FORM 10-K

CVS HEALTH Corp - CVS

Filed: March 31, 1994 (period: December 31, 1993)

Annual report with a comprehensive overview of the company

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 1993
COMMISSION FILE NUMBER 1-1011

MELVILLE CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

NEW YORK	04-1611460
(STATE OF INCORPORATION)	(IRS EMPLOYER IDENTIFICATION NO.)

ONE THEALL ROAD, RYE, NY 10580
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (914) 925-4000

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 $1 PER SHARE)	NEW YORK STOCK EXCHANGE
4-7/8% CONVERTIBLE SUBORDINATED DEBENTURES DUE JUNE 1, 1996	NEW YORK STOCK EXCHANGE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: NONE

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 THE DEFINITIVE PROXY STATEMENT INCORPORATED BY REFERENCE IN PART III OF THIS FORM 10-K, OR ANY AMENDMENT TO THIS FORM 10-K.
YES (NO DISCLOSURES ARE CONTAINED HEREIN) /X/ NO /_/

AS OF MARCH 1, 1994, THE AGGREGATE MARKET VALUE OF THE VOTING STOCK* HELD BY NON-AFFILIATES** WHICH WAS COMPUTED BY REFERENCE TO THE PRICE AT WHICH THE STOCK WAS LAST TRADED WAS $3,996,104,076.

NUMBER OF SHARES OUTSTANDING OF THE ISSUER'S COMMON STOCK (PAR VALUE $1 PER SHARE) AT MARCH 1, 1994: 105,351,156.

DOCUMENTS INCORPORATED BY REFERENCE

1. ANNUAL REPORT TO SHAREHOLDERS FOR THE YEAR ENDED DECEMBER 31, 1993: PART I, ITEM 1; PART II, ITEMS 5, 6, 7 AND 8; AND PART IV, ITEM 14.

2. PROXY STATEMENT DATED MARCH 14, 1994 ISSUED IN CONNECTION WITH THE ANNUAL MEETING OF SHAREHOLDERS: PART III, ITEMS 10, 11, 12 AND 13.

* DOES NOT INCLUDE 6,498,514 OUTSTANDING SHARES OF SERIES ONE ESOP CONVERTIBLE PREFERENCE STOCK ("ESOP PREFERENCE STOCK"). AS OF MARCH 1, 1994, EACH SHARE OF ESOP PREFERENCE STOCK IS ENTITLED TO ONE VOTE PER SHARE ON ALL MATTERS SUBMITTED TO A VOTE OF THE HOLDERS OF COMMON STOCK.

** ONLY STOCK HELD BY DIRECTORS AND OFFICERS IS EXCLUDED.

Item 1. Business

Melville Corporation, a New York corporation (in this Item 1 called the "Company"), is one of the largest diversified specialty retailers in the United States. On December 31, 1993, the Company, through its subsidiaries (which together with the Company throughout this Item 1 are collectively called the "Companies"), operated a total of 7,282 retail stores and leased departments throughout the United States, Puerto Rico, the U.S. Virgin Islands, Canada, the Czech Republic and Slovakia. During 1993 the Companies also manufactured men's and women's footwear in two factories and furniture in five factories.

The Companies market products in chains of specialty retail stores operating under various trade names. Prescription drugs, health and beauty aids are sold in chains of stores operated under the "CVS", "Peoples", "Standard Drug" and "Austin Drug" trade names. Apparel and accessories are sold in chains of stores under the "Marshalls", "Wilsons Suede & Leather", "Wilsons The Leather Experts", "Bermans", "Bermans The Leather Experts", "Pelle Cuir", "Tannery West", "Snyder Leather Outlets", "Georgetown Leather Design" and "Bob's" trade names. Footwear is sold in chains of stores operated under the "FootAction USA", "FootAction For Kids", "Fan Club", "Thom McAn" and "B.O.Q." trade names and in leased departments in Kmart discount department stores and Pay Less Drug Stores. Toy and hobby products are sold in chains of stores operating under the "Kay-Bee Toys", "Circus World", "K & K Toys", "Toy Works" and "Play Things" trade names. Domestics are sold in a chain of stores operated under

the "Linens 'n Things" trade name. Furniture is sold in a chain of stores under the "This End Up" and "Wood's End" trade names.

In general, the retailing business is seasonal in nature with each particular business of the Company affected, to varying degrees, by certain peak selling periods. The peak selling periods are characterized by inventory build-ups prior to such periods. The build-ups are financed, in part, with the issuance of commercial paper and bank loan participation notes, which are repaid from internally generated funds. To maintain financial flexibility, the Company also has on file with the Securities and Exchange Commission a shelf registration statement for the issuance of up to $300 million in debt securities, including medium term notes. No debt securities have been issued to date, and the Company does not currently have any plans to issue such debt securities under this shelf registration because its capital resources are sufficient to sustain current operations and provide for future growth.

The Christmas holiday is the most significant seasonal selling period for the Company overall and the peak selling period for its toy and leather apparel businesses. The peak selling periods, other than the Christmas holiday, for the Company's non-leather apparel and footwear businesses coincide with the Easter holiday and the opening of school in the fall. Competition is based upon such factors as price, style, quality and design of product and the layout and location of stores.

The Company's principal office is located in Rye, New York. As of December 31, 1993, the Companies had approximately 111,000 full and part-time associates.

BUSINESS SEGMENT INFORMATION

The Company is principally a specialty retailer conducting business in four major segments:

- Prescription drugs, health and beauty aids retailing.
- Apparel retailing, which includes men's and women's specialty and leather apparel, brand name and private label apparel for men, women and children.
- Footwear, which includes retailing of both discount and popular-priced shoes; retailing of brand name shoes and athletic footwear for men, women and children; and footwear manufacturing.
- Toys and household furnishings, which include retailing of toys, domestics and furniture (as well as furniture manufacturing).

The financial information concerning industry segments required by Item 101(b) of Regulation S-K is set forth on page 47 of the Company's Annual Report to Shareholders for the year ended December 31, 1993, and is incorporated herein by reference.

PRESCRIPTION DRUGS, HEALTH AND BEAUTY AIDS RETAILING

On December 31, 1993, the Companies operated 1,284 prescription drugs, health and beauty aids stores in 15 states and the District of Columbia under the names "CVS", "Peoples", "Standard Drug" and "Austin Drug", 1,081 of which have pharmacies. Net sales for these stores for 1993 represented approximately 38% of the Companies' consolidated net sales.

These stores are considered "destination" stores and are located primarily in "strip" shopping centers and freestanding units. In the prescription drugs, health and beauty aids retailing business, the Company counts itself among the largest retailers in terms of number of stores in its primary marketing territories, which is the mid-Atlantic and Northeast United States. The monthly business periodical entitled "Chain Drug Review" has ranked CVS fourth in number of stores and fifth in dollar volume and among the top ten drug store chains in the United States based upon dollar volume and store count. These stores also compete with general merchandise stores, supermarkets and mail order pharmacies.

APPAREL RETAILING

On December 31, 1993, the Companies operated 448 off-price quality brand name family apparel stores in 40 states under the name "Marshalls". These stores are located primarily in "strip" shopping centers in which Marshalls is an "anchor" tenant. Marshalls' net sales for 1993 represented approximately 25% of the Companies' consolidated net sales.

On December 31, 1993, the Companies operated 631 men's and women's leather and suede apparel and accessory stores, which are located primarily in regional shopping malls, in 45 states and the District of Columbia under the names "Wilsons Suede & Leather", "Wilsons The Leather Experts", "Tannery West", "Bermans The Leather Experts", "Bermans", "Snyder Leather Outlets", "Pelle Cuir" and

"Georgetown Leather Design". Net sales for 1993 in these stores represented approximately 5% of the Companies' consolidated net sales.

On December 31, 1993, the Companies operated 16 stores selling casual clothing and footwear for the entire family under the name "Bob's" principally in "strip" shopping centers located in Connecticut, Massachusetts, New York and Rhode Island. Net sales at Bob's stores for 1993 represented approximately 2% of the Companies' consolidated net sales.

In the apparel retailing business, the Company believes it has a significant presence in the markets for the products which it carries; however, such products represent only a small portion of the total apparel market.

FOOTWEAR

On December 31, 1993, the Companies operated 2,771 leased footwear departments, 391 stores under the names "FootAction USA", "FootAction For Kids" and "Fan Club" and 337 stores under the names "Thom McAn" and "B.O.Q.". Collectively, these leased departments and retail stores are located in all 50 states, Puerto Rico, the U.S. Virgin Islands, the Czech Republic and Slovakia.

Each of the leased departments is operated by the Company's Meldisco division which sells footwear for the entire family. All but 334 of the leased departments operated during the fiscal year ended December 31, 1993 were located in Kmart discount department stores in the United States, Puerto Rico, the Czech Republic and Slovakia. These

334 leased departments were located in Pay Less Drug Stores, which are

owned by Pay Less Drug Stores Northwest, Inc. ("Pay Less").

Pursuant to an agreement between the Company and Kmart Corporation ("Kmart" then known as S.S. Kresge Company) entered into as of January 1, 1975, and an agreement between the Company and Pay Less dated October 10, 1988, all license agreements relating to such leased departments have terms of 25 years, subject to certain performance standards. Rental payments under all such license agreements are based on a percentage of sales, with additional payments to be made under certain of the license agreements with Kmart based on profits. The Company has a 51% equity interest, and Kmart has a 49% equity interest, in all the subsidiaries which operate leased departments in Kmart stores, with the exception of 42 such subsidiaries in which the Company has a 100% equity interest. The Company has a 100% equity interest in all the subsidiaries which operate leased departments in Pay Less Drug Stores. Aggregate net sales for 1993 of Meldisco leased departments represented approximately 12% of the Companies' consolidated net sales.

FootAction stores (including Fan Club stores operated as part of the FootAction division) are located primarily in regional shopping malls. These stores specialize in brand name casual and athletic footwear and related apparel for the entire family. FootAction's net sales for 1993 represented approximately 3% of the Companies' consolidated net sales.

A majority of the Thom McAn stores are also located in regional shopping malls and substantially all of such stores sell footwear and related items for men and women. Excluded from the operating results

of the Thom McAn chain were stores designated to be closed or redeployed under the Company's strategic realignment program announced in 1992. Of the stores excluded, over 200 were closed or redeployed in 1993. Thom McAn's net sales for 1993 represented approximately 2% of the Companies' consolidated net sales.

The Companies' footwear retailing is primarily in the discount and popular-price categories. However, with the growth of its FootAction division, the Company continues to increase its presence in brand name casual and athletic footwear. During 1993, substantially all of the footwear, as well as all hosiery, handbags and accessories sold in these stores, was purchased from unrelated third parties.

In the footwear retailing business the Companies, through their retail stores and leased departments, compete with footwear chain store operators and many other types of footwear retailers, e.g., general merchandise stores, traditional department stores, mail order businesses and apparel stores. According to research data provided to the Company by Footwear Market Insights, a management consulting and marketing research company specializing in footwear, the seven largest footwear chain store and leased department operators in the United States, ranked according to the number of pairs of footwear sold and number of retail outlets, account for approximately 40.1% of total footwear pair sales, and the Companies are among such seven largest operators.

Manufacturing

As of December 31, 1993, the Company operated two factories in the Southeast United States which produce shoes and contain facilities for product development, product testing and quality control. During 1993, the manufactured footwear represented an insignificant percentage of the total footwear sold by the Companies. The two factories which produce footwear for the Companies' retail stores will be closed in 1994. The costs associated with the shutdown of the operations were provided for as a part of the strategic realignment charge recorded in 1992.

TOYS AND HOUSEHOLD FURNISHINGS

On December 31, 1993, the Companies operated 1,026 toy and hobby stores in all 50 states and Puerto Rico under the names "Kay-Bee Toys", "Circus World", "K & K Toys", "Toy Works" and "Play Things". The "Kay-Bee Toys", "Circus World", "Play Things" and "K & K Toys" stores are located primarily in regional shopping malls. The "Toy Works" stores are located primarily in "strip" shopping centers and freestanding units. Excluded from operating results were stores that the Company designated to close or not renew under its strategic realignment program announced in 1992. Of the stores excluded, over 70 were closed in 1993. Net sales in toy and hobby stores for 1993 represented approximately 9% of the Companies' consolidated net sales.

On December 31, 1993, the Companies operated 143 quality brand name linens, towels, bath and other household items stores, which are located primarily in "strip" shopping centers in 27 states

under the name "Linens 'n Things". Linens 'n Things' net sales for 1993 represented approximately 3% of the Companies' consolidated net sales.

