
Buildings and improvements	2,496	313	(136)	2,673
Furniture, fixtures and equipment	1,887	370	(214)	2,043
Property under capital leases	101	-	(18)	83
Total	\$ 4,731	\$ 700	\$ (384)	\$ 5,047
FISCAL YEAR ENDED				
JANUARY 30, 1993:				
Land	\$ 235	\$ 22	\$ (10)	\$ 247
Buildings and improvements	2,409	177	(90)	2,496
Furniture, fixtures				

and equipment	1,795	205	(113)	1,887
Property under capital leases	101	-	-	101
Total	\$ 4,540	\$ 404	\$ (213)	\$ 4,731

FISCAL YEAR ENDED

FEBRUARY 1, 1992:

Land	\$ 236	\$ 13	\$ (14)	\$ 235
Buildings and improvements	2,192	267	(50)	2,409
Furniture, fixtures and equipment	1,646	232	(83)	1,795
Property under capital leases	106	-	(5)	101
Total	\$ 4,180	\$ 512	\$ (152)	\$ 4,540

Notes to Schedules V and VI:

Property and equipment are depreciated on a straight-line basis over their estimated useful lives which are 25 to 50 years for buildings, 15 to 22 years for improvements and 3 to 15 years for furniture, fixtures and equipment.

During the period of 1989 through 1991, the registrant sold a total of 66 of its department stores properties to MCAC for \$634 million and simultaneously leased back the properties. As the registrant was a 50% partner in MCA, the sale/leasebacks were accounted for as loans from MCAC and the historical property balances and activity remained in the financial statements. Upon dissolution of the MCA partnership in 1992, May received a majority ownership interest in MCAC and, therefore, the MCAC loans were eliminated on a consolidated basis and the financial statements continue to reflect the historical property balances for these locations.

Leasehold improvements are amortized on a straight-line basis over their estimated useful lives or the lease term whichever is shorter. Property under capital leases is amortized over the related lease terms.

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SCHEDULE VI

THE MAY DEPARTMENT STORES COMPANY AND SUBSIDIARIES

ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY AND EQUIPMENT

FOR THE THREE FISCAL YEARS ENDED JANUARY 29, 1994

(Millions)

Classification	Balance beginning of period	Depreciation expense	(Retirements)	Balance end of period
----------------	-----------------------------	----------------------	---------------	-----------------------

FISCAL YEAR ENDED

JANUARY 29, 1994:

Buildings and improvements	\$ 730	\$ 131	\$ (69)	\$ 792
Furniture, fixtures and equipment	806	196	(188)	814
Property under capital leases	37	3	(10)	30
Total	\$ 1,573	\$ 330	\$ (267)	\$ 1,636

FISCAL YEAR ENDED

JANUARY 30, 1993:

Buildings and improvements	\$ 646	\$ 126	\$ (42)	\$ 730
Furniture, fixtures and equipment	709	192	(95)	806
Property under capital leases	34	3	-	37
Total	\$ 1,389	\$ 321	\$ (137)	\$ 1,573

FISCAL YEAR ENDED

FEBRUARY 1, 1992:

Buildings and improvements	\$ 562	\$ 112	\$ (28)	\$ 646
Furniture, fixtures and equipment	599	184	(74)	709
Property under capital leases	34	3	(3)	34

See Notes on Schedule V.

SCHEDULE VIII

THE MAY DEPARTMENT STORES COMPANY AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

FOR THE THREE FISCAL YEARS ENDED JANUARY 29, 1994

(Millions)

	Balance beginning of period	Charges to costs and expenses	(Deductions) (a)	Balance end of period
FISCAL YEAR ENDED JANUARY 29, 1994				
Allowance for doubtful accounts	\$ 82	\$ 70	\$ (76)	\$ 76
FISCAL YEAR ENDED JANUARY 30, 1993				
Allowance for doubtful accounts	\$ 88	\$ 78	\$ (84)	\$ 82
FISCAL YEAR ENDED FEBRUARY 1, 1992:				
Allowance for doubtful accounts	\$ 84	\$ 105	\$ (101)	\$ 88

(a) Write-off of accounts determined to be uncollectible, net of recoveries of \$22 million in each of 1993, 1992 and 1991.

Exhibit 21

THE MAY DEPARTMENT STORES COMPANY AND SUBSIDIARIES

SUBSIDIARIES OF REGISTRANT

The corporations listed below are subsidiaries of registrant, and all are included in the consolidated financial statements of

registrant as subsidiaries (unnamed subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary):

Name	Jurisdiction in which organized
May Capital, Inc.	Delaware
May Centers Associates Corporation	Missouri
May Funding, Inc.	Nevada
May Holdings, Inc.	Delaware
The May Department Stores Credit Company	Delaware
Payless ShoeSource, Inc.	Missouri

Restated

Certificate of Incorporation

of

THE MAY DEPARTMENT STORES COMPANY

under Section 807 of the
Business Corporation Law

Dated: March 18, 1994

Filed: March 22, 1994

Restated
Certificate of Incorporation
of

The May Department Stores Company
under Section 807 of the
Business Corporation Law

We, the undersigned, Louis J. Garr, Jr. and Richard A. Brickson, being respectively the Executive Vice President and the Secretary of The May Department Stores Company, hereby certify:

1. The name of the Corporation is:

The May Department Stores Company

2. The Certificate of Incorporation of the Corporation was filed with the Department of State on June 4, 1910.

3. The text of the Certificate of Incorporation is hereby restated, without amendment or change, to read in full as follows:

"Certificate of Incorporation
of

The May Department Stores Company

Pursuant to the Provisions of the Business Corporation Law

FIRST.

The name of the Corporation shall be

THE MAY DEPARTMENT STORES COMPANY.

SECOND.

The purposes of the Corporation are as follows:

(a) To purchase, acquire and take over such of the chattels

real, leases, fixtures, merchandise, bills receivable, book accounts, contracts, cash on hand and in bank, patents, copyrights, trademarks, trade names, good will and other real and personal

property, assets and effects of The Shoenberg Mercantile Company, a corporation organized under the laws of the State of Missouri, The May Shoe & Clothing Company, a corporation organized under the laws of the State of Colorado, and The May Company, a corporation organized under the laws of the State of Ohio (which three corporations are engaged in the same or similar general business as the business for which this Corporation is organized, as hereinafter set forth), as are necessary for and are now used in the conduct of the businesses of said corporations respectively; and also the leases of the property now occupied by The Shoenberg Mercantile Company for the conduct of its business in St. Louis, Missouri, the real property situated at 16th and Champa Streets, Denver, Colorado and now occupied by The May Shoe & Clothing Company for the conduct of its business, and the stables of The Shoenberg Mercantile Company at Francis Street and Cass Avenue, St. Louis, Missouri, which leases and real property are owned by The May Real Estate & Investment Company, a corporation organized under the laws of the State of Missouri, subject to the debts, obligations and contracts of said corporations, respectively, and to pay therefor the sum of \$20,000,000 by the issue and delivery of 50,000 shares of the full paid and non-assessable 7% cumulative Preferred Stock of this Company, and 150,000 shares of its full paid and non-assessable common stock, and also an additional sum in cash or notes of this Company not exceeding \$1,000,000, with power to the incorporators and directors to change and modify the terms of purchase as they may see fit. To empower any of the present directors of any of the aforesaid corporations to be and become organizers, incorporators, directors and stockholders of this Corporation, to vote for and authorize the acquisition of the properties and shares of stock of said corporations, or any of them, and to relieve the incorporators, directors and stockholders of this Corporation from any disqualification which might otherwise exist from so acting.

(b) To establish and conduct general department stores and dry goods stores.

(c) To carry on all or any of the business of dry goods merchants, cloth manufacturers, furriers, haberdashers, hosiers, manufacturers, importers, wholesale and retail dealers of and in textile fabrics of all kinds; milliners, dressmakers, mantuamakers, tailors, hatters, clothiers, furnishers, outfitters, glovers, lace manufacturers, feather dressers, boot and shoe makers; manufacturers and importers and wholesale and retail dealers of and

in leather goods, household furniture, ironmongery, china and glassware, crockery and other household fittings and utensils, ornaments, bric-a-brac, stationery, notions and fancy goods, dealers in meats and provisions, drugs, chemicals, and other articles and commodities of personal and household use and consumption, and generally of and in all manufactured goods,

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materials, provisions, produce and other personal property of every kind, nature and description, except bills of exchange.

(d) To carry on all or any of the businesses of coach and carriage builders, saddlers, harness makers, decorators, sanitary engineers, electrical engineers and contractors, in all of the branches thereof, gas fitters, coal and wood dealers, land, estate and house agents, builders, contractors, auctioneers, cabinet makers, upholsterers, furniture removers, owners of depositories, warehousemen, carriers, storekeepers, of the issuing, redemption, selling and dealing in trading stamps and similar devices; manufacturers of and dealers in hardware, jewelry, plated goods, perfumery, soap, toilet articles of all kinds, and articles required for ornament, recreation or amusement, drugs, medicines, chemicals and paints; gold and silversmiths, dealers in precious stones, watchmakers, newspaper proprietors, booksellers, dealers in musical instruments, manufacturers of and dealers in bicycles, tricycles and motor carriages, and sporting goods of all kinds; and also refreshment contractors, restaurant keepers, wine and liquor dealers, tobacconists and dealers in mineral, aerated and other liquors; barbers and hairdressers, farmers, dairymen, market gardeners, nurserymen and florists, photographers and dealers in photographic supplies, printers, lithographers and engravers, dealers in domestic, trained and fancy animals.

(e) To purchase or otherwise acquire, own and hold unlimitedly within and without the State of New York, and in any part of the world, to sell, assign, transfer, lease, pledge, alter, export, import and deal in, personal property of every kind, nature and description which may be suitable, necessary, useful or advisable in connection with any or all of the objects hereinbefore or hereinafter set forth or which may be commonly supplied or dealt in by persons engaged in any of the businesses of the Corporation, or which may seem capable of being profitably dealt with in connection with any of the said businesses.

(f) To provide and conduct, for profit or otherwise, refreshment rooms, newspaper rooms, reading and writing rooms, dressing rooms, and other conveniences for the use of customers and others.

(g) To grant to other persons, associations or corporations the right or privilege to carry on any kind of business on the premises of the Company on such terms as the Company shall deem expedient or proper.

(h) To take, purchase, exchange, hire, lease or otherwise acquire, and to own and hold unlimitedly within and without the State of New York, and in any part of the world, to occupy, control, maintain, manage, sell, convey, exchange, lease, sublease

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or otherwise alienate or dispose of, and to mortgage, or otherwise encumber, and to otherwise handle and deal in, real estate, and real property, either improved or unimproved, and any interest or right therein.

(i) To erect or cause to be erected, construct, or cause to be constructed, to maintain, improve, rebuild, enlarge, alter, repair, raise and remove, and to buy, sell, own, use, occupy, manage, lease and control, any and all kinds of buildings, houses, stores, lofts, offices, warehouses, mills, shops, factories, hotels, restaurants, apartments, tenements, machinery, plants, edifices, works and structures of every kind, nature and description.

(j) To convert and appropriate any land that may be acquired by the Corporation in any part of the world into and for ways, roads, paths, streets, alleys, lanes, sidewalks, courts, lawns, parks, boulevards, building lots, town sites and pleasure grounds; to plot, clear, grade, survey, develop, improve, cultivate, manage and administer any land owned or controlled by the Corporation.

(k) To borrow or raise money for the purposes of the Company, to secure the same and any interest therein, and for that purpose or any other purpose, subject to the provisions and restrictions hereinafter set forth, to mortgage and charge all or any part of the present or after-acquired property, rights and franchises of the Company, and to issue notes, bonds, debentures and other evidences of indebtedness.

(l) To guarantee the payment of principal or interest on any notes, debentures, bonds or other obligations of any corporation or corporations, so far as the same may be permitted by corporations organized under the Business Corporations Law.

(m) To subscribe for, or cause to be subscribed for, to purchase, invest in, acquire, hold, own, sell, assign, transfer, mortgage, pledge, exchange, distribute, or otherwise dispose of the whole or any part of the shares of stock, bonds, mortgages, debentures, notes, coupons, and other securities, obligations,

contracts and evidences of indebtedness of any corporation, domestic or foreign, and to issue and exchange therefor its shares of stock, bonds, or other obligations, and to exercise in respect to any such shares of stock, bonds or other securities, any and all rights, powers and privileges of individual owners or holders, including the right to vote thereon, and to aid in any manner as permitted by law, any corporation or association of which any bonds or other securities, or evidences of indebtedness or stock, are held by this Corporation, and to do any acts or things designed to protect, preserve, improve or enhance the value of any such stock, bonds or other securities, or evidences of indebtedness, and to organize or promote or facilitate the organization of subsidiary companies.

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(n) To act as agent or representative of corporations, firms and individuals, and as such to develop and extend the business interests of firms, corporations and individuals.

(o) To undertake or aid any enterprise and to carry out any transactions whatever which may be lawfully undertaken and carried out by capitalists so far as the same may be carried on by corporations organized under the Business Corporations Law of the State of New York.

(p) To edit, print, publish, sell, advertise and circulate books, papers, pamphlets, reports, maps, plans, documents of every kind, nature and description, and to carry on a general publishing business and a general newspaper business.

(q) To buy, lease or otherwise acquire, the good will, franchises, rights and property of any person, firm, association or corporation, and to pay for the same in cash, property, the stock or bonds of this Company, or otherwise; and to hold, or in any manner dispose of, the whole or any part of the property so acquired; to consent, carry on, operate, manage, control, improve and develop, the whole or any part of any business or property so acquired, either in the name of such other person or persons, firm, association or corporation, or in the name of this Corporation, provided that such business is one that may be carried on by a corporation organized under the Business Corporations Law of the State of New York, and to exercise all the powers necessary or convenient in and about the conduct and management of such business.

(r) To sell or exchange all or any part of the property, assets, good will, and undertaking of the Company, and to accept in payment or exchange therefor, the stocks, bonds, or other securities of any other corporation, either domestic or foreign.

(s) To use the surplus profits of said corporation for the purchase of any portion of the shares of its capital stock, preferred or common, provided, however, that the capital stock shall not be reduced except in accordance with the requirements of the Stock Corporation Law.

(t) To apply for, obtain, register, purchase, lease, or otherwise acquire, to hold, use, own, operate and introduce, and to sell, assign, or otherwise dispose of, any and all trade marks, formulae, secret processes, trade names and distinctive marks, patents, inventions, improvements and processes used in connection with, or secured under, letters patent, or similar rights granted by the United States or by any other country or government, or otherwise, and to use, exercise and develop, grant licenses in respect of the same, or any interest therein, and otherwise turn

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the same to account, and to carry on any business which the Corporation may deem advantageous to effectuate the use, exercise or development thereof, in so far as the same is not inconsistent with the Laws of the State of New York.

(u) To do all and everything necessary, suitable, useful or proper for the accomplishment of any of the purposes or the attainment of any of the objects, or the furtherance of any of the powers hereinbefore set forth, as principal or agent, either alone or in association with other corporations, firms or individuals, and to do every other act or acts, thing or things incidental or appurtenant to, or growing out of, or connected with any of the aforesaid purposes, objects or powers, or any part or parts thereof, and to do any such acts or things to the same extent and as fully as natural persons might or could do in any part of the world.

To conduct and transact its business in any or all of its branches in any of the states, territories, colonies or dependencies of the United States, in the District of Columbia and in any and all foreign countries; to have one or more offices therein; to hold, purchase, mortgage and convey real and personal property, without limit as to amount, in any such state, territory, colony, dependency, district or foreign country, but always subject to the laws thereof.

The objects and powers specified in any clause contained in this Article Second shall, except where otherwise expressed, be in no wise limited or restricted by reference to or inference upon the terms of any other clause of this Article or any other Article of this certificate; but the objects and powers specified in each of the clauses of this Article shall be regarded as independent

objects, purposes and powers.

The foregoing enumeration of specific powers shall not be held to limit or restrict in any manner, the general powers of the Company, and the enjoyment thereof, as conferred by the laws of the State of New York upon corporations organized under the provisions of the Business Corporations Law.

(v) To establish, maintain, own, lease, operate, buy, sell, or otherwise acquire or dispose of, broadcasting stations of every kind and description, including radio and television, and including equipment therefor and appurtenances thereto, and in connection therewith to transmit or otherwise broadcast, rebroadcast, distribute, or retransmit by means of radio, electricity, or any other means, whether now or hereafter invented or devised, sounds and images of every class and description, and in conjunction therewith or otherwise to broadcast, rebroadcast, disseminate, transmit or retransmit news, music, entertainment, speeches,

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sermons, advertising, educational and informative matter, or any of them, or combinations of any of them, for the purpose of entertaining, instructing or informing the persons hearing or seeing the same; to hire speakers, musicians, artists, and entertainers of all kinds for the said purposes; and generally, to the extent permitted by law, to do any act or thing in connection with the foregoing that may be necessary or convenient to carry out these purposes.

THIRD.

The capital of the Corporation shall be at least equal to the sum of the aggregate par value of all issued shares having par value, plus One Hundred Dollars (\$100) in respect to every issued share without par value, plus such amounts as, from time to time, by resolution of the Board of Directors, may be transferred thereto.

FOURTH.

The total number of shares which the Corporation is authorized to issue is 725,134,474, of which 124,596 shares are to be without par value, 9,878 shares are to have a par value of \$100 each, 725,000,000 shares are to have a par value of \$.50 each.

The shares which the Corporation may henceforth issue are to be classified into 51,323 shares of Preferred Stock without par value (hereinafter called "Preferred Stock"), 73,273 shares of \$1.80 Preference Stock without par value (hereinafter called

"Preference Stock"), 9,878 shares of 3 3/4% Cumulative Preferred Stock of the par value of \$100 each (hereinafter called "3 3/4% Cumulative Preferred Stock"), 700,000,000 shares of common stock of the par value of \$.50 each (hereinafter called "Common Stock"), and 25,000,000 shares of Preference Stock of the par value of \$.50 each (hereinafter called "Preference Shares").

The holders of shares of Common Stock shall not have any preemptive right to purchase shares or other securities to be issued by the Corporation or subjected to rights or options to purchase.

The designations, preferences, privileges and voting powers of the shares of each class, and the restrictions or qualifications thereof are as follows:

A.

1. The Preferred Stock may be issued from time to time as follows:

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(a) As shares of one or more series of Preferred Stock (the designations, preferences, privileges and voting powers of the shares of each of the first series of Preferred Stock, and the restrictions or qualifications thereof not set forth in subdivisions 1 to 9 hereof being set forth in subdivisions 10, 11 and 12 hereof respectively), and in the resolution or resolutions providing for the issue of shares of each subsequent series, before issuance, the Board of Directors is expressly authorized to fix:

(i) the distinctive serial designation of such series;

(ii) the annual dividend rate for such series;

(iii) the redemption price or prices for such series, which may consist of a redemption price or scale of redemption prices applicable only to redemption for a sinking fund (which term as used herein shall include any fund or requirement for the periodic retirement of shares), and a different redemption price or scale of redemption prices applicable to any other redemption;

(iv) the obligation, if any, of the Corporation to retire shares of such series pursuant to a sinking fund; and

(v) the terms, if any, upon which shares of such series shall be convertible into, or exchangeable for, shares of

stock or any other class or classes, including the price or prices or the rate or rates of conversion or exchange and the terms of adjustment, if any;

(b) All shares of the Preferred Stock shall be of equal rank with each other, regardless of series, and shall be identical with each other in all respects except as in paragraph (a) of subdivision 1, and in paragraph (b) of subdivision 8, and in subdivisions 10, 11 and 12 provided; and the shares of the Preferred Stock of any one series shall be identical with each other in all respects except as to the dates from and after which dividends thereon shall be cumulative;

(c) In case the stated dividends and the amounts payable on liquidation are not paid in full, the shares of all series of the Preferred Stock shall share ratably in the payment of dividends, including accumulations, if any, in accordance with the sums which would be payable on said shares if all dividends were declared and paid in full, and in any distribution of assets other than by way of dividends in accordance with the sums which would be payable on such distribution if all sums payable were discharged in full.

2. The holders of Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors, but only

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out of surplus legally available for the payment of dividends, cumulative cash dividends at the annual rate for each particular series theretofore fixed by the Board of Directors as hereinbefore provided, and no more, payable quarter-yearly, on the first days of March, June, September and December in each year, to stockholders of record on the respective dates, not exceeding forty days preceding such dividend payment dates, fixed for the purpose by the Board of Directors in advance of payment of each particular dividend. Such dividends on the Preferred Stock shall be payable before any dividends on any junior stock shall be paid or set apart for payment and shall be cumulative from and after dates determined as follows:

(a) if issued during the period commencing immediately after a record date for a dividend on such series and ending on the payment date for such dividend, then from and after such dividend payment date; and

(b) otherwise from and after the first day of March, June, September or December next preceding the date of issue of such shares.

3. So long as any of the Preferred Stock remains outstanding,

no dividend whatever shall be paid or declared, nor any distribution be made on any junior stock (which term as used herein shall mean the Common Stock and any other class of stock of the Corporation hereafter authorized which shall rank junior to the Preferred Stock), other than a dividend payable in junior stock, nor shall any shares of any junior stock be acquired for a consideration by the Corporation:

(a) unless all dividends on the Preferred Stock of all series for all past quarter-yearly dividend periods shall have been paid and the full dividends thereon for the then current quarter-yearly dividend period shall have been paid or declared and a sum sufficient for the payment thereof set apart; and

(b) unless, if at any time the Corporation is obligated to retire shares of any series of the Preferred Stock pursuant to a sinking fund, all arrears in respect of the retirement of the Preferred Stock of all series shall have been made good; and

(c) unless immediately thereafter the capital represented by the outstanding stocks of the Corporation (excluding treasury stock held by the Corporation), plus consolidated surplus of all types computed in accordance with good accounting practice, less the cost of any stock of the Corporation owned by its subsidiaries, will aggregate at least \$50,000,000 plus \$100 with respect to each share if any of Preferred Stock in excess of 150,000 shares to be outstanding immediately thereafter; and the certificate of any

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independent firm of public accountants of recognized standing selected by the Board of Directors shall be conclusive evidence of the correctness of any computations made under this paragraph (c); provided, however, that the restrictions set forth in this subdivision 3 shall not apply to the acquisition of any junior stock out of the proceeds of sale of any junior stock, nor prevent the payment of any dividend within sixty days after the date of declaration thereof, if at said date such declaration complied with the provisions of this subdivision 3.

Subject to the provisions hereof, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors may be declared and paid on any junior stock from time to time out of the remaining surplus of the Corporation legally available for the payment of dividends, and the Preferred Stock shall not be entitled to participate in any such dividends, whether payable in cash, stock or otherwise.

4. Subject to the provisions hereof, the Board of Directors shall have power from time to time to fix, determine and vary the

amount of working capital of the Corporation and to direct and determine the use and disposition of any surplus of the Corporation over and above the capital of the Corporation, and to use the surplus of the Corporation for the purpose of acquiring any of the capital stock of the Corporation, and to reissue and sell any of the capital stock so acquired.

5. Subject to the provisions of paragraph (d) of subdivision 8 hereof, the Corporation, at the option of the Board of Directors (or for the purpose of any sinking fund) may redeem the whole or any part of the Preferred Stock at any time outstanding, or the whole or any part of any series thereof (except that the \$3.40 Cumulative Preferred Stock shall not be redeemable prior to December 1, 1951) at any time or from time to time, upon notice duly given as hereinafter specified, at the applicable redemption price or prices fixed herein or by the Board of Directors as hereinbefore provided, together with a sum, in the case of each share so to be redeemed, computed at the annual dividend rate for the series of which the particular share is a part, from and after the date on which dividends on such share became cumulative to and including the date fixed for such redemption, less the aggregate of the dividends theretofore and on such redemption date paid thereon, but computed without interest.

Notice of every such redemption of the Preferred Stock shall be given by publication at least once in each of two successive calendar weeks in a newspaper printed in the English language and customarily published on each business day and of general circulation in the Borough of Manhattan, The City of New York, the first publication to be at least thirty days prior to the date

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fixed for such redemption. At least thirty days' previous notice of every such redemption shall also be mailed to the holders of record of the shares so to be redeemed at their respective addresses as the same shall appear on the books of the Corporation; but no failure to mail such notice nor any defect therein or in the mailing thereof shall affect the validity of the proceeding for the redemption of any shares so to be redeemed.

In case of redemption of a part only of any series of the Preferred Stock at the time outstanding, the Corporation shall designate by lot the shares so to be redeemed. The Board of Directors shall have full power and authority to prescribe the manner in which the drawings by lot shall be conducted and, subject to the limitations and provisions herein contained, the terms and conditions upon which the Preferred Stock shall be redeemed from time to time.

If such notice of redemption shall have been duly given by publication, and if, on or before the redemption date specified therein, all funds necessary for such redemption shall have been set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares so called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for shares so called for redemption shall not have been surrendered for cancellation, all shares so called for redemption shall no longer be deemed outstanding on and after such redemption date, and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on redemption thereof, without interest.

If such notice of redemption shall have been duly given by publication or if the Corporation shall have given to the bank or trust company hereinafter referred to irrevocable authorization promptly to give or complete such notice by publication, and if on or before the redemption date specified therein the funds necessary for such redemption shall have been deposited by the Corporation with a bank or trust company in good standing, designated in such notice, organized under the laws of the United States of America or of the State of New York, doing business in the Borough of Manhattan, The City of New York, having a capital, surplus and undivided profits aggregating at least \$5,000,000 according to its last published statement of condition, in trust for the pro rata benefit of the holders of the shares so called for redemption, then, notwithstanding that any certificate for shares so called for redemption shall not have been surrendered for cancellation, from and after the time of such deposit all shares of the Preferred Stock so called for redemption shall no longer be deemed to be outstanding and all rights with respect to such shares shall

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forthwith cease and terminate, except only the right of the holders thereof to receive from such bank or trust company at any time after the time of such deposit the funds so deposited, without interest, and the right to exercise on or before the date fixed for redemption, privileges of exchange or conversion, if any, not theretofore expiring.

Any funds so set aside or deposited by the Corporation which shall not be required for such redemption because of the exercise of any such right of conversion or exchange subsequent to the date of such deposit shall be released or repaid to the Corporation forthwith. Any funds so set aside or deposited, as the case may be, and unclaimed at the end of six years from such redemption date shall be released or repaid to the Corporation, after which the

holders of the shares so called for redemption shall look only to the Corporation for payment thereof.

Shares of Preferred Stock so redeemed may thereafter, in the discretion of the Board of Directors, be reissued at any time or from time to time to the extent and in any manner now or hereafter permitted by law, except that shares retired for any sinking fund shall not be reissued.

6. In the event of any voluntary liquidation, dissolution or winding up of the Corporation, the holders of the Preferred Stock then outstanding shall be entitled to receive out of the assets of the Corporation, before any distribution or payment shall be made to the holders of any junior stock, the respective amounts which such holders would have been entitled to receive had such shares been redeemed otherwise than for sinking fund on the date fixed for payment. In the event of any involuntary liquidation, dissolution or winding up of the Corporation, the holders of the Preferred Stock then outstanding shall be entitled to receive out of the assets of the Corporation, before any distribution or payment shall be made to the holders of any junior stock, an amount equal to \$100 per share, plus in respect of each such share a sum computed at the annual dividend rate for the series of which such share is a part from and after the date on which dividends on such share became cumulative to and including the date fixed for such payment, less the aggregate of dividends theretofore paid thereon, but computed without interest. If such payment shall have been made in full to the holders of the Preferred Stock on voluntary or involuntary liquidation, dissolution or winding up, the remaining assets of the Corporation shall be distributed among the holders of junior stock, according to their respective rights and preferences and pro rata in accordance with their respective holdings.

7. No holder of Preferred Stock shall be entitled as such, as a matter of right, to subscribe for or purchase any part of any new or additional issue of stock of any class whatsoever, or of

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securities convertible into any stock of any class whatsoever, whether now or hereafter authorized and whether issued for cash or other consideration or by way of dividend.

8. The consent of the holders of at least two-thirds of the Preferred Stock at the time outstanding, given in person or by proxy, either in writing or at a special meeting called for the purpose, at which the Preferred Stock shall vote separately as a class, shall be necessary to effect or validate any one or more of the following:

(a) The creation or authorization of any additional class of stock of the Corporation ranking prior to or on a parity with the Preferred Stock or any increase in the authorized amount of the Preferred Stock, or of any additional class of stock of the Corporation ranking prior to or on a parity with the Preferred Stock;

(b) The amendment, alteration or repeal of any of the provisions of the Certificate of Incorporation of the Corporation or of any certificate amendatory thereof or supplemental thereto so as to affect adversely the rights or preferences of the Preferred Stock or of the holders thereof; provided, however, that if any such amendment, alteration or repeal shall affect adversely the rights or preferences of one or more, but not all, of the series of Preferred Stock at the time outstanding, or shall unequally so affect the rights or preferences of series of Preferred Stock at the time outstanding, the consent of the holders of at least two-thirds in interest of the shares then outstanding of each such series so affected, similarly given, shall be required in lieu of the consent of the holders of two-thirds in interest of the Preferred Stock voting as a class;

(c) The voluntary liquidation, dissolution or winding up of the Corporation, or the sale, lease or conveyance of all or substantially all of the property or business of the Corporation, or a consolidation or merger with any other corporation (other than the merger by the Corporation of any corporation all the outstanding stock of which it then owns); or

(d) The purchase or redemption of less than all of the Preferred Stock at the time outstanding, unless the full dividend on the Preferred Stock for all past quarter-yearly dividend periods shall have been paid or declared and a sum sufficient for the payment thereof set apart.

Except to the extent provided in this subdivision 8, all shares of Preferred Stock are specifically excluded from the right to vote in a proceeding for mortgaging the property and franchises of the Corporation pursuant to Section 16, for authorizing any

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guaranty pursuant to Section 19, for sale of the franchises and property pursuant to Section 20, for consolidation pursuant to Section 86, and for voluntary dissolution pursuant to Section 105, of the Stock Corporation Law, and for change of name pursuant to the General Corporation Law.

9. Unless and until four quarter-yearly dividends payable on the Preferred Stock of any series shall be in default, in whole or

in part, the entire voting power and all voting rights, except as otherwise provided herein or by statute, shall be vested exclusively in the Common Stock. If and when four quarter-yearly dividends (whether or not consecutive) payable on the Preferred Stock of any series shall be in default, the holders of the outstanding Preferred Stock, voting separately as a class regardless of series, shall, in addition to the voting rights provided by statute and in subdivision 8 above, become entitled to elect that number of Directors which will constitute one-sixth of the total number of Directors, or in the event that the one-sixth of the total number shall not be a whole number, the next higher whole number of Directors, but in no event fewer than three Directors, and the holders of the Common Stock, voting separately as a class, shall be entitled to elect the remaining Directors of the Corporation. However, if and when all dividends then in default on the Preferred Stock of each series then outstanding shall thereafter be paid, the Preferred Stock shall then be divested of such voting power, but always subject to the same provisions for the vesting of such voting power in the Preferred Stock in case of any similar future default or defaults. A meeting of the holders of the Preferred Stock, for the election of such Directors, at which the holders of the Preferred Stock shall vote as a class, regardless of series, shall be held at any time after the accrual of such voting power, upon notice similar to that provided in the By-laws for a special meeting of stockholders, upon call by the Secretary of the Corporation, who shall call such meeting at the written request of the holders of record of not less than 5% of the Preferred Stock then outstanding, addressed to him at the principal business office of the Corporation. Upon termination of the voting power of the Preferred Stock at any time by reason of the payment of all accumulated and defaulted dividends on such stock, the terms of office of all persons who may have been elected Directors of the Corporation by vote of the holders of the Preferred Stock shall forthwith terminate.

At all times each stockholder of the Corporation of any class who at the time possesses voting power for any purpose shall, for such purpose, be entitled to one vote for each share of such stock standing in his name on the books of the Corporation.

10. The designations, preferences, privileges and voting powers of the initial series (presently 23,966 shares) of the

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Preferred Stock without par value of the Corporation and the restrictions or qualifications thereof which have not been set forth above are as follows:

(a) The distinctive serial designation of the initial series

of the Preferred Stock is "\$3.75 Cumulative Preferred Stock".

(b) The annual dividend rate for the \$3.75 Cumulative Preferred Stock is \$3.75 per share.

(c) The redemption price of the \$3.75 Cumulative Preferred Stock, whether for sinking fund or otherwise, is \$107.50 per share as to all shares redeemed prior to July 1, 1947, with successive reductions of \$1.00 per share on July 1, 1947, and on each second July 1 thereafter to \$103.50 per share on and after July 1, 1953.

(d) As a sinking fund for the \$3.75 Cumulative Preferred Stock, so long as any Preferred Stock of such series is outstanding, the Corporation (subject to the provisions of paragraph (d) of subdivision 8 above) and to the extent that the Corporation shall have any funds legally available therefor, shall retire during the year ending July 1, 1948 and during each year ending July 1 thereafter, at least 1% of the total number of shares of such series which shall have been issued prior to the beginning of the respective year. If less than such number of shares shall have been retired for sinking fund in any such year (whether or not such failure was due to the provisions of paragraph (d) of subdivision 8 above or to the non-availability of funds therefor), the deficiency in such sinking fund shall be deemed to be in arrears and until subsequently made good, the restrictions of subdivision 3 above shall be applicable as therein provided. Shares acquired by purchase or redemption at any time may be applied to sinking fund by retirement thereof at any subsequent time. Shares retired at any time and not theretofore credited to sinking fund may be credited by the Corporation on the number of shares required to be retired for sinking fund at any subsequent time. Shares retired for the sinking fund shall not be reissued, and the Corporation shall cause its authorized capital stock to be reduced accordingly in the manner provided by law.

(e) Shares of the \$3.75 Cumulative Preferred Stock shall not be convertible into or exchangeable for shares of stock of any other class.

11. The designations, preferences, privileges and voting powers of the next series (presently 9,263 shares) of the Preferred Stock without par value of the Corporation and the restrictions or qualifications thereof which have not been set forth above are as follows:

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(a) The distinctive serial designation of said series of the Preferred Stock is "\$3.40 Cumulative Preferred Stock."

(b) The annual dividend rate for the \$3.40 Cumulative Preferred Stock is \$3.40 per share.

(c) The redemption price of the \$3.40 Cumulative Preferred Stock, whether for sinking fund or otherwise, is \$103.50 per share, the \$3.40 Cumulative Preferred Stock not being redeemable however prior to December 1, 1951.

(d) As a sinking fund for the \$3.40 Cumulative Preferred Stock, so long as any Preferred Stock of such series is outstanding, the Corporation (subject to the provisions of paragraph (d) of subdivision 8 above) and to the extent that the Corporation shall have any funds legally available therefor, shall retire during the year ending July 1, 1952 and during each year ending July 1 thereafter, at least 1% of the total number of shares of such series which shall have been issued prior to the beginning of the respective year. If less than such number of shares shall have been retired for sinking fund in any such year (whether or not such failure was due to the provisions of paragraph (d) of subdivision 8 above or to the non-availability of funds therefor) the deficiency in such sinking fund shall be deemed to be in arrears and until subsequently made good, the restrictions of subdivision 3 above shall be applicable as therein provided. Shares acquired by purchase or redemption at any time may be applied to sinking fund by retirement thereof at any subsequent time. Shares retired at any time and not theretofore credited to sinking fund may be credited by the Corporation on the number of shares required to be retired for sinking fund at any subsequent time. Shares retired for the sinking fund shall not be reissued, and the Corporation shall cause its authorized capital stock to be reduced accordingly in the manner provided by law.

(e) Shares of the \$3.40 Cumulative Preferred Stock shall not be convertible into or exchangeable for shares of stock of any other class.

12. The designations, preferences, privileges and voting powers of the third series (presently 18,094 shares) of the Preferred Stock, without par value, of the Corporation, and the restrictions or qualifications thereof, which have not been set forth above are as follows:

(a) The distinctive serial designation of the third series of the Preferred Stock is "\$3.75 Cumulative Preferred Stock, 1947 Series."

(b) The annual dividend rate for the \$3.75 Cumulative Preferred Stock, 1947 Series, is \$3.75 per share.

(c) The redemption prices of the \$3.75 Cumulative Preferred Stock, 1947 Series, are as follows:

In the case of shares redeemed otherwise than for sinking fund, \$104 per share on all shares redeemed prior to February 1, 1950, with successive reductions of \$.50 per share in such redemption price on February 1, 1950 and on each February 1 thereafter to \$100 per share, together in every case with any accrued and unpaid dividends.

In the case of shares redeemed for sinking fund, \$101.50 per share in the case of all shares redeemed prior to February 1, 1950, with successive reductions of \$.50 per share in such redemption price on February 1, 1950 and on each February 1 thereafter to \$100 per share, together in every case with any accrued and unpaid dividends.

(d) As a sinking fund for the \$3.75 Cumulative Preferred Stock, 1947 Series, so long as any Preferred Stock of such series is outstanding, the Corporation (subject to the provisions of paragraph (d) of subdivision 8 of Article Fourth of the Principal Certificate), and to the extent that the Corporation shall have any funds legally available therefor, shall retire during the year ending January 31, 1950 and during each year ending January 31 thereafter, 1% of the total number of shares of such series which shall have been issued prior to the beginning of the respective year. If less than such number of shares shall have been retired for sinking fund in any such year (whether or not such failure was due to the provisions of paragraph (d) of subdivision 8 of Article Fourth of the Principal Certificate or to the non-availability of funds therefor), the deficiency in such sinking fund shall be deemed to be in arrears and until subsequently made good, the restrictions of subdivision 3 of Article Fourth of the Principal Certificate shall be applicable as therein provided. Shares acquired by purchase or redemption at any time may be applied to sinking fund by retirement thereof at any subsequent time. Shares retired at any time and not theretofore credited to sinking fund may be credited by the Corporation on the number of shares required to be retired for sinking fund at any subsequent time. Shares retired for the sinking fund shall not be reissued and the Corporation shall cause its authorized capital stock to be reduced accordingly in the manner provided by law.

(e) Shares of the \$3.75 Cumulative Preferred Stock, 1947 Series, shall not be convertible into or exchangeable for shares of stock of any other class.

B.

13. The Preferred Stock and the 3 3/4% Cumulative Preferred Stock shall be of equal rank with each other in all respects, and neither class shall be senior to or junior to the other.

14. In case the stated dividends and the amounts payable on liquidation in respect of the Preferred Stock and the 3 3/4% Cumulative Preferred Stock are not paid in full, each of said classes shall share ratably in the payment of dividends, including accumulations, if any, in accordance with the sums which would be payable to such classes if all dividends were declared and paid in full, and in any distribution of assets other than by way of dividends in accordance with the sums which would be payable to such classes on such distribution if all sums payable were discharged in full.

C.

15. The holders of 3 3/4% Cumulative Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors, but only out of surplus legally available for the payment of dividends, cumulative cash dividends at the annual rate of \$3.75 per share and no more, payable quarter-yearly, on the last days of January, April, July and October in each year, to stockholders of record on the respective dates, not exceeding forty days preceding such dividend payment dates, fixed for the purpose by the Board of Directors in advance of payment of each particular dividend. Such dividends on the 3 3/4% Cumulative Preferred Stock shall be payable before any dividends on any junior stock shall be paid or set apart for payment and shall be cumulative from and after January 31, 1959.

16. As a sinking fund for the 3 3/4% Cumulative Preferred Stock, so long as any 3 3/4% Cumulative Preferred Stock is outstanding, the Corporation (subject to the provisions of paragraph (d) of subdivision 22) to the extent that the Corporation shall have any funds legally available therefor, shall retire during the year ending December 31, 1959 and during each year ending December 31 thereafter, 1,120 shares of 3 3/4% Cumulative Preferred Stock. If less than such number of shares shall have been retired for sinking fund in any such year (whether or not such failure was due to the provisions of paragraph (d) of subdivision 22 or to the non-availability of funds therefor), the deficiency in such sinking fund shall be deemed to be in arrears and until subsequently made good, the restrictions of subdivision 17 shall be applicable as therein provided. Shares acquired by purchase or redemption or otherwise held in the treasury at any time may be

applied to sinking fund by retirement thereof at any subsequent time. Shares retired at any time and not therefore credited to

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sinking fund may be credited by the Corporation on the number of shares required to be retired for sinking fund at any subsequent time. Shares retired for the sinking fund shall not be reissued and the Corporation shall cause its authorized capital stock to be reduced accordingly in the manner provided by law.