On December 31, 1993, the Companies operated 235 stores retailing a distinctive line of casual crate-designed furniture and coordinated accessories for residential and commercial use, located primarily in regional shopping malls in 33 states and Canada, under the names "This End Up", and "Wood's End". Net sales of furniture for 1993 represented approximately 1% of the Companies' consolidated net sales.

In the toy retailing business, the Company is among the largest toy and hobby chain store operators in the United States in terms of sales, as well as number of retail outlets. Based upon sales volume, the business periodical "Discount Store News" has ranked Kay-Bee among the top toy specialty chains in the United States.

In the household furnishings retailing business, the Company believes itself to be a significant factor in the markets for the products which it carries. Based on total revenues, This End Up has been ranked by "Furniture Today", a weekly business periodical, among the top 25 furniture retailers in the United States.

Manufacturing

During 1993, the Company, through This End Up Furniture Company, manufactured a distinctive line of casual furniture in five factories located in the Southeast United States. Approximately 99% of the furniture manufactured is sold through the Company's This End Up division. The Company believes that these factories have the

capacity to supply all of the sales volume requirements of its "This End Up" and "Wood's End" retail stores and currently these factories supply substantially all of such requirements.

This End Up Furniture Company manufactures a large portion of its furniture from southern yellow pine, which is in plentiful supply in the Southeastern United States. Southern yellow pine is a renewable resource and most producers have reforestation programs in effect.

ACQUISITIONS

During 1993, the Company acquired 59 prescription drugs, health and beauty aids stores, 31 leather apparel stores and 10 stores selling branded athletic footwear and apparel.

DISPOSITIONS

Effective May 17, 1993, the Company completed the sale of all 487 of its Chess King stores; effective May 29, 1993, the Company completed the sale of all of its 103 Prints Plus stores, and effective October 16, 1993, the Company completed the sale of all of its 114 Accessory Lady stores. Net sales for each of these chains in 1993 through their date of disposition represented less than 1% of the Companies' consolidated net sales.

Item 2. Properties

The registrant and its subsidiaries lease various retail stores and warehouse, plant and office facilities. Most of these leases contain initial terms ranging from 5 to 25 years and many have options for extension beyond the initial term ranging from 5 to 15 years. Retail stores and office facilities are leased in nearly all cases.

In the fiscal year ended December 31, 1993, the registrant and its subsidiaries operated fifty-three distribution centers, located in 18 states, containing an aggregate of approximately 10,106,000 square feet. All such distribution centers are leased with the exception of sixteen distribution centers containing an aggregate of approximately 5,053,000 square feet which are owned by the registrant or one of its subsidiaries. Sixteen distribution centers (comprising approximately 3,340,000 square feet) are used in the prescription drugs, health and beauty aids business; ten distribution centers (comprising approximately 3,356,000 square feet) are used in the apparel businesses; ten distribution centers (comprising approximately 1,923,000 square feet) are used in the footwear businesses; and seventeen distribution centers (comprising approximately 1,487,000 square feet) are used in the toys and household furnishings businesses.

In the fiscal year ended December 31, 1993, the registrant and its subsidiaries operated seven factories, all of which are located in North Carolina. Two are footwear factories, one with the capacity to produce over 1,500,000 pairs of shoes annually. (As discussed above, these two factories will be closed in 1994). Five are furniture factories with the total capacity to produce approximately 780,000 pieces of furniture annually. The registrant or one of its subsidiaries own all of such factories.

Item 3. Legal Proceedings

There are no material pending legal proceedings, other than ordinary routine litigation incidental to the business, to

which the registrant or any of its subsidiaries is a party or of which any of its or their property is the subject.

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

There were no matters submitted to a vote of security holders, through solicitation of proxies or otherwise, during the fourth quarter of the fiscal year ending December 31, 1993.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following is included as an unnumbered item in Part I of this report since the registrant did not furnish such information in its definitive proxy statement dated March 14, 1994.

Name/Office	Age	Date Appointed to Present Office	Date First Appointed an Officer of the Registrant
James E. Alward Vice President	50	3/17/92	3/17/92
Norman Axelrod Vice President (President of Linens 'n Things)	41	3/07/88	3/07/88
Warren D. Feldberg Vice President (Chairman and Chief Executive Officer of Marshalls)	44	10/18/91	10/18/91
Michael A. Friedheim Vice President (Chairman and Chief Executive Officer of Bob's)	50	1/01/94	7/14/82
Philip C. Galbo Treasurer	43	8/01/89	8/01/89

Name/Office	Age	Date Appointed to Present Office	Date First Appointed an Officer of the Registrant
Stanley P. Goldstein Chairman of the Board and Chief Executive Officer	59	1/01/87	4/13/71
Thomas E. Harms Vice President	47	3/10/94	3/10/94
Robert G. House Vice President	47	9/11/91	9/11/91
Robert D. Huth Executive Vice President and Chief Financial Officer	48	4/06/87	4/06/87
Daniel B. Katz Senior Vice President (President of Melville Realty Company, Inc.)	48	2/19/91	3/12/86
William C. Kingsford Vice President	47	3/12/86	7/13/79
Jerald L. Maurer Senior Vice President	51	1/01/94	1/01/94
Larry A. McVey Vice President (President of Thom McAn)	52	3/14/84	3/14/84
John I. Mitchell, Jr. Vice President and Chief Information Officer	54	10/12/88	10/12/88
Ralph T. Parks Vice President (President of FootAction)	48	3/10/94	3/10/94
Jerald S. Politzer Executive Vice President (Acting President of Kay-Bee)	48	10/09/91	6/21/89

Name/Office	Age	Date Appointed to Present Office	Date First Appointed an Officer of the Registrant

Shahid Quraeshi Vice President and Controller (Principal Accounting Officer)	45	7/13/88	7/13/88
Arthur V. Richards Vice President and Secretary	55	9/13/89	4/12/77
J. M. Robinson Vice President (President of Meldisco)	47	7/13/88	7/13/88
Harvey Rosenthal President and Chief Operating Officer	51	1/01/94	10/17/84
Thomas M. Ryan Vice President (President and Chief Executive Officer of CVS)	41	1/01/94	1/01/94
Joel N. Waller Vice President (Chairman of Wilsons)	53	3/11/87	3/11/87

In each case the term of office extends to the date of the board of directors meeting following the next annual meeting of shareholders of the registrant. In addition to the office(s) which they hold in the registrant as shown above, each of the individuals listed (with the exception of Messrs. Harms, Kingsford, Maurer and House) hold various offices in certain subsidiaries of the registrant. Previous positions and responsibilities held by each of the above officers with the registrant and for each of the above officers who have not held

the same office(s) with the same responsibilities for more than the past five years, are indicated below:

James E. Alward - Director of Taxation (January, 1979 to Present) of the registrant.

Warren D. Feldberg - President (January, 1991 to November, 1991) of Target Stores, a division of Dayton Hudson Corporation, Executive Vice President (December, 1988 to January, 1991) of Target Stores, Senior Vice President (March, 1988 to December, 1988) of Target Stores.

Michael A. Friedheim - Executive Vice President (February, 1986 to January, 1994) of the registrant.

Philip C. Galbo - Assistant Treasurer (October, 1988 to July, 1989) of the registrant.

Thomas E. Harms - Vice President Human Resources (July, 1993 to March, 1994) and Director Human Resources (September, 1990 to July, 1993) of the CVS division of the registrant; Director of Personnel of Marshall Field's (August, 1988 to August, 1990).

Robert G. House - Consultant (January, 1988 to July, 1991) Temple, Barker & Sloane, general management consultants.

Daniel B. Katz - Vice President (March, 1986 to February, 1991) of the registrant; President (March, 1978 to Present) of Melville Realty Company, Inc., a subsidiary of the registrant.

Jerald L. Maurer - Corporate Vice President of Strategic Human Resource Management of Aetna Life and Casualty Company (January, 1992 to January, 1994); Vice President of Human Resources (January, 1991 to January 1992) of Medstat Systems, Inc.; Senior Vice President of Human resources (1988 to January, 1990) of John Wiley & Sons, Inc.

Ralph T. Parks - President of the FootAction division of the registrant (November, 1991 to Present); Executive Vice President and Chief Operating Officer of FootAction, Inc. (March, 1987 to November, 1991).

Jerald S. Politzer - Group Vice President (June, 1989 to October, 1991) of the registrant; President and Chief Executive Officer (November, 1986 to June, 1989) of G. Fox & Company, a division of The May Department Stores Company.

Arthur V. Richards - Secretary (April, 1977 to Present), General Counsel (September, 1989 to October, 1990) and General Attorney (April, 1977 to September, 1989) of the registrant.

Harvey Rosenthal - President and Chief Executive Officer (October, 1984 to January, 1994) of the CVS division of the registrant.

Thomas M. Ryan - Executive Vice President (January, 1990 to January, 1994) and Senior Vice President-Pharmacy (January, 1988 to January, 1990) of the CVS division of the registrant.

Part II

Item 5. Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters

The number of holders of the registrant's Common Stock, based upon the number of record holders, was 7,600 as of December 31, 1993. All other information required by this item is included in the registrant's Annual Report to Shareholders for the year ended December 31, 1993 on pages 1 and 46 and is incorporated herein by reference.

Item 6. Selected Financial Data

The information required by this item is included in the registrant's Annual Report to Shareholders for the year ended December 31, 1993 on page 48 and is incorporated herein by reference.

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

The information required by this item is included in the registrant's Annual Report to Shareholders for the year ended December 31, 1993 on pages 30 through 33 and is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

The information required by this item is included in the registrant's Annual Report to Shareholders for the year ended December 31, 1993 on pages 35 through 47, and is incorporated herein by reference.

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

During the registrant's two most recent fiscal years or any subsequent interim period, no event occurred which would require disclosure under this item.

PART III

Item 10. Directors and Executive Officers of the Registrant

Information regarding the executive officers is furnished under the heading "EXECUTIVE OFFICERS OF THE REGISTRANT" in Part I of this report since the registrant did not furnish such information in its definitive proxy statement dated March 14, 1994.

The other information required by this item is included in the registrant's definitive proxy statement dated March 14, 1994 on pages 1 through 3 and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by this item is included in the registrant's definitive proxy statement dated March 14, 1994 on pages 7 through 13 and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this item is included in the registrant's definitive proxy statement dated March 14, 1994 on pages 1 through 5 and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions
No information is required to be reported by this item.

PART IV

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

(a) Documents filed as part of this report:

1. and 2. Financial Statements and Financial Statement Schedules.

The consolidated financial statements of Melville Corporation and its subsidiary companies incorporated herein by reference to the Annual Report to Shareholders for the fiscal year ended December 31, 1993 and the related consolidated financial statement schedules are set forth in the index to consolidated financial statements and consolidated schedules on page 26 hereof.

3. Exhibits

(a) The Exhibits filed as part of this report are listed below:

Exhibit Table Number:	
3 (a)	Restated Certificate of Incorporation, as amended as of April 18, 1990 (incorporated by reference to Exhibit 3 filed with the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1990).
3 (b)	By-Laws, as amended through December 8, 1993.
4	No instrument which defines the rights of holders of long and intermediate debt of the registrant and its subsidiaries is filed herewith pursuant to Regulation S-K, Item 601(b)(4)(iii)(A) other than the June 23, 1989 amendment to the Restated Certificate of Incorporation defining the rights of the holders of the Series One ESOP Convertible Preference Stock (see above exhibit table number 3(a)). The registrant hereby agrees to furnish a copy of any such instrument to the Securities and Exchange Commission upon request.

EXECUTIVE COMPENSATION PLANS AND ARRANGEMENTS

10 (iii)(A)	(i) 1973 Stock Option Plan (incorporated by reference to Exhibit (10) (iii) (A) (i) to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1987).

Exhibit Table Number:	
	(ii) 1987 Stock Option Plan (incorporated by reference to Exhibit (10) (iii) (A) (iii) to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1987).
	(iii) 1989 Directors Stock Option Plan (incorporated

by reference to Exhibit B to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1988).

(iv) Melville Corporation Omnibus Stock Incentive Plan (incorporated by reference to Exhibit B to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1989).

(v) Directors Retirement Plan (incorporated by reference to Exhibit 10(iii)(A)(vi) to registrant's Annual Report on Form 10-K for year ended December 31, 1992).

(vi) Profit Incentive Plan of Melville Corporation (incorporated by reference to Exhibit A to registrant's definitive Proxy Statement dated March 14, 1994).

11 Statement re: Computation of Per Share Earnings.

12 Statement re: Computation of Ratios.

Exhibit Table Number:	
13	Annual Report to Shareholders for the year ended December 31, 1993. (Except for the portions incorporated herein by reference, such report is furnished for the information of the SEC and is not deemed "filed" as part of this Form 10-K report.)
18	Letter re: Change in Accounting Principle.
22	Subsidiaries of the registrant.

(b) No reports on Form 8-K were filed in the last fiscal quarter ending December 31, 1993.

SIGNATURES

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

MELVILLE CORPORATION

By /S/ ARTHUR V. RICHARDS

Arthur V. Richards
Vice President and Secretary

March 30, 1994

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

Signature	Title	Date
/S/ STANLEY P. GOLDSTEIN (Stanley P. Goldstein)	Chairman of the Board and Director (Chief Executive Officer)	March 28, 1994
/S/ ROBERT D. HUTH (Robert D. Huth)	Executive Vice President and Director (Chief Financial Officer)	March 28, 1994
/S/ SHAHID QURAESHI (Shahid Quraeshi)	Vice President and Corporate Controller (Principal Accounting Officer)	March 28, 1994
/S/ HYMAN L. BATTLE, JR. (Hyman L. Battle, Jr.)	Director	March 28, 1994
/S/ ALLAN J. BLOOSTEIN (Allan J. Bloostein)	Director	March 28, 1994
/S/ JOHN J. CREEDON (John J. Creedon)	Director	March 28, 1994

Signature	Title	Date
/S/ MICHAEL A. FRIEDHEIM (Michael A. Friedheim)	Vice President and Director	March 29, 1994
/S/ MICHAEL H. JORDAN (Michael H. Jordan)	Director	March 28, 1994
/S/ TERRY R. LAUTENBACH (Terry R. Lautenbach)	Director	March 28, 1994

/S/ THEODORE LEVITT ------------------------------ (Theodore Levitt)	Director	March 28, 1994
/S/ DONALD F. MCCULLOUGH ------------------------------ (Donald F. McCullough)	Director	March 28, 1994
/S/ FRANK MELVILLE ------------------------------ (Frank Melville)	Director	March 28, 1994
------------------------------ (Jerald S. Politzer)	Executive Vice President and Director	March __, 1994
/S/ HARVEY ROSENTHAL ------------------------------ (Harvey Rosenthal)	President, Chief Operating Officer and Director	March 28, 1994
/S/ IVAN G. SEIDENBERG ------------------------------ (Ivan G. Seidenberg)	Director	March 29, 1994
/S/ PATRICIA CARRY STEWART ------------------------------ (Patricia Carry Stewart)	Director	March 27, 1994
/S/ M. CABELL WOODWARD, JR. ------------------------------ (M. Cabell Woodward, Jr.)	Director	March 28, 1994

MELVILLE CORPORATION AND SUBSIDIARY COMPANIES

Index to Consolidated Financial Statements and Schedules

The consolidated financial statements of Melville Corporation and Subsidiary Companies together with the report on such consolidated financial statements of KPMG Peat Marwick dated February 10, 1994, except as to the subsequent event note, which is as of March 1, 1994, which appear on the pages listed below of the 1993 Annual Report to shareholders, are incorporated by reference in this Annual Report on Form 10-K.

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Consolidated Balance Sheets as of December 31, 1993 and 1992 36-37
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Independent Auditors' Report on Consolidated Financial Statement Schedules of Melville Corporation and Subsidiary Companies F-2
Consolidated Financial Statement Schedules of Melville Corporation and Subsidiary Companies for the years ended December 31, 1993, 1992 and 1991:
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Schedules not included above have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or related notes.

Schedule V

MELVILLE CORPORATION AND SUBSIDIARY COMPANIES
Property, Plant and Equipment
Years ended December 31, 1993, 1992 and 1991
($ in Thousands)

Classification	Annual Depreciation Rates	Balance at Beginning of Year	Additions at Cost (1)	Retirements or Sales	Other Changes Add/(Deduct)(2)	Balance at End of Year
Year ended December 31, 1993:						
Land		$ 20,016	$ 5,686	$ 0	$ (118)	$ 25,584
Buildings and improvements	2.5% to 10.0%	173,284	18,139	820	(4,578)	186,025
Fixture and equipment	10.0% to 20.0%	980,604	247,807	90,952	(86,307)	1,051,152
Leasehold improvements	6.7% to 20.0%	640,454	115,090	43,809	(88,332)	623,403
Total assets owned		$1,814,358	$386,722	$135,581	$(179,335)	$1,886,164
Leased property under capital leases	3.3% to 12.5%	$ 55,706	$ 2	$ 6,768	$ (1,075)	$ 47,865
Year ended December 31, 1992:						
Land		$ 16,296	$ 1,468	$ 34	$ 2,286	$ 20,016
Buildings and improvements	2.5% to 10.0%	144,903	28,993	992	380	173,284
Fixture and equipment	10.0% to 20.0%	902,644	175,243	100,504	3,221	980,604
Leasehold improvements	6.7% to 20.0%	611,684	98,641	57,878	(11,993)	640,454
Total assets owned		$ 1,675,527	$304,345	$159,408	$ (6,106)	$1,814,358
Leased property under capital leases	3.3% to 12.5%	$ 60,755	$ --	$ 5,049	--	$ 55,706
Year ended December 31, 1991:						
Land		$ 16,322	$ --	$ 81	$ 55	$ 16,296
Buildings and improvements	2.5% to 10.0%	138,266	1,681	267	5,223	144,903

Fixture and equipment	10.0% to 20.0%	819,832	167,115	108,102	23,799	902,644
Leasehold improvements	6.7% to 20.0%	579,228	84,276	57,460	5,640	611,684
Total assets owned		$ 1,553,648	$253,072	$165,910	$ 34,717	$1,675,527
Leased property under capital leases	3.3% to 12.5%	$ 67,350	$ --	$ 3,503	$ (3,092)	$ 60,755

<FN>
(1) Excludes assets obtained in connection with acquisitions.
(2) Amount primarily represents assets obtained in connection with acquisitions and also reflects disposals of assets in connection with operations sold.
</FN>

Schedule VI

MELVILLE CORPORATION AND SUBSIDIARY COMPANIES
Accumulated Depreciation and Amortization
of Property, Plant and Equipment
Years ended December 31, 1993, 1992 and 1991
($ in Thousands)

Classification	Balance at Beginning of Year	Charged to Costs and Expenses	Retirements or Sales	Other Changes Add/(Deduct)(1)	Balance at End of Year
Year ended December 31, 1993:					
Buildings and improvements	$ 32,900	$ 5,918	$ 462	$ (245)	$ 38,111
Fixtures and equipment	346,706	97,354	61,543	(38,467)	344,050
Leasehold improvements	226,881	51,056	27,155	(48,979)	201,803
Total	$606,487	$154,328	$ 89,160	$(87,691)	$583,964
Leased property under capital leases	$38,538	$ 2,578	$ 6,768	$ (1,160)	$ 33,188
Year ended December 31, 1992:					
Buildings and improvements	$ 28,384	5,153	$ 623	$ (14)	$ 32,900
Fixtures and equipment	324,198	98,520	71,987	(4,025)	346,706
Leasehold improvements	217,658	53,503	41,451	(2,829)	226,881
Total	$570,240	$157,176	$114,061	$ (6,868)	$606,487
Leased property under capital leases	$ 39,920	$ 3,099	$ 4,481	$ --	$ 38,538
Year ended December 31, 1991					
Buildings and improvements	$ 23,596	$ 5,082	$ 294	$ --	$ 28,384
Fixtures and equipment	340,287	82,292	100,421	2,040	324,198
Leasehold improvements	224,680	47,787	53,951	(858)	217,658
Total	$588,563	$135,161	$154,666	$ 1,182	$570,240
Leased property under capital leases	$42,282	$ 3,323	$ 5,685	$ --	$ 39,920

<FN>
(1) Amounts represent reclassifications of assets and accumulated depreciation of assets acquired and also reflects disposals in connection with operations sold.
</FN>

Schedule VIII

MELVILLE CORPORATION AND SUBSIDIARY COMPANIES

Valuation and Qualifying Accounts

Years ended December 31, 1993, 1992 and 1991

($ in Thousands)

Balance at Beginning	Additions Charged to Costs and	Balance at End

Description	of Year	Expenses	Deductions(1)	of Year
Accounts Receivable:				
Allowance for Doubtful Accounts:				
Year Ended December 31, 1993	$ 25,131	$ 23,173	$ 15,770	$ 32,534
Year Ended December 31, 1992	$ 21,717	$ 12,087	$ 8,673	$ 25,131
Year Ended December 31, 1991	$ 15,170	$ 17,642	$ 11,095	$ 21,717

(1) Write-offs, net of recoveries

SCHEDULE IX

MELVILLE CORPORATION AND SUBSIDIARY COMPANIES
Short-Term Borrowings

Years ended December 31, 1993, 1992 and 1991

($ in Thousands)

	Balance at End of Year	Weighted Average Interest Rate	Maximum Amount Outstanding During the Year	Average Amount Outstaning During the Year (A)	Weighted Average Interest Rate During the Year (A)
Year Ended December 31, 1993					
Commercial Paper	$ 90,000	3.32%	$ 875,000	$ 464,792	3.08%
Notes payable to banks	$ --	--	$ --	$ --	--
Year Ended December 31, 1992					
Commercial Paper	$ --	--	$ 819,950	$ 542,171	3.46%
Notes payable to banks	$ --	--	$ --	$ --	--
Year Ended December 31, 1991					
Commercial Paper	$ 50,000	4.98%	$ 747,750	$ 453,398	5.61%
Notes payable to banks	$ --	--	$ --	$ --	--

<FN>
(A) Calculated on a daily basis.

</FN>

Schedule X

MELVILLE CORPORATION AND SUBSIDIARY COMPANIES

Supplementary Consolidated Statement of Earnings Information

Years ended December 31, 1993, 1992 and 1991

($ in Thousands)

Amount Charged to Costs and Expenses

Item	1993	1992	1991
Taxes, other than payroll and income taxes	$ 113,922	$ 108,536	$ 101,762
Advertising costs	$ 174,297	$ 154,839	$ 131,092

Amounts for maintenance and repairs, depreciation and amortization of intangible assets, pre-opening costs and similar deferrals and royalties are not presented as such amounts are less than 1% of sales.

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Melville Corporation:

We consent to incorporation by reference in the Registration Statements Numbers 33-40251, 33-17181 and 2-97913 on Form S-8 and Numbers 33-62664 and 33-34946 on Form S-3 of Melville Corporation and subsidiary companies of our report dated February 10, 1994, except as to the Subsequent Event note, which is as of March 1, 1994, related to the consoldiated balance sheets of Melville Corporations and subsidiary companies as of December 31, 1993 and 1992, and the related consolidated statements of earnings, shareholders' equity and cash flows and related financial statement schedules for each of the years in the three-year period ended December 31, 1993, which reports appear (or are incorporated by reference) in the December 31, 1993 annual report on Form 10-K of Melville Corporation and subsidiary companies.

Our reports refer to the adoption of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," in 1992 and to a change in the method of determining retail price indices used in the valuation of LIFO inventories in 1993.

Very truly yours,

/s/KPMG PEAT MARWICK
KPMG Peat Marwick

New York, New York
March 30, 1994

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Melville Corporation:

Under date of February 10, 1994, except as to the Subsequent Event note, which is as of March 1, 1994, we reported on the consolidated balance sheets of Melville Corporation and subsidiary companies as of December 31, 1993 and 1992, and related consolidated statements of earnings, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 1993, as contained in the 1993 annual report to shareholders. These consolidated financial statements and our report thereon are incorporated by reference in the annual report on Form 10-K for the year 1993. In connection with our audits of the aforementioned consolidated financial statements, we also have audited the related financial statement schedules listed in the accompanying index. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits.

In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed on page 44 of the Annual Report to Stockholders, the Company adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," in 1992. Also, as discussed on page 41, the Company changed its method of determining retail price indices used in the valuation of LIFO inventories in 1993.

/s/KPMG PEAT MARWICK
KPMG Peat Marwick

New York, New York
February 10, 1994, except as to the Subsequent Event note, which is as of
March 1, 1994

INDEX TO EXHIBITS

Exhibit
Table
Number:
- ---------

3 (a) Restated Certificate of Incorporation, as amended as of April 18, 1990 (incorporated by reference to Exhibit 3 filed with the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1990).

* 3(b) By-Laws, as amended through December 8, 1993.

4 No instrument which defines the rights of holders of long and intermediate debt of the registrant and its subsidiaries is filed herewith pursuant to Regulation S-K, Item 601(b)(4)(iii)(A) other than the June 23, 1989 amendment to the Restated Certificate of Incorporation defining the rights of the holders of the Series One ESOP Convertible Preference Stock (see above exhibit table number 3 (a)). The registrant hereby agrees to furnish a copy of any such instrument to the Securities and Exchange Commission upon request.