17. So long as any of the 3 3/4% Cumulative Preferred Stock remains outstanding, no dividend whatever shall be paid or declared, nor any distribution be made, on any junior stock (which term as used herein shall mean the Common Stock and any other class of stock of the Corporation hereafter authorized which shall rank junior to the 3 3/4% Cumulative Preferred Stock), other than a dividend payable in junior stock, nor shall any shares of any junior stock be acquired for a consideration by the Corporation or any Restricted Subsidiary, nor shall any investment in, or advance to, any Unrestricted Subsidiary be made by the Corporation or any Restricted Subsidiary:

(a) unless all dividends on the 3 3/4% Cumulative Preferred Stock for all past quarter-yearly dividend periods shall have been paid and the full dividends thereon for the then current quarter-yearly dividend period shall have been paid or declared and a sum sufficient for the payment thereof set apart,

(b) unless all arrears in the sinking fund in respect of the retirement of the 3 3/4% Cumulative Preferred Stock shall have been made good, and

(c) unless immediately thereafter, the consolidated net worth will aggregate at least \$130,000,000 plus or minus, as the case may be, an amount equal to the consolidated funded indebtedness outstanding in excess of or less than \$40,000,000, and no dividend whatever shall be paid or declared, nor any distribution be made, on any junior stock, other than a dividend payable in junior stock, nor shall any shares of any junior stock be acquired for a consideration by the Corporation or any Restricted Subsidiary, unless after giving effect to such dividend or distribution on, or such acquisition of, junior stock, the sum of (x) the aggregate payments for all such purposes subsequent to January 31, 1958 and (y) the aggregate amount of dividends paid or accrued subsequent to January 31, 1958 on the Preferred Stock and the 3 3/4% Cumulative Preferred Stock outstanding from time to time does not exceed the sum of (i) consolidated net earnings accrued subsequent to January 31, 1958, (ii) \$50,000,000 and (iii) the aggregate of the net proceeds of sales of any junior stock received by the Corporation

subsequent to January 31, 1958 but in an amount not exceeding the aggregate of the cost to the Corporation of shares of any junior stock acquired subsequent to January 31, 1958; provided, however, that the restrictions of this subdivision 17 shall not apply to the acquisition of any junior stock through the exchange of shares of

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any junior stock or the acquisition of any junior stock, or any investment in or advance to an Unrestricted Subsidiary, out of the proceeds of sale of any junior stock, nor prevent the payment of any dividend within ninety days after the date of declaration thereof, if at said date such declaration complied with the provisions of this subdivision 17.

Subject to the provisions hereof, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors may be declared and paid on any junior stock from time to time out of the remaining surplus of the Corporation legally available for the payment of dividends, and the 3 3/4% Cumulative Preferred Stock shall not be entitled to participate in any such dividends, whether payable in cash, stock or otherwise.

18. Subject to the provisions hereof, the Board of Directors shall have power from time to time to fix, determine and vary the amount of working capital of the Corporation and to direct and determine the use and disposition of any surplus of the Corporation over and above the capital of the Corporation, and to use the surplus of the Corporation for the purpose of acquiring any of the capital stock of the Corporation, and to reissue and sell any of the capital stock so acquired.

19. Subject to the provisions of paragraph (d) of subdivision 22 hereof, the Corporation, at the option of the Board of Directors (or for the purpose of any sinking fund), may redeem the whole or any part of the 3 3/4% Cumulative Preferred Stock at any time outstanding, at any time or from time to time, upon notice duly given as hereinafter specified, at the redemption price, whether for sinking fund or otherwise, of \$103 per share, together with a sum, in the case of each share so to be redeemed, computed at the annual dividend rate, from and after January 31, 1959 to and including the date fixed for such redemption, less the aggregate of the dividends theretofore and on such redemption date paid thereon, but computed without interest.

Notice of every such redemption of the 3 3/4% Cumulative Preferred Stock shall be given by publication at least once in each of two successive calendar weeks in a newspaper printed in the English language and customarily published on each business day and

of general circulation in the Borough of Manhattan, The City of New York, the first publication to be at least thirty days prior to the date fixed for such redemption. At least thirty days' previous notice of every such redemption shall also be mailed to the holders of record of the shares so to be redeemed at their respective addresses as the same shall appear on the books of the Corporation; but no failure to mail such notice nor any defect therein or in the mailing thereof shall affect the validity of the proceeding for the redemption of any shares so to be redeemed.

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In case of redemption of a part only of the 3 3/4% Cumulative Preferred Stock at the time outstanding, the Corporation shall designate by lot the shares so to be redeemed. The Board of Directors shall have full power and authority to prescribe the manner in which the drawings by lot shall be conducted and, subject to the limitations and provisions herein contained, the terms and conditions upon which the 3 3/4% Cumulative Preferred Stock shall be redeemed from time to time.

If such notice of redemption shall have been duly given by publication, and if, on or before the redemption date specified therein, all funds necessary for such redemption shall have been set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares so called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for shares so called for redemption shall not have been surrendered for cancellation, all shares so called for redemption shall no longer be deemed outstanding on and after such redemption date, and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on redemption thereof, without interest.

If such notice of redemption shall have been duly given by publication or if the Corporation shall have given to the bank or trust company hereinafter referred to irrevocable authorization promptly to give or complete such notice by publication, and if on or before the redemption date specified therein the funds necessary for such redemption shall have been deposited by the Corporation with a bank or trust company in good standing, designated in such notice, organized under the laws of the United States of America or of the State of New York, doing business in the Borough of Manhattan, The City of New York, having a capital, surplus and undivided profits aggregating at least \$5,000,000 according to its last published statement of condition, in trust for the pro rata benefit of the holders of the shares so called for redemption, then, notwithstanding that any certificate for shares so called for redemption shall not have been surrendered for cancellation, from

and after the time of such deposit all shares of the 3 3/4% Cumulative Preferred Stock so called for redemption shall no longer be deemed to be outstanding and all rights with respect to such shares shall forthwith cease and terminate, except only the right of the holders thereof to receive from such bank or trust company at any time after the time of such deposit the funds so deposited, without interest.

Any funds so set aside or deposited, as the case may be, and unclaimed at the end of six years from such redemption date shall be released or repaid to the Corporation, after which the holders

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of the shares so called for redemption shall look only to the Corporation for payment thereof.

Shares of 3 3/4% Cumulative Preferred Stock so redeemed may thereafter, in the discretion of the Board of Directors, be reissued at any time or from time to time to the extent and in any manner now or hereafter permitted by law, except that shares retired for any sinking fund shall not be reissued.

20. In the event of any voluntary liquidation, dissolution or winding up of the Corporation, the holders of the 3 3/4% Cumulative Preferred Stock then outstanding shall be entitled to receive out of the assets of the Corporation, before any distribution or payment shall be made to the holders of any junior stock, the amount which such holders would have been entitled to receive had such shares been redeemed on the date fixed for payment. In the event of any involuntary liquidation, dissolution or winding up of the Corporation, the holders of the 3 3/4% Cumulative Preferred Stock then outstanding shall be entitled to receive out of the assets of the Corporation, before any distribution or payment shall be made to the holders of any junior stock, an amount equal to \$100 per share, plus in respect of each such share a sum computed at the annual dividend rate, from and after January 31, 1959 to and including the date fixed for such payment, less the aggregate of dividends theretofore paid thereon, but computed without interest. If such payment shall have been made in full to the holders of the 3 3/4% Cumulative Preferred Stock on voluntary or involuntary liquidation, dissolution or winding up, the remaining assets of the Corporation shall be distributed among the holders of junior stock, according to their respective rights and preferences and pro rata in accordance with their respective holdings.

21. No holder of 3 3/4% Cumulative Preferred Stock shall be entitled as such, as a matter of right, to subscribe for or purchase any part of any new or additional issue of stock of any class whatsoever, or of securities convertible into any stock of

any class whatsoever, whether now or hereafter authorized and whether issued for cash or other consideration or by way of dividend.

22. The consent of the holders of at least two-thirds of the 3 3/4% Cumulative Preferred Stock at the time outstanding, given in person or by proxy, either in writing or at a special meeting called for the purpose, at which the 3 3/4% Cumulative Preferred Stock shall vote separately as a class, shall be necessary to effect or validate any one or more of the following:

(a) The creation or authorization of any additional class of stock of the Corporation ranking prior to or on a parity with the 3 3/4% Cumulative Preferred Stock or any increase in the authorized

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amount of the 3 3/4% Cumulative Preferred Stock or of any class of stock of the Corporation ranking prior to or on a parity with the 3 3/4% Cumulative Preferred Stock;

(b) The amendment, alteration or repeal of any of the provisions of the Certificate of Incorporation of the Corporation or of any certificate amendatory thereof or supplemental thereto so as to affect adversely the rights or preferences of the 3 3/4% Cumulative Preferred Stock or of the holders thereof;

(c) The voluntary liquidation, dissolution or winding up of the Corporation, or the sale, lease or conveyance of all or substantially all of the property or business of the Corporation, or a consolidation or merger with any other corporation (other than the merger by the Corporation of any subsidiary provided that such merger involves no action which would otherwise require the giving of consent under this subdivision 22);

(d) The purchase or redemption of less than all of the 3 3/4% Cumulative Preferred Stock at the time outstanding, unless the full dividend on the 3 3/4% Cumulative Preferred Stock for all past quarter-yearly dividend periods shall have been paid or declared and a sum sufficient for the payment thereof set apart;

(e) The incurring or assuming by the Corporation of any funded indebtedness or the parting with control by the Corporation or any Restricted Subsidiary of any indebtedness or capital stock of a Restricted Subsidiary which holds funded indebtedness of the Corporation, or the disposition by a Restricted Subsidiary of any funded indebtedness of the Corporation, unless immediately thereafter the consolidated net worth plus the consolidated funded indebtedness to be outstanding will aggregate at least 350% of the consolidated funded indebtedness to be outstanding; provided,

however, that nothing contained in this paragraph (e) shall prevent the Corporation from incurring or assuming additional funded indebtedness for the purpose of extending, renewing or refunding at least an equal principal amount of funded indebtedness of the Corporation then outstanding (other than funded indebtedness owing to a Restricted Subsidiary);

(f) The (i) mortgaging, pledging or creation of any lien on, by the Corporation or any Restricted Subsidiary, any of the assets of the Corporation or any Restricted Subsidiary except to secure indebtedness for the sole benefit of the Corporation or a wholly-owned Restricted Subsidiary, (ii) acquiring by the Corporation or any Restricted Subsidiary of any asset subject to any lien securing indebtedness (whether or not assumed), or (iii) acquiring by the Corporation or any Restricted Subsidiary of any asset under an agreement whereby title is retained for the purpose of securing the purchase price thereof; provided, however, that nothing contained in this paragraph (f) shall prevent, restrict or apply to:

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(1) the giving of any purchase money lien (including vendors' rights under purchase contracts of the character referred to in clause (iii) above) on assets hereafter acquired and not theretofore owned by the Corporation or such Restricted Subsidiary, or the acquiring hereafter of assets not theretofore owned by the Corporation or such Restricted Subsidiary subject to any then existing lien securing indebtedness (whether or not assumed), provided that the principal amount of the indebtedness or the unpaid portion of the purchase price, as the case may be, secured by such lien shall not exceed 75% of the cost of such assets to the Corporation or the Restricted Subsidiary acquiring the same; the term "cost of such assets", in the case of any acquisition of assets of a subsidiary through merger or liquidation, shall mean the fair market value of such assets at the time of such acquisition;

(2) refundings or extensions of liens referred to in the foregoing clause (1) for amounts not exceeding the principal amounts of the indebtedness so refunded or extended, and applying only to the same assets theretofore subject to the same lien and fixed improvements constructed thereon;

(3) deposits or pledges to enable the Corporation or any Restricted Subsidiary to transact business or to exercise any privilege or license, or to secure payments of workmen's compensation, unemployment insurance, old age pensions or other social security, or to secure the performance of bids, tenders, contracts (other than for the borrowing of money or securing of funded indebtedness) or leases to which the

Corporation or any Restricted Subsidiary is a party, or to secure public or statutory obligations of the Corporation or any Restricted Subsidiary, or to secure surety, stay or appeal bonds to which the Corporation or any Restricted Subsidiary is a party; or other similar deposits or pledges made in the ordinary course of business;

(4) mechanics', workmen's, repairmen's or carriers' liens; or other similar liens arising in the ordinary course of business; or deposits or pledges to obtain the release of any such liens; or

(5) liens arising out of judgments or awards against the Corporation or any Restricted Subsidiary with respect to which the Corporation or such Restricted Subsidiary shall in good faith be prosecuting an appeal or proceedings for review and with respect to which it shall have secured a stay of execution if permitted by law pending such appeal or proceedings for review; or liens incurred by the Corporation or any Restricted Subsidiary for the purpose of obtaining a

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stay or discharge in the course of any legal proceedings to which the Corporation or such Restricted Subsidiary is a party;

(g) The guarantying by the Corporation or any Restricted Subsidiary of any dividend or obligation of any other person except obligations of Restricted Subsidiaries or of the Corporation incurred in the ordinary course of their or its business;

(h) The issue or sale by a Restricted Subsidiary of any shares of its capital stock except (i) to the Corporation or to a wholly-owned Restricted Subsidiary (except that this restriction shall not prevent the issue or sale of additional shares of common stock of any Restricted Subsidiary to any holders thereof so long as the pro rata interest of the Corporation and its Restricted Subsidiaries in such stock of such Restricted Subsidiary outstanding immediately prior to such issue or sale is not reduced), and (ii) directors' qualifying shares;

(i) The incurring or assuming by any Restricted Subsidiary of funded indebtedness or indebtedness for money borrowed except (x) indebtedness to the Corporation or to a wholly-owned Restricted Subsidiary and (y) an aggregate amount not in excess of \$10,000,000 for all Restricted Subsidiaries at any time outstanding (excluding indebtedness permitted by clause (x) of this paragraph); provided that nothing contained in this paragraph shall prevent any Restricted Subsidiary from (1) incurring or assuming indebtedness

for the purpose of extending, renewing or refunding at least an equal principal amount of indebtedness then outstanding (other than indebtedness owing to the Corporation or a wholly-owned Restricted Subsidiary) or (2) incurring or assuming indebtedness of the character arising from transactions described in clauses (1) and (2) of paragraph (f) if the amount of indebtedness being so incurred or assumed (less any portion thereof otherwise permitted to be incurred or assumed under this paragraph) could have been incurred or assumed at the time by the Corporation as funded indebtedness under paragraph (e) above without the giving of consent;

(j) The merger or consolidation of any Restricted Subsidiary, except that any Restricted Subsidiary may merge or consolidate with the Corporation or with any subsidiary provided that if such merger or consolidation be with an Unrestricted Subsidiary the surviving corporation shall be a Restricted Subsidiary and provided further that the merger or consolidation involves no action which would otherwise require the giving of consent under this subdivision 22; or

(k) The parting with control, by the Corporation (except to a wholly-owned Restricted Subsidiary or for directors' qualifying shares), or by a Restricted Subsidiary (except to the Corporation

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or to a wholly-owned Restricted Subsidiary or for directors' qualifying shares), of any indebtedness or any shares of capital stock of a Restricted Subsidiary, unless the entire indebtedness and capital stock of such Restricted Subsidiary at the time owned by the Corporation and its Restricted Subsidiaries shall be disposed of at the same time.

For purposes of this subdivision 22 and subdivision 17:

The term "subsidiary" shall mean any corporation, a majority of the voting shares of which are at the time owned (either alone or through Restricted Subsidiaries or together with Restricted Subsidiaries) by the Corporation and its Restricted Subsidiaries.

The term "Unrestricted Subsidiary" shall mean any subsidiary which the Corporation may designate as an Unrestricted Subsidiary by resolution adopted by the Board of Directors of the Corporation; provided, however, that the Corporation may make such a designation only if such Unrestricted Subsidiary does not hold indebtedness or capital stock of the Corporation or a Restricted Subsidiary and if immediately after such designation the consolidated net worth plus the consolidated funded indebtedness to be outstanding, will aggregate at least 350% of the consolidated funded indebtedness to be outstanding.

The term "Restricted Subsidiary" shall mean any subsidiary other than an Unrestricted Subsidiary.

The term "wholly-owned Restricted Subsidiary" shall mean any Restricted Subsidiary all of the outstanding funded indebtedness and all of the outstanding capital stock of which, other than directors' qualifying shares, are owned by the Corporation and its other wholly-owned Restricted Subsidiaries.

The term "funded indebtedness" shall mean, as to a particular corporation, all indebtedness owed by such corporation which by its terms matures more than one year from the date of the incurring, extension or renewal thereof.

The terms "consolidated funded indebtedness", "consolidated surplus of all types" and "consolidated carrying amounts of all interests in any Unrestricted Subsidiary", shall mean the amounts of such items which under good accounting practice would appear on a consolidated balance sheet of the Corporation and its Restricted Subsidiaries.

The term "consolidated net earnings" for any period shall mean the amount of consolidated net earnings of the Corporation and its Restricted Subsidiaries for such period, determined in accordance with good accounting practice, but excluding therefrom the portion thereof allocable to minority interests, if any, in such Restricted Subsidiaries.

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The term "consolidated net worth" shall mean the capital represented by the outstanding stocks of the Corporation (excluding treasury stock held by the Corporation), plus consolidated surplus of all types, less the cost of any stock of the Corporation owned by its Restricted Subsidiaries and less the consolidated carrying amounts of all interests in any Unrestricted Subsidiary.

The term "voting shares" shall mean, as to the shares of a particular corporation, all shares of stock of such corporation, at the time outstanding, having voting power for the election of directors or trustees either at all times or only so long as no senior class of stock has such voting power because of default in dividends or because of the existence of some other default.

The certificate or opinion of any independent firm of public accountants of recognized standing selected by the Board of Directors of the Corporation shall be conclusive evidence of the correctness of any computation made under this subdivision 22 or subdivision 17.

23. Unless and until four quarter-yearly dividends payable on

the 3 3/4% Cumulative Preferred Stock shall be in default, in whole or in part, the entire voting power and all voting rights, except as otherwise provided herein or by statute, shall be vested exclusively in the Common Stock. If and when four quarter-yearly dividends (whether or not consecutive) payable on the 3 3/4% Cumulative Preferred Stock shall be in default, the holders of the outstanding 3 3/4% Cumulative Preferred Stock, voting separately as a class, shall, in addition to the voting rights provided by statute and in subdivision 22 above, become entitled to elect two Directors, and the holders of the Common Stock, voting separately as a class, shall be entitled to elect the remaining Directors of the Corporation. However, if and when all dividends then in default on the 3 3/4% Cumulative Preferred Stock then outstanding shall thereafter be paid, the 3 3/4% Cumulative Preferred Stock shall then be divested of such voting power, but always subject to the same provisions for the vesting of such voting power in the 3 3/4% Cumulative Preferred Stock in case of any similar future default or defaults. A meeting of the holders of the 3 3/4% Cumulative Preferred Stock, for the election of such Directors, at which the holders of the 3 3/4% Cumulative Preferred Stock shall vote as a class, shall be held at any time after the accrual of such voting power, upon notice similar to that provided in the By-laws for a special meeting of stockholders, upon call by the Secretary of the Corporation, who shall call such meeting at the written request of the holders of record of not less than 5% of the 3 3/4% Cumulative Preferred Stock then outstanding, addressed to him at the principal business office of the Corporation. Upon termination of the voting power of the 3 3/4% Cumulative Preferred Stock at any time by reason of the payment of all accumulated and defaulted dividends on

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such stock, the terms of office of all persons who may have been elected Directors of the Corporation by vote of the holders of the 3 3/4% Cumulative Preferred Stock shall forthwith terminate.

At all times each stockholder of the Corporation of any class who at the time possesses voting power for any purpose shall, for such purpose, be entitled to one vote for each share of such stock standing in his name on the books of the Corporation.

Except as otherwise required by law and except to the extent provided in subdivision 22 or in this subdivision 23, the 3 3/4% Cumulative Preferred Stock shall have no right or power to vote on any question or in any proceeding or to be represented at or to receive notice of any meeting of stockholders.

D.

24. The designation and the relative voting, dividend,

liquidation and other rights, preferences and limitations of the \$1.80 Preference Stock shall be as follows:

(1) Whenever dividends on the Preferred Stock and the 3 3/4% Cumulative Preferred Stock at the annual rates hereinabove set forth have been paid or set apart for payment, and after all accrued dividends thereon for any prior periods have been paid or set apart for payment, and all sinking fund and other requirements with respect to such Preferred Stock and 3 3/4% Cumulative Preferred Stock have been met, the holders of the \$1.80 Preference Stock, without par value (hereinafter referred to as the "Preference Stock") at the time outstanding shall be entitled to receive, but only when and as declared by the Board of Directors, out of funds legally available for the payment of dividends, cumulative preferential dividends, at the annual dividend rate of one dollar eighty cents (\$1.80) per share payable quarterly on the first days of March, June, September and December in each year, to stockholders of record on the respective dates fixed for the purpose by the Board of Directors. The dividends on shares of the Preference Stock shall be cumulative and no dividend shall be declared with respect to any share of the Preference Stock unless like dividends are declared on all shares of the Preference Stock, but redemption or purchase of shares of the Preference Stock at prices not exceeding the redemption price specified in paragraph (2) below shall not be deemed a declaration or payment of such dividends. The dividends on shares of the Preference Stock shall be cumulative from and after the first day of the calendar month in which the Effective Date, as hereinafter defined, shall occur (the "dividend accumulation date") and unless dividends on all outstanding shares of the Preference Stock at the

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annual dividend rate of one dollar eighty cents (\$1.80) per share from such date shall have been paid for all dividend periods through the next preceding quarter annual dividend period, but without interest on cumulative dividends, no dividends shall be paid or declared and no other distribution shall be made on the Common Stock, and no Common Stock shall be purchased or otherwise acquired for value by the Corporation. The holders of the Preference Stock shall not be entitled to receive any dividends thereon other than the dividends referred to in this paragraph (1).

(2) After September 30, 1970, the Corporation, by action of its Board of Directors, may redeem at any time the whole of the Preference Stock, or from time to time any part of the Preference Stock, by paying in cash the amount of \$50 per

share, together with a sum in the case of each share so to be redeemed computed at the annual dividend rate of one dollar eighty cents (\$1.80) from the dividend accumulation date to the date fixed for such redemption, less the aggregate of the dividends theretofore and on such redemption date paid thereon.

(3) Notice of every redemption shall be given by mailing notice of such redemption to the holders of record of the shares of Preference Stock so to be redeemed, at their respective addresses as the same shall appear on the books of the Corporation, at least thirty (30) days prior to the redemption date. In case of the redemption of a part only of the Preference Stock at the time outstanding, the Corporation shall select by lot the shares so to be redeemed. The Board of Directors shall have full power and authority, subject to the limitations and provisions herein contained, to prescribe the manner in which, and the terms and conditions upon which, the shares of the Preference Stock shall be redeemed from time to time. If such notice of redemption shall have been duly given and if on or before the redemption date specified in such notice all funds necessary for such redemption shall have been set aside by the Corporation, separate and apart from its other funds, in trust for the account of the holders of the shares to be redeemed, so as to be and continue to be available therefor, then, notwithstanding that any certificate for such shares so called for redemption shall not have been surrendered for cancellation, from and after the date fixed for redemption, the shares represented thereby shall no longer be deemed outstanding, the right to receive dividends thereon shall cease to accrue and all rights with respect to such shares so called for redemption shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive, out of the funds so set aside in trust, the amount payable upon redemption thereof, without

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interest; provided, however, that the Corporation may, at any time after September 30, 1970, after giving notice of any such redemption as hereinbefore provided, at any time prior to the redemption date specified in such notice, deposit in trust, for the account of the holders of the shares to be redeemed, funds necessary for such redemption with a bank or trust company in good standing organized under the laws of the United States of America or of the States of New York, California, Missouri or Oregon having capital, surplus and undivided profits aggregating at least \$5,000,000, designated in such notice of redemption, and, upon such deposit in trust, all shares with respect to which such deposit shall have been

made shall no longer be deemed to be outstanding, and all rights with respect to such shares shall forthwith cease and terminate, except only the right of the holders thereof to receive, out of the funds so deposited in trust, from and after the date of such deposit, (A) on each quarter-annual dividend payment date occurring prior to the date fixed for redemption, the amount of the quarter-annual dividend provided for in paragraph (1) hereof, and (B) on the date fixed for redemption, the amount payable upon the redemption thereof, in each case without interest. Any funds so deposited for such redemption not required for such purpose shall be forthwith returned to the Corporation.

(4) Before any amount shall be paid to, or any assets distributed among, the holders of the Common Stock upon any liquidation, dissolution or winding up of the Corporation, and after paying or providing for the payment of all creditors of the Corporation, and after paying or providing for the payment of all amounts which may be payable in respect of the Preferred Stock and 3 3/4% Cumulative Preferred Stock in such event, the holders of shares of the Preference Stock at the time outstanding shall be entitled to be paid in cash in the event of voluntary or involuntary liquidation, dissolution or winding up, the amount of \$50 per share, together with a sum in the case of each such share computed at the annual dividend rate of one dollar eighty cents (\$1.80) per share, from the dividend accumulation date to the date fixed for the payment of such distributive amount, less the aggregate of the dividends theretofore and on such date paid thereon; but no payments on account of such distributive amounts shall be made to the holder of any share of the Preference Stock unless there shall likewise be paid at the same time to the holder of each other share of the Preference Stock at the time outstanding a like proportionate distributive amount. The holders of the Preference Stock shall not be entitled to receive any amounts with respect thereto upon any liquidation, dissolution or winding up of the Corporation other than the Amounts referred to in this paragraph. Neither the

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consolidation or merger of the Corporation with any other corporation or corporations, nor the sale or transfer by the Corporation of all or any part of its assets, shall be deemed to be a liquidation, dissolution or winding up of the Corporation.

(5) Whenever the full dividends on all shares of the Preference Stock at the time outstanding for all past quarter-annual dividend periods shall have been paid or declared and

set apart for payment, then such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors may be declared and paid on the Common Stock, but only out of funds legally available for the payment of dividends.

(6) In the event of any liquidation, dissolution or winding up of the Corporation, all assets and funds of the Corporation remaining after paying or providing for the payment of all creditors of the Corporation and after paying or providing for the payment to the holders of shares of the Preferred Stock, the 3 3/4% Cumulative Preferred Stock and the Preference Stock of the full distributive amounts to which they are entitled as herein provided, shall be divided among and paid to the holders of the Common Stock according to their respective rights and interests.

(7) No holder of shares of the Preference Stock shall be entitled as of right to purchase or subscribe for any part of any unissued stock of the Corporation or of any additional stock of the Corporation of any class to be issued by reason of any increase of the authorized capital stock of the Corporation, or of bonds, certificates of indebtedness, debentures or other securities convertible into or exchangeable for stock of the Corporation or to which shall appertain any warrants or other instruments that shall confer upon the holder or owner thereof the right to subscribe for, purchase or receive from the Corporation any shares of its capital stock.

(8) The consent of the holders of at least two-thirds of the Preference Stock at the time outstanding, given in person or by proxy, either in writing or at a special meeting called for the purpose, at which the Preference Stock shall vote separately as a class, shall be necessary to effect or validate any one or more of the following:

(a) The creation or authorization of any additional class of stock of the Corporation ranking prior to or on a parity with the Preference Stock or any increase in the

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authorized amount of the Preference Stock, or of any additional class of stock of the Corporation ranking prior to or on a parity with the Preference Stock;

(b) The amendment, alteration or repeal of any of the provisions of the Certificate of Incorporation of the

Corporation or of any certificate amendatory thereof or supplemental thereto so as to affect adversely the rights or preferences of the Preference Stock or of the holders thereof;

(c) The voluntary liquidation, dissolution or winding up of the Corporation, or the sale, lease or conveyance of all or substantially all of the property or business of the Corporation, or a consolidation or merger with any other corporation (other than the merger by the Corporation of any corporation all the outstanding stock of which it then owns).

(9) Unless and until four quarter-yearly dividends payable on the Preference Stock shall be in default, in whole or in part, the entire voting power and all voting rights, except as otherwise provided herein or by statute, shall be vested exclusively in the Common Stock. If and when four quarter-yearly dividends (whether or not consecutive) payable on the Preference Stock shall be in default, the holders of the outstanding Preference Stock, voting separately as a class, shall, in addition to the voting rights provided by statute and in paragraph (8) above, become entitled to elect two Directors, and the holders of the Common Stock, voting separately as a class, shall be entitled to elect the remaining Directors of the Corporation. However, if and when all dividends then in default on the Preference Stock then outstanding shall thereafter be paid, the Preference Stock shall then be divested of such voting power, but always subject to the same provisions for the vesting of such voting power in the Preference Stock in case of any similar future default or defaults. A meeting of the holders of the Preference Stock, for the election of such Directors, at which the holders of the Preference Stock shall vote as a class shall be held at any time after the accrual of such voting power, upon notice similar to that provided in the By-laws for a special meeting of stockholders, upon call by the Secretary of the Corporation, who shall call such meeting at the written request of the holders of record of not less than 5% of the Preference Stock then outstanding, addressed to him at the principal business office of the Corporation. Upon termination of the voting power of the Preference Stock at any time by reason of the payment of all accumulated and defaulted dividends on such stock, the terms of office of all persons

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who may have been elected Directors of the Corporation by vote of the holders of the Preference Stock shall forthwith terminate.

(10) All shares of Preference Stock acquired by the Corporation, whether upon purchase, redemption or otherwise, shall be cancelled and no such shares shall be reissued by the Corporation. The Corporation shall not purchase, redeem or otherwise acquire for value any shares of the Preference Stock at any time unless at the date of such purchase, redemption or acquisition dividends on all outstanding shares of the Preference Stock shall be or shall have been paid or declared and set apart for payment at the annual dividend rate of one dollar eighty cents (\$1.80) per share for all past quarter-annual dividend periods.

E.

25. The Preference Shares may be issued from time to time in series. The Board of Directors of the Corporation is authorized to establish and designate series and to fix the number of Preference Shares and the relative rights, preferences and limitations as between series, subject to such limitations as may be prescribed by law, provided that so long as any shares of Preferred Stock, 3 3/4% Cumulative Preferred Stock or Preference Stock are outstanding Preference Shares shall not rank with respect to the payment of dividends or distributions upon liquidation, or both, prior to or on a parity with any such outstanding shares of Preferred Stock, 3 3/4% Cumulative Preferred Stock or Preference Stock. In particular, subject to the aforementioned limitation and proviso, the Board of Directors may establish, designate and fix the following with respect to each series of Preference Shares: establish and specify a designation of such series; fix the dividend rights of holders of Preference Shares of each such series; fix the terms on which Preference Shares of each such series may be redeemed if the Preference Shares of such series are to be redeemable; fix the rights of the holders of Preference Shares of each such series upon dissolution or any distribution of assets; fix the terms or amount of the sinking fund, if any, to be provided for the purchase or redemption of Preference Shares of each such series; fix the terms upon which the Preference Shares of each such series may be converted into or exchanged for any shares of any other class or classes of capital stock of the Corporation or any one or more series of Preference Shares if the Preference Shares of such series are to be convertible or exchangeable, fix the voting rights, if any, of the Preference Shares of each such series; and any other relative rights, preferences or limitations of Preference Shares of the series consistent herewith and applicable law. The holders of Preference Shares shall not have any

preemptive right to purchase shares or other securities to be issued by the Corporation or subjected to rights or options to purchase.

26. There is hereby established a series of the Corporation's authorized shares of the Preference Shares, to be designated as the "Series X Cumulative Preference Shares, par value \$.50 per share." Shares of such series are hereinafter referred to as "Series X Shares." The authorized number of Series X Shares shall be 5,000,000 shares. The relative rights, preferences and limitations of the Series X Shares, insofar as not already fixed by any other provision of this Certificate of Incorporation shall, as fixed by the Board of Directors of the Corporation in the exercise of authority conferred by this Certificate of Incorporation, and as permitted by Section 502 of the Business Corporation Law (the "BCL"), be as follows:

(1) Stated Amount. The stated amount of each Series X Share shall be \$20.00.

(2) Dividends.

(A) General Dividend Obligations. When and as declared by the Board of Directors, the Corporation shall pay to the holders of the Series X Shares, out of the assets of the Corporation legally available for the payment of dividends under the BCL, preferential dividends at the times and in the amounts provided for in this paragraph (2).

(B) Calculation of Base Dividends. The Base Dividends (as hereinafter defined) on each Series X Share shall accrue and be calculated cumulatively on a daily basis (based upon a 360-day year consisting of four equal 90-day quarterly periods) at the rate and in the manner prescribed herein from and including the date of issuance of such share to and including the earlier of the Redemption Date (as hereinafter defined) or the Liquidation Date (as hereinafter defined) thereof, whether or not such Base Dividends shall have been declared and whether or not there shall be (at the time such Base Dividends are calculated or become payable or at any other time) profits, surplus or other funds of the Corporation legally available for the payment of dividends. For purposes of this paragraph (2), the date on which the Corporation shall initially issue any Series X Share shall be deemed to be its "date of issuance" as set forth on the stock certificate representing such share, regardless of the number of times transfer of such share shall be made on the stock records maintained by or for the Corporation and regardless of the number of certificates which may be thereafter issued to evidence such share (whether by reason of transfer of such share or for any other reason).

(C) Amount of Base Dividends. Base dividends (the "Base Dividends") shall accrue and be calculated on each Series X Share as follows:

(1) For all periods ending on or prior to April 1, 1986, at a rate of \$0.175 per Series X Share per quarterly period.

(2) For all periods ending after April 1, 1986, but on or prior to April 1, 1987, at a rate of \$0.20 per Series X Share per quarterly period.

(3) For all periods ending after April 1, 1987, but on or prior to October 1, 1987, or the date of filing of the Certificate of Amendment contemplated by paragraph 2(C)(4), whichever is later, at a rate of \$0.25 per Series X Share per quarterly period.

(4) Subject to the foregoing clause (3), for all periods ending after October 1, 1987, at such a rate as shall be determined by the Board of Directors and set forth in a Certificate of Amendment of this Certificate of Incorporation, amending this subparagraph (C) to make specific provision with respect thereto; provided, that, notwithstanding any other provision hereof, the dividend payable with respect to any Series X Share held by a holder who has exercised such holder's rights pursuant to paragraph 4(E) or 4(G)(ii) shall (if such accrual and calculation would result in a higher dividend than that which would accrue and be calculated pursuant to said Certificate of Amendment, but not otherwise) accrue and be calculated pursuant to paragraph 2(C)(3) for all periods ending after October 1, 1987.

To the extent not paid on the first Business Day of any January, April, July or October, commencing on April 1, 1985 (collectively, the "Base Dividend Reference Dates," and individually, the "Base Dividend Reference Date"), all Base Dividends which have accrued on each Series X Share then outstanding during the period from and including the preceding Base Dividend Reference Date (or from and including the date of issuance of such Series X Share in the case of the initial Base Dividend Reference Date) to such Base Dividend Reference Date shall be added to the Liquidation Value of such share and shall remain a part thereof until such Base Dividends are paid.

(D) Series X Supplemental Dividends. In addition to the Base Dividends provided in paragraph (2)(C) above, there shall accrue and be calculated cumulatively a supplemental annual dividend on each Series X Share in respect of the first two years following the

date of issuance thereof as provided below (the "Series X Supplemental Dividends"):

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(i) The Series X Supplemental Dividends (if any) accrued on each Series X Share in respect of all prior periods from the date of issuance of such share through and including the April 1, 1986 Base Dividend Reference Date shall be an amount equal to the number determined by the following formula (if such amount is greater than zero):

Net Cash Flow - \$16,682,000
2 X Outstanding Series X Shares

where Net Cash Flow (as hereinafter defined) is the amount thereof from the Parklabrea Property (as hereinafter defined) for the Corporation's fiscal year ending in calendar 1986 and Outstanding Series X Shares is the number of Series X Shares outstanding at April 1, 1986.

(ii) The Series X Supplemental Dividend (if any) accrued on each Series X Share on April 1, 1987, in respect of all prior periods from the April 1, 1986 Base Dividend Reference Date through and including such subsequent Base Dividend Reference Date shall be an amount equal to the number determined by the following formula (if such amount is greater than zero):

Net Cash Flow - \$17,555,000
2 X Outstanding Series X Shares

where Net Cash Flow is the amount thereof from the Parklabrea Property for the Corporation's fiscal year ending in calendar 1987 and Outstanding Series X Shares is the number of Series X Shares outstanding at April 1, 1987.

The Series X Supplemental Dividends shall accrue and be calculated on each outstanding Series X Share as of the appropriate Base Dividend Reference Date as described above, whether or not such Series X Supplemental Dividends shall have been declared and whether or not there shall be (at the time such Series X Supplemental Dividends are calculated or become payable or at any other time) profits, surplus or other funds of the Corporation legally available for the payment of dividends. To the extent the Series X Supplemental Dividends accrued on any Series X Share are not paid on the Base Dividend Reference Date as of which such accrued Series X Supplemental Dividends are to be calculated, then such accrued Series X Supplemental Dividends shall be added to the

Liquidation Value of such Series X Share and shall remain a part thereof until such Series X Supplemental Dividends are paid.

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(E) Distribution of Partial Dividend Payments. If at any time the Corporation shall pay less than the total amount of the Base Dividends or the Series X Supplemental Dividends then accrued on the Series X Shares, each such payment shall be distributed among the holders of the Series X Shares so that an equal amount of each such dividend shall be paid with respect to each such outstanding share.

(F) Priority. So long as any Series X Shares shall remain outstanding, the Corporation shall not declare or pay any dividend or other distribution with respect to any Junior Securities (as hereinafter defined), or purchase, acquire or redeem any Junior Securities or otherwise make any payment on account of, or set apart money for a sinking or other analogous fund for, the purchase, redemption or other retirement of any Junior Securities or otherwise make any distribution in respect thereof, either directly or indirectly and whether in cash or property or in obligations, securities or capital shares of the Corporation (other than dividends or distributions consisting solely of Common Stock, as hereinafter defined), unless all dividends accrued on the Series X Shares for all previous dividend periods immediately preceding such acquisition, redemption, dividend or distribution shall have been paid or declared and sufficient funds therefor set apart in trust for holders of the Series X Shares.

(3) Liquidation. Upon any liquidation (complete or partial), dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the Series X Shares shall be entitled, before any distribution or payment is made upon any Junior Securities, to be paid out of the assets of the Corporation legally available for distribution to its shareholders (whether from capital, surplus or earnings) for each Series X Share held by them, an amount in cash equal to the Liquidation Value, as of the Liquidation Date, of each such outstanding Series X Share, and the holders of the Series X Shares shall not be entitled to any further payment with respect thereto. If upon any such liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the assets of the Corporation to be distributed among the holders of the Series X Shares shall be insufficient to permit payment to the holders of Series X Shares of the amounts which they are entitled to be paid as aforesaid, then all such assets of the Corporation shall be distributed ratably among the holders of the

Series X Shares based upon the Liquidation Value of the Series X Shares held by each of them. Upon any such liquidation, dissolution or winding up of the Corporation, after the holders of the Series X Shares shall have been paid in full the amounts to which they shall be entitled, the remaining assets of the Corporation may be distributed to the holders of Junior Securities. Written notice of such liquidation, dissolution or winding up of the Corporation shall be mailed by certified or registered mail, return receipt

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requested, not less than 60 days prior to the date of such liquidation, dissolution or winding up stated therein (the "Liquidation Date"), to each record holder of any Series X Share at the address for such record holder shown on the Corporation's records. Such written notice shall state the Liquidation Date, the amount of the Liquidation Value and the place where the amounts distributable shall be payable. Neither the consolidation or merger of the Corporation into or with any other corporation or corporations, nor the sale or transfer by the Corporation of all or any part of its assets, nor the reduction of the capital stock of the Corporation shall be deemed to be a liquidation, dissolution or winding up of the Corporation within the meaning of any of the provisions of this paragraph (3).