EXECUTIVE COMPENSATION PLANS AND ARRANGEMENTS

Exhibit
Table
Number :
- ------------

10(iii)(A)

(i) 1973 Stock Option Plan (incorporated by reference to Exhibit (10) (iii) (A) (i) to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1987).

(ii) 1987 Stock Option Plan (incorporated by reference to Exhibit (10) (iii) (A) (iii) to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1987).

(iii) 1989 Directors Stock Option Plan (incorporated by reference to Exhibit B to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1988).

(iv) Melville Corporation Omnibus Stock Incentive Plan (incorporated by reference to Exhibit B to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1989).

(v) Directors Retirement Plan (incorporated by reference to Exhibit 10 (iii) (A) (vi) to registrant's Annual Report on Form 10-K for year ended December 31, 1992).

(vi) Profit Incentive Plan of Melville Corporation (incorporated by reference to Exhibit A to registrant's definitive Proxy Statement dated March 14, 1994).

Exhibit
Table
Number:
- -----------

* 11 Statement re: Computation of Per Share Earnings.

* 12 Statement re: Computation of Ratios.

* 13	Annual Report to Shareholders for the year ended December 31, 1993. (Except for the portions incorporated herein by reference, such report is furnished for the information of the SEC and is not deemed "filed" as part of this Form 10-K report.)
* 18	Letter re: Change in Accounting Principle.
* 22	Subsidiaries of the registrant.

EXHIBIT 3(b)

MELVILLE CORPORATION

____

By-Laws

as amended to

December 8, 1993

BY-LAWS
OF
MELVILLE CORPORATION

____

ARTICLE I
Shareholders

SECTION 1. ANNUAL MEETING. The annual meeting of the shareholders of the corporation, for the purpose of electing Directors and for the transaction of such other business as may be brought before the meeting, shall be held at the principal office of the corporation, or at such other place within or without the State of New York stated in the notice of the meeting as the Board of Directors may determine, on the second Tuesday of April of each year (unless such day shall be a legal holiday, in which case the annual meeting shall be held on the next succeeding day not a legal holiday), or on such other day in the month of April as the Board of Directors may determine, at 10:00 o'clock in the forenoon, New York City time, or at such other hour stated in the notice of the meeting as the Board of Directors may determine.

SECTION 2. SPECIAL MEETINGS. Special meetings of the shareholders other than those regulated by statute may be held whenever called in writing by the Chairman of the Board of Directors, the President or by vote of a majority of the Board of Directors then holding office.

Special meetings shall be held at such place within or without the State of New York as is specified in the call thereof.

SECTION 3. NOTICE OF MEETING; WAIVER. Unless otherwise required by statute, the notice of every meeting of the shareholders shall be in writing and signed by the Chairman of the Board of Directors, the President of a Vice-President or the Secretary or an Assistant Secretary, and shall state the time when and the place where it is to be held, and a copy thereof shall be served, either personally or by mail, upon each shareholder of record entitled to vote at such meeting, not less than ten nor more than fifty days before the meeting. If the meeting to be held is other than the annual meeting of shareholders, the notice shall also state the purpose or purposes for which the meeting is called and shall indicate that it is being issued by or at the direction of the person or persons calling the meeting. If, at any meeting, action is proposed to be taken which would, if taken, entitle shareholders to receive payment for their shares pursuant to Section 623 of the Business Corporation Law, the notice of such meeting shall include a statement of that purpose and to that effect. If the notice is mailed, it shall be directed to a shareholder at his address as it appears on the record of shareholders unless he shall have

filed with the Secretary of the corporation a written request that notices intended for him be mailed to some other address, in which case it shall be mailed to the address designated in such request.

Notice of meeting need not be given to any shareholder who submits a signed waiver of notice, in person or by proxy, whether before or after the meeting. The attendance of a shareholder at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of notice by him.

SECTION 4. QUORUM. At any meeting of the shareholders the holders of a majority of the shares entitled to vote and being present in person or represented by proxy shall constitute a quorum for all purposes, unless the representation of a different number shall be required by law or by another provision of these by-laws, and in that case the representation of the number so required shall constitute a quorum.

If the holders of the amount of stock necessary to constitute a quorum shall fail to attend in person or by proxy, the holders of a majority of the shares present in person or represented by proxy at the meeting may adjourn from time to time without further notice other than by an announcement made at the meeting. At any such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called.

SECTION 5. ORGANIZATION. The Chairman of the Board of Directors or, in his absence, the President or, in his absence, any Executive Vice President, Senior Vice President or Vice President in the order of their seniority or in such other order as may be designated by the Board of Directors, shall call meetings of the shareholders to order and shall act as chairman of such meetings. The Board of Directors or the Executive Committee may appoint any shareholder to act as chairman of any meeting in the absence of any of such officers and in the event of such absence and the failure of such board or committee to appoint a chairman, the shareholders present at such meeting may nominate and appoint any shareholder to act as chairman.

The Secretary of the corporation, or, in his absence, an Assistant Secretary, shall act as secretary of all meetings of shareholders, but, in the absence of said officers, the chairman of the meeting may appoint any person to act as secretary of the meeting.

SECTION 6. VOTING. At each meeting of the shareholders every shareholder of record having the right to vote shall be entitled to vote either in person or by proxy.

SECTION 7. INSPECTORS OF ELECTION. The Board of Directors, in advance of any shareholder's meeting, may appoint one or more inspectors to act at the meeting or any adjournment thereof. If inspectors are not so appointed, the person presiding at a shareholders' meeting may, and on the request of any shareholder entitled to vote thereat, shall appoint one or more inspectors. In case any person appointed fails to appear or act, the vacancy may be filled by appointment made by the Board in advance of the meeting or at the meeting by the person presiding thereat. Inspectors shall be sworn.

SECTION 8. CONDUCT OF ELECTION. At each meeting of the shareholders, votes, proxies, consents and ballots shall be received, and all questions touching the qualification of voters, the validity of proxies, and the acceptance or rejection of votes, shall be decided by the Inspectors of Election.

ARTICLE II

BOARD OF DIRECTORS

SECTION 1. NUMBER OF DIRECTORS. The number of the directors of the corporation shall be sixteen.

SECTION 2. TERM AND VACANCIES. Directors shall be elected at the annual meeting of shareholders to hold office until the next annual meeting and until their respective successors have been duly elected and have qualified.

Vacancies in the Board of Directors occurring between annual meetings, from any cause whatsoever including vacancies created by an increase in the number of directors, shall be filled by the vote of a majority of the remaining directors, though less than a quorum.

Directors need not be shareholders.

SECTION 3. GENERAL POWERS OF DIRECTORS. The business of the corporation shall be managed under the direction of its Board of Directors subject to the restrictions imposed by law, by the corporation's certificate of incorporation and amendments thereto, or by these by-laws.

SECTION 4. MEETINGS OF DIRECTORS. The directors may hold their meetings and may keep an office and maintain the books of the corporation, except as otherwise provided by statute, in such place or places in the State of New York or outside the State of New York as the Board may, from time to time, determine.

Any action required or permitted to be taken by the Board of Directors may be taken without a meeting if all of the directors consent in writing to the adoption of a resolution authorizing the action, and in such event the resolution and the written

consent of all directors thereto shall be filed with the minutes of the proceedings of the Board of Directors.

Any one or more directors may participate in a meeting of the Board of Directors 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, and participation by such means shall constitute presence in person at a meeting.

SECTION 5. REGULAR MEETINGS. Regular Meetings of the Board of Directors shall be held at the principal office of the corporation in the County of Westchester, Town of Harrison, State of New York, or at such other place within or without the State of New York as shall be designated in the notice of the meeting as follows: One meeting shall be held immediately following the annual meeting of shareholders and further meetings shall be held at such intervals or on such dates as may from time to time be fixed by the directors, all of which meetings shall be held upon not less that four days' notice served upon each director by mailing such notice to him at his address as the same appears upon the records of the corporation, except the meeting which shall be held immediately following the annual meeting of shareholders which meeting shall be held without notice.

SECTION 6. SPECIAL MEETINGS. Special meetings of the Board of Directors shall be held whenever called by the direction of the Chairman of the Board of Directors, or of the President of the corporation, or of one-third of the directors at the time in office. The Secretary shall give notice of each special meeting by mailing such notice not less than four days, or by telegraphing such notice not less than two days, before the date set for a special meeting, to each director.

SECTION 7. WAIVER. Notice of a meeting need not be given to any director who submits a signed waiver of notice whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to him.

SECTION 8. QUORUM. One-third of the total number of directors shall constitute a quorum for the transaction of business, but if at any meeting of the Board there be less than a quorum present, the majority of those present may adjourn the meeting from time to time.

SECTION 9. ORDER OF BUSINESS. At meetings of the Board of Directors business shall be transacted in such order as the Board may fix and determine.

At all meetings of the Board of Directors, The Chairman of the Board of Directors, or in his absence, the President, or in the absence of both, the Executive Vice-President or any Vice-President (provided such person be a member of the Board) shall

preside.

SECTION 10. ELECTION OF CHAIRMAN, OFFICERS AND COMMITTEES. At the first regular meeting of the Board of Directors in each year, at which a quorum shall be present, held next after the annual meeting of the shareholders, the Board of Directors shall proceed to the election of a Chairman of the Board, of the executive officers of the corporation and of the Executive Committee, if the Board of Directors shall provide for such committee under the provisions of Article III hereof.

The Board of Directors from time to time may fill any vacancies among the executive officers, members of the Executive Committee and members of other committees, and may appoint additional executive officers and additional members of such Executive Committee or other committees.

SECTION 11. COMPENSATION. Directors who are not officers or employees of the corporation or any of its subsidiaries may receive such remuneration as the Board may fix, in addition to a fixed sum for attendance at each regular or special meeting of the Board or a Committee of the Board; provided, however, that nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity or receiving compensation therefor. In addition each director shall be entitled to reimbursement for expenses incurred in attending any meeting of the Board or Committee thereof.

ARTICLE III

COMMITTEES

SECTION 1. EXECUTIVE COMMITTEE. The Board of Directors by resolution adopted by a majority of the entire Board, may designate from the Directors an Executive Committee consisting of three or more, to serve at the pleasure of the Board. At all times when the Board of Directors is not in session, the Executive Committee so designated shall have and exercise the powers of the Board of Directors, except that such committee shall have no authority as to the matters set out in Section 3 hereof.

Meetings of the Executive Committee shall be called by any member of the same, on three days' mailed notice, or one day's telegraphed notice to each of the other members, stating therein the purpose for which such meeting is to be held. Notice of meeting may be waived, in writing, by any member of the Executive Committee.

All action by the Executive Committee shall be recorded in its minutes and reported from time to time to the Board of Directors.

The Executive Committee shall fix its own rules of procedure and shall meet where and as provided by such rules or by resolution of the Board of Directors.

Any action required or permitted to be taken by the Executive Committee may be taken without a meeting if all of the members of the Executive Committee consent in writing to the adoption of a resolution authorizing the action, and in such event the resolution and the written consent of all members of the Executive Committee thereto shall be filed with the minutes of the proceedings of the Executive Committee.

Any one or more members of the Executive Committee may participate in a meeting of the Executive Committee 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, and participation by such means shall constitute presence in person at a meeting.

SECTION 2. OTHER COMMITTEES. The Board of Directors may appoint such other committees, of three or more, as the Board shall, from time to time, deem advisable, which committees shall have and may exercise such powers as shall be prescribed, from time to time, by resolution of the Board of Directors, except that such committees shall have no authority as to the matters set out in Section 3 hereof.

Actions and recommendations by each committee which shall be appointed pursuant to this section shall be recorded and reported from time to time to the Board of Directors.

Each such committee shall fix its own rules of procedure and shall meet where and as provided by such rules or by resolution of the Board of Directors.

Any action required or permitted to be taken by any such committee may be taken without a meeting if all of the members of such committee consent in writing to the adoption of a resolution authorizing the action, and in such event the resolution and the written consent of all members of such committee thereto shall be filed with the minutes of the proceedings of such committee.

Any one or more members of any such committee may participate in a meeting of such committee 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, and participation by such means shall constitute presence in person at a meeting.

SECTION 3. LIMITATIONS. No committee shall have authority as to the following matters:

(1) The submission to shareholders of any action that needs shareholders' authorization.

(2) The filling of vacancies in the Board of Directors or in any committee.

(3) The fixing of compensation of the directors for serving on the Board or on any committee.

(4) The amendment or repeal of the by-laws, or the adoption of new by-laws.

(5) The amendment or repeal of any resolution of the Board which by its terms shall not be so amendable or repealable.

SECTION 4. ALTERNATES. The Board may designate one or more directors as alternate members of any such committees, who may replace any absent member or members at any meeting of such committees.

SECTION 5. COMPENSATION. Members of special or standing committees may receive such salary for their services as the Board of Directors may determine; provided, however, that nothing herein contained shall be construed to preclude any member of any such committee from serving the corporation in any other capacity or receiving compensation therefor.

ARTICLE IV

OFFICERS

SECTION 1. TITLES AND TERMS OF OFFICE. The executive officers of the corporation shall be the Chairman of the Board of Directors, a Vice Chairman, a President, each of whom shall be a member of the Board of Directors, such number of Executive Vice Presidents, Senior Vice Presidents and Vice Presidents as the Board of Directors shall determine, a Controller, a Treasurer and a Secretary, all of whom shall be chosen by the Board of Directors.

The Board of Directors may also appoint one or more Assistant Secretaries and one or more Assistant Treasurers, and such other junior officers as it shall deem necessary, who shall have such authority and shall perform such duties as from time to time may be prescribed by the Board of Directors.

One person may hold more than one of the above offices except the offices of President and Secretary.

The officers of the Corporation shall each hold office for one year and until their successors are chosen and qualified, and shall be subject to removal at any time by the affirmative vote of the majority of the entire Board of Directors.

SECTION 2. CHAIRMAN OF THE BOARD OF DIRECTORS. The Chairman of the Board of Directors shall be the chief executive officer of the corporation. He shall have general management and control over the policy, business and affairs of the corporation and shall have such other authority and perform such other duties as usually appertain to a chief executive officer of a business corporation. He shall preside at meetings of the Board of Directors and of the shareholders.

SECTION 3. VICE CHAIRMAN. The Vice Chairman shall have such authority and perform such duties as the Board of Directors, the Executive Committee, or the Chairman of the Board of Directors may from time to time determine.

SECTION 4. PRESIDENT. The President shall have such authority and shall perform such duties as the Board of Directors, the Executive Committee, or the Chairman of the Board of Directors may from time to time determine. He shall exercise the powers of the Chairman of the Board of Directors during his absence or inability to act.

SECTION 5. EXECUTIVE VICE PRESIDENTS, GROUP VICE PRESIDENTS, SENIOR VICE PRESIDENTS AND VICE PRESIDENTS. The Executive Vice Presidents, Group Vice Presidents and Senior Vice Presidents, if any shall be designated, and the Vice Presidents shall have such powers and perform such duties as may be assigned to them by the Board of Directors, the Executive Committee, the Chairman of the Board of Directors or the President. They shall, in order of their seniority or in such other orders as may be designated by the Board of Directors, the Executive Committee, the Chairman of the Board of Directors and the President during the absence or inability to act of the Chairman of the Board of Directors and the President.

SECTION 6. PRINCIPAL FINANCIAL OFFICER. An officer designated by the Board of Directors shall be the principal financial officer of the Corporation. He shall render to the Board of Directors, whenever the Board may require, an account of the financial condition of the corporation, and shall do and perform such other duties as from time to time may be assigned to him by the Board of Directors, the Executive Committee, the Chairman of the Board of Directors or the President.

SECTION 7. CONTROLLER AND PRINCIPAL ACCOUNTING OFFICER. The Controller shall be the principal accounting officer and subject to the direction of the principal financial officer, he shall have supervision over all the accounts and account books of the corporation. He shall have such other powers and perform such other duties as from time to time may be assigned to him by the principal financial officer, and shall exercise the powers of the principal financial officer during his absence or inability to act.

SECTION 8. TREASURER. The Treasurer shall have custody of the funds and securities of the corporation which come into his hands. When necessary or proper, he may endorse on behalf of the corporation for collection, checks, notes, and other instruments and obligations and shall deposit the same to the credit of the corporation in such bank or banks or depositaries as the Board of Directors or the Executive Committee shall designate; whenever required by the Board of Directors or the Executive Committee, he shall render a statement of his cash account; he shall keep, or cause to be kept, books of account, in which shall be entered and kept full and accurate accounts of all monies received and paid out on account of the corporation; he shall perform all acts incident to the position of Treasurer, subject to the control of the Board of Directors, the Executive Committee, the Chairman of the Board of Directors, the President and the principal financial officer; he shall give bond for the faithful discharge of his duties, if, as, and when the Board of Directors or the Executive Committee may require. He shall perform such other duties as from time to time may be assigned to him by the Board of Directors, the Executive Committee, the Chairman of the Board of Directors, the President or the principal financial officer.

SECTION 9. ASSISTANT TREASURERS. Each Assistant Treasurer shall have such powers and perform such duties as may be delegated to him, and the Assistant Treasurers shall, in the order of their seniority, or in such other order as may be designated by the Board of Directors, the Executive Committee, the Chairman of the Board of Directors, the President or the principal financial officer, exercise the powers of the Treasurer during his absence or inability to act.

SECTION 10. SECRETARY. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the shareholders and of the Executive Committee, in books provided for that purpose; he shall attend to the giving and serving of all notices of the corporation; and he shall have charge of the certificate books, transfer books and records of shareholders and such other books and records as the Board of Directors or Executive Committee may direct, all of which shall at all reasonable time be open to the inspection of any director upon application during the usual business hours.

He shall keep at the office of the corporation, or at the office of the transfer agent or registrar of the corporation's capital stock, a record containing the names, alphabetically arranged, of all persons who are shareholders of the corporation, showing their places of residence, the number of shares of stock held by them, respectively, the time when they respectively became the owners thereof, and the amount paid thereon, and such record shall be open for inspection as prescribed by Section 624 of the Business Corporation Law. He shall in general perform all

the duties incident to the office of Secretary, subject to the control of the Board of Directors, the Executive Committee, the Chairman of the Board of Directors and the President.

SECTION 11. ASSISTANT SECRETARIES. Each Assistant Secretary shall have such powers and perform such duties as may be delegated to him, and the Assistant Secretaries shall, in the order of their seniority, or in such other order as may be designated by the Board of Directors, the Executive Committee, the Chairman of the Board of Directors and the President, exercise the powers of the Secretary during his absence or inability to act.

SECTION 12. VOTING UPON STOCKS. Unless otherwise ordered by the Board of Directors or by the Executive Committee, the Chairman of the Board of Directors of the corporation, or one designated in a proxy executed by him, and in the absence of either, the President, or a person designated in a proxy executed by him, and in the absence of all such, the Executive Vice Presidents or the Vice Presidents of the corporation in the order of their seniority, shall have full power and authority on behalf of the corporation to attend, and to act, and to vote at meetings of stockholders of any corporation in which this corporation may hold stock, and each such officer of the corporation shall have power to sign a proxy deputizing others to vote the same; and all such who shall be so authorized to vote shall possess and may exercise any and all rights and powers incident to the ownership of such stock and which, as the owner thereof, the corporation might have possessed and exercised, if present.

The Board of Directors or the Executive Committee may, by resolution from time to time, confer like powers on any other person or persons which shall supersede the powers of those designated in the foregoing paragraph.

SECTION 13. All checks, notes, drafts or other instruments for the payment of money shall be signed on behalf of this corporation by such person or persons and in such manner as the Board of Directors or Executive Committee may prescribe by resolution from time to time.

ARTICLE V

STOCK-RECORD DATE

SECTION 1. CERTIFICATES FOR STOCK. The certificates for shares of the stock of the corporation shall be in such form, not inconsistent with the certificate filed according to law, as shall be proper or approved by the Board of Directors. Each certificate shall state (i) that the corporation is formed under the laws of the State of New York, (ii) the name of the person or persons to whom issued, (iii) the number and class of shares and the designation of the series, if any, which such certificate represents and (iv) the par value of each share represented by

such certificate. Each certificate shall be signed by the Chairman of the Board of Directors, the President, the Executive Vice President or a Vice-President, and also by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary and sealed with the corporation's seal; provided, however, that if such certificates are signed by a transfer agent or transfer clerk and by a registrar the signature of the Chairman of the Board of Directors, the President, the Executive Vice-President, Vice-President, Treasurer, Assistant Treasurer, Secretary and Assistant Secretary and the seal of the corporation upon such certificates may be facsimiles, engraved or printed.

SECTION 2. TRANSFER OF SHARES. Shares of the stock of the corporation may be transferred on the record of shareholders of the corporation by the holder thereof in person or by his duly authorized attorney upon surrender of a certificate therefor properly endorsed.

SECTION 3. The Board of Directors and the Executive Committee shall have power and authority to make all such rules and regulations as respectively they may deem expedient concerning the issue, transfer and registration of such certificates for shares of the stock of the corporation as well as for the issuance of new certificates in lieu of those which may be lost or destroyed, and may require of any shareholder requesting replacement of lost or destroyed certificates, bond in such amount and in such form as they may deem expedient to indemnify the corporation, and/or the transfer agents, and/or the registrars of its stock against any claims arising in connection therewith.

SECTION 4. TRANSFER AGENTS AND REGISTRARS. The Board of Directors or Executive Committee may appoint one or more transfer agents and one or more registrars of transfer and may require all stock certificates to be countersigned by such transfer agent and registered by such registrar of transfers. One person or organization may serve as both transfer agent and registrar.

SECTION 5. RECORD DATE. For the purpose of determining the shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or to express consent to or dissent from any proposal without a meeting, or for the purpose of determining shareholders entitled to receive payment of any dividend or the allotment of any rights, or for the purpose of any other action, the Board of Directors shall fix in advance a date as the record date for any such determination of shareholders. Such date shall not be more than fifty nor less than ten days before the date of such meeting, nor more than fifty days prior to any other action.

SECTION 6. LIST OF SHAREHOLDERS. The Secretary of the corporation or the transfer agent of its stock shall make and certify a list of the shareholders as of the record date and the number of shares of each class of stock of record in the name of

each shareholder and such list shall be present at every meeting of shareholders. If the right to vote at any meeting is challenged, the inspectors of elections, or person presiding thereat, shall require such list of shareholders to be produced as evidence of the right of the persons challenged to vote at such meeting, and all persons who appear from such list to be shareholders entitled to vote thereat, may vote at such meeting.

SECTION 7. Dividends may be declared and paid out of the surplus of the corporation as often and at such times and to such extent as the Board of Directors may determine, consistent with the provisions of the certificate of incorporation of the corporation or other certificate of the corporation filed pursuant to law.

ARTICLE VI

CORPORATE SEAL

The Board of Directors shall provide a suitable seal containing the name of the corporation and of the state under the laws of which the corporation was incorporated; and the Secretary shall have the custody thereof.

ARTICLE VII

INDEMNIFICATION OF OFFICERS AND DIRECTORS

The corporation shall indemnify any person to the fullest extent permitted by applicable law against any and all expenses (including, without limitation, investigation expenses and expert witnesses' and attorneys' fees and expenses), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person (net of any related insurance proceeds received by or paid on behalf of such person) in connection with any present or future threatened, pending or completed claim, action, suit or proceeding, whether civil, criminal, administrative or investigative, whether or not such claim, action, suit or proceeding is by or in the right of the corporation based upon, arising from, relating to, or by reason of the fact that such person was, is, shall be or shall have been a director or an officer of the corporation, or is or was serving, shall serve or shall have served at the request of the corporation as director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust employee benefit plan or other enterprise; provided that no indemnification may be made to or on behalf of any person if a judgment or other final adjudication adverse to such person establishes that his acts were committed in bad faith or were the result of active and deliberate dishonesty and were material to the cause of action so adjudicated, or that he personally gained in fact a financial

profit or other advantage to which he was not legally entitled.

For the purpose of this section, a corporation shall be deemed to have requested a person to serve an employee benefit plan where the performance by such person of his duties to the corporation also imposes duties on, or otherwise involves services by, such person to the plan or participants or beneficiaries of the plan; excise taxes assessed on a person with respect to an employee benefit plan pursuant to applicable law shall be considered fines; and action taken or omitted by a person with respect to an employee benefit plan in the performance of such person's duties for a purpose reasonable believed, by such person to be in the interest of the participants and beneificiaries of the plan shall be deemed to be for a purpose which is not opposed to the best interest of the corporation.

A person entitled to indemnity under the first paragraph of this section who has been successful, on the merits or otherwise, in the defense of a civil or criminal action or proceeding of the character described in such paragraph shall be entitled to indemnification as authorized in such paragraph. Any other indemnification under such paragraph, unless awarded by a court, shall be made by the corporation only if authorized in the specific case,

1. by the Board of Directors acting by a quorum of Directors who are not parties to such action or proceeding upon a finding that the director or officer has met the standard of conduct set forth in such paragraph, or

2. if such a quorum is not obtainable or, even if obtainable, a quorum of disinterested directors so directs, (i) by the Board of Directors upon the opinion in writing of independent legal counsel that indeminification is proper in the circumstances because the applicable standard of conduct set forth in such paragraph has been met by such person, or (ii) by the shareholders upon a finding that such person has met the applicable standard of conduct set forth in such paragraph.