(4) Redemptions.

(A) Redemption Price. For each Series X Share which is to be redeemed by the Corporation at any time and for any reason in a redemption pursuant to this paragraph (4), the Corporation shall be obligated on the Redemption Date (as hereinafter defined), regardless of whether the Corporation shall be able or legally permitted to make such payment on the Redemption Date, to pay to the holder thereof upon surrender by such holder at the Corporation's principal office of the certificate representing such Series X Share duly endorsed in blank (or accompanied by an appropriate form of assignment) an amount equal to the Liquidation Value of such Series X Share on the Redemption Date (the "Redemption Price"); provided, however, that nothing herein shall be construed to require any actual payment before such payment can be made without contravening applicable law.

(B) Number of Each Holder's Shares to be Redeemed; Partial Redemption Payments. The number of Series X Shares to be redeemed from each holder thereof in each redemption pursuant to paragraph (4)(D) shall be the number of Series X Shares determined by multiplying the total number of such shares to be redeemed by a fraction, the numerator of which shall be the total number of Series X Shares then held by such holder and the denominator of which shall be the total number of Series X Shares then

outstanding. Notwithstanding the foregoing or any other provision of this paragraph (4), if at the time of any redemption of Series X Shares pursuant to this paragraph (4) the Corporation shall not have redeemed all of the Series X Shares which the Corporation shall have become obligated to redeem at or prior to such time, the number of Series X Shares to be redeemed from each holder thereof shall be the number of Series X Shares determined by multiplying the total number of Series X Shares to be redeemed times a fraction, the numerator of which shall be the total number of Series X Shares which the Corporation shall have become obligated to redeem from such holder at or prior to such time (but which the

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Corporation shall not have redeemed at or prior to such time) and the denominator of which shall be the total number of Series X Shares which the Corporation shall have become obligated to redeem from all holders thereof at or prior to such time (but which the Corporation shall not have redeemed at or prior to such time).

(C) Failed Redemptions; Priority of Series X Redemptions. If on any Redemption Date the aggregate of (i) the funds of the Corporation legally available for the making of redemptions of Series X Shares and not prohibited from being used by the Corporation for such purpose by the terms of any agreement to which the Corporation is a party or by which it is bound, plus (ii) the funds of all Subsidiaries legally available for the payment of dividends to the Corporation (directly or indirectly through one or more Subsidiaries) and not prohibited from being used by such Subsidiaries for such purpose by the terms of any agreement to which any such Subsidiary is a party or by which it is bound and which, upon receipt by the Corporation, would be legally available for the making of redemptions of Series X Shares and not prohibited from being used by the Corporation for such purpose by the terms of any agreement to which the Corporation is a party or by which it is bound, is insufficient to redeem the entire number of Series X Shares required under this paragraph (4) to be redeemed on any such date, such aggregate funds shall be used to redeem the maximum possible number of such Series X Shares required to have been redeemed on any Redemption Date which have not theretofore been redeemed. The Corporation shall not declare or pay any dividend or other distribution with respect to any Junior Securities, or purchase, acquire or redeem any Junior Securities or otherwise make any payment on account of, or set apart money for a sinking or other analogous fund for, the purchase, redemption or other retirement of any Junior Securities or otherwise make any distribution in respect thereof, either directly or indirectly and whether in cash or property or in obligations, securities or capital shares of the Corporation (other than dividends or distributions consisting solely of Common Stock), unless all

payments of the Redemption Price of all Series X Shares theretofore called for redemption shall have been made as required by the terms hereof.

(D) Scheduled Redemptions. Irrespective of any other redemptions made pursuant to this paragraph (4), on the first day of April of each of the years 1988 through 1992 (or if such day is not a Business Day, the immediately succeeding Business Day) commencing on April 1, 1988 (the "Scheduled Redemption Dates"), the Corporation shall purchase and redeem 1,000,000 Series X Shares (or such lesser number thereof as may then be outstanding).

(E) Holder Option to Redeem. At any time during the period commencing on September 1, 1987 and ending on November 1, 1987, any

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holder of Series X Shares may, at the option of such holder, give written notice to the Corporation pursuant to paragraph 4(G) (i) hereof to require the Corporation to redeem all, but not less than all, of the outstanding Series X Shares held by such holder. In the event any holder elects to require a redemption pursuant to this paragraph (4) (E), the Corporation's obligation to pay the Redemption Price for such Series X Shares on the Redemption Date in respect of such redemption may, at the option of the Corporation, be satisfied by the delivery of cash or equity or debt securities issued by the Corporation, or any combination thereof; provided, however, that (x) the Corporation shall not discriminate among holders of the Series X Shares in respect of the type of consideration to be delivered to each of them upon such redemption, and (y) the sum of the amount of the cash (if any) plus the Fair Market Value (as hereinafter defined) of the equity securities of the Corporation (if any) plus the Fair Market Value of the debt securities of the Corporation (if any) so delivered must equal or exceed the Redemption Price.

(F) Change of Control Redemption. In the event of a Change of Control (as hereinafter defined) of the Corporation, then at any time prior to the date 90 days after notice by the Corporation to the holders of the Series X Shares of such event given after the occurrence of such event, any holder of Series X Shares may, at the option of such holder, give written notice to the Corporation pursuant to paragraph 4(G) to require the Corporation to redeem all, but not less than all, of the outstanding Series X Shares held by such holder. In the event any holder elects to require a redemption pursuant to this paragraph (4) (F), the Corporation shall satisfy its obligation to pay the Redemption Price on the Redemption Date in respect of such redemption by the delivery thereof in cash to such holder.

(G) Notices of Redemption.

(i) A notice of any redemption of Series X Shares requested by a holder thereof pursuant to paragraph 4(E) or 4(F) (an "Optional Redemption Notice") shall specify the date of redemption of such Series X Shares which shall be not less than 60 nor more than 90 days from the date of such notice, but which may be subject to postponement under the circumstances specified in paragraph 4(H) with respect to a redemption proposed to be accomplished in whole or in part with Non-Listed Securities, as therein defined, and shall be mailed by certified or registered mail, return receipt requested, to the Corporation at its principal offices not more than 60 or less than 30 days prior to the Redemption Date specified in such Optional Redemption Notice. The Optional Redemption Notice shall also specify the number of Series X Shares and the certificate numbers thereof which are to be

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redeemed and, in the event of a redemption pursuant to paragraph (4)(E), the name of a nationally recognized investment banking firm which such holder desires to make any determination of Fair Market Value required by paragraph (4)(H). Upon receipt of an Optional Redemption Notice the Corporation shall become obligated to redeem on the Redemption Date all Series X Shares therein specified (subject to postponement, as aforesaid).

(ii) Within 3 Business Days of receipt of an Optional Redemption Notice, the Corporation shall give notice (a "Piggyback Notice") of such Optional Redemption Notice to all record holders of Series X Shares. The Piggyback Notice shall set forth the Redemption Date and identify the investment banking firm specified in the Optional Redemption Notice and state whether such Optional Redemption Notice has been given pursuant to paragraph 4(E) or 4(F). Each such holder may, by notice (a "Piggyback Response Notice") received by the Corporation within 15 Business Days after such holder's receipt of the Piggyback Notice (which receipt shall be deemed to occur two days after the date of mailing of the Piggyback Notice by certified or registered mail to such holder's address of record), require the Corporation to redeem all, but not less than all, of the Series X Shares held by the holder giving such Piggyback Response Notice on the Redemption Date specified in the Optional Redemption Notice (subject to postponement, as aforesaid). Each Piggyback Response Notice shall specify the number of Series X Shares and the certificate numbers thereof which are to be redeemed and, in the case of a Piggyback Response Notice in respect of an

Optional Redemption Notice pursuant to paragraph 4(E), either (x) its approval of the investment banking firm specified in the original Optional Redemption Notice, or (y) the name of another nationally recognized investment banking firm which such holder desires to make any determination of Fair Market Value required by paragraph 4(H).

(iii) If a single nationally recognized investment banking firm shall be specified and/or approved by the holders of a majority of the Series X Shares represented by the Optional Redemption Notice pursuant to paragraph 4(E) and all related Piggyback Response Notices, such firm, will be engaged by the Corporation (at its sole cost and expense) to make any determination of Fair Market Value required by paragraph 4(H). If no single firm shall be specified and/or approved by such a majority, or if such firm so specified and/or approved shall be unable or unwilling to act the Corporation shall designate and engage (at its sole cost and expense) a nationally recognized investment banking firm to make any determination of Fair Market Value required by paragraph 4(H). The

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nationally recognized investment banking firm designated and engaged pursuant to this paragraph 4(G)(iii) is referred to herein as the "Designated Firm."

(H) Valuation and Delivery of Securities In Satisfaction of Redemption Price. If the Corporation proposes to deliver Non-Listed Securities in full or partial satisfaction of its obligation to redeem Series X Shares pursuant to paragraph 4(E), it shall forward the proposed terms of any such securities (the "Proposed Terms") to the Designated Firm and to all holders of the Series X Shares who have forwarded an Optional Redemption Notice or a related Piggyback Response Notice to the Corporation promptly upon the date of designation and engagement of such Designated Firm pursuant to paragraph 4(G)(iii) and will identify the Designated Firm to all such holders. The Corporation shall cooperate with and use all reasonable efforts to enable the Designated Firm promptly to determine the value of such security by reference to such factors as are generally considered by the financial community in the determination of the value of a security and, upon completion thereof, will promptly obtain a report of such valuation (a "Valuation Report"). If the Proposed Terms are forwarded to the Designated Firm more than 15 Business Days prior to the Redemption Date specified in the Optional Redemption Notice, the redemptions requested therein (and in any related Piggyback Response Notice) may be postponed by the Corporation until five Business Days after the receipt of the Valuation Report by the Corporation. Notwithstanding the foregoing, if the Corporation has not received

the Valuation Report within 90 days after the date of the Optional Redemption Notice, the Corporation shall redeem the Series X Shares specified in such Optional Redemption Notice and all related Piggyback Response Notices on such 90th day (or if such day is not a Business Day, on the next succeeding Business Day) by payment of cash or securities which are listed on a national securities exchange or quoted in the NASDAQ System or the domestic over-the-counter market.

(I) Dividends After the Redemption Date. No Series X Share shall be entitled to any dividends accrued in respect of any period beginning on or after its Redemption Date (unless the Corporation fails to pay the Redemption Price for such Series X Share or deposit monies for such payment as provided below for any reason whatsoever), and on such Redemption Date and upon payment of the Redemption Price or deposit by the Corporation in trust for the account of the holders of such Series X Shares of the Redemption Price thereof with a bank or trust company doing business in the Borough of Manhattan, City of New York, and having a capital and surplus of Fifty Million Dollars (\$50,000,000), all rights of the holder of such Series X Share, as a shareholder of the Corporation by reason of the ownership of such share, shall cease, except (if payment of the Redemption Price has not been made) the right to

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receive the Redemption Price (without interest) for such share upon presentation and surrender of the certificate representing such share to such bank or trust company, and such share shall not thereafter be deemed to be outstanding for any purpose.

(5) Voting.

(A) The holders of the issued and outstanding Series X Shares shall be entitled to one vote for each Series X Share held by them and shall have the right to vote on all matters submitted to a vote of the holders of Common Stock for all purposes.

(B) So long as any Series X Shares remain outstanding, and in addition to any other approvals required by law, without the prior approval of the holders of at least two-thirds of the Series X Shares at the time outstanding, either expressed in a written consent of such holders or by an affirmative vote at a meeting duly called and held for that purpose:

(i) The Corporation shall not authorize, create or issue any shares, or securities convertible into such shares, of any class of stock having preference over Series X Shares with respect to either the payment of dividends or rights upon dissolution, liquidation, winding up of the Corporation or

distribution of assets to its shareholders by way of return of capital, whether voluntary or involuntary.

(ii) The Corporation shall not sell, lease or convey (other than by mortgage) all or substantially all of the property or business of the Corporation and shall not effect a statutory merger or consolidation of or with any other corporation or corporations unless as a result of such merger or consolidation and after giving effect thereto (a) the Corporation or a Subsidiary shall be the surviving corporation, (b) the Series X Shares then outstanding shall continue to be outstanding, (c) there shall be no alteration or change in the designations or preferences, privileges, restrictions or other rights applicable to outstanding Series X Shares, in any material respect prejudicial to the holders thereof, and (d) there shall not be created or thereafter exist by reason of such merger or consolidation any new class or series of stock having preference over Series X Shares with respect to either dividends or rights upon dissolution, liquidation, winding up or distribution of assets to shareholders by way of return of capital of the Corporation.

(iii) The Corporation shall not (x) amend, alter or repeal any of the provisions of its Certificate of Incorporation or of this certificate in any manner which materially adversely affects the preferences, privileges, restrictions or other

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rights of the Series X Shares or the holders thereof, (y) increase the number of Series X Shares which the Corporation is authorized to issue or (z) change the fiscal year of the Corporation; provided, however, that nothing in this paragraph (5) shall be construed to limit, impair or otherwise affect the Corporation's right and obligation to file the Certificate of Amendment of the Certificate of Incorporation referred to in clause (4) of paragraph (2) (C).

(iv) The Corporation shall maintain its financial books and records in such a manner as to readily permit the ascertainment of the Net Cash Flow from the Parklabrea Property.

(C) (i) In the event that four or more quarterly dividend payments on the Series X Shares are in arrears or any redemption payment required to be made pursuant to paragraph (4) is in arrears, the holders of the then outstanding Series X Shares, voting as a class, with each Series X Share having one vote, shall be entitled to elect two members of the Board of Directors of the Corporation at the next annual meeting of

shareholders or at a special meeting of such holders of the Series X Shares called for such purpose as hereinafter set forth until all such arrearages in dividends or redemptions in respect of the Series X Shares shall have been paid in full by the Corporation, at which time all voting rights provided for by this paragraph 5(C) shall be divested from the Series X Shares (subject to similar revival or divestiture at any time or from time to time). At any time after the holders of the Series X Shares shall have become entitled to elect members of the Board of Directors of the Corporation, the Secretary of the Corporation may, and upon the written request of the holders of record of 25% or more of the Series X Shares then outstanding addressed to the Secretary at the principal offices of the Corporation the Secretary shall, call a special meeting of the holders of the outstanding Series X Shares for the election by such holders of additional directors to be held within 45 days of the receipt of such notice at the place and upon the notice provided by law and in the By-laws of the Corporation for the holding of special meetings of shareholders; provided, however, that the Secretary need not call any such special meeting of the holders of the Series X Shares if the annual meeting of shareholders is to convene within 120 days after receipt by the Secretary of such request. If such special meeting shall not be called in accordance herewith by the Secretary within 45 days after receipt of such request, then the holders of record of the Series X Shares who made such request may designate in writing one of their number to call such meeting at the place and upon the notice above provided, and the person so designated shall,

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for that purpose, have access to the stock books of the Corporation relating to the Series X Shares. If at any such annual or special meeting or any adjournment thereof, the holders of at least a majority of the Series X Shares then outstanding shall be present or represented by proxy, the By-laws of the Corporation shall automatically be amended to increase the then authorized number of directors of the Corporation by two and the holders of such Series X Shares shall be entitled to elect the additional directors provided for. The directors so elected shall serve until their successors are elected and qualified, provided, however, that whenever the holders of the Series X Shares shall be divested of voting power as herein provided, the terms of the persons elected as directors by the holders of such shares as a class shall forthwith terminate and the By-Laws shall be automatically amended to decrease the number of directors accordingly.

(ii) Vacancies among directors elected by holders of the Series X Shares during any period in which members of the Board of Directors shall have been elected by holders of the Series X Shares shall be filled until the next meeting by the vote or written consent of the holders of a majority of the then outstanding shares of Series X Shares. The holders of at least two-thirds of the Series X Shares shall have the right to remove, with or without cause, a director elected pursuant to Paragraph 5(C)(i) hereof, by vote at any annual or special meeting of shareholders or by action by written consent of such holders.

(iii) Upon the written request of any two persons elected or designated as directors by the holders of the outstanding Series X Shares, special meetings of the Board of Directors shall be called by the President of the Corporation on three days' notice to each director, either personally or by mail or by telegram; if such special meeting shall not be so called within five days after receipt of such request, then any two persons elected or designated as directors by the Series X Shares may call such meeting, upon the notice above provided, to be held at the principal offices of the Corporation or in such other place as may be permitted pursuant to the By-laws of the Corporation.

(6) Closing of the Books. The Corporation will not close its books against the transfer of any Series X Share.

(7) Registration of Transfer. The Corporation shall keep at its principal office (or such other place as the Corporation reasonably designates) a register for the registration of Series X Shares. Upon the surrender of any certificate representing Series

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X Shares at such place, the Corporation shall, at the request of the registered holder of such certificate, execute and deliver a new certificate or certificates in exchange therefor representing in the aggregate the number of Series X Shares represented by the surrendered certificate (and the Corporation shall forthwith cancel such surrendered certificate), subject to the requirements of applicable securities laws. Each such new certificate shall be registered in such name and shall represent such number of Series X Shares as shall be requested by the holder of the surrendered certificate and shall be substantially identical in form to the surrendered certificate; and dividends shall accrue on the Series X Shares represented by such new certificate from the date or dates to which dividends have been fully paid on the Series X Shares represented by the surrendered certificate (or, if no dividends have yet been so paid, from the date of issuance thereof) at the

rate and in the manner applicable to Series X Shares represented by such surrendered certificate. The issuance of new certificates shall be made without charge to the holders of the surrendered certificates for any issuance tax in respect thereof or other cost incurred by the Corporation in connection with such issuance; provided that the Corporation shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any certificate in a name other than that of the holder of the surrendered certificate.

(8) Definitions. For purposes of this Section 26, each of the following terms shall have the meanings set forth below, and such meanings shall be equally applicable to the singular and plural forms of such terms:

(A) "Business Day" means any day which is not a Saturday or a Sunday or a bank holiday in either New York, New York, or St. Louis, Missouri.

(B) "Change in Control" means any change in a majority of the members of the Board of Directors of the Corporation pursuant to one or more annual elections of directors or pursuant to any transaction or series of related transactions which, in any such case, has not received the affirmative vote or written consent of at least a majority of the outstanding Series X Shares.

(C) "Common Stock" means the authorized shares of common stock, par value \$1.66 $\frac{2}{3}$ per share, of the Corporation.

(D) "Fair Market Value" of any security other than a Non-Listed Security means the average of the closing prices of such security's sales on all national securities exchanges on which such security may at the time be listed, or, if there shall have been no sales on any such exchange on any day, the average of the highest bid and lowest asked prices on all such exchanges at the end of

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such day, or, if on any day such security shall not be so listed, the average of the representative bid and asked prices quoted in the NASDAQ System as of 4:00 P.M., New York time, or if on any day such security shall not be quoted in the NASDAQ System, the average of the high and low bid and asked prices on such day in the domestic over-the-counter market as reported by the National Quotation Bureau Incorporated, or any similar successor organization, in each such case averaged over the Measuring Trading Period (as hereinafter defined). The "Fair Market Value" of a Non-Listed Security shall be the value thereof determined by the Designated Firm pursuant to paragraph (4) (H).

(E) "Junior Security" means any equity security of any kind which the Corporation or any Subsidiary shall at any time issue or be authorized to issue other than (i) the Series X Shares, (ii) the Preferred Stock and (iii) the \$1.80 Preference Stock.

(F) "Liquidation Value" of any Series X Share as of any particular date shall be equal to the sum of \$20, plus any unpaid Base Dividends on such share that have been added to the Liquidation Value of such share on any Base Dividend Reference Date pursuant to paragraph 2(C) and not thereafter paid, plus any unpaid Series X Supplemental Dividends on such share that have been added to the Liquidation Value of such share pursuant to paragraph (2) (D) and not thereafter paid; and, in the event of any liquidation, dissolution or winding up of the Corporation or the redemption of such share, accrued and unpaid Base Dividends on such share shall be added to the Liquidation Value of such share on the Liquidation Date or the Redemption Date, as the case may be, calculated cumulatively on a daily basis to the Liquidation Date or the Redemption Date thereof, as the case may be.

(G) "Measuring Trading Period" shall mean the 15 consecutive trading days ending prior to the fifth trading day prior to the Redemption Date specified in an Optional Redemption Notice.

(H) "Net Cash Flow" means the amount (determined on an accrual basis in accordance with generally accepted accounting principles consistently applied) obtained by deducting Operating Expenses (as hereinafter defined) from Gross Revenue (as hereinafter defined). As used herein, "Gross Revenue" shall mean the gross income from all sources whatsoever resulting from the operation of the Parklabrea Property (as hereinafter defined), including, without limitation, all revenues from residential rent, other apartment income, minimum rent, percentage rent and common area charges from commercial tenants, real estate taxes, other commercial revenue, and all income from those portions of the Parklabrea Property commonly known as the Tennis Place, the Community Center and the Design Center. As used herein, "Operating Expenses" shall mean only the following expenses of operating the Parklabrea Property:

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payroll, contracted services, repairs and maintenance, painting, utilities, advertising, administration expenses and fees, management fees, insurance, real estate taxes, other taxes (excluding income and franchise taxes), operating expenses of the Tennis Place, the Community Center, the Design Center, and interest on the obligation secured by that certain Purchase Money Deed of Trust and Security Agreement with Assignment of Rents dated as of June 1, 1973, recorded June 1, 1973 in the Official Records of Los Angeles County, California in Book T8254, Page 8, as Instrument No.

1498. Operating Expenses shall not include depreciation, or leasing commissions, tenant work or any other capital expenditure not approved in writing by Metropolitan Life Insurance Company, a New York corporation ("Metropolitan"), or any expenditure which in accordance with generally accepted accounting principles would be amortized over a period of time as opposed to being an expense in a given fiscal year. The items of Gross Revenue and Operating Expenses shall generally follow the income and expense statement provided in that certain booklet entitled "Parklabrea Associates, Partnership Meeting, January 8, 1985, Financial Package" (copies of which are in the possession of the Corporation and Metropolitan), except that depreciation with respect to the Parklabrea Property and income and expenses in connection with any property other than the Parklabrea Property shall be excluded from the computation of Net Cash Flow. For certainty, there shall not be included in the computation of Net Cash Flow any extraordinary items such as proceeds from sales, refinancings, condemnation awards or insurance proceeds (excluding business interruption insurance proceeds, if any), nor any funds from or expenses related to any new buildings or pertaining to that certain parcel known as the "Superblock" (as hereinafter defined).

(I) "Non-Listed Security" means any security which is not listed on any national securities exchange or quoted in the NASDAQ System or the domestic over-the-counter market.

(J) "Parklabrea Property" means the interest of the Corporation and May Centers, Inc., a wholly owned subsidiary of the Corporation, as successors to the interest of either or both of Parklabrea Associates, a California partnership, and Metropolitan Life Insurance Company, in all real, personal, tangible and intangible property owned by Parklabrea Associates immediately prior to its dissolution, except all real, personal, tangible and intangible property in, on or pertaining to the Superblock.

(K) "Redemption Date" as to any Series X Share means (i) the Scheduled Redemption Date referred to in paragraph (4) (B), unless the context otherwise requires, or (ii) the date specified in an Optional Redemption Notice given pursuant to paragraph (4) (G) (i) or any postponement thereof as contemplated by paragraph 4 (H).

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(L) "Subsidiary" means any corporation at least a majority of the Voting Stock of which is, at the time as of which any determination is being made, owned by the Corporation either directly or indirectly through one or more Subsidiaries. "Voting Stock" means any share of stock having general voting power in electing the board of directors (irrespective of whether at the

time stock of any other class or classes has or might have voting power by reason of the happening of any contingency).

(M) "Superblock" means that certain parcel legally described as Parcel A of Parcel Map L.A. No. 4299 in Map Book 134 at Page 27 of Parcel Maps, Los Angeles County, California.

27. There is hereby established a series of the Corporation's authorized Preference Shares, to be designated as the "Junior Participating Preference Shares, par value \$.50 per share." Shares of such series are hereinafter referred to as "Junior Preference Shares." The authorized number of Junior Preference Shares shall be 1,000,000 shares. The relative rights, preferences and limitations of the Junior Preference Shares, insofar as not already fixed by any other provision of this Certificate of Incorporation shall, as fixed by the Board of Directors of the Corporation in the exercise of authority conferred by this Certificate of Incorporation, and as permitted by Section 502 of the Business Corporation Law, be as follows:

1. Designation and Amount. The shares of such series shall be designated as "Junior Participating Preference Shares, par value \$.50 per share" (the "Junior Preference Shares"), and the number of shares constituting such series shall be 1,000,000.

2. Dividends and Distributions.

(A) The holders of Junior Preference Shares shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the fifteenth day of January, April, July and October in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a Junior Preference Share or fraction of a Junior Preference Share, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$47.00 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, par value \$1.66-2/3 per share, of the Corporation (the "Common

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Stock") since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any Junior Preference Share or

fraction of a Junior Preference Share. In the event the Corporation shall at any time (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding shares of Common Stock, (iii) combine the outstanding shares of Common Stock into a smaller number of shares or (iv) issue any shares of its capital stock in a reclassification of the outstanding Common Stock, then in each such case the amount to which holders of Junior Preference Shares were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Junior Preference Shares as provided in paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$47.00 per Junior Preference Share shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding Junior Preference Shares from the Quarterly Dividend Payment Date next preceding the date of issue of such Junior Preference Shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of Junior Preference Shares entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on Junior Preference Shares in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of Junior Preference Shares entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

3. Voting Rights. The holders of Junior Preference Shares shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each Junior Preference Share shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the shareholders of the Corporation. In the event the Corporation shall at any time (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding shares of Common Stock, (iii) combine the outstanding shares of Common Stock into a smaller number of shares, or (iv) issue any shares of its capital stock in a reclassification of the outstanding Common Stock, then in each such case the number of votes per share to which holders of Junior Preference Shares were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein or by law, the holders of Junior Preference Shares and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of shareholders of the Corporation.

(C) (i) If at any time dividends on any Junior Preference Shares shall be in arrears in an amount equal to six quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a "default period") which shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all Junior Preference Shares then outstanding shall have been declared and paid or set apart for payment. During each default period, the holders of Junior Preference Shares, voting separately as a class, shall have the right to elect two Directors.

(ii) During any default period, such voting right of the holders of Junior Preference Shares may be exercised initially at a special meeting called pursuant to subparagraph (C)(iii) of this Paragraph 3 or at any annual meeting of shareholders, and thereafter at annual meetings of shareholders, provided that neither such voting right nor the right of the holders of Junior Preference Shares as hereinafter provided to increase in certain cases the authorized number of Directors shall be exercised unless the holders of 25% in number of Junior Preference Shares outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Common Stock shall not affect the exercise by the holders of Junior

Preference Shares of such voting right. At any meeting at which the holders of Junior Preference Shares shall exercise such voting right initially during an existing default period, they shall have the right, voting as a class, to elect Directors to fill such vacancies, if any, in the Board of Directors as may then exist up to two Directors or, if such right is exercised at an annual meeting, to elect two Directors. If the number which may be so elected at any special meeting does not amount to the required number, the holders of the Junior Preference Shares shall have the right to make such increase in the number of Directors as shall be necessary to permit the election by them of the required number. After the holders of the Junior Preference Shares shall have exercised their right to elect Directors in any default period and during the continuance of such period, the number of Directors shall not be increased or decreased except by vote of the holders of Junior Preference Shares as herein provided or pursuant to the rights of any equity securities ranking senior to or pari passu with the Junior Preference Shares.

(iii) Unless the holders of Junior Preference Shares shall, during an existing default period, have previously exercised their right to elect Directors, the Board of Directors may order, or any shareholder or shareholders owning in the aggregate not less than 10% of the total number of Junior Preference Shares outstanding, may request, the calling of a special meeting of the holders of Junior Preference Shares, which meeting shall thereupon be called by the Chairman of the Board, the President, a Vice-President or the Secretary of the Corporation. Notice of such meeting and of any annual meeting at which holders of Junior Preference Shares are entitled to vote pursuant to this subparagraph (C)(iii) shall be given to each holder of record of Junior Preference Shares by mailing a copy of such notice to him at his last address as the same appears on the books of the Corporation. Such meeting shall be called for a time not earlier than 20 days and not later than 60 days after such order or request or in default of the calling of such meeting within 60 days after such order or request, such meeting may be called on similar notice by any shareholder or shareholders owning in the aggregate not less than 10% of the total number of Junior Preference Shares outstanding. Notwithstanding the provisions of this subparagraph (C)(iii), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of the shareholders.

(iv) In any default period the holders of Common Stock, and other classes of stock of the Corporation if applicable,

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shall continue to be entitled to elect the whole number of Directors until the holders of Junior Preference Shares shall have exercised their right to elect two Directors voting as a class, after the exercise of which right (x) the Directors so elected by the holders of Junior Preference Shares shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may (except as provided in subparagraph (C) (ii) of this Paragraph 3) be filled by vote of a majority of the remaining Directors theretofore elected by the holders of the class of stock which elected the Director whose office shall have become vacant. References in this subparagraph (C) to Directors elected by the holders of a particular class of stock shall include Directors elected by such Directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Junior Preference Shares as a class to elect Directors shall cease, (y) the term of any Directors elected by the holders of Junior Preference Shares as a class shall terminate, and (z) the number of Directors shall be such number as may be provided for in the Certificate of Incorporation or the by-laws irrespective of any increase made pursuant to the provisions of subparagraph (C) (ii) of this Paragraph 3 (such number being subject, however, to change thereafter in any manner provided by law or in the Certificate of Incorporation or the by-laws). Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining Directors.

(D) Except as set forth herein, holders of Junior Preference Shares shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Junior Preference Shares as provided in Paragraph 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on Junior Preference Shares outstanding shall have been paid in full,

the Corporation shall not

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire

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for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Junior Preference Shares;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Junior Preference Shares, except dividends paid ratably on the Junior Preference Shares and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Junior Preference Shares, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Junior Preference Shares; or

(iv) purchase or otherwise acquire for consideration any Junior Preference Shares, or any shares of stock ranking on a parity with the Junior Preference Shares, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under subparagraph (A) of this Paragraph 4, purchase or otherwise acquire such shares at such time and in such manner.

5. Reacquired Shares. Any Junior Preference Shares purchased

or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued Preference Shares and may be reissued as part of a new series of Preference Shares to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

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6. Liquidation, Dissolution or Winding Up.

(A) Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Junior Preference Shares unless, prior thereto, the holders of Junior Preference Shares shall have received \$100.00 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Liquidation Preference"). Following the payment of the full amount of the Liquidation Preference, no additional distributions shall be made to the holders of Junior Preference Shares unless, prior thereto, the holders of shares of Common Stock shall have received an amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Liquidation Preference by (ii) 100 (as appropriately adjusted as set forth in subparagraph C below to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock) (such number in clause (ii), the "Adjustment Number"). Following the payment of the full amount of the Liquidation Preference and the Common Adjustment in respect of all outstanding Junior Preference Shares and shares of Common Stock, respectively, holders of Junior Preference Shares and holders of shares of Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to 1 with respect to such Junior Preference Shares and shares of Common Stock, on a per share basis, respectively.

(B) In the event, however, that there are not sufficient assets available to permit payment in full of the Liquidation Preference and the liquidation preferences of all other series of Preference Shares, if any, which rank on a parity with the Junior Preference Shares, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences. In the event, however, that there are not sufficient assets available to permit payment in full of the Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Common Stock.

(C) In the event the Corporation shall at any time (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding shares of Common Stock, or (iii) combine the outstanding shares of Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

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7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property (payable in kind), then in any such case the Junior Preference Shares shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time (i) declare any dividend on the Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding shares of Common Stock, (iii) combine the outstanding shares of Common Stock into a smaller number of shares, or (iv) issue any shares of its capital stock in a reclassification of the outstanding common stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of Junior Preference Shares shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

8. No Redemption. The Junior Preference Shares shall not be redeemable.

9. Ranking. The Junior Preference Shares shall rank junior to all other equity securities of any kind which the Corporation shall at any time issue or be authorized to issue other than the Common Stock, as to the payment of dividends and the distribution of assets.

10. Amendment. The Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special

rights of the Junior Preference Shares so as to affect them adversely without the affirmative vote of the holders of two-thirds or more of the outstanding Junior Preference Shares, voting separately as a class.

11. Fractional Shares. Junior Preference Shares may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in liquidating distributions and to have the benefit of all other rights of holders of Junior Preference Shares.

28. There is hereby established a series of the Corporation's authorized Preference Shares, to be designated as the "ESOP

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Preference Shares, par value \$.50 per share." Shares of such series are hereinafter referred to as "ESOP Preference Shares." The authorized number of ESOP Preference Shares shall be 800,000 shares. The relative rights, preferences and limitations of the ESOP Preference Shares, insofar as not already fixed by any other provision of this Certificate of Incorporation shall, as fixed by the Board of Directors of the Corporation in the exercise of authority conferred by this Certificate of Incorporation, and as permitted by Section 502 of the New York Business Corporation Law (the "BCL"), be as follows:

(1) Designation and Amount; Special Purpose Restricted Transfer Issue.

(A) The shares of such series shall be designated as "ESOP Preference Shares, par value \$.50 per share" (the "ESOP Preference Shares"), and the number of shares constituting such series shall be 800,000. Each ESOP Preference Share shall have a stated value of \$507.00 per share.

(B) ESOP Preference Shares shall be issued only to Irving Trust Company, as trustee (the "Trustee") of the Profit Sharing Plan of the Corporation, as amended from time to time, or any successor to such plan (the "Plan"), including the employee stock ownership plan component (the "ESOP"). All references to the holder of ESOP Preference Shares shall mean the Trustee or any company with which or into which the Trustee may merge or any successor trustee under the trust agreement with respect to the Plan. In the event of any transfer of record ownership of ESOP Preference Shares to any person other than any successor trustee under the Plan, the ESOP Preference Shares so transferred, upon such transfer and without any further action by the Corporation or the holder thereof, shall be automatically converted into shares of Common

Stock on the terms otherwise provided for the conversion of ESOP Preference Shares into shares of Common Stock pursuant to Section 5 hereof and no such transferee shall have any of the voting powers, preferences and relative, participating, optional or special rights ascribed to ESOP Preference Shares hereunder but, rather, only the powers and rights pertaining to the Common Stock into which such ESOP Preference Shares shall be so converted. In the event of such a conversion, the transferee of the ESOP Preference Shares shall be treated for all purposes as the record holder of the shares of Common Stock into which such ESOP Preference Shares have been automatically converted as of the date of such transfer. Certificates representing ESOP Preference Shares shall bear a legend to reflect the foregoing provisions. Notwithstanding the foregoing provisions of this paragraph (B) of Section 1, ESOP Preference Shares (i) may be converted into shares of Common Stock as provided by Section 5 hereof and the shares of Common Stock issued upon such conversion may be transferred by the

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holder thereof as permitted by law and (ii) shall be redeemable by the Corporation upon the terms and conditions provided by Sections 6, 7 and 8 hereof.

(2) Dividends and Distributions

(A) Subject to the provisions for adjustment hereinafter set forth, the holders of ESOP Preference Shares shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available therefor, cash dividends ("ESOP Preference Dividends") in an amount per share equal to \$38.025 per share per annum, and no more, payable semi-annually in arrears, one-half on the 30th day of April and one-half on the 30th day of October of each year (each a "Dividend Payment Date") commencing on October 30, 1989, to holders of record at the start of business on such Dividend Payment Date. In the event that any Dividend Payment Date shall fall on any day other than a "Business Day" (as hereinafter defined), the dividend payment due on such Dividend Payment Date shall be paid on the Business Day immediately preceding such Dividend Payment Date. ESOP Preference Dividends shall begin to accrue on outstanding ESOP Preference Shares from the date of issuance of such ESOP Preference Shares. ESOP Preference Dividends shall accrue on a daily basis whether or not the Corporation shall have earnings or surplus at the time, but ESOP Preference Dividends accrued after issuance on the ESOP Preference Shares for any period less than a full semi-annual period between Dividend Payment Dates (or, in the case of the first dividend payment, from the date of issuance through the first Dividend Payment Date) shall be computed on the basis of a 360-day year of 30-day months. Accrued but unpaid ESOP Preference Dividends shall cumulate as of the Dividend

Payment Date on which they first become payable, but no interest shall accrue on accumulated but unpaid ESOP Preference Dividends.

(B) So long as any ESOP Preference Shares shall be outstanding, no dividend shall be declared or paid or set apart for payment on any other series of stock ranking on a parity with the ESOP Preference Shares as to dividends, unless there shall also be or have been declared and paid or set apart for payment on the ESOP Preference Shares dividends for all dividend payment periods of the ESOP Preference Shares ending on or before the dividend payment date of such parity stock, ratably in proportion to the respective amounts of dividends accumulated and unpaid through such dividend period on the ESOP Preference Shares and accumulated and unpaid on such parity stock through the dividend payment period on such parity stock next preceding such dividend payment date. In the event that full cumulative dividends on the ESOP Preference Shares have not been declared and paid or set apart for payment when due, the Corporation shall not declare or pay or set apart for payment any dividends or make any other distributions on, or make any payment on account of the purchase, redemption or other retirement

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of any other class of stock or series thereof of the Corporation ranking, as to dividends or as to distributions in the event of a liquidation, dissolution or winding-up of the Corporation, junior to the ESOP Preference Shares until full cumulative dividends on the ESOP Preference Shares shall have been paid or declared and set apart for payment; provided, however, that the foregoing shall not apply to (i) any dividend payable solely in any shares of any stock ranking, as to dividends and as to distributions in the event of a liquidation, dissolution or winding-up of the Corporation, junior to the ESOP Preference Shares or (ii) the acquisition of shares of any stock ranking, as to dividends or as to distributions in the event of a liquidation, dissolution or winding-up of the Corporation, junior to the ESOP Preference Shares in exchange solely for shares of any other stock ranking, as to dividends and as to distributions in the event of a liquidation, dissolution or winding-up of the Corporation, junior to the ESOP Preference Shares.

(3) Voting Rights. The holders of ESOP Preference Shares shall have the following voting rights:

(A) The holders of ESOP Preference Shares shall be entitled to vote on all matters submitted to a vote of the shareholders of the Corporation, voting together with the holders of Common Stock as one class. The holder of each ESOP Preference Share shall be entitled to a number of votes equal to the number of shares of Common Stock into which such ESOP Preference Share could be

converted on the record date for determining the shareholders entitled to vote, rounded to the nearest one one-hundredth of a vote; it being understood that whenever the "Conversion Price" (as defined in Section 5 hereof) is adjusted as provided in Section 9 hereof, the number of votes of the ESOP Preference Shares shall also be similarly adjusted.

(B) Except as otherwise required by law or set forth herein, holders of ESOP Preference Shares shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for the taking of any corporate action; provided, however, that the vote of at least 66-2/3% of the outstanding ESOP Preference Shares, voting separately as a series, shall be necessary to adopt any alteration, amendment or repeal of any provision of the Certificate of Incorporation of the Corporation (including any such alteration, amendment or repeal effected by any merger or consolidation in which the Corporation is the surviving or resulting corporation), if such amendment, alteration or repeal would alter or change the powers, preferences, or special rights of the ESOP Preference Shares so as to affect them adversely.

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(4) Liquidation, Dissolution or Winding Up.

(A) Upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of ESOP Preference Shares shall be entitled to receive out of assets of the Corporation which remain after satisfaction in full of all valid claims of creditors of the Corporation and which are available for payment to shareholders, and subject to the rights of the holders of any stock of the Corporation ranking senior to or on a parity with the ESOP Preference Shares in respect of distributions upon liquidation, dissolution or winding up of the Corporation, before any amount shall be paid or distributed among the holders of Common Stock or any other shares ranking junior to the ESOP Preference Shares in respect of distributions upon liquidation, dissolution or winding up of the Corporation, liquidating distributions in the amount of \$507.00 per share, plus an amount equal to all accrued and unpaid dividends thereon to the date fixed for distribution, and no more. If upon any liquidation, dissolution or winding up of the Corporation, the amounts payable with respect to the ESOP Preference Shares and any other stock ranking as to any such distribution on a parity with the ESOP Preference Shares are not paid in full, the holders of the ESOP Preference Shares and such other stock shall share ratably in any distribution of assets in proportion to the full respective preferential amounts to which

they are entitled. After payment of the full amount to which they are entitled as provided by the foregoing provisions of this paragraph 4(A), the holders of ESOP Preference Shares shall not be entitled to any further right or claim to any of the remaining assets of the Corporation.