Expenses incurred by a person in defending a civil or criminal action, suit or proceeding shall be paid by the corporation promptly as incurred and in advance of the final disposition of such action upon receipt of an undertaking by or on behalf of such person to repay such amount to the extent the expenses so advanced exceed the indemnification to which it is ultimately determined that he is entitled.

The termination of any such civil, or criminal action or proceeding by judgment, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not in itself create a presumption that a director's or officer's acts were committed in bad faith or were the result of active and deliberate dishonesty and were material to the cause of action or that he personally

gained in fact a financial profit or other advantage to which he was not legally entitled.

If under the foregoing provisions any expenses or other amounts are paid by way of indemnification, otherwise than by court order or action by the shareholders, the corporation shall, not later than the next annual meeting of shareholders unless such meeting is held within three months from the date of such payment, and in any event, within fifteen months from the date of such payment, mail to its shareholders of record at the time entitled to vote for the election of Directors a statement specifying the persons paid, the amounts paid, and the nature and status at the time of such payment of the litigation or threatened litigation.

The indemnification provided by this section shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any by-law, agreement, vote of stockholders or dis-interested directors or otherwise, both as to his action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

ARTICLE VIII

AMENDMENTS

SECTION 1. These by-laws may be amended, repealed or adopted by the affirmative vote of the holders of a majority of all the shares outstanding and entitled to vote at any regular or special meeting of the shareholders, if notice of the proposed alteration or amendment be contained in the notice of the meeting, provided, however, that no change in the time or place for the election of directors shall be made within fifty days next preceding the date on which such election is to be held and that in case of any change of such time or place, notice thereof shall be given to each shareholder in person or by letter mailed to his last known post office address, at least fifty days before the election is held.

The Board of Directors shall have the power to amend or repeal these by-laws, or any of them, or to adopt any new by-law, but any such action of the

Board may be amended or repealed by the shareholders, provided, however, that any amendment which changes the number of directors shall require the vote of a majority of the entire board.

If any by-law regulating an impending election of directors is adopted or amended or repealed by the Board of Directors, there shall be set forth in the notice of the next meeting of the shareholders for the election of directors the by-law so adopted or amended or repealed, together with a concise statement of the

changes made.

ARTICLE IX

DIVISIONS

SECTION 1. ORGANIZATION. The Board of Directors may cause the business and operations of this corporation to be divided into divisions based upon character or type of operations, operating units, or upon such other basis of division as the Board of Directors may from time to time determine to be advisable, any may cause the business and operations of any such division to be further divided into subdivisions or departments if deemed advisable by the Board of Directors and upon such basis of subdivision as the Board of Directors may determine.

SECTION 2. OFFICERS OF DIVISIONS. The Board of Directors of the corporation may provide for the appointment of officers for each division into which any of the activities of this corporation may be divided, with such duties as the Board of Directors of the corporation may from time to time determine. Officers of a division may be designated by such titles as President, Executive Vice President, Senior Vice President, Vice President, Secretary, Assistant Secretary, Treasurer, Assistant Treasurer, or Controller, as the Board of Directors of the corporation may from time to time determine. The authority of the officers of each division shall be subject to the control of, and shall be limited to acts and transactions in conformity with the policies of, the Board of Directors of the corporation, and may be further limited to acts and transactions pertaining to the business of this corporation which such division is authorized to transact and perform. Individuals shall be appointed as divisional officers, and may be removed as such, by the Chairman of the Board of Directors, who shall report all such appointments and removals to the Board of Directors of the corporation. One person may hold more than one of divisional or departmental offices. Any general officer of the corporation shall be eligible for appointment to one or more offices in one or more divisions or departments, but a divisional or departmental officer, as such, shall not be an officer of the corporation.

SECTION 3. BY-LAWS OF DIVISIONS. The Board of Directors of the corporation may establish and amend from time to time by-laws for each division. Such by-laws may contain provisions setting forth the titles, duties and responsibilities of the Board of Directors, Executive Committee and officers of each division and such other rules relating to the operation of the division as the Board of Directors shall provide.

EXHIBIT 11

MELVILLE CORPORATION AND SUBSIDIARY COMPANIES
COMPUTATION OF EARNINGS PER SHARE (1)
($ and shares in thousands, except per share data)

	Twelve Months Ended December 31, 1993	Twelve Months Ended December 31, 1992	Twelve Months Ended December 31, 1991
PRIMARY EARNINGS PER COMMON SHARE			
Net earnings	$331,790	$133,429	$346,681
Less: Preferred dividends, net	16,807	15,724	15,836
Net earnings used to calculate primary earnings per share	$314,983	$117,705	$330,845
Weighted average number of shares outstanding	105,069	104,418	103,376
Add: Weighted average number of shares which could have been issued upon exercise of outstanding options	281	510	456
Weighted average number of shares used to compute primary earnings per share	105,350	104,928	103,832
Primary earnings per share	$2.99	$1.12	$3.19
FULLY DILUTED EARNINGS PER COMMON SHARE:			
Net earnings	$331,790	$133,429	$346,681
Less: Preferred dividends	53	54	58
Net earnings used to calculate fully diluted earnings per share, before adjustments	331,737	133,375	346,623
Less: Adjustments resulting principally from the assumed conversion of the Series One ESOP Convertible Preference Stock, net of tax benefit	510	452	1,397
Net earnings used to calculate fully diluted earnings per share	$331,227	$132,923	$345,226
Weighted average number of shares used to compute primary earnings per share	105,069	104,418	103,376
Add: Weighted average shares of Series One Convertible Preference Stock assuming conversion	6,830	6,602	6,779
Add: Weighted average number of shares which could have been issued upon exercise of outstanding options	293	652	501
Add: Weighted average number of shares which could have been issued upon conversion of 4 7/8% debentures	6	6	8
Weighted average number of shares used to compute fully diluted earnings per share	112,198	111,678	110,664
Fully diluted earnings per share	$2.95	$1.19	$3.12

(1) The earnings per share calculation presented above differs from that disclosed on the income statement as the above calculation includes shares which could be issued upon conversion of outstanding stock options. As these shares represent less than 3% dilution, they have been excluded from the primary earnings per share presented on the income statement in accordance

with APB No. 15.

Exhibit 12

MELVILLE CORPORATION AND SUBSIDIARY COMPANIES
Computation of Ratio of Earnings to Fixed Charges

($ in thousands)

	1993	1992	1991	1990	1989
Fixed Charges: (1)					
Interest Expense	$ 25,846	$ 26,519	$ 30,489	$ 23,822	$ 9,088
Interest Capitalized	583	124	748	1,930	1,854
Interest Portion of Operating Leases	166,000	160,000	149,000	124,000	96,000
Interest Portion of Capital Leases	3,390	4,030	4,507	4,983	5,452
Amortization of Debt Expense	127	127	127	127	63
Total Fixed Charges	$ 195,946	$ 190,800	$ 184,871	$ 154,862	$112,457
Adjusted Fixed Charges:					
Total Fixed Charges	$ 195,946	$ 190,800	$ 184,871	$ 154,862	$112,457
Interest Capitalized	583	124	748	1,930	1,854
Adjusted Fixed Charges	$ 195,363	$ 190,676	$ 184,123	$ 152,932	$110,603
Earnings:					
Earnings before Income Taxes, Minority Interests and Cumulative Effect of Change in Accounting Principle (2)	$ 599,527	$ 335,496	$ 640,098	$ 687,338	$704,305
Adjusted Fixed Charges	195,363	190,676	184,123	152,932	110,603
	$ 794,890	$ 526,172	$ 824,221	$ 840,270	$814,908
Ratio of Earnings to Fixed Charges	4.06	2.76	4.46	5.43	7.25

<FN>

(1) The Company formed an Employee Stock Ownership Plan effective January 1, 1989. On June 23, 1989, the ESOP Trust borrowed $357.5 million from qualified lenders, the proceeds of which were used to purchase a

new series of preference stock issued by the Company. The loan to the ESOP Trust has been guaranteed by the Company. Annualized dividends on preference stock totaled $25.2 million in 1993, $25.7 million in 1992, $26.0 million in 1991, $26.1 million in 1990, and $24.3 million in 1989. These amounts are not reflected in the calculation above.

(2) 1992 reflects the impact of the strategic realignment charge of $346,979.

</FN>

Exhibit 13

FINANCIAL HIGHLIGHTS

($ and shares in thousands, except per share data)

Operating Results	1993(a)	1992(b)	% Change
Net Sales	$ 10,435,401	$ 10,432,843	--
Operating Profit	623,337	360,894	72.7
Earnings before Income Taxes, Minority Interests and Cumulative Effect of Change in Accounting Principle	599,527	335,496	78.7
Earnings before Cumulative Effect of Change in Accounting Principle	331,790	155,980	112.7
Net Earnings	331,790	133,429	148.7
Dividends on Common Stock	159,686	154,530	3.3
Dividends on Preferred and Preference Stock	25,248	25,794	(2.1)
Per Share Data			
Earnings Per Share of Common Stock before Cumulative Effect of Change in Accounting Principle	$ 3.00	$ 1.34	123.9
Net Earnings Per Share of Common Stock	3.00	1.13	165.5
Dividends Per Share of Common Stock	1.52	1.48	2.7
Financial Position at Year End			
Cash and Cash Equivalents	$ 80,971	$ 145,138	(44.2)
Inventories	1,858,772	1,806,550	2.9
Working Capital	1,070,293	1,060,753	0.9
Shareholders' Equity	2,246,846	2,076,601	8.2
Key Percentages			
Operating Profit as a Percent of Net Sales	6.0	3.5	
Earnings before Income Taxes, Minority Interests and Cumulative Effect of Change in Accounting Principle as a Percent of Net Sales	5.7	3.2	
Earnings before Cumulative Effect of Change in Accounting Principle as a Percent of Net Sales	3.2	1.5	
Net Earnings as a Percent of Net Sales	3.2	1.3	
Return on Beginning Shareholders' Equity	16.0	6.4	
Statistics			
Weighted Average Common Shares Outstanding	105,069	104,418	0.6
Number of Stores	7,282	8,213	(11.3)
Number of Associates	111,082	115,644	(3.9)
Number of Common Shareholders	7,600	8,000	(5.0)

<FN>
(a) Excludes stores designated to be closed in connection with the 1992 strategic realignment program.
(b) Operating profit and earnings figures reflect the impact of the 1992 strategic realignment charge of $346,979 (see Notes to consolidated financial statements).
</FN>

Exhibit 13

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Melville Corporation and Subsidiary Companies

Financial Condition

($ in thousands)	1993	1992	1991
Cash and cash equivalents	$ 80,971	$ 145,138	$ 78,674
Cash flows provided by operating activities	419,654	559,411	369,813
Long-term obligations to total capitalization	14.0%	15.3%	15.5%
Long-term obligations to shareholders' equity	16.2%	18.1%	18.4%
Current ratio	1.8	1.8	1.8

The Company's primary source of liquidity continues to be cash provided by operations. As over 70% of the Company's earnings occur in the fourth quarter, however, it utilizes short-term borrowings, primarily through issuance of commercial paper, to finance its seasonal inventory needs. During 1993, short-term borrowings reached a maximum of $875.0 million as compared to $820.0 million in 1992 and $747.8 million in 1991. The increase in 1993 over 1992 reflects lower earnings and additional capital expenditures related to store openings and remodeling costs as well as system enhancements and new technologies.

As of December 31, 1993, $90.0 million of short-term borrowings were outstanding, with none outstanding at December 31, 1992, and $50.0 million outstanding at December 31, 1991. The daily average of all short-term borrowings was $464.8 million, $542.2 million and $453.4 million for 1993, 1992 and 1991, respectively.

Net interest expense is a function of interest rates and the level of short-term borrowings resulting from the Company's cyclical cash requirements. The Company had net interest expense of $23.8 million, $25.4 million and $29.5 million in 1993, 1992 and 1991, respectively. The decrease in net interest expense in 1993 as compared to 1992 and 1991 is due to declining interest rates as well as a significant decrease in the average level of short-term borrowings from 1992.

Current assets decreased despite an increase in inventories of $52.2 million, primarily due to a lower cash position resulting from lower cash flows from operations. The increase in inventories is due to acquisitions, new store openings, the early receipt of spring merchandise, opportunistic purchases and increased stock levels required for our larger store formats, offset by dispositions. Prepaid expenses decreased as utilization of realignment reserves resulted in decreased levels of deferred taxes.

Current liabilities decreased due to the timing of payments as well as a decrease in costs relative to store closings and the sales of certain divisions.

CAPITAL EXPENDITURES

Capital expenditures were $386.7 million in 1993, $304.3 million in 1992 and $253.1 million in 1991. These expenditures were principally for improvements to new and existing leased store locations, store equipment and information systems. Capital expenditures for 1994 are estimated at $395.0 million and are primarily for new store openings, continuing improvements to stores and investments in new technologies.

Results of Operations

($ in millions, except per share amounts)	1993	1992	1991
Net sales	$10,435.4	$10,432.8	$9,886.2
Same store sales increase	0.1%	3.2%	0.4%
Operating profit before realignment charge	$ 623.3	$ 707.9	$ 669.6
Realignment charge	--	347.0	--
Operating profit	623.3	360.9	669.6
Net earnings before realignment charge and accounting change	331.8	381.4	346.7
Net earnings	$ 331.8	$ 133.4	$ 346.7
Net earnings per share before realignment charge and accounting change	$ 3.00	$ 3.50	$ 3.20
Net earnings per share	3.00	1.13	3.20

Percent of net sales

Cost of goods sold, buying and warehousing costs	63.9	62.6	62.3
Store operating, selling, general and administrative expenses	28.3	28.7	29.1

NET SALES

Consolidated net sales for the year as well as the fourth quarter ended December 31, 1993 were flat with last year at $10.4 billion and $3.5 billion, respectively. The consolidated operating results, however, exclude those of Chess King, Prints Plus and Accessory Lady after their dispositions on May 17, May 29 and October 16, 1993, respectively, as well as the results of stores designated to be closed by Thom McAn and Kay-Bee under the 1992 strategic realignment program. Adjusting for these factors in the 1993 and 1992 periods, consolidated net sales would have increased 4.8% for the year and 7.1% for the quarter. CVS,

Linens 'n Things and This End Up generated positive sales growth throughout the year while disappointing performances at Marshalls, Kay-Bee, Wilsons and Thom McAn offset these improvements.

The 1992 increase in consolidated net sales was due in part to the 1991 acquisitions of K&K toy stores and FootAction but also reflects the absence of Freddy's, sold in 1991, and CVS stores in California, sold in February, 1992. Adjusting for these factors, net sales increased 7.1%.

Increases in consolidated net sales differ from same store sales increases mainly due to acquisitions and store openings and closings. The lower same store sales increase in 1993 resulted primarily from weakness in the apparel and footwear segments.

NET EARNINGS

Net earnings for 1993 were negatively impacted by disappointing sales, heavier than expected markdowns in our apparel segment, a decline in gross margin as CVS increases in proportion to the total operations of the Company, and the partial write-off of the notes received in connection with the sales of Freddy's and Chess King. Although the $5.8 million write-off related to Freddy's was recovered in the fourth quarter, the proceeds were set aside to cover anticipated lease settlement costs for the remaining Freddy's leases which are guaranteed by the Melville Realty subsidiary of the Company. Also, $4.0 million was charged to earnings to provide for less than full recovery of the $29.4 million note related to the sale of Chess King as the note was sold to a third party subsequent to year end for less than face value. Earnings were impacted positively by a change in the Company's method of determining retail price indices used in the valuation of its LIFO inventories, which increased net earnings by $10.0 million.

Management formulated a strategic realignment program during the fourth quarter of 1992 which resulted in an after-tax, non-cash charge of $222.0 million ($2.13 per share) and elected to record an after-tax, non-cash charge of $22.6 million ($0.21 per share) retroactive to January 1, 1992, reflecting the cumulative effect of a change in accounting for postretirement benefits.

Net earnings per share of common stock was $3.00 in 1993 compared with $1.13 in 1992 and $3.20 in 1991. Net earnings per share in 1992, excluding the impact of the two special charges, would have been $3.50.

STRATEGIC REALIGNMENT

In 1993 we accomplished the major objectives of the 1992 strategic realignment program: three divisions, Chess King, Prints Plus and Accessory

Lady, were sold on May 17, May 29 and October 16, 1993, respectively, and the Company closed over 200 Thom McAn stores and about 90 of the Kay-Bee and Linens 'n Things stores designated to be closed or converted under the program. To date, $279.0 million of the pre-tax amount recorded was utilized as follows: the write-off of intangibles and the losses on sale, inclusive of operating losses through the dates of disposition, amounted to $85.0 million; and asset writedowns, operating losses and severance costs for store closings and the acceleration of remodeling programs amounted to $194.0 million.

COSTS AND EXPENSES

Cost of goods sold, buying and warehousing costs continue to increase as a percentage of consolidated net sales, reflecting the increased significance of the prescription drugs, health and beauty aids segment to total operations, compounded by continued pressure on third party providers to offer prescriptions at lower prices, as well as lower initial markon in our other segments. Increased markdowns in our apparel and footwear segments in 1993 as compared to 1992 have also contributed to the erosion of gross margin.

Store operating, selling, general and administrative expenses continue to decrease as a percentage of consolidated net sales due to the success of the various cost containment programs currently underway which have enabled the Company to make significant progress in reducing its variable cost structure.

ACCOUNTING CHANGES

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes," effective January 1, 1993, but elected to delay implementation of SFAS No. 112 "Employers' Accounting for Postemployment Benefits," which is not required until fiscal 1994. The impact of the adoption of SFAS No. 109 was immaterial, as would have been the impact had SFAS No. 112 been adopted.

The Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," effective retroactively to January 1, 1992. This statement requires that certain benefits be recorded on the accrual basis, over an employee's service period, rather than on a cash basis. The Company recorded a one-time, after-tax, non-cash charge of $22.6 million to recognize the accumulated obligation for retirees and active employees as of January 1, 1992. The pre-tax annual retiree benefit expense recorded in 1993 was $1.2 million as compared to $5.4 million in 1992. The decrease in 1993 is due to a plan amendment which was effective December, 1992, and resulted in a prior service gain which is being amortized prospectively.

PRESCRIPTION DRUGS,HEALTH AND BEAUTY AIDS

($ in millions)	1993	1992	1991
Net Sales	$3,948.2	$3,632.1	$3,526.4
Operating profit before realignment charge	195.7	208.6	206.1
Operating profit	195.7	149.2	206.1
Pecent change from prior year			
Net Sales	8.7	3.0	31.6
Same stores sales	5.7	7.7	5.5
Operating profit before realignment charge	(6.2)	1.2	3.8
Operating profit	31.2	(27.6)	3.8
Percent of consolidated total			
Net Sales	37.9	34.9	35.7
Operating profit*	30.8	40.3	30.2

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*Before corporate expenses.

CVS achieved very favorable increases in both net sales and same store sales in 1993, with particularly strong increases in the fourth quarter reflecting the success of the "Peoples Celebration Event" launched in late May, 1993 to reintroduce these stores to the Washington, D.C. market. Same store sales increased 7.0% in the fourth quarter of 1993 compared to 6.2% in 1992.

Lower margined third party sales increased 24.1% in 1993 and 25.0% in 1992 due to an expansion of the division's managed care business and the success of several key marketing strategies. Various micro-marketing initiatives, and an expansion of private label merchandise lines, also helped to increase front store sales in 1993 and 1992.

Net sales in 1992 exclude the Freddy's division sold in 1991 and the CVS stores in California sold in February, 1992. Adjusting for these dispositions, net sales would have increased 11.5% in 1992.

In 1991, net sales increased 31.6% due to the inclusion of Peoples Drug Stores, acquired in 1990. After adjusting for this acquisition and the disposition of the Freddy's division, net sales would have increased 14.4% in 1991.

Operating profit before the realignment charge decreased in 1993 due to the impact of increasing lower margined prescription sales and incremental costs of rolling out new point of sale and pharmacy systems which will not yield any benefits until 1994.

The 1992 realignment charge related principally to the Peoples Drug Stores remodeling program which was completed in 1993.

APPAREL

($ in millions)	1993	1992	1991
Net Sales	$3,395.9	$3,486.1	$3,243.2
Operating profit before realignment charge	181.9	230.3	223.0
Operating profit	181.9	125.9	223.0
Pecent change from prior year			
Net Sales	(2.6)	7.5	6.8
Same stores sales	(3.6)	3.1	(0.6)
Operating profit before realignment charge	(21.0)	3.3	(7.1)
Operating profit	44.5	(43.5)	(7.1)
Percent of consolidated total			
Net Sales	32.5	33.4	32.8
Operating profit*	28.6	34.0	32.7

*Before corporate expenses.

The 1993 decrease in net sales was due to the sale of Chess King and Accessory Lady, and a shift in consumer spending to more durable and home related goods which resulted in lower net sales at Wilsons and decreased same store sales at Marshalls. Net sales at Marshalls increased 2.3% over 1992, with its gifts and domestics department experiencing a 10.0% increase. Adjusting for the divisions sold, net sales in the segment increased 2.3% in 1993.

In contrast, Marshalls and Wilsons experienced strong sales growth in 1992, which was overshadowed by a very weak performance at Chess King. The protracted economic recession, especially in the Northeast and Southern California, negatively impacted this segment's performance in 1991.

Operating profit before realignment charge decreased in 1993 because of lower gross margin at Marshalls resulting from heightened promotional activity throughout the apparel industry. This was partially offset by the exclusion of the unprofitable Chess King division and strong expense control at both Marshalls and Wilsons, achieved through investments in technology and the reengineering of business processes.

Despite the negative impact of decreased sales and profits for a third successive year at Chess King, operating profit in 1992 before the realignment charge increased from 1991 due to strong sales at Marshalls, coupled with strict expense control at Marshalls and Wilsons.

The realignment charge recorded in 1992 related to the writedown of certain non-performing assets as well as an estimated loss on sale for the Chess King and Accessory Lady divisions.

FOOTWEAR

($ in millions)	1993	1992	1991
Net sales	$1,713.1	$1,840.0	$1,747.4
Operating profit before realignment charge	169.0	180.0	161.9
Operating profit	169.0	92.0	161.9
Percent change from prior year			
Net sales	(6.9)	5.3	1.9
Same store sales	(2.5)	(1.8)	(1.4)
Operating profit before realignment charge	(6.1)	11.2	3.8
Operating profit	83.7	(43.2)	3.8
Percent of consolidated total			
Net sales	16.4	17.6	17.7
Operating profit*	26.6	24.9	23.7

*Before corporate expenses.

Net sales increases in 1993 at Meldisco and FootAction were offset by a decline in net sales at Thom McAn, resulting from the exclusion from operations of about 390 stores designated to be closed under the strategic realignment program and the discontinuation of its men's athletic and children's departments. Adjusting for stores excluded at Thom McAn, net sales in the segment would have increased 2.2%.

Net sales in this segment increased 5.3% in 1992 due to the acquisition of FootAction in November, 1991 coupled with a modest sales increase at Meldisco. The continued lack of appeal of the traditional family footwear business represented by Thom McAn, however, as well as the closing of 68 of its stores, negatively impacted the sales results. Adjusting to exclude the impact of FootAction, net sales would have decreased 0.1% in 1992.

Operating profit before the realignment charge decreased from 1992 due to lower same store sales in the segment, particularly at Thom McAn, and a higher level of mark-downs, which offset the increase in initial markon at Meldisco as it continues to expand its direct purchasing program in the Far East. Meldisco's overseas buying program and FootAction's success in negotiating more favorable volume discounts, as well as strong expense control, contributed to the increase in operating profit before the realignment charge in 1992.

The realignment charge recorded in 1992 provided for the costs of closing or redeploying about 390 Thom McAn stores. Of the remaining stores designated to be closed, over 60 are planned for 1994.

TOYS AND HOUSEHOLD FURNISHINGS

($ in millions)	1993	1992	1991
Net sales	$1,378.2	$1,474.7	$1,369.2
Operating profit before realignment charge	89.1	98.1	91.4
Operating profit	89.1	2.9	91.4
Percent change from prior year			
Net sales	(6.5)	7.7	8.9
Same store sales	(2.5)	1.6	(5.0)
Operating profit before realignment charge	(9.1)	7.3	(30.1)
Operating profit	2,946.4	(96.8)	(30.1)
Percent of consolidated total			
Net sales	13.2	14.1	13.8
Operating profit*	14.0	0.8	13.4

*Before corporate expenses.

Significant increases in net sales were reported at Linens 'n Things, due to the successful rollout of its superstore format, and at This End Up, both of which benefitted from the shift in spending to home furnishings and related products. Despite these gains, the disposition of Prints Plus and a decrease at Kay-Bee, due to the exclusion from operations of about 240 stores designated to be closed under the strategic realignment program, declining mall traffic and the lack of a "blockbuster" toy, led to an overall sales decline in this segment as compared to last year. Adjusting for the stores excluded and sold, net sales in 1993 increased 2.6% over 1992.