(B) Neither the merger or consolidation of the Corporation with or into any other corporation, nor the merger or consolidation of any other corporation with or into the Corporation, nor the sale, lease, exchange or other transfer of all or any portion of the assets of the Corporation, shall be deemed to be a dissolution, liquidation or winding up of the affairs of the Corporation for purposes of this Section 4, but the holders of ESOP Preference Shares shall nevertheless be entitled in the event of any such merger or consolidation to the rights provided by Section 8 hereof.

(C) Written notice of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, stating the payment date or dates when, and the place or places where, the amounts distributable to holders of ESOP Preference Shares in such circumstances shall be payable, shall be given by hand delivery, by courier, by standard form of telecommunication or by first-class mail (postage prepaid), delivered, sent or mailed, as the case may be, not less than twenty (20) days prior to any payment date stated therein, to the holders of ESOP Preference Shares, at the address shown on the books of the Corporation or any transfer agent for the ESOP Preference Shares.

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(5) Conversion into Common Stock.

(A) A holder of shares of ESOP Preference Shares shall be entitled, at any time prior to the close of business on the date fixed for redemption of such shares pursuant to Sections 6, 7 and 8 hereof, to cause any or all of such shares to be converted into shares of Common Stock, initially at a conversion price equal to \$50.70 per share of Common Stock, with each ESOP Preference Share being valued at \$507.00 for such purpose, and which price shall be adjusted as hereinafter provided (and, as so adjusted, is hereinafter sometimes referred to as the "Conversion Price") (that is, a conversion rate initially equivalent to ten (10) shares of Common Stock for each ESOP Preference Share so converted, which is subject to adjustment as the Conversion Price is adjusted as hereinafter provided in Section 9).

(B) Any holder of ESOP Preference Shares desiring to convert such shares into shares of Common Stock shall surrender the certificate or certificates representing the ESOP Preference Shares being converted, duly assigned or endorsed for transfer to the Corporation (or accompanied by duly executed stock powers relating

thereto), at the principal executive office of the Corporation or the offices of the transfer agent for the ESOP Preference Shares or such office or offices in the continental United States of an agent for conversion as may from time to time be designated by notice to the holders of the ESOP Preference Shares by the Corporation or the transfer agent for the ESOP Preference Shares, accompanied by written notice of conversion. Such notice of conversion shall specify (i) the number of shares of ESOP Preference Shares to be converted and the name or names in which such holder wishes the certificate or certificates for Common Stock and for any ESOP Preference Shares not to be so converted to be issued and (ii) the address to which such holder wishes delivery to be made of such new certificates to be issued upon such conversion.

(C) Upon surrender of a certificate representing an ESOP Preference Share or Shares for conversion, the Corporation shall issue and send by hand delivery, by courier or by first class mail (postage prepaid) to the holder thereof or to such holder's designee, at the address designated by such holder, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled upon conversion. In the event that there shall have been surrendered a certificate or certificates representing ESOP Preference Shares, only part of which are to be converted, the Corporation shall issue and send to such holder or such holder's designee, in the manner set forth in the preceding sentence, a new certificate or certificates representing the number of ESOP Preference Shares which shall not have been converted.

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(D) The issuance by the Corporation of shares of Common Stock upon a conversion of ESOP Preference Shares into shares of Common Stock made at the option of the holder thereof shall be effective as of the earlier of (i) the delivery to such holder or such holder's designee of the certificates representing the shares of Common Stock issued upon conversion thereof or (ii) the commencement of business on the second business day after the surrender of the certificate or certificates for the ESOP Preference Shares to be converted, duly assigned or endorsed for transfer to the Corporation (or accompanied by duly executed stock powers relating thereto) and accompanied by all documentation required to effect the conversion, as provided by this Section 28. On and after the effective date of conversion, the person or persons entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock, but no allowance or adjustment shall be made in respect of dividends payable to holders of Common Stock in respect of any period prior to such effective

date. The Corporation shall not be obligated to pay any dividends which shall have been declared and shall be payable to holders of ESOP Preference Shares on a Dividend Payment Date if such Dividend Payment Date for such dividend is subsequent to the effective date of conversion of such shares.

(E) The Corporation shall not be obligated to deliver to holders of ESOP Preference Shares any fractional share of Common Stock issuable upon any conversion of such ESOP Preference Shares, but in lieu thereof may make a cash payment in respect thereof in any manner permitted by law.

(F) The Corporation shall at all times reserve and keep available out of its authorized and unissued Common Stock, solely for issuance upon the conversion of ESOP Preference Shares as herein provided, free from any preemptive rights, such number of shares of Common Stock as shall from time to time be issuable upon the conversion of all the ESOP Preference Shares then outstanding. Nothing contained herein shall preclude the Corporation from issuing shares of Common Stock held in its treasury upon the conversion of ESOP Preference Shares into Common Stock pursuant to the terms hereof. The Corporation shall prepare and shall use its best efforts to obtain and keep in force such governmental or regulatory permits or other authorizations as may be required by law, and shall comply with all requirements as to registration or qualification of the Common Stock, in order to enable the Corporation lawfully to issue and deliver to each holder of record of ESOP Preference Shares such number of shares of its Common Stock as shall from time to time be sufficient to effect the conversion of all ESOP Preference Shares then outstanding and convertible into shares of Common Stock.

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(6) Redemption At the Option of the Corporation.

(A) The ESOP Preference Shares shall be redeemable, in whole or in part, at the option of the Corporation at any time after April 20, 1999, or at any time after the date of issuance, if permitted by paragraph (D) of this Section 6, at \$507.00 per share, plus, in each case, an amount equal to all accrued and unpaid dividends thereon to the date fixed for redemption. Payment of the redemption price shall be made by the Corporation in cash or shares of Common Stock, or a combination thereof, as permitted by paragraph (E) of this Section 6. From and after the date fixed for redemption, dividends on ESOP Preference Shares called for redemption will cease to accrue, such ESOP Preference Shares will no longer be deemed to be outstanding and all rights in respect of such ESOP Preference Shares shall cease, except the right to

receive the redemption price. If less than all of the outstanding ESOP Preference Shares are to be redeemed, the Corporation shall either redeem a portion of the ESOP Preference Shares of each holder determined pro rata based on the number of ESOP Preference Shares held by each holder or shall select the ESOP Preference Shares to be redeemed by lot, as may be determined by the Board of Directors of the Corporation.

(B) Unless otherwise required by law, notice of redemption will be sent to the holders of ESOP Preference Shares at the address shown on the books of the Corporation or any transfer agent for the ESOP Preference Shares by hand delivery, by courier, by standard form of telecommunication or by first class mail (postage prepaid) delivered, sent or mailed, as the case may be, not less than twenty (20) days nor more than sixty (60) days prior to the redemption date. Each such notice shall state: (i) the redemption date; (ii) the total number of ESOP Preference Shares to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such ESOP Preference Shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where certificates for such ESOP Preference Shares are to be surrendered for payment of the redemption price; (v) that dividends on the ESOP Preference Shares to be redeemed will cease to accrue on such redemption date; and (vi) the conversion rights of the ESOP Preference Shares to be redeemed, the period within which conversion rights may be exercised, and the Conversion Price and number of ESOP Preference Shares of Common Stock issuable upon conversion of an ESOP Preference Share at the time. Upon surrender of the certificate for any ESOP Preference Shares so called for redemption and not previously converted (properly endorsed or assigned for transfer, if the Board of Directors of the Corporation shall so require and the notice shall so state), such shares shall be redeemed by the Corporation at the date fixed for redemption and at the redemption price set forth in this Section 6.

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(C) In the event of a change in any statute, rule or regulation of the United States of America or any administrative or judicial interpretation thereof which (i) has the effect of limiting or making unavailable to the Corporation all or any of the tax deductions for amounts paid (including dividends) on the ESOP Preference Shares when such amounts are used as provided under Section 404(k) (2) of the Internal Revenue Code of 1986, as amended and in effect on the date ESOP Preference Shares are initially issued, or (ii) relates, directly or indirectly, to the ESOP and adversely affects the Corporation (including, without limitation, by resulting in a "Determination of Taxability" pursuant to the Note Purchase Agreement (as hereinafter defined)), the Corporation

may, in its sole discretion and notwithstanding anything to the contrary in paragraph (A) of this Section 6, elect to redeem any or all of such ESOP Preference Shares for the amount payable in respect of the ESOP Preference Shares upon liquidation of the Corporation pursuant to Section 4 hereof.

(D) In the event that the Plan is terminated or the ESOP is terminated or eliminated from the Plan in accordance with its terms, and notwithstanding anything to the contrary in paragraph (A) this Section 6, the Corporation shall, as soon thereafter as practicable, call for redemption all then outstanding ESOP Preference Shares at the following redemption prices per share:

During the Twelve-Month Period Beginning April 20,	Price Per Share
1989	\$564.04
1990	558.33
1991	552.63
1992	546.93
1993	541.22
1994	535.52
1995	529.82
1996	524.11
1997	518.41
1998	512.70

(E) The Corporation, at its option, may make payment of the redemption price required upon redemption of ESOP Preference Shares in cash or in shares of Common Stock, or in a combination of such Common Stock and cash, any such shares of Common Stock to be valued for such purposes at their Fair Market Value (as defined in paragraph (G) of Section 9 hereof).

(7) Other Redemption Rights.

ESOP Preference Shares shall be redeemed by the Corporation for cash or, if the Corporation so elects, in shares of Common Stock, or a combination of such shares of Common Stock and cash, any such shares of Common Stock to be valued for such purpose at their Fair Market Value, at a redemption price of \$507.00 per share plus accrued and unpaid dividends thereon to the date fixed for redemption, at the option of the holder, at any time and from time

to time upon notice to the Corporation given not less than five (5) business days prior to the date fixed by the holder in such notice for such redemption, upon certification by such holder to the Corporation of the following events: (i) when and to the extent necessary for such holder to provide for distributions required to be made to participants under, or to satisfy an investment election provided to participants in accordance with, the Plan; (ii) when and to the extent necessary for such holder to make any payments of principal, interest or premium due and payable (whether as scheduled, upon acceleration or otherwise) under the Note Purchase Agreement among the Trustee and certain institutional investor parties thereto (the "Note Purchase Agreement") or any indebtedness, expenses or costs incurred by the holder for the benefit of the Plan; or (iii) in the event that the Plan is not initially determined by the Internal Revenue Service to be qualified within the meaning of Section 401(a) and 4975(e)(7) of the Internal Revenue Code of 1986, as amended.

(8) Consolidation, Merger, etc.

(A) In the event that the Corporation shall consummate any consolidation or merger or similar business combination, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged solely for or changed, reclassified or converted solely into stock of any successor or resulting corporation (including the Corporation) that constitutes "qualifying employer securities" with respect to a holder of ESOP Preference Shares within the meaning of Section 409(1) of the Internal Revenue Code of 1986, as amended, and Section 407(d)(5) of the Employee Retirement Income Security Act of 1974, as amended, or any successor provisions of law, and, if applicable, for a cash payment in lieu of fractional shares, if any, the ESOP Preference Shares of such holder shall, in connection with such consolidation, merger or similar business combination, be assumed by and shall become preferred stock of such successor or resulting corporation, having in respect of such corporation, insofar as possible, the same powers, preferences and relative, participating, optional or other special rights (including the redemption rights provided by Sections 6, 7 and 8 hereof), and the qualifications, limitations or restrictions thereon, that the ESOP Preference Share had immediately prior to such transaction, except that after such

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transaction each ESOP Preference Share shall be convertible, otherwise on the terms and conditions provided by Section 5 hereof, into the number and kind of qualifying employer securities so receivable by a holder of the number of shares of Common Stock into which such ESOP Preference Shares could have been converted immediately prior to such transaction; provided, however, that if

by virtue of the structure of such transaction, a holder of Common Stock is required to make an election with respect to the nature and kind of consideration to be received in such transaction, which election cannot practicably be made by the holders of the ESOP Preference Shares, then the ESOP Preference Shares shall, by virtue of such transaction and on the same terms as apply to the holders of Common Stock, be converted into or exchanged for the aggregate amount of stock, securities, cash or other property (payable in kind) receivable by a holder of the number of shares of Common Stock into which such ESOP Preference Shares could have been converted immediately prior to such transaction if such holder of Common Stock failed to exercise any rights of election to receive any kind or amount of stock, securities, cash or other property (other than such qualifying employer securities and a cash payment, if applicable, in lieu of fractional shares) receivable upon such transaction (provided that, if the kind or amount of qualifying employer securities receivable upon such transaction is not the same for each non-electing share, then the kind and amount so receivable upon such transaction for each non-electing share shall be the kind and amount so receivable per share by the plurality of the non-electing shares). The rights of the ESOP Preference Shares as preferred stock of such successor or resulting corporation shall successively be subject to adjustments pursuant to Section 9 hereof after any such transaction as nearly equivalent as practicable to the adjustment provided for by such section prior to such transaction. The Corporation shall not consummate any such merger, consolidation or similar transaction unless all then outstanding ESOP Preference Shares shall be assumed and authorized by the successor or resulting corporation as aforesaid.

(B) In the event that the Corporation shall consummate any consolidation or merger or similar business combination, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged for or changed, reclassified or converted into other stock or securities or cash or any other property, or any combination thereof, other than any such consideration which is constituted solely of qualifying employer securities (as referred to in paragraph (A) of this Section 8) and cash payments, if applicable, in lieu of fractional shares, outstanding ESOP Preference Shares shall, without any action on the part of the Corporation or any holder thereof (but subject to paragraph (C) of this Section 8), be automatically converted by virtue of such merger, consolidation or similar transaction immediately prior to such consummation into the number of shares of Common Stock into

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which such ESOP Preference Shares could have been converted at such time so that each ESOP Preference Share shall, by virtue of such transaction and on the same terms as apply to the holders of Common

Stock, be converted into or exchanged for the aggregate amount of stock, securities, cash or other property (payable in like kind) receivable by a holder of the number of shares of Common Stock into which such ESOP Preference Shares could have been converted immediately prior to such transaction; provided, however, that if by virtue of the structure of such transaction, a holder of Common Stock is required to make an election with respect to the nature and kind of consideration to be received in such transaction, which election cannot practicably be made by the holder of the ESOP Preference Shares, then the ESOP Preference Shares shall, by virtue of such transaction and on the same terms as apply to the holders of Common Stock, be converted into or exchanged for the aggregate amount of stock, securities, cash or other property (payable in kind) receivable by a holder of the number of shares of Common Stock into which such ESOP Preference Shares could have been converted immediately prior to such transaction if such holder of Common Stock failed to exercise any rights of election as to the kind or amount of stock, securities, cash or other property receivable upon such transaction (provided that, if the kind or amount of stock, securities, cash or other property receivable upon such transaction is not the same for each non-electing share, then the kind and amount of stock, securities, cash or other property receivable upon such transaction for each non-electing share shall be the kind and amount so receivable per share by a plurality of the non-electing shares).

(C) In the event the Corporation shall enter into any agreement providing for any consolidation or merger or similar business combination described in paragraph (B) of this Section 8, then the Corporation shall as soon as practicable thereafter (and in any event at least ten (10) business days before consummation of such transaction) give notice of such agreement and the material terms thereof to each holder of ESOP Preference Shares and each such holder shall have the right to elect, by written notice to the Corporation, to receive, upon consummation of such transaction (if and when such transaction is consummated), from the Corporation or the successor of the Corporation, in redemption and retirement of such ESOP Preference Shares, a cash payment equal to the following amount per share:

During the Twelve-Month Period Beginning April 20,	Price Per Share
1989	\$545.03
1990	541.22

1991	537.42
1992	533.62
1993	529.82
1994	526.01
1995	522.21
1996	518.41
1997	514.61
1998	510.80

No such notice of redemption shall be effective unless given to the Corporation prior to the close of business on the fifth business day prior to consummation of such transaction, unless the Corporation or the successor of the Corporation shall waive such prior notice, but any notice of redemption so given prior to such time may be withdrawn by notice of withdrawal given to the Corporation prior to the close of business on the fifth business day prior to consummation of such transaction.

(9) Anti-dilution Adjustments.

(A) In the event the Corporation shall, at any time or from time to time while any of the ESOP Preference Shares are outstanding, (i) pay a dividend or make a distribution in respect of the Common Stock in shares of Common Stock, (ii) subdivide the outstanding shares of Common Stock, or (iii) combine the outstanding shares of Common Stock into a smaller number of shares, in each case whether by reclassification of shares, recapitalization of the Corporation (including a recapitalization effected by a merger or consolidation to which Section 8 hereof does not apply) or otherwise, the Conversion Price in effect immediately prior to such action shall be adjusted by multiplying such Conversion Price by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately before such event, and the denominator of which is the number of shares of Common Stock outstanding immediately after such event. An adjustment made pursuant to this paragraph 9(A) shall be given effect, upon payment of such a dividend or distribution, as of the record date for the determination of stockholders entitled to receive such dividend or distribution (on a retroactive basis) and in the case of a subdivision or combination shall become effective immediately as of the effective date thereof.

(B) In the event that the Corporation shall, at any time or from time to time while any of the ESOP Preference Shares are outstanding, issue to holders of shares of Common Stock as a dividend or distribution, including by way of a reclassification of shares or a recapitalization of the Corporation, any right or warrant to purchase shares of Common Stock (but not including as such a right or warrant any security convertible into or exchangeable for shares of Common Stock) at a purchase price per

share less than the Fair Market Value (as hereinafter defined) of a share of Common Stock on the date of issuance of such right or warrant, then, subject to the provisions of paragraphs (E) and (F) of this Section 9, the Conversion Price shall be adjusted by multiplying such Conversion Price by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately before such issuance of rights or warrants plus the number of shares of Common Stock which could be purchased at the Fair Market Value of a share of Common Stock at the time of such issuance for the maximum aggregate consideration payable upon exercise in full of all such rights or warrants, and the denominator of which shall be the number of shares of Common Stock outstanding immediately before such issuance of rights or warrants plus the maximum number of shares of Common Stock that could be acquired upon exercise in full of all such rights and warrants.

(C) In the event the Corporation shall, at any time or from time to time while any of the ESOP Preference Shares are outstanding, issue, sell or exchange shares of Common Stock (other than pursuant to any right or warrant to purchase or acquire shares of Common Stock (including as such a right or warrant any security convertible into or exchangeable for shares of Common Stock) and other than pursuant to any employee or director incentive or benefit plan or arrangement, including any employment, severance or consulting agreement, of the Corporation or any subsidiary of the Corporation heretofore or hereafter adopted) for a consideration having a Fair Market Value, on the date of such issuance, sale or exchange, less than the Fair Market Value of such shares on the date of issuance, sale or exchange, then, subject to the provisions of paragraphs (E) and (F) of this Section 9, the Conversion Price shall be adjusted by multiplying such Conversion Price by the fraction the numerator of which shall be the sum of (i) the Fair Market Value of all the shares of Common Stock outstanding on the day immediately preceding the first public announcement of such issuance, sale or exchange plus (ii) the Fair Market Value of the consideration received by the Corporation in respect of such issuance, sale or exchange of shares of Common Stock, and the denominator of which shall be the product of (a) the Fair Market Value of a share of Common Stock on the day immediately preceding the first public announcement of such issuance, sale or exchange multiplied by (b) the sum of the number of shares of Common Stock outstanding on such day plus the number of shares of Common Stock so issued, sold or exchanged by the Corporation. In the event the Corporation shall, at any time or from time while any ESOP Preference Shares are outstanding, issue, sell or exchange any right or warrant to purchase or acquire shares of Common Stock (including as such a right or warrant any security convertible into or exchangeable for shares of Common Stock), other than any such

issuance to holders of shares of Common Stock as a dividend or distribution (including by way of a reclassification of shares or

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a recapitalization of the Corporation) and other than pursuant to any employee or director incentive or benefit plan or arrangement (including any employment, severance or consulting agreement) of the Corporation or any subsidiary of the Corporation heretofore or hereafter adopted, for a consideration having a Fair Market Value, on the date of such issuance, sale or exchange, less than the Non-Dilutive Amount (as hereinafter defined), then, subject to the provisions of paragraphs (E) and (F) of this Section 9, the Conversion Price shall be adjusted by multiplying such Conversion Price by a fraction the numerator of which shall be the sum of (I) the Fair Market Value of all the shares of Common Stock outstanding on the day immediately preceding the first public announcement of such issuance, sale or exchange plus (II) the Fair Market value of the consideration received by the Corporation in respect of such issuance, sale or exchange of such right or warrant plus (III) the Fair Market Value at the time of such issuance of the consideration which the Corporation would receive upon exercise in full of all such rights or warrants, and the denominator of which shall be the product of (i) the Fair Market value of a share of Common Stock on the day immediately preceding the first public announcement of such issuance, sale or exchange multiplied by (ii) the sum of the number of shares of Common Stock outstanding on such day plus the maximum number of shares of Common Stock which could be acquired pursuant to such right or warrant at the time of the issuance, sale or exchange of such right or warrant (assuming shares of Common Stock could be acquired pursuant to such right or warrant at such time).

(D) In the event the Corporation shall, at any time or from time to time while any of the ESOP Preference Shares are outstanding, make an Extraordinary Distribution (as hereinafter defined) in respect of the Common Stock, whether by dividend, distribution, reclassification of shares or recapitalization of the Corporation (including a recapitalization or reclassification effected by a merger or consolidation to which Section 8 hereof does not apply) or effect a Pro Rata Repurchase (as hereinafter defined) of Common Stock, the Conversion Price in effect immediately prior to such Extraordinary Distribution or Pro Rata Repurchase shall, subject to paragraphs (E) and (F) of this Section 9, be adjusted by multiplying such Conversion Price by the fraction the numerator of which is the difference between (i) the product of (x) the number of shares of Common Stock outstanding immediately before such Extraordinary Distribution or Pro Rata Repurchase multiplied by (y) the Fair Market Value of a share of Common Stock on the day before the ex-dividend date with respect to an Extraordinary Distribution which is paid in cash and on the

distribution date with respect to an Extraordinary Distribution which is paid other than in cash, or on the applicable expiration date (including all extensions thereof) of any tender offer which is a Pro Rata Repurchase, or on the date of purchase with respect to any Pro Rata Repurchase which is not a tender offer, as the case

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may be, and (ii) the Fair Market Value of the Extraordinary Distribution minus the aggregate amount of regularly scheduled quarterly dividends declared by the Board of Directors of the Corporation and paid by the Corporation in the twelve months immediately preceding such Extraordinary Distribution or the aggregate purchase price of the Pro Rata Repurchase, as the case may be, and the denominator of which shall be the product of (a) the number of shares of Common Stock outstanding immediately before such Extraordinary Dividend or Pro Rata Repurchase minus, in the case of Pro Rata Repurchase, the number of shares of Common Stock repurchased by the Corporation multiplied by (b) the Fair Market Value of a share of Common Stock on the day before the ex-dividend date with respect to an Extraordinary Distribution which is paid in cash and on the distribution date with respect to an Extraordinary Distribution which is paid other than in cash, or on the applicable expiration date (including all extensions thereof) of any tender offer which is a Pro Rata Repurchase or on the date of purchase with respect to any Pro Rata Repurchase which is not a tender offer, as the case may be. The Corporation shall send each holder of ESOP Preference Shares (i) notice of its intent to make any dividend or distribution and (ii) notice of any offer by the Corporation to make a Pro Rata Repurchase, in each case at the same time as, or as soon as practicable after, such offer is first communicated (including by announcement of a record date in accordance with the rules of any stock exchange on which the Common Stock is listed or admitted to trading) to holders of Common Stock. Such notice shall indicate the intended record date and the amount and nature of such dividend or distribution, or the number of shares subject to such offer for a Pro Rata Repurchase and the purchase price payable by the Corporation pursuant to such offer, as well as the Conversion Price and the number of shares of Common Stock into which an ESOP Preference Share may be converted at such time.

(E) Notwithstanding any other provisions of this Section 9, the Corporation shall not be required to make any adjustment to the Conversion Price unless such adjustment would require an increase or decrease of at least one percent (1%) in the Conversion Price. Any lesser adjustment shall be carried forward and shall be made no later than the time of, and together with, the next subsequent adjustment which, together with any adjustment or adjustments so carried forward, shall amount to an increase or decrease of at

least one percent (1%) in the Conversion Price.

(F) If the Corporation shall make any dividend or distribution on the Common Stock or issue any Common Stock, other capital stock or other security of the Corporation or any rights or warrants to purchase or acquire any such security, which transaction does not result in an adjustment to the Conversion Price pursuant to the foregoing provisions of this Section 9, the Board of Directors of

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the Corporation shall consider whether such action is of such a nature that an adjustment to the Conversion Price should equitably be made in respect of such transaction. If in such case the Board of Directors of the Corporation determines that an adjustment to the Conversion Price should be made, an adjustment shall be made effective as of such date, as determined by the Board of Directors of the Corporation. The determination of the Board of Directors of the Corporation as to whether an adjustment to the Conversion Price should be made pursuant to the foregoing provisions of this paragraph 9(F), and, if so, as to what adjustment should be made and when, shall be final and binding on the Corporation and all shareholders of the Corporation. The Corporation shall be entitled to make such additional adjustments in the Conversion Price, in addition to those required by the foregoing provisions of this Section 9, as shall be necessary in order that any dividend or distribution in shares of capital stock of the Corporation, subdivision, reclassification or combination of shares of stock of the Corporation or any recapitalization of the Corporation shall not be taxable to the holders of the Common Stock.

(G) For purposes of this Section 28, the following definitions shall apply:

"Business Day" shall mean each day that is not a Saturday, Sunday or a day on which state or federally chartered banking institutions in New York, New York are not required to be open.

"Current Market Price" of publicly traded shares of Common Stock or any other class of capital stock or other security of the Corporation or any other issuer for any day shall mean the last reported sales price, regular way, or, in the event that no sale takes place on such day, the average of the reported closing bid and asked prices, regular way, in either case as reported on the New York Stock Exchange Composite Tape or, if such security is not listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange on which such security is listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, on the NASDAQ National Market System or, if such security is not quoted on such National

Market System, the average of the closing bid and asked prices on each such day in the over-the-counter market as reported by NASDAQ or, if bid and asked prices for such security on each such day shall not have been reported through NASDAQ, the average of the bid and asked prices for such day as furnished by any New York Stock Exchange member firm regularly making a market in such security selected for such purpose by the Board of Directors of the Corporation or a committee thereof, in each case, on each trading day during the Adjustment Period. "Adjustment Period" shall mean the period of five (5) consecutive trading days preceding, and including, the date as of which the Fair Market Value of a security

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is to be determined. The "Fair Market Value" of any security which is not publicly traded or of any other property shall mean the fair value thereof as determined by an independent investment banking or appraisal firm experienced in the valuation of such securities or property selected in good faith by the Board of Directors of the Corporation or a committee thereof, or, if no such investment banking or appraisal firm is in the good faith judgment of the Board of Directors or such committee available to make such determination, as determined in good faith by the Board of Directors of the Corporation or such committee.

"Extraordinary Distribution" shall mean any dividend or other distribution to holders of Common Stock (effected while any of the ESOP Preference Shares are outstanding) (i) of cash, where the aggregate amount of such cash dividend or distribution together with the amount of all cash dividends and distributions made during the preceding period of 12 months, when combined with the aggregate amount of all Pro Rata Repurchases (for this purpose, including only that portion of the aggregate purchase price of such Pro Rata Repurchase which is in excess of the Fair Market Value of the Common Stock repurchased as determined on the applicable expiration date (including all extensions thereof) of any tender offer or exchange offer which is a Pro Rata Repurchase, or the date of purchase with respect to any other Pro Rata Repurchase which is not a tender offer or exchange offer made during such period), exceeds twelve and one-half percent (12 1/2%) of the aggregate Fair Market Value of all shares of Common Stock outstanding on the day before the ex-dividend date with respect to such Extraordinary Distribution which is paid in cash and on the distribution date with respect to an Extraordinary Distribution which is paid other than in cash, and/or (ii) of any shares of capital stock of the Corporation (other than shares of Common Stock), other securities of the Corporation (other than securities of the type referred to in paragraph (B) or (C) of this Section 9), evidences of indebtedness of the Corporation or any other person or any other property (including shares of any subsidiary of the Corporation) or

any combination thereof. The Fair Market Value of an Extraordinary Distribution for purposes of paragraph (D) of this Section 9 shall be equal to the sum of the Fair Market Value of such Extraordinary Distribution plus the amount of any cash dividends which are not Extraordinary Distributions made during such 12-month period and not previously included in the calculation of an adjustment pursuant to paragraph (D) of this Section 9.

"Fair Market Value" shall mean, as to shares of Common Stock or any other class of capital stock or securities of the Corporation or any other issuer which are publicly traded, the average of the Current Market Prices of such shares or securities for each day of the Adjustment Period.

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"Non-Dilutive Amount" in respect of an issuance, sale or exchange by the Corporation of any right or warrant to purchase or acquire shares of Common Stock (including any security convertible into or exchangeable for shares of Common Stock) shall mean the difference between (i) the product of the Fair Market Value of a share of Common Stock on the day preceding the first public announcement of such issuance, sale or exchange multiplied by the maximum number of shares of Common Stock which could be acquired on such date upon the exercise in full of such rights and warrants (including upon the conversion or exchange of all such convertible or exchangeable securities), whether or not exercisable (or convertible or exchangeable) at such date, and (ii) the aggregate amount payable pursuant to such right or warrant to purchase or acquire such maximum number of shares of Common Stock; provided, however, that in no event shall the Non-Dilutive Amount be less than zero. For purposes of the foregoing sentence, in the case of a security convertible into or exchangeable for shares of Common Stock, the amount payable pursuant to a right or warrant to purchase or acquire shares of Common Stock shall be the Fair Market Value of such security on the date of the issuance, sale or exchange of such security by the Corporation.

"Pro Rata Repurchase" shall mean any purchase of shares of Common Stock by the Corporation or any subsidiary thereof, whether for cash, shares of capital stock of the Corporation, other securities of the Corporation, evidences of indebtedness of the Corporation or any other person or any other property (including shares of a subsidiary of the Corporation), or any combination thereof, effected while any of the ESOP Preference Shares are outstanding, pursuant to any tender offer or exchange offer subject to Section 13(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any successor provision of law, or pursuant to any other offer available to substantially all holders

of Common Stock; provided, however, that no purchase of shares by the Corporation or any subsidiary thereof made in open market transactions shall be deemed a Pro Rata Repurchase. For purposes of this paragraph (G) of this Section 9, shares shall be deemed to have been purchased by the Corporation or any subsidiary thereof "in open market transactions" if they have been purchased substantially in accordance with the requirements of Rule 10b-18 as in effect under the Exchange Act, on the date ESOP Preference Shares are initially issued by the Corporation or on such other terms and conditions as the Board of Directors of the Corporation or a committee thereof shall have determined are reasonably designed to prevent such purchases from having a material effect on the trading market for the Common Stock.

(H) Whenever an adjustment to the Conversion Price and the related voting rights of the ESOP Preference Shares is required pursuant to this Section 28, the Corporation shall forthwith place

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on file with the transfer agent for the Common Stock and the ESOP Preference Shares, and with the Secretary of the Corporation, a statement signed by two officers of the Corporation stating the adjusted Conversion Price determined as provided herein and the resulting conversion ratio, and the voting rights (as appropriately adjusted), of the ESOP Preference Shares. Such statement shall set forth in reasonable detail such facts as shall be necessary to show the reason and the manner of computing such adjustment, including any determination of Fair Market Value involved in such computation. Promptly after each adjustment to the Conversion Price and the related voting rights of the ESOP Preference Shares, the Corporation shall mail a notice thereof and of the then prevailing conversion ratio to each holder of ESOP Preference Shares.

(10) Ranking; Attributable Capital And Adequacy of Surplus; Retirement of Shares.

(A) The ESOP Preference Shares shall rank senior the Common Stock as to the payment of dividends and the distribution of assets on liquidation, dissolution and winding up of the Corporation, and, unless otherwise provided in the Certificate of Incorporation of the Corporation, as the same may be amended, or a Certificate of Amendment relating to a subsequent series of Preference Stock, par value \$0.50 per share, of the Corporation, the ESOP Preference Shares shall rank junior to all series of the Corporation's Preference Stock, par value \$0.50 per share, as to the payment of dividends and the distribution of assets on liquidation, dissolution or winding up.

(B) In addition to any vote of shareholders required by law or by Section 3(B) of this Section 28, the vote of the holders of a majority of the outstanding ESOP Preference Shares shall be required to increase the par value of the Common Stock or otherwise increase the capital of the Corporation allocable to the Common Stock for the purpose of the BCL if, as a result thereof, the surplus of the Corporation for purposes of the BCL would be less than the amount of Preference Dividends that would accrue on the then outstanding ESOP Preference Shares during the following three years.

(C) Any ESOP Preference Shares acquired by the Corporation by reason of the conversion or redemption of such shares as provided by this Section 28, or otherwise so acquired, shall be retired as ESOP Preference Shares and restored to the status of authorized but unissued shares of Preference Shares, par value \$0.50 per share, of the Corporation, undesignated as to series, and may thereafter be reissued as part of a new series of such Preference Shares as permitted by law.

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(11) Miscellaneous.

(A) All notices referred to herein shall be in writing, and all notices hereunder shall be deemed to have been given upon the earlier of delivery thereof if by hand delivery, by courier or by standard form of telecommunication or three (3) business days after the mailing thereof if sent by registered mail (unless first-class mail shall be specifically permitted for such notice under the terms of this Section 28) with postage prepaid, addressed: (i) if to the Corporation, to its office at 611 Olive Street, St. Louis, Missouri 63101 (Attention: Secretary), or to the transfer agent for the ESOP Preference Shares, or other agent of the Corporation designated as permitted by this Section 28 or (ii) if to any holder of the ESOP Preference Shares or Common Stock, as the case may be, to such holder at the address of such holder as listed in the stock record books of the Corporation (which may include the records of any transfer agent for the ESOP Preference Shares or Common Stock, as the case may be) or (iii) to such other address as the Corporation or any such holder, as the case may be, shall have designated by notice similarly given.

(B) The term "Common Stock" as used in this Section 28 means the Corporation's Common Stock, par value \$1.00 per share, as the same exists at the date of filing of a Certificate of Amendment relating to ESOP Preference Shares or any other class of stock resulting from successive changes or reclassifications of such Common Stock consisting solely of changes in par value, or from par

value to no par value, or from no par value to par value. In the event that, at any time as a result of an adjustment made pursuant to Section 9 of this Section 28, the holder of any ESOP Preference Share upon thereafter surrendering such shares for conversion, shall become entitled to receive any shares or other securities of the Corporation other than shares of Common Stock, the Conversion Price in respect of such other shares or securities so receivable upon conversion of ESOP Preference Shares shall thereafter be adjusted, and shall be subject to further adjustment from time to time, in a manner and on terms as nearly equivalent as practicable to the provisions with respect to Common Stock contained in Section 9 hereof, and the provisions of Sections 1 through 8, 10 and 11 of this Section 28 with respect to the Common Stock shall apply on like or similar terms to any such other shares or securities.

(C) The Corporation shall pay any and all stock transfer and documentary stamp taxes that may be payable in respect of any issuance or delivery of ESOP Preference Shares or shares of Common Stock or other securities issued on account of ESOP Preference Shares pursuant hereto or certificates representing such shares or securities. The Corporation shall not, however, be required to pay any such tax which may be payable in respect of any transfer involved in the issuance or delivery of ESOP Preference Shares or

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Common Stock or other securities in a name other than that in which the ESOP Preference Shares with respect to which such shares or other securities are issued or delivered were registered, or in respect of any payment to any person with respect to any such shares or securities other than a payment, to the registered holder thereof, and shall not be required to make any such issuance, delivery or payment unless and until the person otherwise entitled to such issuance, delivery or payment has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid or is not payable.

(D) In the event that a holder of ESOP Preference Shares shall not by written notice designate the name in which shares of Common Stock to be issued upon conversion of such shares should be registered or to whom payment upon redemption of ESOP Preference Shares should be made or the address to which the certificate or certificates representing such shares, or such payment, should be sent, the Corporation shall be entitled to register such shares, and make such payment, in the name of the holder of such ESOP Preference Shares as shown on the records of the corporation and to send the certificate or certificates representing such shares, or such payment, to the address of such holder shown on the records of the Corporation.

(E) Unless otherwise provided in the Certificate of Incorporation, as the same may be amended, of the Corporation, all payments in the form of dividends, distributions on voluntary or involuntary dissolution, liquidation or winding-up or otherwise made upon the ESOP Preference Shares and any other stock ranking on a parity with the ESOP Preference Shares with respect to such dividend or distribution shall be pro rata, so that amounts paid per ESOP Preference Share and such other stock shall in all cases bear to each other the same ratio that the required dividends, distributions or payments, as the case may be, then payable per share on the ESOP Preference Shares and such other stock bear to each other.

(F) The Corporation may appoint, and from time to time discharge and change, a transfer agent for the ESOP Preference Shares. Upon any such appointment or discharge of a transfer agent, the Corporation shall send notice thereof by hand delivery, by courier, by standard form of telecommunication or by first-class mail, (postage prepaid), to each holder of record of ESOP Preference Shares.

FIFTH.

The Secretary of State of the State of New York is designated as the agent of the Corporation upon whom process in any action or proceeding against it may be served.

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The office of the Corporation is to be located in the City, County and State of New York, and the address to which the Secretary of State shall mail a copy of process in any action or proceeding against the Corporation which may be served upon him is c/o CT Corporation System, 1633 Broadway, New York, New York 10019.

The name and address of the registered agent which is to be the agent of the Corporation upon whom process in any action or proceeding against it may be served are CT Corporation System, 1633 Broadway, New York, New York 10019.

SIXTH.

The duration of the Corporation shall be perpetual.

SEVENTH.

The number of directors shall be fixed by the By-Laws. It shall not be necessary for any director of the Corporation to be a stockholder thereof.

EIGHTH.

No mortgage, lien or incumbrance of any kind upon any part of the real or personal property, assets, effects, undertaking or good will of the Corporation shall be created or be valid or effective unless the same shall have been previously authorized by the consent of the holders of at least three-fourths of the Common Stock of the Corporation then outstanding given in person or by proxy, either in writing or at a general or special meeting called for that purpose; but this prohibition shall not be deemed or construed to apply to nor shall it operate to prevent the giving of purchase money mortgages or other purchase money liens on property to be hereafter acquired by the Corporation, nor shall it be deemed or construed to apply to nor shall it operate to prevent the pledging by it as collateral for loans made to it in the regular course of its business of municipal or government securities, or of securities listed on the New York Stock Exchange.

NINTH.

No contract or other transaction between this Corporation and any other corporation shall be affected by the fact that directors of this Corporation are interested in or are directors or officers of such other corporation, and any director individually may be a party to or may be interested in any contract or transaction of this Corporation; and no contract or transaction of this Corporation with any person or persons, firm or association shall be affected by the fact that any director or directors of this Corporation is a party to or interested in such contract or

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transaction, or in any way connected with such person or persons, firm or association, and each and every person who may become a director of this Corporation is hereby relieved from any disability that might otherwise prevent his contracting with this Corporation for the benefit of himself or any firm, association or corporation in which he may be in any wise interested.

TENTH.

The right and authority to purchase, exchange, hire, lease or otherwise acquire, and to sell, assign, transfer, convey, exchange, lease, or otherwise alienate or dispose of any real or personal property of the Corporation shall be vested in the Board of Directors, except as otherwise provided by Section No. 16 of Stock Corporation Law of the State of New York, and this right and authority shall be absolute without submitting the proposition or any particular proposition for acquiring or disposing of any real or personal property to the stockholders of the Corporation, and

without requiring the consent, approval or ratification of the stockholders or of any stockholder thereof, except as otherwise provided by Section No. 16 of the Stock Corporation Law of the State of New York.

ELEVENTH.

The directors shall have the further power to provide by the By-Laws or otherwise, for the selection from among their own number, of an executive committee of such number as they may from time to time designate, and to delegate to such executive committee all or any of the powers of the Board of Directors in so far as the delegation of such power is not contrary to law.

TWELFTH.

A. In addition to any affirmative vote required by law or this Certificate of Incorporation or the By-Laws of the Corporation, and except as otherwise expressly provided in Section B of this Article Twelfth, a Business Combination (as hereinafter defined) with, or proposed by or on behalf of, any Interested Shareholder (as hereinafter defined) or any Affiliate or Associate (as hereinafter defined) of any Interested Shareholder or any person who thereafter would be an Affiliate or Associate of such Interested Shareholder shall require the affirmative vote of not less than sixty-six and two-thirds percent (66 2/3%) of the votes entitled to be cast by the holders of all the then outstanding shares of Voting Stock (as hereinafter defined), voting together as a single class, excluding Voting Stock beneficially owned by any Interested Shareholder or any Affiliate or Associate of such Interested Shareholder. Such affirmative vote shall be required

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notwithstanding the fact that no vote may be required, or that a lesser percentage or separate class vote may be specified, by law or in any agreement with any national securities exchange or otherwise.

B. The provisions of Section A of this Article Twelfth shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote, if any, as is required by law or by any other provision of this Certificate of Incorporation or the By-Laws of the Corporation, or any agreement with any national securities exchange, if all of the conditions specified in either of the following Paragraphs 1 or 2 are met or, in the case of a Business Combination not involving the payment of consideration to the holders of the Corporation's outstanding Capital Stock (as hereinafter defined), if the

condition specified in the following Paragraph 1 is met:

1. The Business Combination shall have been approved, either specifically or as a transaction which is within an approved category of transactions, by a majority (whether such approval is made prior to or subsequent to the acquisition of, or announcement or public disclosure of the intention to acquire, beneficial ownership of the Voting Stock that caused the Interested Shareholder to become an Interested Shareholder) of the Board of Directors of the Corporation (the "Board of Directors") prior to the date on which the Continuing Directors (as hereinafter defined) comprise less than a majority of the entire Board of Directors.

2. All of the following conditions shall have been met:

a. The aggregate amount of cash and the Fair Market Value (as hereinafter defined), as of the date of the consummation of the Business Combinations, of consideration other than cash to be received per share by holders of Common Stock in such Business Combination shall be at least equal to the highest amount determined under clauses (i), (ii), (iii) and (iv) below:

(i) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by or on behalf of the Interested Shareholder for any share of Common Stock in connection with the acquisition by the Interested Shareholder of beneficial ownership of shares of Common Stock (x) within the two-year period immediately prior to the first public announcement of the proposed Business Combination (the "Announcement Date") or (y) in the transaction in which it became an Interested Shareholder, whichever is higher, in either case as adjusted for any

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subsequent stock split, stock dividend, subdivision or reclassification with respect to Common Stock;

(ii) the Fair Market Value per share of Common Stock on the Announcement Date or on the date on which the Interested Shareholder became an Interested Shareholder (the "Determination Date"), whichever is higher, as adjusted for any subsequent stock split, stock dividend, subdivision or reclassification with respect to Common Stock;

(iii) (if applicable) the price per share equal to

the Fair Market Value per share of Common Stock determined pursuant to the immediately preceding clause (ii), multiplied by the ratio of (x) the highest per share price (including any brokerage commission, transfer taxes and soliciting dealers' fees) paid by or on behalf of the Interested Shareholder for any share of Common Stock in connection with the acquisition by the Interested Shareholder of beneficial ownership of shares of Common Stock within the two-year period immediately prior to the Announcement Date, as adjusted for any subsequent stock split, stock dividend, subdivision or reclassification with respect to Common Stock to (y) the Fair Market Value per share of Common Stock on the first day in such two-year period on which the Interested Shareholder acquired beneficial ownership of any share of Common Stock, as adjusted for any subsequent stock split, stock dividend, subdivision or reclassification with respect to Common Stock; and

(iv) the Corporation's net income per share of Common Stock for the four full consecutive fiscal quarters immediately preceding the Announcement Date, multiplied by the higher of the then price/earnings multiple (if any) of such Interested Shareholder or the highest price/earnings multiple of the Corporation within the two-year period immediately preceding the Announcement Date (such price/earnings multiples being determined as customarily computed and reported in the financial community).

b. The aggregate amount of cash and the Fair Market Value, as of the date of the consummation of the Business Combination, of consideration other than cash to be received per share by holders of shares of any class or series of outstanding Capital Stock, other than Common Stock, shall be at least equal to the highest amount determined under clauses (i), (ii), (iii) and (iv) below:

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(i) (if applicable) the highest per share (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by or on behalf of the Interested Shareholder for any share of such class or series of Capital Stock in connection with the acquisition by the Interested Shareholder of beneficial ownership of shares of such class or series of Capital Stock (x) within the two-year period immediately prior to the Announcement Date or (y) in the transaction in which it became an

Interested Shareholder, whichever is higher, in either case as adjusted for any subsequent stock split, stock dividend, subdivision or reclassification with respect to such class or series of Capital Stock;

(ii) the Fair Market Value per share of such class or series of Capital Stock on the Announcement Date or on the Determination Date, whichever is higher, as adjusted for any subsequent stock split, stock dividend, subdivision or reclassification with respect to such class or series of Capital Stock;

(iii) (if applicable) the price per share equal to the Fair Market Value per share of such class or series of Capital Stock determined pursuant to the immediately preceding clause (ii), multiplied by the ratio of (x) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by or on behalf of the Interested Shareholder for any share of such class or series of Capital Stock in connection with the acquisition by the Interested Shareholder of beneficial ownership of shares of such class or series of Capital Stock within the two-year period immediately prior to the Announcement Date, as adjusted for any subsequent stock split, stock dividend, subdivision or reclassification with respect to such class or series of Capital Stock to (y) the Fair Market Value per share of such class or series of Capital Stock on the first day in such two-year period on which the Interested Shareholder acquired beneficial ownership of any share of such class or series of Capital Stock, as adjusted for any subsequent stock split, stock dividend, subdivision or reclassification with respect to such class or series of Capital Stock; and

(iv) (if applicable) the highest preferential amount per share to which the holders of shares of such class or series of Capital Stock would be entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation regardless of whether the Business Combination to be consummated constitutes such an event.

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The provisions of this Paragraph 2 shall be required to be met with respect to every class or series of outstanding Capital Stock, whether or not the Interested Shareholder has previously acquired beneficial ownership of any shares of a particular class or series of Capital Stock.

c. The consideration to be received by holders of a particular class or series of outstanding Capital Stock shall be in cash or in the same form as previously has been paid by or on behalf of the Interested Shareholder in connection with its direct or indirect acquisition of beneficial ownership of shares of such class or series of Capital Stock. If the consideration so paid for shares of any class or series of Capital Stock varied as to form, the form of consideration for such class or series of Capital Stock shall be either cash or the form used to acquire beneficial ownership of the largest number of shares of such class or series of Capital Stock previously acquired by the Interested Shareholder.

d. After the Determination Date and prior to the consummation of such Business Combination: (i) there shall have been no failure to declare and pay at the regular date therefor any full quarterly dividends (whether or not cumulative) payable in accordance with the terms of any outstanding Capital Stock; (ii) there shall have been no reduction in the annual rate of dividends paid on the Common Stock (except as necessary to reflect any stock split, stock dividend or subdivision of the Common Stock); (iii) there shall have been an increase in the annual rate of dividends paid on the Common Stock as necessary to reflect any reclassification (including any reverse stock split, recapitalization, reorganization or any similar transaction that has the effect of reducing the number of outstanding shares of Common Stock); and (iv) such Interested Shareholder shall not have become the beneficial owner of any additional shares of Capital Stock except as part of the transaction that results in such Interested Shareholder becoming an Interested Shareholder and except in a transaction that, after giving effect thereto, would not result in any increase in the Interested Shareholder's percentage beneficial ownership of any class or series of Capital Stock.

e. A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (the "Act") (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to all Shareholders of the Corporation at least 30 days prior to the consummation of such Business Combination (whether or not such proxy or information

statement is required to be mailed pursuant to such Act or subsequent provisions). The proxy or information statement shall contain on the first page thereof, in a prominent place,

any statement as to the advisability (or inadvisability) of the Business Combination that the Continuing Directors, or any of them, may choose to make and, if deemed advisable by a majority of the Continuing Directors, the opinion of an investment banking firm selected by a majority of the Continuing Directors as to the fairness (or not) of the terms of the Business Combination from a financial point of view to the holders of the outstanding shares of Capital Stock other than the Interested Shareholder and its Affiliates of Associates (as hereinafter defined), such investment banking firm to be paid a reasonable fee for its services by the Corporation.

f. Such Interested Shareholder shall not have made any major change in the Corporation's business or equity capital structure.

C. The following definitions shall apply with respect to this Article Twelfth:

1. The term "Business Combination" shall mean:

a. any merger or consolidation of the Corporation or any Subsidiary (as hereinafter defined) with (i) any Interested Shareholder or (ii) any other company (whether or not itself an Interested Shareholder) which is or after such merger or consolidation would be an Affiliate or Associate of an Interested Shareholder; or

b. any sale, lease, exchange, mortgage, pledge, transfer or other disposition or security arrangement, investment, loan, advance, guarantee, agreement to purchase, agreement to pay, extension of credit, joint venture participation or other arrangement (in one transaction or a series of transactions) with or for the benefit of any Interested Shareholder or any Affiliate or Associate of any Interested Shareholder involving any assets, securities or commitments of the Corporation, any Subsidiary or any Interested Shareholder or any Affiliate or Associate of any Interested Shareholder which (except for any arrangement, whether as employee, consultant or otherwise, other than as a director, pursuant to which any Interested Shareholder or any Affiliate or Associate thereof shall directly or indirectly, have any control over or responsibility for the management of any aspect of the business or affairs of the Corporation, with respect to which arrangements the value tests set forth below shall not apply), together with all such other arrangements (including all

contemplated future events), has an aggregate Fair Market Value and/or involves aggregate commitments of \$10,000,000 or more or constitutes more than 5 percent of the book value of the total assets (in the case of transactions involving assets or commitments other than Capital Stock) or 5 percent of the Shareholders' equity (in the case of transactions in Capital Stock) of the entity in question (the "Substantial Part"), as reflected in the most recent fiscal year-end consolidated balance sheet of such entity existing at the time the Shareholders of the Corporation would be required to approve or authorize the Business Combination involving the assets, securities and/or commitments constituting any Substantial Part, except for transactions made in the ordinary course of the Corporation's business, consistent with past practices; or

c. the adoption of any plan or proposal for the liquidation or dissolution of the Corporation or for any amendment to the Corporation's By-Laws; or

d. any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries or any other transaction (whether or not with or otherwise involving an Interested Shareholder) that has the effect, directly or indirectly, of increasing the proportionate share of any class or series of Capital Stock, or any securities convertible into Capital Stock or into equity securities of any Subsidiary, that is beneficially owned by any Interested Shareholder or any Affiliate or Associate of any Interested Shareholder; or

e. any agreement, contract or other arrangement providing for any one or more of the actions specified in the foregoing clauses (a) to (d).

2. The term "Capital Stock" shall mean all capital stock of the Corporation authorized to be issued from time to time under Article Fourth of this Certificate of Incorporation, and the term "Voting Stock" shall mean all Capital Stock which by its terms may be voted on all matters submitted to shareholders of the Corporation generally.

3. The term "person" shall mean any individual, firm, company or other entity and shall include any group comprised of any person and any other person with whom such person or any Affiliate or Associate of such person has any agreement, arrangement or understanding, directly or indirectly, for the purpose of acquiring, holding, voting or disposing of Capital Stock.

4. The term "Interested Shareholder" shall mean any person (other than the Corporation or any Subsidiary and other than any profit-sharing, employee stock ownership or other employee benefit plan of the Corporation or any Subsidiary or any trustee of or fiduciary with respect to any such plan when acting in such capacity and other than any holder of all of the outstanding shares of Series X Cumulative Preference Shares) who (a) is or has announced or publicly disclosed a plan or intention to become the beneficial owner of Voting Stock representing ten percent (10%) or more of the votes entitled to be cast by the holders of all then outstanding shares of Voting Stock; or (b) is an Affiliate or Associate of the Corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner of Voting Stock representing ten percent (10%) or more of the votes entitled to be cast by the holders of all then outstanding shares of Voting Stock.

5. A person shall be a "beneficial owner" of any Capital Stock (a) which such person or any of its Affiliates or Associates beneficially owns, directly or indirectly; (b) which such person or any of its Affiliates or Associates has, directly or indirectly, (i) the right to acquire (whether such right is exercisable immediately or subject only to the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (ii) the right to vote pursuant to any agreement, arrangement or understanding; or (c) which is beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Capital Stock. For the purposes of determining whether a person is an Interested Shareholder pursuant to Paragraph 4 of this Section C, the number of shares of Capital Stock deemed to be outstanding shall include shares deemed beneficially owned by such person through application of this Paragraph 5 of Section C, but shall not include any other shares of Capital Stock that may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

6. The terms "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 under the Securities Exchange Act of 1934, as amended as in effect on March 20, 1985 (the term "registrant" in said Rule 12b-2 meaning in this case the Corporation).

7. The term "Subsidiary" means any company of which a majority of any class of equity security is beneficially owned by the Corporation; provided, however, that for the purposes of the definition of Interested Shareholder set forth in Paragraph 4 of this Section C, the term "Subsidiary" shall mean only a company of which a majority of each class of equity security is beneficially owned by the Corporation.

8. The term "Continuing Director" means any member of the Board of Directors of the Corporation (the "Board of Directors"), while such person is a member of the Board of Directors, who is not an Affiliate or Associate or representative of the Interested Shareholder and was a member of the Board of Directors prior to the time that the Interested Shareholder became an Interested Shareholder, and any successor of a Continuing Director while such successor is a member of the Board of Directors, who is not an Affiliate or Associate or representative of the Interested Shareholder and is recommended or elected to succeed the Continuing Director by a majority of Continuing Directors.

9. The term "Fair Market Value" means (a) in the case of cash, the amount of such cash; (b) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Act on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any similar system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by a nationally recognized investment banking firm selected by a majority of the Continuing Directors; and (c) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by a nationally recognized investment banking firm selected by a majority of the Continuing Directors.

10. In the event of any Business Combination in which the Corporation survives, the phrase "consideration other than cash to be received" as used in Paragraphs 2.a and 2.b of Section B of this Article Twelfth shall include the shares of Common Stock and/or the shares of any other class or series of Capital Stock retained by the holders of such shares.

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D. The Board of Directors shall have the power and duty to determine for the purposes of this Article Twelfth, on the basis of information known to them after reasonable inquiry, all questions arising under this Article Twelfth, including, without limitation, (a) whether a person is an Interested Shareholder, (b) the number of shares of Capital Stock or other securities beneficially owned by any person, (c) whether a person is an Affiliate or Associate of another, (d) whether a Proposed Action is with, or proposed by, or on behalf of an Interested Shareholder or an Affiliate or an Associate of an Interested Shareholder, (e) whether the assets that are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by the Corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of \$10,000,000 or more, and (f) whether the assets or securities that are the subject of any Business Combination constitutes a Substantial Part. Any such determination made in good faith shall be binding and conclusive on all parties.

E. Nothing contained in this Article Twelfth shall be construed to relieve any Interested Shareholder from any fiduciary obligation imposed by law.

F. The fact that any Business Combination complies with the provisions of Section B of this Article Twelfth shall not be construed to impose any fiduciary duty, obligation or responsibility on the Board of Directors, or any member thereof, to approve such Business Combination or recommend its adoption or approval to the shareholders of the Corporation, nor shall such compliance limit, prohibit or otherwise restrict in any manner the Board of Directors, or any member thereof, with respect to evaluations of or actions and responses taken with respect to such Business Combination.

G. For the purposes of this Article Twelfth, a Business Combination or any proposal to amend, repeal or adopt any provision of this Certificate of Incorporation inconsistent with this Article Twelfth (collectively "Proposed Action") is presumed to have been proposed by, or on behalf of, an Interested Shareholder or an Affiliate or Associate of an Interested Shareholder or a person who thereafter would become such if (1) after the Interested Shareholder became such, the Proposed Action is proposed following

the election of any director of the Corporation who, with respect to such Interested Shareholder, would not qualify to serve as a Continuing Director or (2) such Interested Shareholder, Affiliate, Associate or person votes for or consents to the adoption of any such Proposed Action, unless as to such Interested Shareholder, Affiliate, Associate or person a majority of the Continuing Directors make a good faith determination that such Proposed Action

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is not proposed by or on behalf of such Interested Shareholder, Affiliate, Associate or person, based on information known to them after reasonable inquiry.

H. Notwithstanding any other provisions of this Certificate of Incorporation or the By-Laws of the Corporation (and notwithstanding the fact that a lesser percentage or separate class vote may be specified by law, this Certificate of Incorporation or the By-Laws of the Corporation), any proposal to amend, repeal or adopt any provision of this Certificate of Incorporation inconsistent with this Article Twelfth which is proposed by or on behalf of an Interested Shareholder or an Affiliate or Associate of an Interested Shareholder shall require the affirmative vote of the holders of not less than sixty-six and two-thirds percent (66 2/3%) of the votes entitled to be cast by the holders of all the then outstanding shares of Voting Stock, voting together as a single class, excluding Voting Stock beneficially owned by any Interested Shareholder; provided, however, that prior to the time such number of persons constituting a quorum of the Board of Directors are nominated by or on behalf of the Interested shareholder and elected to the Board of Directors, this Section H shall not apply to, and such sixty-six and two-thirds percent (66 2/3%) vote shall not be required for, any amendment, repeal or adoption recommended by a majority of the Board of Directors prior to the date on which the Continuing Directors comprise less than a majority of the Board of Directors.

THIRTEENTH.

The business and affairs of the Corporation shall be managed under the direction of a Board of Directors consisting of not less than three nor more than twenty-one directors, the exact number of directors to be determined from time to time by resolution adopted by affirmative vote of a majority of the entire Board of Directors. The directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors. At the 1985 annual meeting of shareholders, Class I directors shall be elected for a

one-year term, Class II directors for a two-year term and Class III directors for a three-year term. At each succeeding annual meeting of shareholders beginning in 1986, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office until the next annual meeting of shareholders, and until his successor has been elected and qualified, but in no

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case will a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the annual meeting for the year in which his term expires and until his successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office. Any vacancy on the Board of Directors that results from an increase in the number of directors may be filled by a majority of the Board of Directors then in office, provided that a quorum is present, and any other vacancy occurring in the Board of Directors may be filled by a majority of the directors then in office, even if less than a quorum, or by a sole remaining director. A director or the entire Board of Directors may be removed only for cause.

Notwithstanding the foregoing, whenever the holders of any class or series of stock (other than Common Stock) issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of shareholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of this Certificate of Incorporation applicable thereto, and such directors so elected shall not be divided into classes pursuant to this Article Thirteenth unless expressly provided by such terms.

4. This restatement of the Certificate of Incorporation of The May Department Stores Company was duly authorized by resolution of the Board of Directors of said Corporation.

IN WITNESS WHEREOF we have signed this certificate this 18th day of March, 1994.

Louis J. Garr, Jr.

Louis J. Garr, Jr.,
Executive Vice President

Richard A. Brickson
Richard A. Brickson, Secretary

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STATE OF MISSOURI)
) ss.
CITY OF ST. LOUIS)

Richard A. Brickson, being duly sworn, deposes and says:

That he is Secretary of The May Department Stores Company, the Corporation mentioned and described in the foregoing instrument; that he has read and signed the same and that the statements contained therein are true.

Richard A. Brickson
Richard A. Brickson

Sworn to before me this

18th day of March, 1994.

My Commission Expires _____.

Sarah Jane Westover
Notary Public

(Notarial Seal)

Sarah Jane Westover
Notary Public-State of Missouri
My Commission Expires Aug. 10, 1995
St. Louis County

EXHIBIT 3 (b)

* * * * *

BY-LAWS

OF

THE MAY DEPARTMENT STORES COMPANY

* * * * *

[As in effect, May 21, 1993]

BY-LAWS
OF
THE MAY DEPARTMENT STORES COMPANY

ARTICLE I.

MEETINGS OF STOCKHOLDERS

Section 1. The annual meeting of stockholders shall be held on such date not earlier than May 20 and not later than July 10 and at such place and time as may be fixed by the board and stated in the notice thereof, for the purpose of the election of directors and for the transaction of only such other business as is properly brought before the meeting in accordance with these by-laws. The annual meeting may be adjourned from day to day until its business is completed.

Section 2. Written notice of the date, time and place of each annual meeting of the stockholders shall be mailed at least ten days previous to the date of such meeting, postage prepaid, to each stockholder of record in the Company entitled to vote thereat, at such address as shall appear on the books of the Company.

Section 3. Special meetings of the stockholders may be called by resolution of the board of directors. The business transacted at any special meeting of stockholders shall be confined to the object or objects specified in the notice therefor, and matters germane thereto.

Section 4. Written notice of every special meeting of stockholders stating the date, time, place and object thereof, shall be mailed, postage prepaid, at least ten days before the date specified for such meeting to each stockholder of record in the Company entitled to vote thereat, at such address as shall appear on the books of the Company.

Section 5. Except as otherwise provided in the Certificate of

Incorporation, and subject to the provisions and limitations therein contained, at all meetings of stockholders each stockholder of record shall be entitled to cast one vote for each share appearing on the stock book of the Company as standing in his name, which vote may be cast either in person or by proxy, or power of attorney, but no proxy shall be voted on after three years from its date.

Section 6. Whenever a stockholder shall vote by proxy, the authority or proxy shall be in writing, subscribed by the stock-

holder in whose name the said stock shall stand on the books of the Company, and shall, if requested by any stockholder, or proxy, be exhibited at the time of such meeting to the presiding officer and filed by him with the secretary of the Company.

Section 7. No stockholder who is in default in the payment of any part of his subscription for any stock of the Company or who is disqualified by law, shall be entitled to vote at any meeting of stockholders.

Section 8. Every pledgor of stock standing in his name on the books of the Company shall be deemed the owner thereof.

Section 9. Except as otherwise provided by law or in the Certificate of Incorporation, the holders of not less than a majority of the common stock issued and outstanding, entitled to vote thereat, present in person or by proxy or power of attorney, are requisite for and shall constitute a quorum at all meetings of stockholders for the transaction of business, including the election of directors. The holders of a majority of the common stock present in person or by proxy or power of attorney at any meeting, whether or not constituting a quorum, shall have power to adjourn the meeting from time to time (provided that each adjournment shall be for a period not exceeding twenty days), without notice other than announcement at the meeting, and at any adjourned meeting, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 10. The stockholders shall at each annual meeting choose two persons (who need not be stockholders and who shall not be candidates for election to the board of directors) to act as inspectors of election at all meetings of stockholders until the close of the next annual meeting. In case of a failure to elect inspectors, or if any inspector shall refuse to serve or neglect to attend any meeting, or if his office shall become vacant, the chairman of the meeting may appoint an inspector or inspectors, as the case may be, to act at such meeting.

Section 11. To be properly brought before the annual or any special stockholders' meeting, business must be either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board, (b) otherwise properly brought before the meeting by or at the direction of the board or (c) otherwise properly brought before the meeting by a stockholder. In addition to any other applicable requirements, for business to be properly brought before the annual or any special stockholders' meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the secretary of the Company. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Company not less

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than 75 days nor more than 90 days prior to the meeting; provided, however, that in the event that less than 90 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the 15th day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. Such stockholder's notice to the secretary shall set forth as to each matter the stockholder proposes to bring before the meeting (i) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (ii) the name and record address of the stockholder proposing such business, (iii) the class and number of shares of common stock of the Company which are beneficially owned by the stockholder and (iv) any material interest of the stockholder in such business.

Notwithstanding anything in the by-laws to the contrary, no business shall be conducted at the annual or any special meeting except in accordance with the procedures set forth in this Section 11, provided, however, that nothing in this Section 11 shall be deemed to preclude discussion by any stockholder of any business properly brought before the meeting.

The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 11, and if he should so determine and declare, any such business not properly brought before the meeting shall not be transacted.

Section 12. Except as provided in Section 1 of Article II, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors. Nomina-

tions of persons for election to the board of directors of the Company at the annual meeting may be made at that meeting by or at the direction of the board of directors, by any nominating committee or person appointed by the board of directors or by any stockholder of the Company entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section 12. Such nominations, other than those made by or at the direction of the board of directors, shall be made pursuant to timely notice in writing to the secretary of the Company. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Company not less than 75 days nor more than 90 days prior to the meeting; provided, however, that in the event that less than 90 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on

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the 15th day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. Such stockholder's notice to the secretary shall set forth (a) as to each person whom the stockholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of common stock of the Company which are beneficially owned by the person, and (iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Rule 14a under the Securities Exchange Act of 1934, as amended; and (b) as to the stockholder giving the notice (i) the name and record address of the stockholder and (ii) the class and number of shares of common stock of the Company which are beneficially owned by the stockholder. Such notice shall be accompanied by the executed consent of each nominee to serve as a director if so elected. The Company may require any proposed nominee to furnish such other information as may reasonably be required by the Company to determine the eligibility of such proposed nominee to serve as a director of the Company.

The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he should so determine and declare, the defective nomination shall be disregarded.

ARTICLE II.

Section 1. The business and affairs of the Company shall be managed and conducted by a board of thirteen directors.

Newly created directorships resulting from an increase in the number of directors and vacancies occurring in the board of directors for any reason may be filled by vote of a majority of the directors then in office, although less than a quorum. A director elected to fill a newly created directorship, and a director elected to fill a vacancy, shall be elected to hold office until the next ensuing annual meeting of stockholders of the Company, or until his successor shall be chosen and qualified in his stead.

Section 2. The directors shall prescribe rules and regulations for voting at all elections and shall cause the result of each such election to be filed with the minutes of the proceedings of the board of directors, or of any committee of the board of directors appointed in accordance with Section 12 of this Article II.

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Section 3. The board of directors at its first meeting after each annual meeting of stockholders, or at any subsequent meeting at which such action may be appropriate, shall elect a chairman of the executive committee, a chairman of the board, a president, a vice chairman of the board, one or more vice presidents, a secretary, a controller, and a treasurer, and such other officers as it may determine. The board of directors shall by resolution provide for the authority and duties of any and all such officers in the management of the Company to the extent not so provided in these By-laws.

The dates of the commencement and expiration of the term of office of any such officer may be fixed by the board of directors at the time of his election; but unless so fixed, such officer shall hold office from the date of his election until the first meeting of the board of directors following the next ensuing annual meeting of stockholders, or until his successor is elected.

The chairman of the executive committee, the chairman of the board, the president and the vice chairman of the board shall be members of the board of directors. No other officers need be members of the board of directors.

Any two offices, except the offices of president and secretary, may be held by the same person.

Section 4. If for any reason the election of officers shall not be held on or as of the date fixed therefor, the board of directors shall designate another day for such election.

Section 5. The board of directors may also appoint such additional officers and agents, including additional vice presidents, one or more assistant treasurers, one or more assistant secretaries and one or more assistant controllers, as it may from time to time deem advisable, and may remove any of the persons so appointed at its pleasure, and may, in its discretion, contract for a definite period of employment for any officer or agent upon such terms as it may deem advisable. The board of directors may by resolution provide for the powers and duties of any and all such additional officers and agents so appointed.

Section 6. One-third of all the directors shall be required to be present at any meeting to constitute a quorum for the transaction of business, but the director or directors present at any meeting may adjourn said meeting from time to time and from place to place until such quorum is present.

All matters coming before the board of directors shall, except as otherwise provided by law or by these By-laws, be determined by a majority vote of the members present, provided that a quorum shall be present.

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Any one or more members of the board of directors or of any committee thereof may participate in any meeting of such board or of such committee thereof by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at any such meeting.

Section 7. The directors may hold their meetings and cause the books of the Company (except the Stock and Transfer Books) to be kept within or without the State of New York, at such place or places as they may from time to time determine.

Section 8. Subject to Section 15 of this Article II, there shall be an annual meeting of the board of directors on the day of the annual meeting of stockholders in each year or as soon thereafter as convenient, such annual meeting to be at such place and time (and, if applicable, on such date) as the chairman of the board shall designate by written notice to the directors, and regular meetings shall be held on such dates and at such times and places either as the directors shall by resolution provide or as the chairman of the board shall designate by written notice to the

directors. Except as above provided, no notice of said annual meeting or such regular meetings of the board of directors need be given.

Section 9. Special meetings of the board of directors may be called by the chairman of the executive committee, the chairman of the board, the president, the vice chairman of the board, or the secretary or the treasurer. Notice of each special meeting shall be deposited in the mail, sent by telegram or delivered by hand to each director not later than the day preceding the date of such meeting, but need not specify the object or objects of such special meeting. Special meetings shall be called by one of the foregoing officers in like manner on the written request of five directors, specifying the object or objects of such special meeting. In the event that one of the foregoing officers shall fail to call a meeting within two days after receipt of such request, such meeting may be called in like manner by the directors making such request.

Section 10. If any vacancy shall occur in the board of directors by reason of death, removal, resignation or otherwise, such vacancy may be filled by the vote of a majority of the remaining directors.

Section 11. Any director may resign his office at any time, such resignation to be made in writing and delivered to the chairman of the executive committee, the chairman of the board, the president, the vice chairman of the board, or the secretary.

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Section 12. The board of directors shall by a majority vote of its entire number appoint an executive committee, including the chairman thereof, such executive committee to consist of such chairman, who shall be a director, and such additional number of directors, not less than two, as the board of directors shall from time to time determine, and may from time to time designate the number of such executive committee that shall constitute a quorum and may provide for the holding of regular meetings thereof. In the absence of any such designation, a majority of the members of the executive committee shall constitute a quorum. To the extent permitted by law and by the Certificate of Incorporation, the executive committee shall have and may exercise all the powers vested in the board of directors during the intervals between the meetings of the board of directors. The affirmative vote of a majority of those present at a meeting of the executive committee, at which a quorum is present, shall be necessary for the adoption of any resolution. The executive committee shall, whenever called upon, report to the board of directors, and be subject to its

direction, and the board of directors may remove members and appoint new members thereof to fill vacancies therein, and may increase or decrease the membership thereof. The executive committee shall designate from among its members a secretary and may designate from among its members an acting chairman to serve in the absence of the chairman of the executive committee. Meetings of the executive committee shall be called by the chairman of the executive committee or, upon the request of not less than two members, by the secretary thereof by notice deposited in the mail, sent by telegram or delivered by hand not less than two days prior to the date of such meeting. Waiver of notice by any member of the executive committee, whether before or after the meeting to which such waiver relates, shall be equivalent to notice.

The board of directors may, by a majority vote of its entire number, appoint such other committees, each consisting of three or more directors, as the board of directors may at any time and from time to time deem appropriate; subject to the limitations contained in Section 712 of the New York Business Corporation Law, the board of directors from time to time may by resolution prescribe for each such committee such duties, powers and authority as the board of directors shall deem appropriate.

Section 13. In addition to the powers by these By-laws expressly conferred upon them, the board of directors may exercise such powers and do such lawful acts and things as are not prohibited by law or required by the Certificate of Incorporation or by these By-laws to be exercised and done by the stockholders.

Section 14. Directors as such may be paid such compensation as the board of directors may from time to time determine. Nothing herein contained shall be construed to preclude any director from

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serving the Company in any other capacity and receiving compensation therefor.

Section 15. Anything in this Article II to the contrary notwithstanding, any action required or permitted to be taken by the board of directors at any regular, annual or special meeting thereof, or by any committee thereof, may be taken without a meeting if all members of the board of directors or such committee consent in writing to the adoption of a resolution authorizing the action. The resolution and the written consents thereto by the members of the board of directors or such committee shall be filed with the minutes of the proceedings of the board of directors or such committee.

ARTICLE III.

ELECTED OFFICERS

The elected officers of the Company shall be the chairman of the executive committee, the chairman of the board, the president, the vice chairman of the board, the secretary, the treasurer, the controller, and such other officers of the Company as shall be elected by the board of directors.

ARTICLE IV.

AUTHORITY AND DUTIES OF OFFICERS

Each officer of the Company shall be subject to the control of the board of directors and shall have such duties in the management of the Company as may be provided by appropriate resolution of the board of directors and/or provided in these By-laws.

ARTICLE V.

DUTIES OF OFFICERS MAY BE DELEGATED

In the case of the absence of any officer of the Company, or for any other reason that the board of directors may deem sufficient, the board of directors may delegate the powers or duties of such officer to any other officer or to any other director, or to any other person for the time being.

ARTICLE VI.

INDEMNIFICATION

Section 1. The Company shall, to the fullest extent now or hereafter authorized or permitted by applicable law, indemnify any person who is or was made, or threatened to be made, a party to, or

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is involved in, any threatened, pending or completed action, suit or proceeding, including, without limitation, those which are civil, criminal, administrative or investigative, those involving any actual or alleged breach of duty, neglect or error, any accountability, or any actual or alleged misstatement, misleading statement or other act or omission and those brought or threatened in any court or administrative or legislative body or agency, including an action by or in the right of the Company to procure a judgment in its favor and an action by or in the right of any other corporation of any type or kind, domestic or foreign, or any partnership, joint venture, trust, employee benefit plan or other enterprise, which any director or officer of the Company is

serving, has served or has agreed to serve in any capacity at the request of the Company, by reason of the fact that such person, or his or her testator or intestate, is or was or has agreed to become a director or officer of the Company, or is serving or has agreed to serve such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise in any capacity, against judgments, fines, amounts paid or to be paid in settlement, and expenses (including attorneys' fees, costs and charges) incurred as a result of such action, suit or proceeding, or appeal therein; provided, however, that, except for proceedings to enforce rights to indemnification, the Company shall not be obligated to indemnify any director or officer (or his or her heirs, executors or personal or legal representatives) in connection with an action, suit or proceeding (or part thereof) initiated by such person unless such action, suit or proceeding (or part thereof) was authorized or consented to by the board of directors of the Company.

Section 2. The Company may indemnify any person (including a person entitled to indemnification pursuant to Section 1) to whom the Company is permitted to provide indemnification or the advancement of expenses to the fullest extent now or hereafter authorized or permitted by applicable law, whether pursuant to rights granted pursuant to, or provided by, the New York Business Corporation Law, or any other law, or other rights created by (a) a resolution of shareholders, (b) a resolution of directors, or (c) an agreement providing for such indemnification, it being expressly intended that this Article VI authorizes the creation of other rights in any such manner.

Section 3. The Company shall, from time to time, reimburse or advance to any person referred to in Section 1 the funds necessary for payment of expenses incurred in connection with any action, suit or proceeding referred to in Section 1, upon receipt of a written undertaking by or on behalf of such person to repay such amount(s) if a judgment or other final adjudication adverse to the director or officer establishes that (a) his or her acts were committed in bad faith or were the result of active and deliberate dishonesty and, in either case, were material to the cause of

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action so adjudicated, or (b) he or she personally gained in fact a financial profit or other advantage to which he or she was not legally entitled.

Section 4. The right to be indemnified or to the reimbursement or advancement of expenses pursuant to Section 1 or 3 of this Article VI or a resolution authorized pursuant to Section 2 of this Article VI (a) is a contract right pursuant to which the person entitled thereto may bring suit as if the provisions hereof (or of

any such resolution) were set forth in a separate written contract between the Company and such person, (b) is intended to be retroactive and shall, to the extent now or hereafter authorized or permitted by law, be available with respect to events occurring prior to the adoption hereof, and (c) shall continue to exist after the rescission or restrictive modification hereof with respect to events occurring prior thereto.

ARTICLE VII.

POWER OF OFFICERS TO CONTRACT, ETC.

Section 1. All contracts and agreements, purporting to be the act of this Company shall be signed by such officer(s) of the Company or other person(s) as may be designated by resolution of the board of directors, in order that the same shall be binding upon the Company.

Section 2. The board of directors may, from time to time, authorize any officer or officers of the Company, or any other person or persons, to sign, countersign and endorse bills of exchange, checks, notes, leases, deeds and other instruments, agreements and documents in behalf of the Company.

ARTICLE VIII.

ORDER OF BUSINESS

Section 1. The order of business at all meetings of the stockholders shall be as follows:

1. The election of directors.
2. Other matters to be acted upon.
3. The reports of officers.
4. Election of inspectors of election.

The order of business at any meeting may be changed by a vote of the holders of a majority of the shares represented at such meeting.

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Section 2. The order of business at meetings of the board of directors shall be as the directors may determine.

ARTICLE IX.

SHARES OF STOCK

Section 1. The interest of each stockholder shall be evidenced by a certificate or certificates for shares of stock of the Company in such form as the board of directors may from time to time prescribe. The certificates of stock shall be signed by the chairman of the executive committee, the chairman of the board, the president, the vice chairman of the board, or a vice president and the treasurer or an assistant treasurer or the secretary or an assistant secretary and sealed with the seal of the Company, and shall be countersigned and registered in such manner, if any, as the board of directors may by resolution prescribe; provided that, in case such certificates are required by such resolution to be signed by a transfer agent or transfer clerk and by a registrar, the signatures of the above designated officers and the seal of the Company upon such certificates may be facsimiles, engraved or printed. In case any such officer who has signed or whose facsimile signature has been placed upon such certificate shall have ceased to be such before such certificate is issued, it may be issued with the same effect as if such officer had not ceased to be such at the date of its issue.

Section 2. Shares of stock of the Company shall be transferred only on the books of the Company, by the holder thereof in person or by his attorney, upon surrender for cancellation of certificates for the same number of shares, with an assignment and power of transfer endorsed thereon or attached thereto, duly executed, with such proof of the authenticity of the signature as the Company or its agents may reasonably require.

Section 3. The board of directors may direct a new certificate or certificates of stock to be issued in the place of any certificate or certificates theretofore issued and alleged to have been lost, stolen or destroyed; but the board of directors, when authorizing the issue of such new certificate or certificates, may in its discretion require the owner of the stock represented by the certificate so lost, stolen or destroyed, or his legal representatives, to execute and deliver to the Company a bond with one or more sureties, in such sum as it may direct, indemnifying the Company and its agents against any claim that may be made against it by reason of the issue of such new certificate. The board of directors, however, may refuse to authorize any such new certificate except upon the order of a court having jurisdiction in such matter.

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Section 4. The board of directors may from time to time appoint such transfer agents and registrars of shares as it may deem advisable and may define their powers and duties.

ARTICLE X.

DIVIDENDS

Subject to the limitations and provisions set forth in the Certificate of Incorporation of the Company, dividends on the stock of the Company shall be paid at such times and in such amounts as the board of directors shall, from time to time, determine.

ARTICLE XI.

CORPORATE SEAL

The corporate seal shall consist of the words "THE MAY DEPARTMENT STORES COMPANY" arranged in a circular form around the words and figures "Corporate Seal -- 1910 -- New York" and shall be kept by the secretary in the office of the Company. The impression of the seal may be made and attested upon contracts, certificates of stock and other papers requiring the seal of the Company, when authorized by resolution of the board of directors, by the secretary, or by an assistant secretary or by any other officer of the Company, and the board of directors may authorize the use of a duplicate corporate seal by any assistant secretary or other officer of the Company.

ARTICLE XII.

FISCAL YEAR

The fiscal year of the Company shall end on the Saturday closest to the 31st day of January in each year.

ARTICLE XIII.

AMENDMENTS

The foregoing By-laws may be amended or added to, by vote of two-thirds of all the directors of the Company, at any meeting of the board of directors, provided that the substance of the proposed amendment or addition or the subject matter thereof shall have been submitted in writing at a preceding meeting of the board of directors or notice thereof shall have been given to the directors by mail at least ten days before; waiver of notice by any director being deemed equivalent to such notice to him.

The foregoing By-laws may also be amended at any general or special meeting of stockholders, provided notice of the proposed amendment shall have been given in the call for such meeting.

ARTICLE XIV.

WAIVER OF NOTICE

Any notice required to be given by law or by the Certificate of Incorporation or by these By-laws may be waived in writing, and such waiver may be made either before or after the act or event to which the same relates.

<TABLE>
<CAPTION>

Exhibit 11

THE MAY DEPARTMENT STORES COMPANY
COMPUTATION OF NET EARNINGS PER SHARE
FOR THE THREE FISCAL YEARS ENDED JANUARY 29, 1994

(millions, except per share)	1993	1992	1991
<S>	<C>	<C>	<C>
Net earnings	\$ 711	\$ 603	\$ 515
ESOP Preferred Dividends, net of tax benefit on unallocated shares	(19)	(18)	(18)
Dividend requirements on redeemable preferred stock	-	-	-
Net earnings available for common shareowners	\$ 692	\$ 585	\$ 497
Average common shares outstanding	248.4	247.5	246.8
Net earnings per share	\$ 2.79	\$ 2.36	\$ 2.01
Primary Computation			
Net earnings available for common shareowners	\$ 692	\$ 585	\$ 497
Net earnings adjustment for dividend equivalents	1	1	1
Adjusted net earnings	\$ 693	\$ 586	\$ 498
Average common shares outstanding	248.4	247.5	246.8
Common share equivalents under stock option and deferred compensation plans, based upon the treasury stock method	1.5	1.3	1.2
Average common and common equivalent shares	249.9	248.8	248.0
Primary earnings per share	\$ 2.77	\$ 2.35	\$ 2.01
Fully Diluted Computation			
Adjusted net earnings	\$ 693	\$ 586	\$ 498
Impact of assumed conversion of ESOP Preference Shares	9	13	13
Adjusted net earnings	\$ 702	\$ 599	\$ 511
Average common and common equivalent shares	249.9	248.8	248.0
Additional common stock equivalents attributable to application of the treasury stock method	0.1	0.7	0.2
Assumed conversion of ESOP Preference Shares	15.5	15.8	16.0
Average common and common equivalent shares, assuming full dilution	265.5	265.3	264.2

Fully diluted earnings per share	\$ 2.65	\$ 2.26	\$ 1.93
----------------------------------	---------	---------	---------

</TABLE>

NOTE: All share and per share data reflects two-for-one common stock split for shareowners of record as of June 1, 1993.

<TABLE>
<CAPTION>

Exhibit 12

THE MAY DEPARTMENT STORES COMPANY AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
FOR THE FIVE FISCAL YEARS ENDED JANUARY 29, 1994

	Fiscal Year Ended				
	Jan. 29, 1994	Jan. 30, 1993	Feb. 1, 1992	Feb. 2, 1991	Feb. 3, 1990
<S>	<C>	<C>	<C>	<C>	<C>
Earnings Available for Fixed Charges:					
Pretax earnings from continuing operations	\$ 1,178	\$ 791	\$ 796	\$ 762	\$ 799
Fixed charges (excluding interest capitalized and pretax preferred stock dividend requirements)	381	432	474	421	357
Dividends on ESOP Preference Shares	(29)	(29)	(30)	(30)	(23)
Capitalized interest amortization	4	3	3	3	3
	1,534	1,197	1,243	1,156	1,136
Fixed Charges:					
Gross interest expense (a)	\$ 297	\$ 341	\$ 388	\$ 347	\$ 291
Interest factor attributable to rent expense	94	94	92	83	73
Other (b)	-	4	8	5	4
	391	439	488	435	368
Ratio of Earnings to Fixed Charges	3.9	2.7	2.6	2.7	3.1

(a) Represents interest expense on long-term and short-term debt, ESOP debt and amortization of debt discount and debt issue expense.

(b) Represents the company's proportionate share of interest of unconsolidated 50% owned persons and pretax preferred stock dividend requirements.

</TABLE>

[The following "Management's Discussion and Analysis" section is a reproduction of the same named section included in the paper format Annual Report on pages 12-17.]

Management's Discussion and Analysis

We are pleased to have achieved our 19th consecutive year of record sales and earnings per share from continuing operations. During 1993, we completed four department store company consolidations and the move of May Merchandising Company to our St. Louis corporate headquarters. These key strategic steps and our continued execution of our merchandising and customer service strategies were key factors in our strong financial performance. Our five-year compound growth rate for earnings per share from continuing operations was 12% - among the best in the retail industry.

Sales in 1993 were \$11.0 billion, an increase of 7.6% over 1992 sales of \$10.2 billion. The sales increase over last year reflects the benefit of new store openings and an increase in store-for-store sales of 4.6%. Store-for-store sales increases for the first through fourth quarters in 1993 were 2.8%, 5.5%, 5.9% and 4.2%, respectively.

We achieved \$2.65 in earnings per share in 1993, a 17.3% increase over last year's \$2.26. Net earnings totaled \$711 million compared to \$603 million last year. Return on revenues increased to 6.2% in 1993 from 5.4% in 1992. Return on equity was 22.1% in 1993 compared to 21.5% in 1992, and return on net assets was 19.6% in 1993 compared to 16.7% in 1992.

During the first quarter of 1993, the company completed the consolidation of eight department store companies into four: May Company, California, and Robinson's, both based in Los Angeles, into Robinsons-May; May Company, Ohio, into Pittsburgh-based Kaufmann's; Hartford-based G. Fox into Filene's, based in Boston; and Denver-based May D&F into Foley's, based in Houston. Also during 1993, the company completed the move of New York-based May Merchandising Company to St. Louis to form a single corporate center at the St. Louis corporate headquarters. In addition, May consolidated four department store data centers into two, now operating in St. Louis and Lorain, Ohio, outside of Cleveland. With a single corporate center and fewer department store companies, our ability to communicate, coordinate and react has increased considerably.

We opened 13 department stores during 1993, adding 1.9 million square feet of retail space. These openings were Lord & Taylor in Skokie, Ill., North Atlanta, Ga., and Boston, Mass.; Robinsons-May in West Covina and Glendale, Calif., and Phoenix, Ariz.; Hecht's in Charlotte, N.C., Fredericksburg and Richmond, Va., and Frederick, Md.; Kaufmann's in Syracuse, N.Y.; and Filene's in Boston, Mass., and Nashua, N.H. In addition, we remodeled 25 department stores in 1993, totaling 2.3 million retail square feet, and expanded five of these stores. At fiscal year-end, May operated 301 department stores in 29 states and the District of Columbia.

Five department stores were closed during the year, involving 800,000 retail square feet. Over the past six years, May has closed 93 low-productivity department stores.

The January 17, 1994, California earthquake damaged a number of Robinsons-May and Payless ShoeSource stores. Robinsons-May stores in five locations were temporarily closed as of January 29, 1994. We will reopen stores in the same locations as quickly as possible.

In 1993, Payless ShoeSource opened 216 net new stores, adding 600,000 square feet of retail space, continuing its new store pace of the past 10 years. During the year, Payless ShoeSource opened its first stores in the Virgin Islands and continued the Payless Kids expansion program by adding 219 stores adjacent to existing Payless ShoeSource stores, expanding those locations by a total of 225,000 square feet. The largest area of growth was in the Northeast with 120 net new stores and 46 Payless Kids expansion stores. At year-end, Payless ShoeSource operated 3,779 stores in 49 states, the District of Columbia, Puerto Rico and the Virgin Islands.

Our expansion program for 1994 includes 16 new department stores, adding 2.2 million square feet of retail space. The company plans to remodel 32 department stores in 1994, totaling 2.9 million square feet of retail space, and to expand 15 of these stores by a total of 500,000 square feet.

Payless ShoeSource will add 240 net new stores in 1994 with more than 750,000 square feet of retail space. In addition, Payless ShoeSource will add 200 Payless Kids expansion stores adjacent to existing stores, bringing the total Payless Kids expansion stores to 520. The largest area of growth will be in the Northeast with approximately 115 net new family shoe stores and 50 Payless Kids expansion stores.

May's 1994-1998 expansion plan will add 110 new department stores, totaling 17.9 million retail square feet. During this five-year period, May will invest \$1.9 billion for new stores and will spend an additional \$680 million to remodel existing stores.

The expansion plan for Payless ShoeSource during the 1994-1998 period involves a capital investment, including the present value of operating leases, of \$1.3 billion to add approximately 1,200 net new family shoe stores with 3.9 million square feet of retail space and 1,000 adjacent Payless Kids expansion stores, adding 1.2 million square feet to existing stores. An additional \$110 million will be invested to remodel existing stores.

<TABLE>

<CAPTION>

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net retail sales from continuing operations (billions)	\$3.9	\$4.2	\$4.7	\$5.3	\$5.8	\$7.4	\$8.3	\$8.9	\$9.5	\$10.2	\$11.0

</TABLE>

REVIEW OF OPERATIONS

Net earnings totaled \$711 million in 1993 compared to \$603 million in 1992 and \$515 million in 1991. Total company return on revenues was 6.2% in 1993 compared to 5.4% in 1992 and 4.9% in 1991. Fully diluted earnings per share reached \$2.65 in 1993 compared to \$2.26 in 1992 and \$1.93 in 1991.

During 1992, the company recorded pretax charges of \$485 million, \$298 million after tax, for special and nonrecurring items. Also during 1992, the company recorded a \$298 million pretax and after tax nonrecurring gain from the distribution of the May Centers Associates (MCA) partnership assets. See Special and Nonrecurring Items on page 14. On a full-year basis, the special and nonrecurring items had no impact on net earnings or earnings per share.

Results for the past three years were as follows:

<TABLE>

<CAPTION>

(dollars in millions, except per share)	1993		1992		1991	
	\$	% of Revenues	\$	% of Revenues	\$	% of Revenues
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net Retail Sales	\$11,020		\$10,245		\$ 9,462	
Revenues	\$11,529	100.0%	\$11,150	100.0%	\$10,615	100.0%
Cost of sales	7,910	68.6	7,691	69.0	7,339	69.1
Selling, general and administrative expenses	2,196	19.1	2,202	19.7	2,164	20.4
Interest expense, net	245	2.1	279	2.5	316	3.0
Special and nonrecurring items	-	-	187	n/a	-	-
Earnings before income taxes	1,178	10.2	791	8.8*	796	7.5
Provision for income taxes**	467	39.6	188	38.3	281	35.3
Net earnings	\$ 711	6.2%	\$ 603	5.4%	\$ 515	4.9%
Fully diluted earnings per share	\$ 2.65		\$ 2.26		\$ 1.93	

</TABLE>

* For comparability, shown before special and nonrecurring items.

** Percent of revenues column represents effective income tax rate.

Net Retail Sales. Net retail sales (see page 18 for definition) increases by business segment for 1993 and 1992 were as follows:

<TABLE>

<CAPTION>

<S>	1993 vs. 1992		1992 vs. 1991		Five-Year Compound Growth Rate
	Total	Store-for-Store	Total	Store-for-Store	
<C>	<C>	<C>	<C>	<C>	<C>
Department stores	7.1%	5.2%	6.9%	4.5%	7.8%
Payless ShoeSource	10.0	1.7	15.5	2.8	11.7
Total	7.6%	4.6%	8.3%	4.2%	8.4%

</TABLE>

Total sales increases for 1993 reflect the opening of 13 new department stores and 216 net new Payless ShoeSource stores and a 4.6% store-for-store increase. Total sales increases for 1992 include the results of six new department stores and 268 net new Payless ShoeSource stores.

Sales per square foot by segment were as follows:

<TABLE>

<CAPTION>

	1993	1992	1991	1988	1993 vs. 1992 Increase	Five-Year Compound Growth Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Department stores	\$191	\$179	\$171	\$158	6.5%	3.8%
Payless ShoeSource	165	161	152	137	2.4	3.7
Total	\$186	\$176	\$168	\$155	5.6%	3.7%

</TABLE>

Sales include leased and licensed department sales of \$313, \$349 and \$356 million in 1993, 1992 and 1991, respectively. Revenues include finance charge revenues of \$330, \$329 and \$351 million in 1993, 1992 and 1991, respectively. Finance charge revenues in 1993 were similar to 1992, as accounts receivable did not increase proportionately with sales due to a greater acceptance of third party credit cards. The decrease in 1992 finance charge revenues compared to 1991 was due to faster repayment by customers resulting in lower average accounts receivable balances subject to finance charge and an expanded acceptance of third party credit cards.

Cost of Sales. Cost of sales includes cost of merchandise sold and buying and occupancy costs. Cost of sales was \$7.91 billion in 1993 compared to \$7.69 billion in 1992, a 2.8% increase. The overall increase of 2.8% was due to a 3.4% increase in revenues, offset by a lower cost of sales rate. As a percent of revenues, cost of sales was 68.6% in 1993 compared to 69.0% in 1992. The 1993 percent decreased from 1992 due to lower buying and occupancy expenses resulting from the recent store company consolidations, partially offset by a small decline in merchandise gross margin. LIFO was a charge of \$7 million in 1993 compared to \$10 million in 1992.

Cost of sales was \$7.69 billion in 1992 compared to \$7.34 billion in 1991, a 4.8% increase. The overall increase of 4.8% resulted from a 5.0% increase in revenues. As a percent of revenues, cost of sales was 69.0% in 1992 compared to 69.1% in 1991. The decreased 1992 percent compared to 1991 resulted from a lower LIFO charge (\$10 million in 1992 compared to \$26 million in 1991). A small improvement in the buying expense rate was offset by a small decline in merchandise gross margin.

The impact of LIFO on cost of sales, as a percent of revenues, is shown below:

<TABLE>

<CAPTION>

	1993	1992	1991
<S>	<C>	<C>	<C>
Cost of sales	68.6%	69.0%	69.1%
LIFO charge	0.1	0.1	0.2
Cost of sales before LIFO	68.5%	68.9%	68.9%

</TABLE>

Selling, General and Administrative Expenses.

Selling, general and administrative expenses were \$2.20 billion in 1993 compared to \$2.20 billion in 1992, a 0.3% decrease. Selling, general and administrative expense increases resulting from increased revenues were more than offset by expense savings achieved through recent store company consolidations and continued focus on expense control. As a percent of revenues, selling, general and administrative expenses were 19.1% in 1993 compared to 19.7% in 1992. The California earthquake did not impact 1993 earnings as the losses were covered by insurance.

<TABLE>

<CAPTION>

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Earnings per share from continuing operations	\$.82	\$.90	\$.91	\$1.05	\$1.28	\$1.52	\$1.82	\$1.87	\$1.93	\$2.26	\$2.65

</TABLE>

<TABLE>

<CAPTION>

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net earnings from continuing operations (millions)	\$251	\$277	\$286	\$333	\$393	\$448	\$515	\$500	\$515	\$603	\$711

</TABLE>

Selling, general and administrative expenses were \$2.20 billion in 1992 compared to \$2.16 billion in 1991, a 1.8% increase. The overall increase was due to a 5.0% increase in revenues and less equity earnings from the MCA partnership, partially offset by savings achieved through store company consolidations, reduced accounts receivable bad debt expense and generally improved operating expenses. As a percent of revenues, selling, general and administrative expenses were 19.7% in 1992 compared to 20.4% in 1991. Adjusting 1992 and 1991 as if the MCA partnership had been dissolved on the first day of fiscal year 1991, selling, general and administrative expenses, as a percent of revenues, would have been 19.8% in 1992 and 20.6% in 1991.

Included in selling, general and administrative expenses were advertising and sales promotion costs of \$404, \$400 and \$389 million in 1993, 1992 and 1991, respectively.

Special and Nonrecurring Items. During the 1992 third quarter, the company recorded pretax charges of \$485 million, \$298 million after tax, for special and nonrecurring items. The pretax charges consisted of: \$240 million for four department store company consolidations (primarily costs for severance, associate relocations, inventory liquidations and adjustments, and one-time transition expenses); \$125 million for planned closings of low-productivity stores and other real estate-related charges including adjustments to reflect expected values of a number of properties planned for disposition; \$60 million for the costs associated with achieving various operating efficiencies, including the May Merchandising Company headquarters relocation to St. Louis and the data center combinations (primarily costs for associate relocations and excess space carrying costs); \$40 million for the cost associated with retiring high interest rate debt; and \$20 million for a special contribution to The May Department Stores Company Foundation. The cost to retire the debt was not reflected as an extraordinary item as it was not material to total company earnings or the earnings trend of the company.

The reserve balance for the \$485 million special and nonrecurring charges was \$330 million at January 30, 1993, and \$100 million at January 29, 1994. In 1993 there were no additional provisions for the special and nonrecurring charges and there were no material adjustments to the individual components. The cash component of the \$485 million special and nonrecurring charges is estimated to be \$325 million.

During the 1992 second quarter, the company recorded a \$298 million pretax and after tax nonrecurring gain from the distribution of the MCA partnership assets on May 18, 1992. See May Centers Associates on page 27.

The 1992 special and nonrecurring charges and nonrecurring gain are reflected as special and nonrecurring items on a separate line in the consolidated statement of earnings. The 1992 special and nonrecurring items had no impact on full-year net earnings or earnings per share.

During 1991, the company provided pretax charges of \$36 million for two department store company consolidations and \$26 million for costs associated with closing 20 low-productivity stores. Also during 1991, the company recorded pretax gains of \$35 million from real estate transactions and \$25 million from the sale of its equity interest in The Caldor Corporation. Due to the insignificance of the \$2 million net impact of these items on pretax earnings, the 1991 pretax charges and pretax gains were included in selling, general and administrative expenses.

Interest Expense. Interest expense components were:

<TABLE>
<CAPTION>

(dollars in millions)	1993	1992	1991
<S>	<C>	<C>	<C>
Interest expense	\$263	\$306	\$354
Interest income	(8)	(20)	(24)
Capitalized interest	(10)	(7)	(14)
Interest expense, net	\$245	\$279	\$316
Percent of revenues	2.1%	2.5%	3.0%

</TABLE>

The 1993 and 1992 decreases in net interest expense were the result of the elimination of the May Centers Associates Corporation (MCAC) sale/leaseback debt upon dissolution of the MCA partnership on May 18, 1992, and other net reductions of debt resulting primarily from each year's cash flows. Adjusting 1992 and 1991 as if the MCA partnership had been dissolved on the first day of fiscal year 1991, net interest expense, as a percent of revenues, would have been 2.4% in 1992 and 2.5% in 1991. See May Centers Associates on page 27.

Income Taxes. The effective income tax rates were:

<TABLE>
<CAPTION>

	1993	1992	1991
<S>	<C>	<C>	<C>
As reported	39.6%	23.7%	35.3%

Excluding impact of special and nonrecurring items and MCA 39.6% 38.5% 36.2%
 </TABLE>

The 1993 effective income tax rate of 39.6% increased compared to 1992 excluding special and nonrecurring items and MCA equity earnings due to the 1% increase in the tax rate resulting from the 1993 tax law change and slightly higher state income tax rates. The increase in the 1992 effective rate of 38.5% compared to 36.2% in 1991 was due to lower tax credits in 1992. Prior to the dissolution of the MCA partnership on May 18, 1992, MCA partnership equity earnings were reflected as a reduction in selling, general and administrative expenses on a net of tax basis. See Taxes on page 24. Also see Summary of Significant Accounting Policies on page 18 for a discussion of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes."

Impact of Inflation. Overall, the company's sales growth and earnings have not been materially impacted by inflation. The department store inflation rate, as measured by the government's Department Store Inventory Price Index, was 1.3% during 1993 compared to 0.6% in 1992. As a result of valuing our department store inventory on a LIFO basis, the current cost of merchandise is reflected in current operating results. The shoe industry experienced no inflation in 1993 and over the last three years the inflation rate has averaged less than 0.5%.

<TABLE>
 <CAPTION>

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Common stock price range											
Low price	\$ 7.42	\$ 7.52	\$10.50	\$15.94	\$11.13	\$14.38	\$17.31	\$18.69	\$22.63	\$26.00	\$33.44
High price	\$10.50	\$12.09	\$16.25	\$22.06	\$25.44	\$20.00	\$26.31	\$29.56	\$30.19	\$37.25	\$46.50

</TABLE>

<TABLE>
 <CAPTION>

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Book value per common share	\$6.61	\$7.25	\$7.86	\$8.50	\$9.13	\$10.75	\$9.32	\$10.04	\$11.26	\$12.82	\$14.65

</TABLE>

Summary Segment Information. May operates in two retail business segments - department stores and self-service family shoe stores operated by Payless ShoeSource. The following summarizes the results of these segments for the past three years. Additional information by business segment is presented in the Six Year Summary by Business Segment on pages 28 and 29.

May is the largest department store retailer in the United States. May's 301 quality department stores are operated by eight department store companies across the United States, each operating under long-standing and widely recognized names. Each store company holds a leading market position in its region. Results for the department store segment were:

<TABLE>
 <CAPTION>

	Increase				
(dollars in millions)	1993	1992	1991	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
Net retail sales	\$9,054	\$8,457	\$7,914	7.1%	6.9%
Operating earnings	1,276	1,109	963	15.1	15.1
Return on revenues	13.3%	11.8%	10.6%		
Return on net assets	23.9	20.5	18.0		

</TABLE>

Department store operating earnings represent LIFO earnings before income taxes, net interest expense and corporate expense, and exclude goodwill amortization and special and nonrecurring items. Department store operating earnings presented above include LIFO charges of \$7, \$10 and \$26 million in 1993, 1992 and 1991, respectively. Department store operating earnings, excluding LIFO, are presented below on a supplementary basis for comparative purposes:

<TABLE>
 <CAPTION>

	Increase				
(dollars in millions)	1993	1992	1991	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
Operating earnings	\$1,283	\$1,119	\$989	14.6%	13.1%
Return on revenues	13.4%	11.9%	10.9%		

</TABLE>

Payless ShoeSource, the nation's largest chain of self-service family shoe stores, sold 174 million pairs of shoes in 1993, representing one of every six pairs of shoes sold in the United States. At year-end, Payless ShoeSource operated 3,779 stores in 49 states, the District of Columbia, Puerto Rico and

the Virgin Islands. Results for Payless ShoeSource were:

<TABLE>

<CAPTION>

(dollars in millions)	Increase				
	1993	1992	1991	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
Net retail sales	\$1,966	\$1,788	\$1,548	10.0%	15.5%
Operating earnings	225	214	184	5.0	16.1
Return on revenues	11.4%	12.0%	11.9%		
Return on net assets	23.9	26.5	29.0		

</TABLE>

Provided at the bottom of this page is a summary of net retail sales, sales per square foot, building area square footage and number of stores for our eight department store operating companies and Payless ShoeSource.

<TABLE>

<CAPTION>

<S>	Net Retail Sales in Millions of Dollars		Sales Per Square Foot		Building Area Square Footage in Thousands		Number of Stores			
	1993	1992	1993	1992	1993	1992	1993	New	Closed	1992
	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Lord & Taylor, New York City	\$ 1,302	\$ 1,227	\$219	\$212	6,286	5,934	49	3	-	46
Foley's, Houston	1,590	1,496	175	163	9,196	9,642	48	-	2	50
Robinsons-May, Los Angeles	1,320	1,231	160	163	8,626	9,206	48	3	10	55
Hecht's, Washington, D.C.	1,326	1,218	207	199	6,912	6,346	45	4	-	41
Kaufmann's, Pittsburgh	1,240	1,182	192	184	6,774	6,735	40	1	1	40
Filene's, Boston	1,068	992	238	233	4,704	4,599	33	2	2	33
Famous-Barr, St. Louis	884	812	179	164	5,145	5,266	30	-	-	30
Meier & Frank, Portland, Ore.	324	299	193	179	1,737	1,739	8	-	-	8
Total department stores	9,054	8,457	191	179	49,380	49,467	301	13	15	303
Payless ShoeSource	1,966	1,788	165	161	12,345	11,527	3,779	216 (net)	-	3,563
Total	\$11,020	\$10,245	\$186	\$176	61,725	60,994	4,080	229	15	3,866

Net retail sales represent sales of stores open at the end of 1993.

Sales per square foot is calculated on total revenues and average gross retail square footage.

Building area represents gross retail square footage of stores open at the end of the period presented.

</TABLE>

<TABLE>

<CAPTION>

<S>	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Sales per square foot	\$100	\$112	\$122	\$138	\$143	\$155	\$164	\$168	\$168	\$176	\$186

</TABLE>

REVIEW OF FINANCIAL CONDITION

During 1993, we further strengthened our balance sheet and financial condition with our strong financial performance. We continue to meet our objective of generating superior shareowner returns, while maintaining access to capital at all times at reasonable costs.

Return on Equity. Return on equity is our principal measure in evaluating our performance for shareowners and our ability to profitably invest shareowners' funds. Our objective is to sustain performance that places our return on equity in the top quartile of the retail industry. Our return on beginning equity in 1993 was 22.1% compared to 21.5% in 1992 and 20.7% in 1991.

Return on Net Assets. Return on net assets measures performance independent of capital structure. Return on net assets represents pretax earnings before special and nonrecurring items, net interest expense and the interest component of operating leases, divided by beginning of the year net assets (including present value of operating leases). Return on net assets was 19.6% in 1993 compared to 16.7% in 1992 and 16.0% in 1991. The improvement in the 1993 return on net assets compared to 1992 was due to the growth in earnings and a decrease in beginning of the year net assets of \$368 million due to the impact of the 1992 MCA partnership dissolution and the 1992 special and nonrecurring charges.

Financing Activities. During 1993, the company retired \$100 million of high interest rate debt. The cost associated with retiring the debt was recorded in 1992. See Special and Nonrecurring Items on page 27.

During 1992, the company issued \$200 million of 8-3/8% debentures due in 2022. The proceeds from the issuance were added to the company's general funds and were available for the purchase of certain of the company's other indebtedness, capital expenditures, working capital needs and other general corporate purposes, including investments and acquisitions. During 1992, the

company retired \$360 million of high interest rate debt. Also, upon dissolution of the MCA partnership on May 18, 1992, the company received a majority ownership interest in MCAC and, therefore, \$618 million of MCAC sale/leaseback debt was eliminated on a consolidated basis. See May Centers Associates and Special and Nonrecurring Items on page 27.

During 1991, the company obtained \$434 million of long-term financing, consisting of \$375 million from the issuance of 30-year debentures, \$2 million from the issuance of medium-term notes and \$57 million from MCAC sale/leaseback transactions (MCAC loans). The proceeds from these financings were used to repay the company's outstanding commercial paper and short-term indebtedness, and for general corporate purposes.

Financial Condition Ratios. Our debt-to-capitalization ratio and fixed charge coverage continue to be strong and consistent with our capital structure objectives and provide us with substantial financial flexibility.

The debt-to-capitalization ratio was 45%, 49% and 54% at the end of 1993, 1992 and 1991, respectively. The decrease in the debt-to-capitalization ratio over the past two years was primarily due to the elimination of the MCAC loans and other net reductions in debt, along with the continued growth in retained earnings. For purposes of the debt-to-capitalization ratio, total debt is defined as short-term and long-term debt (including the ESOP debt reduced by unearned compensation, and excluding one-half of the MCAC loans and one-half of the capital lease obligation payable to May Centers, Inc., due to our 50% partnership interest in MCA prior to the MCA partnership dissolution), redeemable preferred stock and the capitalized value of all leases, including operating leases. Capitalization is defined as total debt, noncurrent deferred taxes, ESOP Preference Shares and shareowners' equity. See Profit Sharing on page 23 for discussion of the ESOP.

Fixed charge coverage was 3.1x in 1993 and 2.4x in each of 1992 and 1991. Fixed charge coverage, excluding the impact of the special and nonrecurring items, was 2.7x in 1992. The improvement in coverage in both 1993 and 1992 (excluding the impact of the special and nonrecurring items) resulted from net reductions in debt and lower average interest rates, partially offset by increased real property rent expense. In addition, fixed charge coverage improved as a result of the increased level of pretax earnings. Fixed charges are defined as gross interest expense (excluding one-half of the interest expense related to the MCAC loans prior to the MCA partnership dissolution), interest expense on the ESOP debt, total rent expense and the pretax equivalent of dividends on redeemable preferred stock.

Our bonds are rated A by Standard & Poor's Corporation and A2 by Moody's Investors Service, Inc. Our commercial paper is rated A1 and P1 by Standard & Poor's and Moody's, respectively.

Cash Flow. Cash flow from operations (earnings and depreciation/amortization) reached over \$1 billion for the first time in 1993. Cash flow from operations was 9.2% of revenues in 1993 compared to 8.5% of revenues in 1992 and 7.9% of revenues in 1991. The company's cash flow as a percent of revenues continues to be one of the highest in the retail industry. Internally generated funds continue to be our primary source of liquidity. The company's objective is to use short-term debt only to finance seasonal requirements.

Sources and (uses) of cash flows are summarized below:

	1993	1992	1991
(millions)			
<S>	<C>	<C>	<C>
Earnings and depreciation/amortization	\$1,059	\$ 944	\$ 834
Working capital (increases) decreases	(216)	(142)	23
Other operating activities	73	13	(51)
Investing activities	(588)	(394)	(515)
Net long-term debt (repayments) issuances	(192)	(248)	313
Other financing activities	(262)	(208)	(418)
(Decrease) increase in cash and cash equivalents	\$ (126)	\$ (35)	\$ 186

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Return on equity	17.0%	16.1%	15.5%	15.7%	17.0%	18.6%	18.0%	21.8%	20.7%	21.5%	22.1%

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Return on net assets	18.3%	18.9%	18.8%	17.7%	17.4%	17.5%	18.0%	17.2%	16.0%	16.7%	19.6%

Capital Expenditures. We use our strong financial condition to make capital expenditures to enhance shareowners' returns. Return on net assets, internal rate of return and sales per square foot are emphasized as the principal operating measures as we invest in new stores and remodels and eliminate unproductive space.

Capital expenditures in 1994 will approximate \$950 million (including \$160 million representing the capital value of new operating leases). Capital expenditures for the 1994-1998 period are planned at \$5.0 billion (including \$800 million representing the capital value of new operating leases). We plan to use internal cash flow to finance substantially all of these expenditures.

Available Credit. During the 1993 second quarter, the company replaced its \$750 million available credit agreement with a similar \$750 million agreement which expires in 1998. In addition, as of January 29, 1994, the company had a shelf registration statement filed with the Securities and Exchange Commission which would enable it to issue up to \$550 million of additional debt securities.

[The following "Common Stock Split, Dividends and Market Prices" section is a reproduction of the same named section included in the paper format Annual Report on page 17.]

Common Stock Split, Dividends and Market Prices.

In June 1993, the company effected a two-for-one split in the form of a 100% common stock dividend (the "stock split"). All share and per share data included in this annual report have been restated to reflect the stock split.

Our policy is to increase dividends on common stock consistent with our earnings growth over time. The 1994 annual dividend rate was increased 13%, \$.12 per share, to \$1.04 per share, the 19th consecutive annual dividend increase. The new annual dividend of \$1.04 per share will be effective with the June 1994 dividend payment. Dividends paid have increased at a compound rate of 7.6% during the past five years. The company has paid consecutive quarterly dividends since December 1, 1911.

The quarterly price ranges of the common stock and dividends per share in 1993 and 1992 were:

<TABLE>
<CAPTION>

Quarter	1993			1992		
	Market Price High	Market Price Low	Dividends Per Share	Market Price High	Market Price Low	Dividends Per Share
<S>	<C>	<C>	<C>	<C>	<C>	<C>
First	\$39 3/4	\$33 7/16	\$.20 3/4	\$31 5/8	\$27	\$.20 1/4
Second	41 1/8	34 5/8	.23	29 15/16	26	.20 3/4
Third	46 1/4	39 1/2	.23	35 3/4	28 7/8	.20 3/4
Fourth	46 1/2	37 1/2	.23	37 1/4	33 7/8	.20 3/4
Year	\$46 1/2	\$33 7/16	\$.89 3/4	\$37 1/4	\$26	\$.82 1/2

</TABLE>

The approximate number of common shareowners as of March 1, 1994, was 46,000.

<TABLE>
<CAPTION>

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Cash flow (millions)											
Depreciation and amortization	\$402	\$437	\$467	\$542	\$605	\$714	\$784	\$794	\$834	\$944	\$1,059
Net earnings	\$251	\$277	\$286	\$333	\$393	\$448	\$515	\$500	\$515	\$603	\$ 711

</TABLE>
<TABLE>
<CAPTION>

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Dividends per common share (year-end rate)	\$.33	\$.39	\$.46	\$.51	\$.56	\$.62	\$.69	\$.77	\$.81	\$.83	\$.92

</TABLE>

[The following "Summary of Significant Accounting Policies" section is a reproduction of the same named section included in the paper format Annual Report on page 18.]

Summary of Significant Accounting Policies

Fiscal Year. The company's fiscal year ends on the Saturday closest to January 31. Fiscal years 1993, 1992 and 1991 ended on January 29, 1994, January 30, 1993, and February 1, 1992, respectively. Each year included 52 weeks. References to years in this annual report relate to fiscal years rather than calendar years.

Basis of Reporting. The consolidated financial statements include the

accounts of the company and all wholly owned subsidiaries (the company). Prior to dissolution of the May Centers Associates (MCA) partnership in 1992, the company's 50% partnership investment in MCA was accounted for using the equity method of accounting. See May Centers Associates on page 27.

Net Retail Sales and Revenues. Net retail sales (sales) represent the sales of stores operating at the end of the latest period, and exclude finance charge revenues and the sales of stores which have been closed and not replaced. Sales include sales of merchandise and services and sales of leased and licensed departments. Sales are net of returns and exclude sales tax. Store-for-store sales represent sales of those stores open during both years. Revenues include finance charge revenues and all sales from all stores operating during the period.

Cost of Sales. Cost of sales includes the cost of merchandise sold and buying and occupancy costs.

Preopening Expenses. Costs associated with the opening of new stores are expensed during the year incurred.

Income Taxes. Effective with the beginning of 1993, the company adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." The cumulative effect of adopting SFAS No. 109 was insignificant and, therefore, no adjustments were reflected in the financial statements. SFAS No. 109 requires income taxes to be accounted for using a balance sheet approach known as the liability method, as compared to the previous approach known as the deferred method. The liability method accounts for deferred income taxes by applying statutory tax rates in effect at the date of the balance sheet to differences between the book and tax basis of assets and liabilities. Adjustments to deferred taxes resulting from statutory rate changes flow through the tax provision in the year of the change.

Earnings Per Share. Primary earnings per share are computed by dividing net earnings less dividend requirements on redeemable preferred stock and ESOP Preference Shares (net of related income tax benefits on unallocated shares) by the average common shares outstanding and common share equivalents during the period. Fully diluted earnings per share assume conversion of the ESOP Preference Shares into common stock and adjust net earnings for the additional expense required to fund the ESOP debt service resulting from the assumed replacement of the ESOP Preference Shares dividends with common stock dividends. The average common shares outstanding and common share equivalents used to calculate fully diluted earnings per share were 265.5, 265.3 and 264.2 million in 1993, 1992 and 1991, respectively. References to earnings per share in this annual report relate to fully diluted earnings per share.

With the adoption of SFAS No. 109 in the 1993 first quarter, the tax benefit to the company from dividends paid on the unallocated shares of common stock assumed held by the ESOP is no longer reflected in fully diluted earnings per share. The impact on 1993 fully diluted earnings per share was a decrease of \$.02.

Cash Equivalents. Cash equivalents consist primarily of commercial paper with maturities less than three months. Cash equivalents are stated at cost, which approximates fair value.

Accounts Receivable. In accordance with industry practice, installments on deferred payment accounts receivable maturing in more than one year have been included in current assets.

Merchandise Inventories. Department store merchandise inventories (83% of the company's consolidated inventories in 1993 and 1992) are valued by the retail method and are stated on the LIFO (last-in, first-out) cost basis, which is lower than market. The accumulated LIFO provision was \$217 and \$210 million in 1993 and 1992, respectively. Payless ShoeSource merchandise inventories are valued by the retail method and are stated on the lower of average cost or market basis.

Property and Equipment. Property and equipment are recorded at cost. Property and equipment are depreciated on a straight-line basis over their estimated useful lives. Investments in properties under capital leases and leasehold improvements are amortized over the shorter of their useful lives or their related lease terms.

Goodwill. Goodwill represents the excess of cost over the fair value of net tangible assets acquired at the dates of acquisition. Substantially all amounts are amortized using the straight-line method over a 40-year period. Goodwill is presented in the consolidated balance sheet net of accumulated amortization of \$94 and \$77 million in 1993 and 1992, respectively.

[The following "Consolidated Financial Statements" section is a reproduction of the same named section included in the paper format Annual Report on pages 19-22.]

Consolidated Statement of Earnings

<TABLE>			
<CAPTION>			
(millions, except per share)	1993	1992	1991
<S>	<C>	<C>	<C>
Net Retail Sales	\$11,020	\$10,245	\$ 9,462
Revenues	\$11,529	\$11,150	\$10,615
Cost of sales	7,910	7,691	7,339
Selling, general and administrative expenses	2,196	2,202	2,164
Interest expense, net	245	279	316
Special and nonrecurring items	-	187	-
Total cost of sales and expenses	10,351	10,359	9,819
Earnings before income taxes	1,178	791	796
Provision for income taxes	467	188	281
Net earnings	\$ 711	\$ 603	\$ 515
Primary Earnings Per Share	\$ 2.77	\$ 2.35	\$ 2.01
Fully Diluted Earnings Per Share	\$ 2.65	\$ 2.26	\$ 1.93

See the Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Consolidated Balance Sheet

<TABLE>		
<CAPTION>		
(dollars in millions, except per share)	January 29, 1994	January 30, 1993
<S>	<C>	<C>
Assets		
Current Assets:		
Cash	\$ 15	\$ 17
Cash equivalents	31	155
Accounts receivable, net	2,394	2,367
Merchandise inventories	2,020	1,791
Other current assets	219	324
Total Current Assets	4,679	4,654
Property and Equipment:		
Land	248	247
Buildings and improvements	2,673	2,496
Furniture, fixtures and equipment	2,043	1,887
Property under capital leases	83	101
Total property and equipment	5,047	4,731
Accumulated depreciation	(1,636)	(1,573)
Property and equipment, net	3,411	3,158
Goodwill	619	636
Other Assets	91	97
Total Assets	\$ 8,800	\$ 8,545
Liabilities and Shareowners' Equity		
Current Liabilities:		
Current maturities of long-term debt	\$ 113	\$ 252
Accounts payable	870	723
Accrued expenses	740	939
Income taxes payable	48	61
Total Current Liabilities	1,771	1,975
Long-term Debt	2,822	2,879
Deferred Income Taxes	373	320
Other Liabilities	182	176
ESOP Preference Shares	380	389
Unearned Compensation	(367)	(375)
Shareowners' Equity:		
Common stock	124	124
Additional paid-in capital	21	34
Retained earnings	3,494	3,023
Total Shareowners' Equity	3,639	3,181
Total Liabilities and Shareowners' Equity	\$ 8,800	\$ 8,545

</TABLE>

Common stock has a par value of \$.50 per share; 700 million shares are authorized and 313.6 million shares were issued. At January 29, 1994, 248.3 million shares were outstanding and 65.3 million shares were held in treasury. At January 30, 1993, 248.1 million shares were outstanding and 65.5 million shares were held in treasury.

ESOP Preference Shares have a par value of \$.50 per share, stated value of \$507 per share and 800,000 shares are authorized. At January 29, 1994, 750,303 shares (convertible into 15.4 million common shares) were issued and outstanding. At January 30, 1993, 767,956 shares (convertible into 15.7 million common shares) were issued and outstanding.

See Preferred and Preference Stock in Notes to Consolidated Financial Statements for discussion of other preferred stock.

See the Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

<TABLE>

<CAPTION>

(millions)	1993	1992	1991
<S>	<C>	<C>	<C>
Operating Activities:			
Net earnings	\$ 711	\$ 603	\$ 515
Adjustments for noncash items included in earnings:			
Depreciation and amortization	348	341	319
Deferred income taxes (noncurrent)	10	9	14
Deferred and unearned compensation	17	21	21
Adjusted equity earnings of MCA partnership	-	(7)	(33)
Nonrecurring gain	-	(298)	-
Special and nonrecurring charges, net of tax benefit	-	298	-
Working capital (increases) decreases*	(216)	(142)	23
Other assets and liabilities, net	46	(10)	(53)
Total Operating Activities	916	815	806
Investing Activities:			
Capital expenditures	(700)	(404)	(512)
Disposition of property and equipment	118	72	46
Acquisition of 21% of MCAC	-	(156)	-
Collection of MCI note receivable	-	74	-
Other	(6)	20	(49)
Total Investing Activities	(588)	(394)	(515)
Financing Activities:			
Decrease in notes payable	-	-	(214)
Issuance of long-term debt	12	208	434
Repayment of long-term debt	(204)	(456)	(121)
Purchase of common stock	(54)	(31)	(32)
Issuance of common stock	32	46	44
Dividend payments	(240)	(223)	(216)
Total Financing Activities	(454)	(456)	(105)
(Decrease) Increase in Cash and Cash Equivalents	(126)	(35)	186
Cash and Cash Equivalents, Beginning of Year	172	207	21
Cash and Cash Equivalents, End of Year	\$ 46	\$ 172	\$ 207
*Comprised of:			
Accounts receivable, net	\$ (27)	\$ 37	\$ 90
Merchandise inventories	(229)	(50)	(113)
Other current assets	105	24	(47)
Accounts payable	147	61	(8)
Accrued expenses	(199)	(199)	24
Income taxes payable	(13)	(15)	77
Net (increase) decrease in working capital	\$ (216)	\$ (142)	\$ 23
Cash paid during the year:			
Interest	\$ 257	\$ 304	\$ 334
Income taxes	322	354	267

</TABLE>

Noncash investing and financing activities include the disposition of \$164 million investment in MCA and the elimination of \$618 million of MCAC loans upon dissolution of the MCA partnership in 1992, and conversions of ESOP Preference Shares into common stock of \$9, \$5 and \$3 million in 1993, 1992 and 1991, respectively.

See the Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Consolidated Statement of Shareowners' Equity

	Shares	Outstanding Common Stock Dollars	Additional Paid-in Capital	Retained Earnings	Total Share- owners' Equity
<S>	<C>	<C>	<C>	<C>	<C>
Balance at February 2, 1991	245,793	\$123	\$ -	\$2,344	\$2,467
Net earnings	-	-	-	515	515
Dividends paid:					
Common stock (\$.80 1/2 per share)	-	-	-	(198)	(198)
ESOP Preference Shares, net of tax benefit	-	-	-	(18)	(18)
Preferred stock	-	-	-	-	-
Common stock issued	2,299	1	46	-	47
Purchase of common stock	(1,176)	(1)	(31)	-	(32)
Balance at February 1, 1992	246,916	123	15	2,643	2,781
Net earnings	-	-	-	603	603
Dividends paid:					
Common stock (\$.82 1/2 per share)	-	-	-	(205)	(205)
ESOP Preference Shares, net of tax benefit	-	-	-	(18)	(18)
Preferred stock	-	-	-	-	-
Common stock issued	2,165	1	50	-	51
Purchase of common stock	(974)	-	(31)	-	(31)
Balance at January 30, 1993	248,107	124	34	3,023	3,181
Net earnings	-	-	-	711	711
Dividends paid:					
Common stock (\$.89 3/4 per share)	-	-	-	(223)	(223)
ESOP Preference Shares, net of tax benefit	-	-	-	(17)	(17)
Preferred stock	-	-	-	-	-
Common stock issued	1,611	1	40	-	41
Purchase of common stock	(1,376)	(1)	(53)	-	(54)
Balance at January 29, 1994	248,342	\$124	\$ 21	\$3,494	\$3,639

Outstanding common stock excludes shares held in treasury. Treasury share activity for the last three years is summarized below:

	1993	1992	1991
<S>	<C>	<C>	<C>
Balance, Beginning of Year	65,530	66,721	67,844
Common stock issued:			
Exercise of stock options	(967)	(1,667)	(1,679)
Deferred compensation plan	(239)	(217)	(324)
Restricted stock grants, net of forfeitures	31	(102)	(182)
Contribution to Profit Sharing Plan	(76)	-	-
Conversion of ESOP Preference Shares	(360)	(179)	(114)
Purchase of common stock	1,376	974	1,176
Balance, End of Year	65,295	65,530	66,721

See the Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

[The following "Notes to Consolidated Financial Statements" section is a reproduction of the same named section included in the paper format Annual Report on pages 23-29.]

Notes to Consolidated Financial Statements

Quarterly Results (Unaudited). Quarterly results are determined in accordance with the annual accounting policies and include certain items based upon estimates for the entire year. Summarized quarterly results for the last two years were as follows:

<TABLE>
<CAPTION>
(millions,
except per share)

Quarter <S>	1993 Year				
	First <C>	Second <C>	Third <C>	Fourth <C>	<C>
Revenues	\$2,422	\$2,586	\$2,814	\$3,707	\$11,529
Cost of sales	\$1,683	\$1,791	\$1,956	\$2,480	\$ 7,910
Net Earnings	\$ 96	\$ 117	\$ 133	\$ 365	\$ 711
Primary Earnings Per Share	\$.37	\$.45	\$.51	\$ 1.44	\$ 2.77
Fully Diluted Earnings Per Share	\$.35	\$.44	\$.49	\$ 1.37	\$ 2.65

<CAPTION>
(millions,
except per share)

Quarter <S>	1992 Year				
	First <C>	Second <C>	Third <C>	Fourth <C>	<C>
Revenues	\$2,388	\$2,486	\$2,671	\$3,605	\$11,150
Cost of sales	\$1,668	\$1,736	\$1,874	\$2,413	\$ 7,691
Net Earnings (Loss)	\$ 81	\$ 393*	\$ (190)*	\$ 319	\$ 603
Primary Earnings (Loss) Per Share	\$.31	\$ 1.56*	\$ (0.78)*	\$ 1.26	\$ 2.35
Fully Diluted Earnings (Loss) Per Share	\$.30	\$ 1.48*	\$ (0.72)*	\$ 1.20	\$ 2.26

* During the 1992 second quarter, the company recorded a \$298 million pretax and after tax nonrecurring gain, \$1.12 per share on a fully diluted basis (\$1.20 per share on a primary basis), from the distribution of the MCA partnership assets. (See May Centers Associates on page 27.) During the 1992 third quarter, the company recorded pretax charges of \$485 million, \$298 million after tax and \$1.12 per share on a fully diluted basis (\$1.20 per share on a primary basis), for special and nonrecurring items. (See Special and Nonrecurring Items on page 27.) On a full-year basis, the special and nonrecurring items had no impact on net earnings or earnings per share.

There are variables and uncertainties in the factors used to estimate the annual LIFO provision on an interim basis. The following unaudited supplementary information shows the pro forma per share impact of LIFO had the final variables and factors been known at the beginning of each year.

<TABLE>
<CAPTION>

Quarter <S>	1993		1992	
	Pro Forma	As Reported	Pro Forma	As Reported
First	<C> \$.00	<C> \$.02	<C> \$.00	<C> \$.02
Second	.01	.02	.01	.02
Third	.00	.01	.00	.01
Fourth	.01	(.03)	.01	(.03)
Year	\$.02	\$.02	\$.02	\$.02

</TABLE>

Profit Sharing. The company has one qualified profit sharing plan which covers substantially all associates who are paid for 1,000 hours or more in a year and have attained age 21. The plan is a defined contribution plan which provides for discretionary matching allocations at a variable matching rate generally based upon changes in the company's annual earnings per share, as defined in the plan. The plan's matching allocation value totaled \$35, \$31 and \$17 million in 1993, 1992 and 1991, respectively.

The company's Profit Sharing Plan includes an Employee Stock Ownership Plan (ESOP) under which the Profit Sharing Plan borrowed \$400 million in 1989, guaranteed by the company, at an average rate of 8.5% with an average maturity of 12 years. The proceeds were used to purchase \$400 million of a new class of convertible preference stock of the company (ESOP Preference Shares). The company issued 788,955 shares of ESOP Preference Shares. Each share is convertible into 20.4903 shares of common stock and has a stated value of \$24.74 per common share equivalent. The annual dividend rate on the ESOP Preference Shares is 7.5%, and the shares are redeemable by the holder or the company in certain situations.

The \$396 million outstanding portion of the guaranteed ESOP debt is reflected in the consolidated balance sheet in long-term debt as the company will ultimately fund the required debt service. The company's contributions to the

ESOP, along with the dividends on the ESOP Preference Shares, are used to repay the loan principal and interest. Interest expense associated with the ESOP debt was \$33 million in 1993 and \$34 million in each of 1992 and 1991. ESOP Preference Shares dividends were \$29 million in each of 1993 and 1992, and \$30 million in 1991. ESOP debt principal payments began in 1993. ESOP Preference Shares are released based upon debt service payments and are allocated to participating associates' accounts. Unearned compensation, initially an equal, offsetting amount to the \$400 million guaranteed ESOP debt, has been adjusted for the difference between the expense related to the ESOP and cash payments to the ESOP, and is amortized as principal is repaid.

The company's expense related to the Profit Sharing Plan was \$22, \$14 and \$11 million in 1993, 1992 and 1991, respectively.

At January 29, 1994, the Profit Sharing Plan beneficially owned 11.7 million shares of the company's common stock and 100% of the company's ESOP Preference Shares, which are convertible into 15.4 million shares of the company's common stock, representing 10.2% of the company's common stock on a fully converted basis.

Pension. The company has one retirement plan which covers substantially all associates who are paid for 1,000 hours or more in a year and have attained age 21. The plan is noncontributory and provides benefits based upon years of service and pay during employment. The company also maintains a nonqualified supplementary retirement plan for certain associates and foreign retirement plans for certain overseas-based associates.

Pension expense is determined by the company based on information provided by an outside actuarial firm, using assumptions to estimate the total benefits ultimately payable to associates and then allocating this cost to service periods. The actuarial assumptions used to calculate pension costs are reviewed annually. The following tables summarize the funded status of the

plans, components of pension expense, actuarial assumptions and definitions of terms.

<TABLE>

<CAPTION>

(millions)

	1993	1992
<S>	<C>	<C>
Actuarial Present Value of Benefit Obligations:		
Vested benefit obligation	\$206	\$194
Nonvested benefit obligation	18	16
Accumulated benefit obligation (ABO)	224	210
Estimated effect of future salary increases	56	55
Projected benefit obligation (PBO)	280	265
Plan assets at fair value (primarily equity and fixed income securities)	234	251
Plan assets less than PBO	(46)	(14)
Unrecognized obligation	5	6
Unrecognized gain	(19)	(43)
Unrecognized prior service cost	21	21
Accrued pension cost	\$(39)	\$(30)
Plan assets in excess of ABO	\$ 10	\$ 41

</TABLE>

The accrued pension cost primarily represents the unfunded ABO for the nonqualified supplementary retirement plan.

During 1993, the discount rate assumption was lowered from 8.25% to 7.0% as a result of decreases during the year in interest rates used as a benchmark in determining the assumed discount rate. The lower discount rate assumption increased the 1993 year-end ABO by approximately \$30 million.

<TABLE>

<CAPTION>

(millions)

	1993	1992	1991
<S>	<C>	<C>	<C>
Components of Pension Expense:			
Service cost	\$ 23	\$ 23	\$ 22
Interest on PBO	20	20	21
Actual return on assets	(22)	(12)	(43)
Net amortization and deferral	3	(7)	24
Settlement of pension obligations	-	-	(5)
Total	\$ 24	\$ 24	\$ 19

</TABLE>

The increase in 1992 pension expense from 1991 was primarily due to a \$5

million reduction of expense resulting from the 1991 settlement of certain retirees' pension obligations.

The change in the actuarial assumptions shown below will increase 1994 pension expense by approximately \$8 million.

	1994	1993	January 1, 1992
Actuarial Assumptions:			
Discount rate	7.0%	8.25%	8.25%
Expected return on plan assets	7.5	8.25	8.25
Salary increase	5.0	6.0	6.0

Definitions of Terms:

ABO is the actuarial present value of benefits (both vested and nonvested) attributed by the pension benefit formula to prior associate service based on current and past compensation levels.

PBO is the actuarial present value of benefits attributed by the pension benefit formula to prior associate service taking into consideration future salary increases.

Accrued pension cost is the balance sheet accrued expense not yet paid to a plan.

Net amortization and deferral represents the net effect during the period of the delayed recognition provisions of SFAS No. 87.

Another important element in the retirement programs for associates is the federal Social Security system into which the company paid \$134 million in 1993 as its matching portion of the \$134 million contributed by associates.

The company maintains a postretirement benefit plan for certain associates. Benefits vary by the group of associates covered and include fixed or variable benefits for life and/or health insurance. Current eligibility is limited to a small group of associates. During 1993, the company lowered the discount rate assumption from 8.25% to 7.0%, which resulted in a \$5 million increase in the present value of future obligations. As of January 29, 1994, the company's estimated present value of future obligations for postretirement benefits was \$43 million of which \$39 million was accrued. As provided in Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," an unrecognized net loss of less than 10% of the liability is not required to be amortized. The estimated future obligations are based upon assumed annual health care cost increases of 12% for 1994 and decreasing by 1% annually to 8% for 1998 and future years. A one-percentage-point increase in the assumed annual health care cost increases would increase the present value of estimated future obligations for postretirement benefits by \$1 million. The postretirement plan is unfunded. The postretirement expense was \$2 million in 1993 and \$3 million in each of 1992 and 1991.

Taxes. The provision for income taxes and related percent of pretax earnings for the last three years were as follows:

	1993		1992		1991	
(dollars in millions)	\$	%	\$	%	\$	%
Federal	\$304		\$ 259		\$237	
State and local	68		49		49	
Taxes currently payable	372	31.6%	308	38.9%	286	35.9%
Federal	81		(106)		(5)	
State and local	14		(14)		-	
Deferred taxes	95	8.0	(120)	(15.2)	(5)	(0.6)
Total	\$467	39.6%	\$ 188	23.7%	\$281	35.3%

The 1993 federal income tax rate increase, effective retroactive to January 1, 1993, resulted in an additional \$13 million tax provision in 1993.

The provision for deferred income taxes prior to the adoption of SFAS No. 109 consisted of:

	1992	1991
Depreciation and amortization	\$ 8	\$ 15
Accrued expenses and reserves	(124)	(18)
Other, net	(4)	(2)

Total	\$ (120)	\$ (5)
-------	----------	--------

The reconciliation between the statutory federal income tax rate and the effective income tax rate for the last three years follows:

	1993	1992	1991
Statutory federal income tax rate	35.0%	34.0%	34.0%
State and local income taxes, net of federal tax benefit	4.5	2.9	4.3
Nonrecurring gain	-	(12.8)	-
Equity earnings of MCA partnership	-	(0.3)	(1.6)
Other, net	0.1	(0.1)	(1.4)
Effective income tax rate	39.6%	23.7%	35.3%

Major components of deferred tax assets and liabilities were as follows:

(millions)	January 29, 1994	January 31, 1993
Accrued expenses and reserves	\$ 190	\$ 282
Deferred and other compensation	92	93
Depreciation/amortization and basis differences	(401)	(401)
Other deferred income tax liabilities, net	(72)	(10)
Net deferred income taxes	(191)	(36)
Deferred investment tax credit	(3)	(6)
Less: Net current deferred income tax assets	(179)	(278)
Noncurrent deferred income taxes	\$ (373)	\$ (320)

January 31, 1993, balances reflect SFAS No.109.

Net current deferred income tax assets are included in other current assets in the accompanying balance sheet.

Taxes other than income taxes consisted of:

(millions)	1993	1992	1991
Payroll	\$165	\$164	\$162
Real estate and personal property	79	83	78
Total	\$244	\$247	\$240

Accounts Receivable. During 1993, credit sales under department store credit programs were \$6.0 billion, or 62.4% of 1993 department store sales compared with 64.2% in 1992 and 66.3% in 1991. An estimated 32 million customers hold credit cards under the company's various credit programs. During the past years, we have expanded our acceptance of third party credit cards. Sales made through third party credit cards, including sales of Payless ShoeSource stores, totaled \$1.5 billion in 1993 compared to \$1.1 billion in 1992.

Net accounts receivable consisted of:

(millions)	January 29, 1994	January 30, 1993
Customer accounts receivable	\$2,368	\$2,373
Other accounts receivable	102	76
Total accounts receivable	2,470	2,449
Allowance for uncollectible accounts	(76)	(82)
Accounts receivable, net	\$2,394	\$2,367

The carrying value of net accounts receivable approximates fair value.

Other Current Assets. In addition to net current deferred income tax assets,

other current assets consisted of prepaid expenses and supply inventories.

Other Assets. Major components of other assets included:

	January 29, 1994	January 30, 1993
(millions)		
Notes receivable	\$44	\$38
Deferred debt expense and restricted construction funds	29	40

Accrued Expenses. Major components of accrued expenses included:

	January 29, 1994	January 30, 1993
(millions)		
Insurance costs	\$199	\$194
Sales and use and other taxes	130	120
Consolidations, store closings and other	113	336
Interest and rent expense	98	98
Salaries, wages and employee benefits	80	79
Advertising and other operating expenses	45	54
Construction costs	34	17

Short-term Debt and Lines of Credit.

Short-term borrowings for the last three years were:

	1993	1992	1991
(dollars in millions)			
Balance outstanding at year-end	-	-	-
Average balance outstanding	\$ 94	\$ 36	\$ 81
Average interest rate on average balance	3.3%	3.6%	5.7%
Maximum balance outstanding	\$ 344	\$ 135	\$ 249

The average balance of short-term borrowings outstanding, primarily commercial paper, and the respective weighted average interest rates are based on the number of days such short-term borrowings were outstanding during the year. The company has available credit agreements amounting to \$750 million. At January 29, 1994, there were no amounts outstanding under these agreements.

Long-term Debt. Long-term debt and capital lease obligations were:

	January 29, 1994	January 30, 1993
(dollars in millions)		
2.25% to 10.75% unsecured notes and sinking fund debentures due 1994-2022	\$2,780	\$2,960
3.0% to 10.0% mortgage notes and bonds due 1995-2012	72	74
Total debt	2,852	3,034
Capital lease obligations	83	97
	2,935	3,131
Less current maturities	(113)	(252)
Total	\$2,822	\$2,879

During 1993, the company retired \$100 million of high interest rate debt. The cost associated with retiring the debt was recorded in 1992. See Special and Nonrecurring Items on page 27.

During 1992, the company issued \$200 million of 8-3/8% debentures due in 2022. The proceeds from the issuance were added to the company's general funds and were available for the purchase of certain of the company's other indebtedness, capital expenditures, working capital needs and other general corporate purposes, including investments and acquisitions. During 1992, the company retired \$360 million of high interest rate debt. Also, upon dissolution of the MCA partnership on May 18, 1992, the company received a majority ownership interest in MCAC and, therefore, \$618 million of MCAC loans were eliminated on a consolidated basis. See May Centers Associates and

During 1991, the company obtained \$434 million of long-term financing, consisting of \$375 million from the issuance of 30-year debentures, \$2 million from the issuance of medium-term notes and \$57 million from sale/leaseback transactions. The proceeds from these financings were used to repay the company's outstanding commercial paper and short-term indebtedness, and for general corporate purposes.

The annual maturities of long-term debt, including sinking fund requirements and anticipated early retirements, are \$113, \$169, \$21, \$237 and \$244 million for 1994 through 1998, respectively.

The fair value of the company's total debt was \$3.44 billion compared to a recorded amount of \$2.85 billion at January 29, 1994, and was \$3.45 billion compared to \$3.03 billion at January 30, 1993. The increase in the spread between the fair value and recorded amount in 1993 was due to lower interest rates at the end of 1993 compared to the end of 1992. The fair value was determined based upon borrowing rates currently available for debt instruments with similar remaining terms and maturities.

The net book value of property and equipment encumbered under long-term debt agreements was \$124 million at January 29, 1994.

In connection with a 1986 real estate transaction, the company sold \$165 million of notes received from the sale of real estate and became contingently liable for up to \$42 million of the purchaser's debt in the event of default. The fair value of this guarantee is not significant.

Lease Obligations. The company owns approximately 77% of its department stores and leases substantially all of its Payless ShoeSource stores. Approximately 79% of real property rent expense was attributable to Payless ShoeSource stores in 1993.

Rental expense for the company's operating leases consisted of:

(millions)	1993	1992	1991
Minimum rentals	\$223	\$202	\$183
Contingent rentals based on sales	18	19	21
Real property rentals	241	221	204
Equipment rentals	7	8	11
Total	\$248	\$229	\$215

Future minimum lease payments at January 29, 1994, were as follows:

(millions)	Capital Leases	Operating Leases	Total
1994	\$ 12	\$ 209	\$ 221
1995	11	195	206
1996	11	180	191
1997	11	160	171
1998	11	143	154
After 1998	165	588	753
Minimum lease payments	221	\$1,475	\$1,696
Less imputed interest component	(138)		
Present value of net minimum lease payments of which \$2 million is included in current liabilities	\$ 83		

The present value of operating leases was \$967 million at January 29, 1994.

The company entered into capital leases with MCI (currently known as CenterMark Properties, Inc.) in 1988 for certain department store properties, resulting in initial capital lease obligations of \$74 million payable to MCI through 2017. These leased properties owned by MCI secured a 12%, \$74 million note receivable from MCI, which was repaid in 1992. See May Centers Associates on page 27.

Property under capital leases is summarized as follows:

(millions)	January 29, 1994	January 30, 1993
------------	---------------------	---------------------

<S>	<C>	<C>
Cost	\$ 83	\$101
Accumulated amortization	(30)	(37)
Total	\$ 53	\$ 64

Other Liabilities. Other liabilities principally consisted of deferred compensation liabilities of \$178 million and \$171 million at January 29, 1994, and January 30, 1993, respectively. Under the company's deferred compensation plan, eligible associates may elect to defer a portion of their compensation each year into cash and/or stock unit alternatives. The company makes payments in shares to settle obligations with most participants who defer in stock units and maintains shares in treasury sufficient to settle all outstanding stock unit obligations.

Bondholder Litigation. The company is a defendant in a lawsuit led in Montgomery, Alabama, by certain former bondholders who allege, among other things, that the company reacquired certain indebtedness with lower-interest cost debt in violation of the bond indentures. The lawsuit seeks either reinstatement of the indebtedness plus reimbursement of the plaintiffs' attorneys fees or contractual damages in excess of \$25 million. The lawsuit also seeks punitive damages in excess of \$100 million. The company believes its actions were legal and proper and will vigorously defend its position. While the final outcome of this lawsuit cannot be determined with certainty, management believes that the final outcome will not have a material adverse effect on the company's results of operations or its financial position.

Preferred and Preference Stock. The company is authorized to issue 25,134,474 shares of preferred and preference stock. The following summarizes the authorized, issued and outstanding shares by type:

(dollars in millions, except per share)	Shares	Issued and Outstanding			
		January 29, 1994		January 30, 1993	
<S>	<C>	\$	Shares	\$	Shares
		<C>	<C>	<C>	<C>
Preferred Stock, no par value	51,323	1	12,115	1	12,115
\$1.80 Preference Stock, no par value	73,273	1	26,653	1	26,733
3-3/4% Cumulative Preference Stock, \$1.00 par value per share	9,878	-	-	-	-
Preference Stock, \$.50 par value per share, in the aggregate, including ESOP shares	25,000,000	380	750,303	389	767,956

The Preferred Stock and the \$1.80 Preference Stock are included in other liabilities. The ESOP Preference Shares are shown separately in the consolidated balance sheet outside of shareowners' equity as the shares are redeemable by the holder or the company in certain situations.

Common Stock Split. In June 1993, the company effected a two-for-one split in the form of a 100% common stock dividend (the "stock split"). Also, during 1993, the shareowners approved an amendment to the company's Certificate of Incorporation to increase the number of shares of common stock authorized from 350 million to 700 million, and decrease the par value per share of common stock from \$1.00 to \$.50. All share and per share data included in this annual report have been restated to reflect the stock split.

Stock Option and Stock Related Plans. Under the company's common stock option plans, options are granted at the market price on the date of grant. Options to purchase may extend for a period of five or 10 years, may be exercised in installments only after stated intervals of time, and are conditioned upon continued active employment with the company, except periods following retirement, disability or death. As the option price is fixed at the market price on the date of grant, no expense is charged against earnings by the company. The changes in outstanding stock options were as follows:

(shares in thousands)	Shares	1993		1992	
		Grant	Prices	Grant	Prices
<S>	<C>	<C>	<C>	<C>	<C>
Outstanding at beginning of year	4,941	\$ 8-37	5,417	\$ 4-29	
Granted	1,227	37-44	1,584	27-37	
Exercised	(967)	8-36	(1,661)	4-27	
Canceled or expired	(421)	15-37	(399)	15-36	
Outstanding at end of year	4,780	\$ 8-44	4,941	\$ 8-37	

Exercisable at end of year	1,503	\$ 8-37	1,133	\$ 8-27
Shares available for additional grants	4,195		5,104	

Under the 1979 Restricted Stock Plan, the company is authorized to grant a maximum of 3.6 million shares to management associates. No monetary consideration is paid by associates receiving restricted stock. Restrictions lapse over periods of up to 10 years as determined at the date of grant. During 1993 and 1992, the company granted 44,000 and 196,600 shares of restricted stock, respectively.

Shareowner Rights Plan. The company has a Shareowner Rights Plan (Preferred Stock Purchase Rights) under which a right is attached to each share of the company's common stock. The rights may only become exercisable under certain circumstances involving actual or potential acquisitions of the company's common stock by a person or affiliated persons. Depending upon the circumstances, if the rights become exercisable, the holder may be entitled to purchase units of the company's preference stock, shares of the company's common stock or shares of common stock of the acquiring person. The rights will remain in existence until March 3, 1996, unless they are earlier terminated, exercised or redeemed.

May Centers Associates. On May 18, 1992, the May Centers Associates (MCA) partnership was dissolved and its assets were distributed to its 50% partners, the company and an affiliate of The Prudential Life Insurance Company (The Prudential). The asset distribution resulted in the company receiving 79% of the stock of May Centers Associates Corporation (MCAC) and The Prudential receiving 21% of the stock of MCAC and 100% of the stock of May Centers, Inc. (MCI). MCI, a real estate entity, and MCAC, an entity which had entered into various sale/leaseback transactions with the company, were both 100% owned by MCA prior to the distribution. Subsequent to the distribution, MCI changed its name to CenterMark Properties, Inc. During the 1992 second quarter, the company recorded a \$298 million pretax and after tax nonrecurring gain from the distribution of MCA partnership assets. In the 1992 fourth quarter, the company acquired the 21% of the stock of MCAC held by The Prudential for \$156 million.

The company's investment in the MCA partnership and its results of operations were recorded using the equity method of accounting. Included in selling, general and administrative expenses were \$7 and \$33 million of adjusted equity earnings of MCA in 1992 and 1991, respectively. Prior to 1992, the company and MCAC entered into sale/leaseback transactions whereby MCAC purchased from the company various department store properties. The sale/leasebacks were accounted for as loans from MCAC (MCAC loans). Upon dissolution of the MCA partnership on May 18, 1992, the company received a majority ownership interest in MCAC and, therefore, \$618 million of MCAC loans were eliminated on a consolidated basis.

Special and Nonrecurring Items. During the 1992 third quarter, the company recorded pretax charges of \$485 million, \$298 million after tax, for special and nonrecurring items. The pretax charges consisted of: \$240 million for four department store company consolidations; \$125 million for planned closings of low-productivity stores and other real estate-related charges including adjustments to reflect expected values of a number of properties planned for disposition; \$60 million for the costs associated with achieving

various operating efficiencies, including the May Merchandising Company headquarters relocation to St. Louis and the data center combinations; \$40 million for the cost associated with retiring high interest rate debt; and \$20 million for a special contribution to The May Department Stores Company Foundation. The cost to retire the debt was not reflected as an extraordinary item as it was not material to total company earnings or the earnings trend of the company.

During the 1992 second quarter, the company recorded a \$298 million pretax and after tax nonrecurring gain from the distribution of the MCA partnership assets on May 18, 1992. See May Centers Associates on page 27.

The 1992 special and nonrecurring charges and nonrecurring gain are reflected as special and nonrecurring items on a separate line in the consolidated statement of earnings. The 1992 special and nonrecurring items had no impact on full-year net earnings or earnings per share.

During 1991, the company provided pretax charges of \$36 million for costs associated with two department store company consolidations and \$26 million for costs associated with closing 20 low-productivity stores. Also during 1991, the company recorded pretax gains of \$35 million from real estate transactions and \$25 million from the sale of its equity interest in The Caldor Corporation. Due to the insignificance of the \$2 million net impact of these items on pretax earnings, the 1991 pretax charges and pretax gains were included in selling, general and administrative expenses.

[The following "Six Year Summary by Business Segment" section is a reproduction of the same named section included in the paper format Annual Report on pages 28-29.]

Notes To Six Year Summary by Business Segment.

Net retail sales exclude finance charge revenues and sales of nonreplaced closed stores and sold divisions in all periods. The revenues shown below include finance charge revenues and all sales of all stores operating during the period.

(millions)	1993	1992	1991	1990	1989	1988
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues:						
Department stores	\$ 9,563	\$ 9,362	\$ 9,067	\$ 8,700	\$ 8,356	\$ 7,742
Payless ShoeSource	1,966	1,788	1,548	1,366	1,246	1,132
Total	\$11,529	\$11,150	\$10,615	\$10,066	\$9,602	\$8,874

Revenues for 1989 included 53 weeks.

Operating earnings represent LIFO earnings before federal and state income taxes, net interest expense and corporate expense, and exclude special and nonrecurring items and sold divisions. Goodwill, the fair value adjustment of property, equipment and leases, and the related amortization and depreciation of such items have been included in corporate expense and total assets.

In addition, consolidation costs, store closing costs and gains have been included in corporate expense and, in 1992, are shown on a separate line in the consolidated statement of earnings. Had these items been included in the operating segments, operating earnings and total assets for department stores, corporate and real estate would have been:

(millions)	1993	1992	1991	1990	1989	1988
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Operating Earnings:						
Department stores	\$1,262	\$ 722	\$ 912	\$ 907	\$ 941	\$ 711
Real estate	-	7	49	40	35	73
Corporate expense	(63)	127	(33)	(66)	(88)	(34)
Total Assets:						
Department stores	\$7,612	\$7,240	\$7,297	\$7,193	\$6,466	\$6,004
Corporate and real estate	356	577	753	524	822	1,128

Total assets for corporate consist principally of cash, cash equivalents, goodwill and purchase accounting fair value adjustments, the investment in MCA partnership (prior to dissolution in 1992) and the net assets of discontinued operations (Loehmann's in 1988 and earlier years, and Caldor and Venture in 1989 and earlier years).

Net assets represent total assets of continuing operations plus the present value of operating leases, minus current liabilities excluding notes payable and the current portion of long-term debt. Return on net assets by segment represents operating earnings plus the interest component of operating leases, divided by net assets at the beginning of the year.

Capital expenditures for department stores exclude amounts related to the acquisitions of Thalhimers in 1990 and Foley's and Filene's in 1988.

Six Year Summary by Business Segment

(dollars in millions)	1993	1992	1991	1990	1989	1988
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net Retail Sales						
Department stores	\$ 9,054	\$ 8,457	\$ 7,914	\$ 7,548	\$ 7,081	\$ 6,224
Payless ShoeSource	1,966	1,788	1,548	1,366	1,228	1,132
Total	\$11,020	\$10,245	\$9,462	\$8,914	\$8,309	\$7,356
Operating Earnings						
Department stores	\$ 1,276	\$ 1,109	\$ 963	\$ 915	\$ 945	\$ 792
Payless ShoeSource	225	214	184	161	144	138
Total	1,501	1,323	1,147	1,076	1,089	930
Corporate expense	(78)	(73)	(67)	(67)	(77)	(85)
Interest expense, net	(245)	(279)	(316)	(280)	(233)	(198)
Sold divisions and real estate	-	7	32	33	20	43
Special and nonrecurring items	-	(187)	-	-	-	-

Earnings from continuing operations before income taxes	\$ 1,178	\$ 791	\$ 796	\$ 762	\$ 799	\$ 690
LIFO Charge (Credit)						
Department stores	\$ 7	\$ 10	\$ 26	\$ 39	\$ (22)	\$ (3)
Operating Earnings as % of Revenues						
Department stores	13.3%	11.8%	10.6%	10.5%	11.4%	10.2%
Payless ShoeSource	11.4	12.0	11.9	11.7	11.7	12.2
Total Assets						
Department stores	\$ 6,822	\$ 6,431	\$ 6,498	\$ 6,389	\$ 5,752	\$ 5,307
Payless ShoeSource	833	728	678	519	442	400
Corporate and real estate	1,145	1,386	1,552	1,328	1,536	1,825
Total	\$ 8,800	\$ 8,545	\$ 8,728	\$ 8,236	\$ 7,730	\$ 7,532
Net Assets						
Department stores	\$ 5,738	\$ 5,413	\$ 5,527	\$ 5,499	\$ 4,716	\$ 4,348
Payless ShoeSource	1,418	1,253	1,069	851	749	664
Corporate and real estate	954	1,069	1,507	1,298	1,170	1,120
Total	\$ 8,110	\$ 7,735	\$ 8,103	\$ 7,648	\$ 6,635	\$ 6,132
Return on Net Assets						
Department stores	23.9%	20.5%	18.0%	20.0%	22.3%	19.6%
Payless ShoeSource	23.9	26.5	29.0	28.9	28.9	29.3
Total	19.6%	16.7%	16.0%	17.2%	18.0%	17.5%
Capital Expenditures						
Department stores	\$ 545	\$ 280	\$ 361	\$ 450	\$ 427	\$ 275
Payless ShoeSource	140	120	146	82	51	45
Corporate and real estate	15	4	5	16	44	17
Total	\$ 700	\$ 404	\$ 512	\$ 548	\$ 522	\$ 337
Depreciation and Amortization						
Department stores	\$ 255	\$ 258	\$ 250	\$ 231	\$ 208	\$ 187
Payless ShoeSource	67	58	46	40	36	32
Corporate and real estate	26	25	23	23	25	47
Total	\$ 348	\$ 341	\$ 319	\$ 294	\$ 269	\$ 266

</TABLE>

Net retail sales for 1989, a 53-week year, are shown above on a 52-week basis for comparability.

See Notes to Six Year Summary by Business Segment on page 28.

[The following "Eleven Year Financial Summary" section is a reproduction of the same named section included in the paper format Annual Report on pages 30-31.]

Eleven Year Financial Summary

<TABLE>											
<CAPTION>											
(dollars in millions, except per share)											
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net Retail Sales	\$11,020	\$10,245	\$ 9,462	\$ 8,914	\$ 8,397	\$ 7,356	\$ 5,833	\$ 5,293	\$ 4,672	\$ 4,289	\$ 3,882
Operations											
Revenues	\$11,529	\$11,150	\$10,615	\$10,066	\$ 9,602	\$ 8,874	\$ 7,480	\$ 7,437	\$ 6,825	\$ 6,361	\$ 5,815
Cost of sales	7,910	7,691	7,339	6,978	6,581	6,098	5,186	5,202	4,775	4,399	4,033
Selling, general and administrative expenses	2,196	2,202	2,164	2,046	1,989	1,888	1,563	1,572	1,436	1,363	1,240
Interest expense, net	245	279	316	280	233	198	80	92	91	88	81
Earnings from continuing operations before income taxes	1,178	791*	796	762	799	690	651	571	523	511	461
Income taxes	467	188*	281	262	284	242	258	238	237	234	210
Net earnings from continuing operations	711	603	515	500	515	448	393	333	286	277	251
Net earnings	711	603	515	500	498	534	444	381	347	327	297
Depreciation and amortization	348	341	319	294	269	266	212	209	181	160	151
Cash flow from operations(1)	1,059	944	834	794	784	714	605	542	467	437	402
Net issuances (repayments) of											

long-term debt(2)	(192)	(248)	313	590	169	891	(61)	159	141	(141)	(230)
Capital expenditures	700	404	512	548	522	337	424	435	400	266	198
Dividends on common stock	223	205	198	191	186	184	170	131	124	106	89

Per Share

Net earnings from continuing operations(3)	\$ 2.65	\$ 2.26	\$ 1.93	\$ 1.87	\$ 1.82	\$ 1.52	\$ 1.28	\$ 1.05	\$.91	\$.90	\$.82
Net earnings(3)	2.65	2.26	1.93	1.87	1.76	1.81	1.44	1.20	1.11	1.06	.97
Dividends paid	.90	.83	.81	.77	.69	.62	.56	.51	.46	.39	.33
Annual dividend rate at year-end	.92	.83	.81	.79	.71	.64	.57	.52	.47	.43	.33
Book value	14.65	12.82	11.26	10.04	9.32	10.75	9.13	8.50	7.86	7.25	6.61
Market price - high	46.50	37.25	30.19	29.56	26.31	20.00	25.44	22.06	16.25	12.09	10.50
- low	33.44	26.00	22.63	18.69	17.31	14.38	11.13	15.94	10.50	7.52	7.42
- average of high and low	39.97	31.63	26.41	24.13	21.81	17.19	18.28	19.00	13.38	9.81	8.96

Financial Position

Customer accounts receivable	\$ 2,368	\$ 2,373	\$ 2,377	\$ 2,456	\$2,223	\$2,099	\$1,590	\$1,516	\$1,578	\$1,514	\$1,379
Merchandise inventories	2,020	1,791	1,741	1,628	1,491	1,318	1,044	999	1,035	933	787
Working capital	2,908	2,679	3,052	2,635	2,059	2,094	1,821	1,921	1,529	1,354	1,338
Property and equipment, net	3,411	3,158	3,151	2,985	2,666	2,506	2,037	1,917	1,846	1,496	1,389
Long-term debt, preferred and preference stock	3,204	3,270	4,315	3,965	3,406	2,404	1,111	1,153	1,071	778	915
Shareowners' equity	3,639	3,181	2,781	2,467	2,319	3,050	2,723	2,595	2,421	2,233	2,041
Total assets	8,800	8,545	8,728	8,236	7,730	7,532	5,652	5,756	5,221	4,599	4,320

Statistics

Percent of revenues:

Net earnings from continuing operations	6.2%	5.4%	4.9%	5.0%	5.4%	5.1%	5.3%	4.5%	4.2%	4.4%	4.3%
Cash flow from operations(1)	9.2	8.5	7.9	7.9	8.2	8.1	8.1	7.3	6.8	6.9	6.9
Return on equity	22.1	21.5	20.7	21.8	18.0	18.6	17.0	15.7	15.5	16.1	17.0
Return on net assets	19.6	16.7**	16.0	17.2	18.0	17.5	17.4	17.7	18.8	18.9	18.3

Stores Open at Year-End

Department stores	301	303	318	324	288	297	258	286	301	303	300
Payless ShoeSource	3,779	3,563	3,295	2,967	2,746	2,602	2,436	2,210	1,867	1,662	1,389

Average Shares

Outstanding and Equivalents											
Primary	249.9	248.8	248.0	249.0	267.2	294.8	306.3	313.1	311.1	310.8	307.9
Fully Diluted	265.5	265.3	264.2	264.8	280.0	295.4	306.3	314.9	312.0	311.6	308.5

All years included 52 weeks, except 1989 and 1984 which included 53 weeks.

* Pretax earnings include a net charge of \$187 million from special and nonrecurring items, and income taxes include a tax benefit of \$187 million from special and nonrecurring items.

** Based on pretax earnings before special and nonrecurring items.

- (1) Cash flow from operations represents net earnings and depreciation/amortization from continuing operations and is different than cash flow from operating activities as shown on the Statement of Cash Flows.
- (2) Net issuances (repayments) of long-term debt exclude the elimination of \$618 million of MCAC loans in 1992 and \$400 million of guaranteed ESOP debt in 1989.
- (3) Represents fully diluted basis. Primary earnings per share were \$.12 higher in 1993, \$.09 higher in 1992, \$.08 higher in 1991, \$.07 higher in 1990, \$.05 higher in 1989 and \$.01 higher in each of 1988 and 1986.

Management's Responsibility and Report of Independent Public Accountants

Report of Management. Management is responsible for the preparation, integrity and objectivity of the financial information included in this annual report. The financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis. The financial statements include amounts based on certain estimates and judgments of currently available information and management's view of current conditions and circumstances. Management uses the services of specialists within and outside the company in making such estimates and judgments.

Management has established and maintains a system of accounting and controls to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that accounting records provide a reliable basis for the preparation of financial statements and to ensure that such financial statements are not misstated due to material fraud or error. The system of controls includes the careful selection of associates, a division of responsibilities and the communication and application of formal policies

and procedures that are consistent with high standards of accounting and administrative practices. An important element of this system is a comprehensive internal audit program. Management continually reviews, modifies and improves its systems of accounting and controls in response to changes in business conditions and operations and to recommendations in the reports prepared by the independent public accountants and internal auditors.

Management believes that it is essential for the company to conduct its business affairs in accordance with the highest ethical standards and in conformity with the law. This standard is described in the company's policies on business conduct which are publicized throughout the company.

Audit Committee of the Board of Directors.

The Board of Directors, through the activities of its Audit Committee, participates in the reporting of financial information by the company. The committee meets regularly with management, the internal auditors and representatives of the company's independent public accountants. The committee met four times during 1993 and reviewed the scope, timing and fees for the annual audit and the results of audit examinations completed by the internal auditors and independent public accountants, including the recommendations to improve certain internal controls and the follow-up reports prepared by management. Representatives of the independent public accountants and the internal auditors have free access to the committee and the Board of Directors and attend each meeting of the committee.

The members of the Audit Committee are Russell E. Palmer (chairman), Edward H. Meyer, Michael R. Quinlan, William P. Stiritz, Robert D. Storey and Murray L. Weidenbaum.

The Audit Committee reports the results of its activities to the full Board of Directors.

[The following "Report of Independent Public Accountants" section is a reproduction of the same named section included in the paper format Annual Report on page 32.]

Report of Independent Public Accountants.

To the Board of Directors and Shareowners of The May Department Stores Company:

We have audited the accompanying consolidated balance sheet of The May Department Stores Company (a New York corporation) and subsidiaries as of January 29, 1994, and January 30, 1993, and the related consolidated statements of earnings, shareowners' equity and cash flows for each of the three fiscal years in the period ended January 29, 1994. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The May Department Stores Company and subsidiaries as of January 29, 1994, and January 30, 1993, and the results of their operations and their cash flows for each of the three fiscal years in the period ended January 29, 1994, in conformity with generally accepted accounting principles.

Arthur Andersen & Co.
1010 Market Street
St. Louis, Missouri 63101-2089

February 21, 1994

The May Department Stores Company
Exhibit 13 Graphic Material Index

Bar Chart Description	Narrative Location Within This Electronic Document
-----------------------	--

Net retail sales from continuing operations (billions)	Page 1
--	--------

Earnings per share from continuing operations	Page 2
---	--------

Net earnings from continuing operations (millions)	Page 2
Common stock price range	Page 3
Book value per common share	Page 3
Sales per square foot	Page 4
Return on equity	Page 5
Return on net assets	Page 5
Cash flow from depreciation and amortization and net earnings (millions)	Page 6
Dividends per common share (year-end rate)	Page 6

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For The Year Ended December 31, 1993

A. Full title of the plan if different from that of the issuer
named below:

THE MAY DEPARTMENT STORES COMPANY
PROFIT SHARING PLAN

B. Name of issuer of securities held pursuant to the plan and the
address of its principal executive office:

THE MAY DEPARTMENT STORES COMPANY
611 Olive Street
St. Louis, MO 63101

THE MAY DEPARTMENT STORES COMPANY
PROFIT SHARING PLAN

FINANCIAL STATEMENTS AND EXHIBITS

Listed below are all financial statements and exhibits filed as part of this annual report on Form 11-K:

Financial Statements	Page of this Form 11-K
Report of Independent Public Accountants	3
Financial Statements of the Plan:	
Statement of Financial Condition - December 31, 1993	4
Statement of Financial Condition - December 31, 1992	6
Statement of Income and Changes in Plan Equity for the Year Ended December 31, 1993	8
Statement of Income and Changes in Plan Equity for the Year Ended	

December 31, 1992	10
Notes to Financial Statements - December 31, 1993 and 1992	12
Schedule I - Schedule of Investments - December 31, 1993	17
Schedule II - Schedule of Reportable Transactions for the Year Ended December 31, 1993	21
Exhibit	
Consent of Independent Public Accountants	22

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan Administrator has duly caused this annual report to be signed by the undersigned, thereunto duly authorized.

THE MAY DEPARTMENT STORES COMPANY
PROFIT SHARING PLAN

By: The May Department Stores Company

Date: April 15, 1994

By: /s/ Jerome T. Loeb
Jerome T. Loeb
President and Chief Financial Officer

To The May Department Stores Company
Profit Sharing Plan:

We have audited the accompanying statements of financial condition of The May Department Stores Company Profit Sharing Plan as of December 31, 1993 and 1992, and the related statements of income and changes in plan equity for the years then ended. These financial statements and the schedules referred to below are the responsibility of the Plan Administrator. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial condition of the Plan as of December 31, 1993 and 1992, and the income and changes in plan equity for the years then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of investments and reportable transactions are presented for purposes of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN & CO.

St. Louis, Missouri,
 April 15, 1994

THE MAY DEPARTMENT STORES COMPANY
 PROFIT SHARING PLAN
 STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 1993
 (Thousands)

ASSETS	Investment Funds			
	ESOP Preference		May	Money
	Unallocated	Member Allocated	Common Stock	Market
INVESTMENTS, at fair value:				
The May Department Stores Company-				
Convertible preferred stock	\$522,853	\$ 82,973	\$ -	\$ -
Common stock	-	-	456,877	-
Short-term investments	-	-	3,294	48,501
Commingled equity index fund	-	-	-	-
U.S. government securities	-	-	-	-
Fixed income investments	-	-	-	-

Total investments	522,853	82,973	460,171	48,501
OTHER ASSETS:				
Receivable (payable) for allocation to member accounts	(25,997)	25,997	-	-
Receivable - employer supplemental contribution	-	-	5,888	-
Dividends and interest receivable	-	-	12	136
Receivables - withholdings of member contributions	-	-	379	84
Cash	-	-	-	-
Interfund receivable (payable)	-	(11)	812	(228)
Total assets	\$496,856	\$108,959	\$467,262	\$48,493
LIABILITIES AND PLAN EQUITY				
LIABILITIES:				
Notes payable	\$396,475	\$ -	\$ -	\$ -
Accrued interest payable	5,556	-	-	-
Net amount payable for investment securities transactions and other	-	-	1,264	-
Amounts payable for administrative expenses	-	-	336	90
Total liabilities	402,031	-	1,600	90
PLAN EQUITY	94,825	108,959	465,662	48,403
Total liabilities and plan equity	\$496,856	\$108,959	\$467,262	\$48,493

(Continued on following page)

THE MAY DEPARTMENT STORES COMPANY

PROFIT SHARING PLAN

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 1993

(Thousands)

ASSETS	Investment Funds			Total
	Common Stock Index	Fixed Income Index	Distribution Account	
INVESTMENTS, at fair value:				
The May Department Stores Company-				
Convertible preferred stock	\$ -	\$ -	\$ -	\$ 605,826
Common stock	-	-	-	456,877
Short-term investments	480	1,076	1,021	54,372
Commingled equity index fund	42,034	-	-	42,034
U.S. government securities	-	26,133	-	26,133
Fixed income investments	-	5,975	-	5,975
	-----	-----	-----	-----
Total investments	42,514	33,184	1,021	1,191,217
OTHER ASSETS:				
Receivable (payable) for allocation to member accounts	-	-	-	-
Receivable - employer supplemental contribution	-	-	-	5,888
Dividends and interest receivable	89	639	-	876
Receivables - withholdings of member contributions	95	64	-	622
Cash	173	-	-	173
Interfund receivable (payable)	(393)	(180)	-	-
	-----	-----	-----	-----
Total assets	\$42,478	\$33,707	\$1,021	\$1,198,776
	=====	=====	=====	=====
LIABILITIES AND PLAN EQUITY				
LIABILITIES:				
Notes payable	\$ -	\$ -	\$ -	\$ 396,475
Accrued interest payable	-	-	-	5,556
Net amount payable for investment securities transactions and other	1	-	1,021	2,286

Amounts payable for administrative expenses	73	63	-	562
	-----	-----	-----	-----
Total liabilities	74	63	1,021	404,879
PLAN EQUITY	42,404	33,644	-	793,897
	-----	-----	-----	-----
Total liabilities and plan equity	\$42,478	\$33,707	\$1,021	\$1,198,776
	=====	=====	=====	=====

The accompanying notes are an integral part of this statement.

THE MAY DEPARTMENT STORES COMPANY

PROFIT SHARING PLAN

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 1992

(Thousands)

ASSETS	Investment Funds			
	ESOP Preference		May Common Stock	Money Market
	Unallocated	Member Allocated		
INVESTMENTS, at fair value:				
The May Department Stores Company-				
Convertible preferred stock	\$499,586	\$56,106	\$ -	\$ -
Common stock	-	-	461,720	-
Short-term investments	-	-	2,148	57,480
Commingled equity index fund	-	-	-	-
U.S. government securities	-	-	-	-

Fixed income investments	-	-	-	-
	-----	-----	-----	-----
Total investments	499,586	56,106	463,868	57,480
OTHER ASSETS:				
Receivable (payable) for allocation to member accounts	(25,737)	25,737	-	-
Receivable - employer supplemental contribution	-	-	2,733	-
Dividends and interest receivable	-	-	10	171
Receivables--withholdings of member contributions	-	-	277	123
Interfund receivable (payable)	-	(27)	193	(29)
	-----	-----	-----	-----
Total assets	\$473,849	\$81,816	\$467,081	\$57,745
	=====	=====	=====	=====
LIABILITIES AND PLAN EQUITY				
LIABILITIES:				
Notes payable	\$400,000	\$ -	\$ -	\$ -
Benefits payable to members	-	519	5,160	1,269
Accrued interest payable	5,658	-	-	-
Amounts payable for administrative expenses	-	-	494	167
	-----	-----	-----	-----
Total liabilities	405,658	519	5,654	1,436
PLAN EQUITY	68,191	81,297	461,427	56,309
	-----	-----	-----	-----
Total liabilities and plan equity	\$473,849	\$81,816	\$467,081	\$57,745
	=====	=====	=====	=====

(Continued on following page)

THE MAY DEPARTMENT STORES COMPANY

PROFIT SHARING PLAN

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 1992
(Thousands)

ASSETS	Investment Funds		Distribution Account	Total
	Common Stock Index	Fixed Income Index		
INVESTMENTS, at fair value:				
The May Department Stores Company-				
Convertible preferred stock	\$ -	\$ -	\$ -	\$ 555,692
Common stock	-	-	-	461,720
Short-term investments	347	604	2,979	63,558
Commingled equity index fund	39,127	-	-	39,127
U.S. government securities	-	25,959	-	25,959
Fixed income investments	-	6,470	-	6,470
	-----	-----	-----	-----
Total investments	39,474	33,033	2,979	1,152,526
OTHER ASSETS:				
Receivable (payable) for allocation to member accounts	-	-	-	-
Receivable - employer supplemental contribution	-	-	-	2,733
Dividends and interest receivable	85	731	-	997
Receivables--withholdings of member contributions	70	62	-	532
Interfund receivable (payable)	186	(323)	-	-
	-----	-----	-----	-----
Total assets	\$39,815	\$33,503	\$2,979	\$1,156,788
	=====	=====	=====	=====
LIABILITIES AND PLAN EQUITY				
LIABILITIES:				
Notes payable	\$ -	\$ -	\$ -	\$ 400,000
Benefits payable to members	303	569	2,979	10,799
Accrued interest payable	-	-	-	5,658
Amounts payable for administrative expenses	111	101	-	873

Total liabilities	414	670	2,979	417,330
PLAN EQUITY	39,401	32,833	-	739,458
Total liabilities and plan equity	\$39,815	\$33,503	\$2,979	\$1,156,788

The accompanying notes are an integral part of this statement.

THE MAY DEPARTMENT STORES COMPANY

PROFIT SHARING PLAN

STATEMENT OF INCOME AND CHANGES IN PLAN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 1993

(Thousands, except unit information)

	Investment Funds		
	ESOP Preference		May
	Unallocated	Member Allocated	Common Stock
INCREASE IN UNREALIZED APPRECIATION OF INVESTMENTS	\$ 52,456	\$ 9,067	\$ 43,603
INVESTMENT INCOME:			
Dividends	25,585	3,249	10,796
Interest	-	-	109
	25,585	3,249	10,905
NET REALIZED GAIN ON INVESTMENTS SOLD			

OR DISTRIBUTED	-	2,324	3,936
	-----	-----	-----
CONTRIBUTIONS:			
Member	-	-	35,127
Employer allocation	(26,200)	26,200	-
Employer ESOP contribution	8,224	-	-
Employer supplemental contribution	-	-	5,888
Member interfund transfers	-	(187)	1,465
Forfeiture reallocation	-	-	32
	-----	-----	-----
	(17,976)	26,013	42,512
	-----	-----	-----
DEDUCTIONS:			
Member terminations and withdrawals	-	(12,991)	(95,279)
Interest expense	(33,431)	-	-
Administrative expenses	-	-	(1,442)
	-----	-----	-----
	(33,431)	(12,991)	(96,721)
	-----	-----	-----
INCREASE (DECREASE) IN PLAN EQUITY	26,634	27,662	4,235
PLAN EQUITY AT DECEMBER 31, 1992	68,191	81,297	461,427
	-----	-----	-----
PLAN EQUITY AT DECEMBER 31, 1993	\$ 94,825	\$108,959	\$ 465,662
	=====	=====	=====
NUMBER OF UNITS AT DECEMBER 31, 1993			13,564,085
			=====
VALUE PER UNIT AT DECEMBER 31, 1993			\$33.61
			=====

(Continued on following page)

THE MAY DEPARTMENT STORES COMPANY

PROFIT SHARING PLAN

STATEMENT OF INCOME AND CHANGES IN PLAN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 1993
(Thousands, except unit information)

	Investment Funds			Total
	Money Market	Common Stock Index	Fixed Income Index	
INCREASE IN UNREALIZED APPRECIATION OF INVESTMENTS	\$ -	\$ 2,561	\$ 419	\$ 108,106
INVESTMENT INCOME:				
Dividends	-	1,147	-	40,777
Interest	1,760	23	2,302	4,194
	1,760	1,170	2,302	44,971
NET REALIZED GAIN ON INVESTMENTS SOLD OR DISTRIBUTED	-	120	88	6,468
CONTRIBUTIONS:				
Member	8,119	7,962	5,500	56,708
Employer allocation	-	-	-	-
Employer ESOP contribution	-	-	-	8,224
Employer supplemental contribution	-	-	-	5,888
Member interfund transfers	1,725	(1,551)	(1,452)	-
Forfeiture reallocation	(12)	(11)	(9)	-
	9,832	6,400	4,039	70,820
DEDUCTIONS:				
Member terminations and withdrawals	(19,078)	(6,923)	(5,753)	(140,024)
Interest expense	-	-	-	(33,431)
Administrative expenses	(420)	(325)	(284)	(2,471)
	(19,498)	(7,248)	(6,037)	(175,926)
INCREASE (DECREASE) IN PLAN EQUITY	(7,906)	3,003	811	54,439
PLAN EQUITY AT DECEMBER 31, 1992	56,309	39,401	32,833	739,458

PLAN EQUITY AT DECEMBER 31, 1993	\$ 48,403 =====	\$42,404 =====	\$33,644 =====	\$ 793,897 =====
NUMBER OF UNITS AT DECEMBER 31, 1993	34,747,501 =====	22,701,682 =====	21,061,337 =====	
VALUE PER UNIT AT DECEMBER 31, 1993	\$1.35 =====	\$1.84 =====	\$1.55 =====	

The accompanying notes are an integral part of this statement.

THE MAY DEPARTMENT STORES COMPANY

PROFIT SHARING PLAN

STATEMENT OF INCOME AND CHANGES IN PLAN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 1992
(Thousands, except unit information)

	Investment Funds		
	ESOP Preference		May
	Unallocated	Member Allocated	Common Stock
INCREASE (DECREASE) IN UNREALIZED APPRECIATION OF INVESTMENTS	\$128,053 -----	\$14,478 -----	\$115,819 -----
INVESTMENT INCOME:			
Dividends	26,997	2,371	11,036
Interest	-	-	120
	----- 26,997	----- 2,371	----- 11,156
NET REALIZED GAIN (LOSS) ON INVESTMENTS SOLD OR DISTRIBUTED	-	871	4,301

CONTRIBUTIONS:			
Member	-	-	28,944
Employer allocation	(25,974)	25,974	-
Employer ESOP contribution	4,578	-	-
Employer supplemental contribution	-	-	2,733
Member interfund transfers	-	(84)	(4,624)
Forfeiture reallocation	-	-	82
	-----	-----	-----
	(21,396)	25,890	27,135
	-----	-----	-----
DEDUCTIONS:			
Member terminations and withdrawals	-	(5,822)	(51,362)
Interest expense	(33,947)	-	-
Decrease in receivable from The May Department Stores Company	(31,516)	-	-
Administrative expenses	-	-	(588)
	-----	-----	-----
	(65,463)	(5,822)	(51,950)
	-----	-----	-----
INCREASE (DECREASE) IN PLAN EQUITY	68,191	37,788	106,461
PLAN EQUITY AT DECEMBER 31, 1991	-	43,509	354,966
	-----	-----	-----
PLAN EQUITY AT DECEMBER 31, 1992	\$ 68,191	\$81,297	\$461,427
	=====	=====	=====
NUMBER OF UNITS AT DECEMBER 31, 1992			15,621,808
			=====
VALUE PER UNIT AT DECEMBER 31, 1992			\$29.54
			=====

(Continued on following page)

THE MAY DEPARTMENT STORES COMPANY
PROFIT SHARING PLAN

STATEMENT OF INCOME AND CHANGES IN PLAN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 1992

(Thousands, except unit information)

	Investment Funds			Total
	Money Market	Common Stock Index	Fixed Income Index	
INCREASE (DECREASE) IN UNREALIZED APPRECIATION OF INVESTMENTS	\$ -	\$ 1,647	\$ (119)	\$ 259,878
INVESTMENT INCOME:				
Dividends	-	1,125	-	41,529
Interest	2,326	26	2,382	4,854
	2,326	1,151	2,382	46,383
NET REALIZED GAIN (LOSS) ON INVESTMENTS SOLD OR DISTRIBUTED	-	(35)	(136)	5,001
CONTRIBUTIONS:				
Member	9,991	7,021	5,712	51,668
Employer allocation	-	-	-	-
Employer ESOP contribution	-	-	-	4,578
Employer supplemental contribution	-	-	-	2,733
Member interfund transfers	2,249	887	1,572	-
Forfeiture reallocation	(37)	(24)	(21)	-
	12,203	7,884	7,263	58,979
DEDUCTIONS:				
Member terminations and withdrawals	(15,088)	(5,171)	(5,922)	(83,365)
Interest expense	-	-	-	(33,947)
Decrease in receivable from The May Department Stores Company	-	-	-	(31,516)
Administrative expenses	(558)	(411)	(408)	(1,965)
	(15,646)	(5,582)	(6,330)	(150,793)
INCREASE (DECREASE) IN PLAN EQUITY	(1,117)	5,065	3,060	219,448
PLAN EQUITY AT DECEMBER 31, 1991	57,426	34,336	29,773	520,010

PLAN EQUITY AT DECEMBER 31, 1992	----- \$56,309 =====	----- \$39,401 =====	----- \$32,833 =====	----- \$ 739,458 =====
NUMBER OF UNITS AT DECEMBER 31, 1992	----- 42,927,086 =====	----- 23,467,362 =====	----- 22,856,037 =====	
VALUE PER UNIT AT DECEMBER 31, 1992	----- \$1.31 =====	----- \$1.68 =====	----- \$1.44 =====	

The accompanying notes are an integral part of this statement.

THE MAY DEPARTMENT STORES COMPANY

PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1993 AND 1992

1. DESCRIPTION OF THE PLAN:

The following description of The May Department Stores Company Profit Sharing Plan ("the Plan") is provided for financial statement purposes only. Members should refer to the Plan document, the Plan prospectus dated June 1, 1990, and the Summary Plan Description dated June 1, 1990, with updates, for more complete information.

General

The Plan is a defined contribution profit sharing plan. The Plan covers eligible associates of The May Department Stores Company ("May") and its subsidiaries and affiliates who are members of The May Department Stores Company Retirement Plan. Participation is voluntary.

Contributions

Plan members may contribute 2% to 15% of their annual pay. Contributions may be made prior to federal and certain other income taxes pursuant to Section 401(k) of the Internal Revenue Code.

The employer allocation is variable and discretionary. Generally, the employer allocation for each Plan year is determined by multiplying a matching rate times members' basic contributions (generally, contributions up to 5% of pay), reduced by forfeitures, one-third of annual dividends with respect to the Employee Stock Ownership Plan ("ESOP") Preference Shares released in satisfaction of the employer allocation for such Plan year and as a result of ESOP Loan payments made in such Plan year, administrative expenses and excess ESOP allocations from prior Plan years (to the extent such amounts have not been previously used to reduce employer allocations for earlier Plan years). The matching rate is determined as follows: In the event May has earnings per share ("EPS") of its common stock for its most recent fiscal year ("current year") resulting in a 6.0% increase over the EPS for the year immediately preceding the current year, the matching rate will be 50%. For each percentage point increase over 6.0% or decrease below 6.0%, there will be a 1.25 percentage point increase in or decrease from the 50% matching rate. The matching rate formula may be adjusted at any time for unusual events including discontinued operations, accounting changes, or items of extraordinary gain or loss.

Investments

Members' contributions may be invested in any of four investment funds:

May Common Stock Fund - For investment of contributions in May common stock.

Money Market Fund - For investment of contributions in short-term (less than one year) obligations of high-quality issuers including banks, corporations, municipalities, the U.S. Treasury and other federal agencies.

Common Stock Index Fund - For investment of contributions in the common stock of corporations that make up the Standard & Poor's 500 Stock Index. Investment mix is determined based on the relative market size of the 500 corporations, with larger corporations making up a higher proportion of the fund than smaller corporations. This index represents the composite performance of the 500 major stocks in the United States.

Fixed Income Index Fund - For investment of contributions in corporate, U.S. Government and federal agency securities that make up the Lehman Brothers Intermediate Government/Corporate Bond Index. The securities that comprise this index have maturities ranging from one to 10 years, with an average of four years. (The Lehman Brothers Intermediate Government/Corporate Bond Index represents the composite performance of

intermediate-term, fixed income securities.)

As of December 31, 1993, the following number of members had an account balance in the investment funds: 43,594 in the May Common Stock Fund, 16,986 in the Money Market Fund, 14,305 in the Common Stock Index Fund, 12,020 in the Fixed Income Index Fund, and 42,025 in the ESOP Preference Fund (described below).

Employer allocations and supplemental contributions are invested in the ESOP Preference Fund and the May Common Stock Fund, respectively. The employer allocation to the Plan for the year ended December 31, 1993, will be made in May 1994 and will be in the form of (a) 32,222 ESOP Preference Shares (\$25,997,000 market value; \$16,336,000 cost value) and (b) a supplemental contribution from May of 144,923 shares of May common stock (\$5,888,000 market value).

ESOP Feature

Effective April 1989, the Plan was amended and restated to add an ESOP feature and acquired 788,955 shares of convertible preferred stock of May (the "ESOP Preference Shares"). Each ESOP Preference Share cost \$507, has a guaranteed minimum value of \$507 and is convertible into 20.49031 shares of May common stock (the conversion rate has been adjusted to reflect May's 2 for 1 stock split effective June 1993). The acquisition of the ESOP Preference Shares was financed with the proceeds of a private placement to a group of institutional investors of an aggregate \$400 million principal amount (the "ESOP Loans") (see Note 3).

The ESOP Loans are guaranteed by May. The excess of the value of the unallocated ESOP Preference Shares over the principal amount of guaranteed ESOP Loans is reflected as "Plan Equity" in the Statement of Financial Condition as of December 31, 1993 and 1992.

The ESOP Loans are repaid by the Plan from the following sources in the following order: (a) dividends from May on ESOP Preference Shares previously allocated to members; (b) dividends from May on unallocated ESOP Preference Shares; (c) contributions by May; and (d) if so determined by May, supplemental contributions. During the term of the ESOP Loans, the ESOP Preference Shares which have not been allocated to members' accounts serve as collateral for the ESOP Loans.

ESOP Preference Shares are initially held by the Plan in an Unallocated account. As ESOP Loans are repaid, ESOP Preference Shares are released to a suspense account pending release to the Member Allocated account in satisfaction of the employer allocation. Also, dividends on ESOP Preference Shares previously allocated to members' accounts release additional ESOP Preference Shares to the Member Allocated account.

If the guaranteed minimum value of the ESOP Preference Shares released for allocation to members' company accounts as a result of the ESOP Loan payments (principal and interest) for a year, together with the amount of Plan

forfeitures, is less than the required employer allocation, then May makes "supplemental" contributions to make up the difference. Supplemental contributions are made in either shares of May common stock or cash.

If the guaranteed minimum value of the ESOP Preference Shares released for allocation to members' company accounts as a result of the ESOP Loan payments, together with the amount of Plan forfeitures, is greater than the required employer allocation, any "excess" would be applied to satisfy required employer allocations in future Plan years.

Vesting

The method of calculating vesting service is the elapsed time approach. Elapsed time is measured by calculating the time which has elapsed between the member's hire date and retirement date/termination date (excluding certain break-in-service periods). Generally, Plan members are vested in company accounts in accordance with the following schedule:

Years of Vesting Service	Vesting Percentage
Less than 3 years	0%
3 years	20%
4 years	40%
5 years	60%
6 years	80%
7 years or more	100%

Plan members are always fully vested in the value of their member accounts.

Payment of Benefits

Amounts in a member's account and the vested portion of a member's company account are distributed upon retirement, death, disability or termination of employment. Distributions from the May Common Stock Fund are made in shares of May common stock if the distribution exceeds 100 shares. Distributions from the ESOP Preference Fund are made in shares of May common stock. All other distributions are generally made in cash. Transfers are made from the investment funds to the Distribution account to fund the Plan's cash distributions.

Distributions applicable to the November and December 1993 monthly valuations

of the Plan are included in Plan equity as of December 31, 1993. The total of these distributions is \$14,372,000. The number of units and value per unit reflected on the Statement of Income and Changes in Plan Equity for the year ended December 31, 1993, are net of the November and December 1993 distributions.

Administration of Plan

The Plan is administered by a Committee consisting of at least five persons appointed by May. An Administrative Subcommittee has the general responsibility for administration of the Plan and an Investment Subcommittee establishes and monitors investment policies and activities. The assets of the Plan are held in a trust for which The Bank of New York is the Trustee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Definition of the Plan Year

The Plan year is a calendar year.

Investments

Except for the ESOP Preference Fund, the Plan's investments are stated at fair value, as determined by the Trustee, based on publicly stated price information.

As required by Department of Labor reporting regulations, the Plan calculates the net realized gain (loss) on investments sold or distributed and unrealized appreciation (depreciation) of investments based upon the market value of the investments at the beginning of the Plan year or at the time of purchase, if purchased during the year.

The cost of May common stock sold or distributed is determined on the basis of average cost. The May Common Stock Fund recognizes gain or loss on May common stock distributed to members in settlement of their accounts equal to the difference between average cost and quoted market value (as of the month-end valuation date) of the shares distributed.

Each ESOP Preference Share is valued at the greater of (a) the guaranteed minimum value (original cost) of \$507 per share or (b) a conversion value equal to the market price of May common stock multiplied by the conversion rate of 20.49031 common shares for each ESOP Preference Share. As of December 31, 1993 and 1992, the ESOP Preference Shares were valued at the conversion values of \$806.81 and \$723.56, respectively.

Federal Income Taxes

The Plan has received a favorable determination letter dated February 1, 1990, from the Internal Revenue Service that the Plan, as amended April 1, 1989, meets the requirements of Section 401(a), 401(k) and 4975(e)(7) of the Internal Revenue Code and that the Trust implementing the Plan is exempt from federal income tax under Section 501(a) of the Internal Revenue Code.

Employer allocations and contributions, member before-tax contributions and the income of the Plan are not taxable to the members until distributions or withdrawals are made.

Administrative Expenses

Salaries and related benefits of associates who administer the Plan are provided by May. All other administrative expenses (including the allocable portion of expenses for data processing services provided by May) are paid by the Plan.

Monthly Valuation of the Trust

The unit value of each investment fund is determined by dividing the month-end market value of the particular investment fund by the total number of units outstanding at month-end in all member accounts in such investment fund. As of each succeeding monthly valuation date, the unit value of each fund is redetermined and account balances in each fund are adjusted as follows:

- (a) All payments made from an account (except for the ESOP Preference Fund) are valued based on the unit value at the month-end valuation date. Payments from the ESOP Preference Fund are valued at the greater of the guaranteed minimum value (plus accrued dividends) or conversion value, as of the distribution date.
- (b) With respect to any dollar amount contributed or allocated during the month (except for the ESOP Preference Fund), an equivalent number of additional units are credited to the appropriate accounts in such investment fund based on the unit value at the month-end valuation date. Allocations of ESOP Preference Shares are valued at \$507 per share.
- (c) In the event that a member's employment is terminated and a portion of such member's company account has been forfeited, the forfeited units or ESOP Preference Shares shall be canceled as of the last day of the Plan year. The dollar amount of such forfeited units or ESOP Preference Shares is reallocated among the remaining members of the Plan as of the last day of the Plan year in the same manner as the employer allocation for such year.

3. NOTES PAYABLE:

Notes payable as of December 31 consisted of the following (in thousands):

	1993	1992
ESOP Notes Payable:		
Series B, due April 30, 2004	\$203,964	\$203,964
Series A, due April 30, 2001	192,511	196,036
	-----	-----
	\$396,475	\$400,000
	=====	=====

Effective January 1, 1993, the interest rates on the Series A and B ESOP Notes were adjusted to 8.32% and 8.49%, respectively. This adjustment was made because of the change in the federal income tax rate effective January 1, 1993, pursuant to Section 6.1 of the note agreement, dated April 20, 1989.

Prior to January 1, 1993, the interest rates on Series A and B ESOP Notes were 8.40% and 8.57%, respectively.

The scheduled principle payments for the Series A ESOP Note for the next five years and thereafter are as follows: 1994 - \$7,339,000; 1995 - \$11,105,000; 1996 - \$15,474,000; 1997 - \$20,228,000; 1998 - \$25,385,000; and thereafter - \$112,980,000. Principle payments on the Series B ESOP Note begin in 2002.

4. DISTRIBUTION OF ASSETS UPON TERMINATION OF PLAN:

May reserves the right to terminate the Plan, in whole or in part, at any time.

If an employer shall cease to be a participating employer in the Plan, the accounts of the members of the withdrawing employer shall be revalued as if such withdrawal date were a valuation date. The Plan Committee is then to direct the Trustee either to distribute the accounts of the members of the withdrawing employer as of the date of such withdrawal on the same basis as if the Plan had been terminated, or to deposit in a trust established by the withdrawing employer, pursuant to a plan substantially similar to the Plan, assets equal in value to the assets allocable to the accounts of the members of the withdrawing employer.

If the Plan is terminated at any time or contributions are completely discontinued and May determines that the Trust shall be terminated, the members' company accounts shall become fully vested and nonforfeitable, all accounts shall be revalued as if the termination date were a valuation date and such accounts shall be distributed to members.

If the Plan is terminated or contributions completely discontinued but May determines that the Trust shall be continued pursuant to the terms of the Trust agreement, no further contributions shall be made by members or the employer and the members' company accounts shall become fully vested, but the Trust shall be administered as though the Plan were otherwise in effect.

SCHEDULE I

THE MAY DEPARTMENT STORES COMPANY

PROFIT SHARING PLAN

SCHEDULE OF INVESTMENTS

	Number of Shares or Principal Amount	(Thousands)	
		----- Cost	Fair Value -----
ESOP PREFERENCE FUND			
The May Department Stores Company 7.5%			
ESOP Preference Stock: (1)			
Unallocated	648,053	\$328,563	\$ 522,853
Member allocated	102,842	52,140	82,973
		-----	-----
ESOP Preference Fund Total		\$380,703	\$ 605,826 (2)
		=====	=====
MAY COMMON STOCK FUND			
The May Department Stores Company			
Common Stock (1) (3)	11,603,222	\$190,504	\$ 456,877 (2)
The Bank of New York Short-Term			
Investment Fund- Master Notes (1)	\$ 3,293,666	3,294	3,294
		-----	-----
May Common Stock Fund Total		\$193,798	\$ 460,171
		=====	=====
MONEY MARKET FUND			
The Bank of New York Short-Term			
Investment Fund- Master Notes (1)	\$48,500,885	\$ 48,501	\$ 48,501
		=====	=====
COMMON STOCK INDEX FUND			
Chase Investors Commingled Equity			
Index Fund	91,826	\$ 30,887	\$ 42,034
The Bank of New York Short-Term			
Investment Fund- Master Notes (1)	\$ 480,151	480	480
		-----	-----
Common Stock Index Fund Total		\$ 31,367	\$ 42,514
		=====	=====
FIXED INCOME INDEX FUND			
The Bank of New York Short-Term			
Investment Fund- Master Notes (1)	\$ 1,075,938	\$ 1,076	\$ 1,076
		-----	-----

(1) Also a party-in-interest.

(2) Investment exceeds 5% of Plan assets.

(3) Number of shares reflect 2 for 1 stock split effective June 1993.

SCHEDULE I
(Continued)

		(Thousands)	
	Principal Amount	Cost	Fair Value
FIXED INCOME INDEX FUND (Continued)			
U.S. Government Securities			
U.S. Treasury Notes:			
5.5%, due 2/15/95	\$3,500,000	\$ 3,494	\$ 3,565
7.5%, due 5/15/02	\$2,300,000	2,501	2,573
5.625%, due 8/31/97	\$2,500,000	2,544	2,565
8.875%, due 2/15/99	\$2,000,000	2,170	2,322
4.625%, due 8/15/95	\$2,000,000	2,016	2,017
7.875%, due 7/15/96	\$1,950,000	2,081	2,109
7.875%, due 2/15/96	\$1,200,000	1,292	1,286
7.25%, due 11/15/96	\$1,200,000	1,175	1,285
9%, due 5/15/98	\$1,000,000	1,120	1,153
8.75%, due 8/15/00	\$ 900,000	1,065	1,062
6.25%, due 2/15/03	\$1,000,000	1,042	1,033
5.125%, due 6/30/98	\$1,000,000	1,013	1,001
8%, due 5/15/01	\$ 800,000	791	915
10.5%, due 8/15/95	\$ 400,000	425	440
		-----	-----
Total U.S. treasury notes		22,729	23,326
		-----	-----
U.S. Government Agency Securities:			
Federal Home Loan Bank Consumer Bonds-			
7.7%, due 8/26/96	\$ 650,000	695	701
10.3%, due 7/25/95	\$ 150,000	157	164
8%, due 7/25/96	\$ 150,000	139	162

Federal National Mortgage Association
Securities-

10.6%, due 11/10/95	\$ 400,000	424	446
11.7%, due 5/10/95	\$ 310,000	344	341
8%, due 7/10/96	\$ 200,000	191	217

Debentures-

9.55%, due 12/10/97	\$ 400,000	407	465
---------------------	------------	-----	-----

Tennessee Valley Authority, Power
Bond 1992 Series F, 6.875%,
due 8/1/02

\$ 300,000	310	311
------------	-----	-----

Total U.S. government agency
securities

-----	-----
2,667	2,807
-----	-----

Total U.S. government
securities

25,396	26,133
-----	-----

SCHEDULE I
(Continued)

(Thousands)

Principal
Amount

Cost

Fair
Value

FIXED INCOME INDEX FUND (Continued)

Fixed Income Investments
Bank Corporate Bonds:

Bank America Corporation, 7.75%, due 7/15/02	\$ 400,000	\$ 408	\$ 431
Republic NY Corporation, 7.25%, due 7/15/02	\$ 100,000	98	105
		-----	-----
Total bank corporate bonds		506	536
		-----	-----
Finance and Insurance Corporate Bonds:			
American Express Company, 8.5%, due 8/15/01	\$ 200,000	201	226
Associates Corporation North America, 8.375%, due 1/15/98	\$ 400,000	424	441
Commercial Credit Corporation, 8.125%, due 3/1/97	\$ 200,000	179	217
Ford Motor Credit Co., 6.25%, due 2/26/98	\$ 500,000	506	512
		-----	-----
Total finance and insurance corporate bonds		1,310	1,396
		-----	-----
Industrial Corporate Bonds:			
Coca Cola Company, 7.875%, due 9/15/98	\$ 300,000	305	330
Eastman Kodak Company, 9.5%, due 4/15/00	\$ 300,000	305	317
The Limited, Inc., 7.8%, due 5/15/02	\$ 400,000	396	433
Philip Morris Companies, Inc., 8.625%, due 3/1/99	\$ 300,000	297	335
		-----	-----
Total industrial corporate bonds		1,303	1,415
		-----	-----
Oil Corporate Bond:			
Tenneco Inc., 7.875%, due 10/1/02	\$ 300,000	298	319
		-----	-----
Telephone Corporate Bond:			
Northern Telcom Ltd., 8.25%, due 6/13/96	\$ 300,000	303	322
		-----	-----
Utilities Corporate Bonds:			
Consolidated Edison Company of New York, 1st and Refunding Mortgage Note, 5.9%, due 12/15/96	\$ 300,000	282	300
Duke Power Company, 1st and Refunding Mortgage Note, 7%, due 6/1/00	\$ 195,000	203	206
		-----	-----
Total utilities corporate bonds		485	506
		-----	-----

SCHEDULE I
(Continued)

	(Thousands)		
	Principal Amount	----- Cost	Fair Value
FIXED INCOME INDEX FUND (Continued)			
Foreign Obligations:			
Denmark Kingdom Note, 7.75%, due 12/15/96	\$ 200,000	\$ 193	\$ 213
Hanson Overseas Note, 7.375%, due 1/15/03	\$ 400,000	440	423
Hydro-Quebec Debenture, Series IF, 7.375%, due 2/1/03	\$ 200,000	215	212
International Bank Bond, 5.875%, due 7/16/97	\$ 400,000	402	412
Province of Ontario, Canada Debenture, 8%, due 10/17/01	\$ 200,000	200	221
Total foreign obligations		----- 1,450	----- 1,481
Total fixed income investments		----- 5,655	----- 5,975
Fixed Income Index Fund Total		----- \$ 32,127	----- \$ 33,184
		=====	=====
DISTRIBUTION ACCOUNT			
The Bank of New York Short-Term Investment Fund- Master Notes(1)	\$1,020,804	\$ 1,021	\$ 1,021
		=====	=====
TOTAL INVESTMENTS AT DECEMBER 31, 1993		\$687,517	\$1,191,217
		=====	=====

(1) Also a party-in-interest.

SCHEDULE II

THE MAY DEPARTMENT STORES COMPANY

PROFIT SHARING PLAN

SCHEDULE OF REPORTABLE TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 31, 1993
 (Thousands, except number of transactions)

	Purchases		Sales			
	No. of Trans.	Cost	No. of Trans.	Cost	Sales Price	Gain or (Loss)
The Bank of New York Short-Term Investment Fund-Master Notes (1)	303	\$103,573	194	\$110,801	\$110,801	\$ -
The May Department Stores Company Common Stock (1) (2)	41	39,652	79	99,487	105,747	6,260
		----- \$143,225 =====		----- \$210,288 =====	----- \$216,548 =====	----- \$ 6,260 =====

(1) Also a party-in-interest.

(2) Includes conversion of ESOP Preference Shares.

NOTE- 5% of the December 31, 1992, Plan assets of \$1,156,788 is \$57,839.
 The cost and sales price of all purchase and sale transactions listed
 above were at current value at the time of acquisition or disposition,
 as applicable.

EXHIBIT

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report on The May Department Stores Company Profit Sharing Plan financial statements included in this Form 11-K, into the Company's previously filed Registration Statements on Form S-8 File No. 33-26016, 33-38104 and 33-51849.

ARTHUR ANDERSEN & CO.

St. Louis, Missouri,
April 15, 1994