In both 1992 and 1991, net sales increased in all of the businesses in this segment except for a slight decrease at This End Up. Adjusting for the effect of K&K toy stores acquired in 1991, net sales would have increased 5.0% in 1992.

Operating profit declined in 1993 from the 1992 pre-realignment level due to a same store sales decrease at Kay-Bee and a decrease in its initial markon resulting from changing sales mix, offset partially by a pre-tax LIFO adjustment in 1993 of about $14.0 million. Double digit sales increases at This End Up, due to both its Wood's End product line and its larger store format, positively impacted operating profit in 1993, as did aggressive expense control at all divisions in this segment. Favorable economic trends in the housing industry and an expansion of merchandise offerings at Linens 'n Things and This End Up also contributed to an increase in operating profit before realignment in 1992.

The 1992 realignment charge provided primarily for costs of closing or redeploying about 240 stores at Kay-Bee and coverting Linens 'n Things stores to its superstore format. Of the remaining Kay-Bee stores designated to be closed, 90 are planned for 1994.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of

Melville Corporation:

We have audited the accompanying consolidated balance sheets of Melville Corporation and subsidiary companies as of December 31, 1993 and 1992 and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1993. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Melville Corporation and subsidiary companies at December 31, 1993 and 1992 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1993 in conformity with generally accepted accounting principles.

As discussed in notes to consolidated financial statements, the Company has adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" effective January 1, 1992 and changed its method of determining retail price indices used in the valuation of LIFO inventories in 1993.

/s/KPMG Peat Marwick

New York, New York
February 10, 1994, except as to the Subsequent Event note, which is as of March 1, 1994

CONSOLIDATED STATEMENTS OF EARNINGS

Melville Corporation and Subsidiary Companies

($ in thousands, except per share data)

Years Ended December 31	1993	1992	1991
Net sales	$ 10,435,401	$ 10,432,843	$ 9,886,183
Cost of goods sold, buying and warehousing costs	6,664,395	6,529,239	6,163,853
	3,771,006	3,903,604	3,722,330

Store operating, selling, general and administrative expenses	2,956,081	2,994,723	2,875,610
Depreciation and amortization	191,588	201,008	177,110
Realignment charge	--	346,979	--
	3,147,669	3,542,710	3,052,720
Operating profit	623,337	360,894	669,610
Interest expense, net	23,810	25,398	29,512
Earnings before income taxes, minority interests and cumulative effect of change in accounting principle	599,527	335,496	640,098
Provision for income taxes	220,441	125,696	242,949
Earnings before minority interests and cumulative effect of change in accounting principle	379,086	209,800	397,149
Minority interests in net earnings	47,296	53,820	50,468
Earnings before cumulative effect of change in accounting principle	331,790	155,980	346,681
Cumulative effect of change in accounting principle, net	--	22,551	--
Net earnings	$ 331,790	$ 133,429	$ 346,681
Per Share of Common Stock			
Earnings before cumulative effect of change in accounting principle	$ 3.00	$ 1.34	$ 3.20
Cumulative effect of change in accounting principle, net	--	0.21	--
Net earnings per share of common stock	$ 3.00	$ 1.13	$ 3.20

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

Melville Corporation and Subsidiary Companies

($ in thousands, except per share data)

As of December 31	1993	1992
Assets		
Current Assets:		
Cash and cash equivalents	$ 80,971	$ 145,138
Accounts receivable, net	243,998	245,204
Inventories	1,858,772	1,806,550
Prepaid expenses	214,649	244,780
Total Current Assets	2,398,390	2,441,672
Property, plant, equipment and leasehold improvements, at cost:		
Land	25,584	20,016
Buildings and improvements	186,025	173,284
Fixtures and equipment	1,051,152	980,604
Leasehold improvements	623,403	640,454
	1,886,164	1,814,358
Less accumulated depreciation and amortization	583,964	606,487
Net property, plant, equipment and leasehold improvements	1,302,200	1,207,871
Leased property under capital leases, net of accumulated amortization	14,677	17,168
Deferred charges and other assets	113,455	117,433
Goodwill, net of accumulated amortization of $81,531 in 1993 and $68,789 in 1992	443,678	429,918

Total Assets	$ 4,272,400	$ 4,214,062

See accompanying notes to consolidated financial statements.

($ in thousands, except per share data)

As of December 31	1993	1992
Liabilities		
Current Liabilities:		
Accounts payable	$ 567,131	$ 676,519
Accrued expenses	585,997	609,166
Notes payable	90,000	--
Federal income taxes	74,376	87,073
Other current liabilities	10,593	8,161
Total Current Liabilities	1,328,097	1,380,919
Long-term debt	341,763	349,013
Deferred income taxes	83,333	22,125
Other long-term liabilities	177,173	283,834
Minority interests in subsidiaries	93,858	100,233
Redeemable Preferred Stock		
Cumulative preferred stock, Series B, $4.00 dividend, par value $100, redeemable at par plus accrued dividends; authorized and issued 17,269 shares in 1993 and 1992; 3,971 and 3,896 shares held in treasury in 1993 and 1992, respectively	1,330	1,337
Shareholders' Equity		
Preference stock, $1.00 par value, authorized 50,000,000 shares; Series One ESOP Convertible, liquidation value $53.45; 6,498,514 issued and outstanding in 1993 and 6,596,501 in 1992	347,346	352,583
Guaranteed ESOP Obligation	(328,570)	(335,877)
Common stock, par value $1.00, authorized 300,000,000 shares, issued 111,278,470 and 111,150,265, outstanding 105,346,356 and 104,733,054, net of treasury shares, in 1993 and 1992, respectively	111,278	111,150
Capital surplus	42,123	53,302
Retained earnings	2,364,322	2,208,875
Common stock in treasury, at cost; 5,932,114 and 6,417,211 shares in 1993 and 1992, respectively	(289,653)	(313,432)
Total Shareholders' Equity	2,246,846	2,076,601
Total Liabilities and Shareholders' Equity	$ 4,272,400	$ 4,214,062

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Melville Corporation and Subsidiary Companies

($ in thousands, except per share data)

Years ended December 31, 1993, 1992 and 1991	Preference Stock	Guaranteed ESOP Obligation	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock

Balance as of December 31, 1990	$ 356,928	$(347,200)	$ 110,319	$ 29,245	$ 2,063,391	$(360,750)
Net earnings					346,681	
Reissuance of common stock held in treasury for business acquired (885,719 shares)				(5,664)		43,418
Purchase of Series B preferred shares for treasury (3,028 shares)				45		
Conversion of Series One ESOP Preference Stock through the reissuance of common stock held in treasury (30,928 shares)	(1,653)			137		1,516
Dividends:						
Series One ESOP Convertible Preference Stock ($3.90 per share,) net					(15,778)	
Series B preferred ($4.00 per share)					(58)	
Common ($1.44 per share)					(148,536)	
Exercise of stock options and restricted shares issued under stock plans			356	12,783		
Conversion of Subordinated Debentures			3	17		
Reduction of Guaranteed ESOP Obligation		5,037				
Balance as of December 31, 1991	355,275	(342,163)	110,678	36,563	2,245,700	(315,816)
Net earnings					133,429	
Purchase of Series B preferred shares for treasury (237 shares)				7		
Conversion of Series One ESOP Preference Stock through the reissuance of common stock held in treasury (50,358 shares)	(2,692)			223		2,469
Dividends:						
Series One ESOP Convertible Preference Stock ($3.90 per share,) net					(15,670)	
Series B preferred ($4.00 per share)					(54)	
Common ($1.48 per share)					(154,530)	
Exercise of stock options and restricted shares issued under stock plans			469	16,491		(85)
Conversion of Subordinated Debentures			3	18		
Reduction of Guaranteed ESOP Obligation		6,286				
Balance as of December 31, 1992	352,583	(335,877)	111,150	53,302	2,208,875	(313,432)
Net earnings					331,790	
Reissuance of common stock held in treasury for business acquired (387,110 shares)				(16,459)	149	18,976
Purchase of Series B preferred shares for treasury (75 shares)				3		
Conversion of Series One ESOP Preference Stock through the reissuance of common stock held in treasury (97,987 shares)	(5,237)			434		4,803
Dividends:						
Series One ESOP Convertible Preference Stock ($3.90 per share,) net					(16,753)	
Series B preferred ($4.00 per share)					(53)	
Common ($1.52 per share)					(159,686)	
Exercise of stock options and restricted shares issued under stock plans			128	4,843		
Reduction of Guaranteed ESOP Obligation		7,307				
Balance as of December 31, 1993	$347,346	$(328,570)	$111,278	$ 42,123	$2,364,322	$(289,653)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Melville Corporation and Subsidiary Companies

($ in thousands)

Years ended December 31	1993	1992	1991
Cash Flows From Operating Activities:			
Net earnings	$ 331,790	$ 133,429	$ 346,681
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Realignment charge	--	346,979	--
Cumulative effect of change in accounting principle	--	37,587	--
Depreciation and amortization	191,588	201,008	177,110
Minority interests in net earnings	47,296	53,820	50,468
Increase (decrease) in deferred income taxes and other noncash items	15,595	(93,417)	(10,130)
Change in assets and liabilities, excluding acquisitions and dispositions:			
Decrease (increase) in accounts receivable, net	33,484	(31,728)	(45,371)
Increase in inventories	(86,344)	(25,184)	(216,380)
Increase in prepaid expenses, deferred charges and other assets	(16,854)	(27,163)	(15,198)
(Decrease) increase in accounts payable and accrued expenses	(120,182)	(7,371)	76,434
Increase (decrease) in Federal income			

taxes payable and other liabilities	23,281	(28,549)	6,199
Net Cash Provided by Operating Activities	419,654	559,411	369,813
Cash Flows From Investing Activities:			
Additions to property, plant, equipment and leasehold improvements	(386,724)	(304,345)	(253,072)
Proceeds from the sale or disposal of property, plant, equipment and leasehold improvements, leased property under capital leases, and operations sold	97,940	81,655	58,081
Acquisitions, net of cash acquired	(41,534)	(25,687)	(42,206)
Net Cash Used in Investing Activities	(330,318)	(248,377)	(237,197)
Cash Flows From Financing Activities:			
Dividends paid	(229,409)	(239,467)	(225,256)
Additions to (reductions of) notes payable	90,000	(50,000)	50,000
(Decrease) increase in book overdrafts	(6,701)	39,050	20,902
Proceeds from the issuance of common stock	5,799	15,537	10,720
Reductions of long-term debt and obligations under capital leases	(13,190)	(9,641)	(22,384)
Other	(2)	(49)	983
Net Cash Used in Financing Activities	(153,503)	(244,570)	(165,035)
Net (decrease) increase in cash and cash equivalents	(64,167)	66,464	(32,419)
Cash and cash equivalents at beginning of year	145,138	78,674	111,093
Cash and Cash Equivalents at End of Year	$ 80,971	$ 145,138	$ 78,674

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Melville Corporation and Subsidiary Companies

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include the accounts of all subsidiary companies including foreign subsidiaries whose results of operations are insignificant. The minority interests represent the 49% participation of Kmart Corporation in the ownership of all retail subsidiaries formed or to be formed from July, 1967 through 1994 for the purpose of operating leased shoe departments in Kmart stores. All intercompany balances and transactions have been eliminated.

Cash and Cash Equivalents: Cash equivalents consist of highly liquid instruments with maturities of three months or less and are stated at cost which approximates market. The Company's cash management program utilizes zero balance accounts. Accordingly, all book overdraft balances have been reclassified to current liabilities.

Inventories: Inventories are stated at the lower of cost or market. Inventories of the retail operations are determined primarily by the retail method with 17.2% valued on a last-in, first-out (LIFO) basis. Inventories of the manufacturing operations are determined primarily on a first-in, first-out (FIFO) basis.

Fixed Assets: Depreciation and amortization of property, plant, equipment and leasehold improvements have been provided in the consolidated financial statements on a straight-line basis, generally over the estimated useful lives of the assets or, when applicable, the life of the lease, whichever is shorter. Amortization of leased property under capital leases is computed on a straight-line basis over the life of the lease.

Deferred Charges: Deferred charges, principally beneficial leasehold costs, are amortized on a straight-line basis generally over the remaining life of the leasehold acquired.

Goodwill: The excess of acquisition cost over the fair value of net assets acquired is amortized on a straight-line basis over periods not to exceed forty years. Impairment is assessed based on profitability of the related business relative to planned levels and changes in useful life if disposition of a business is expected.

Maintenance and Repairs: Maintenance and repairs are charged directly to expense as incurred. Major renewals or replacements are capitalized after making necessary adjustments in the asset and accumulated depreciation accounts for the items renewed or replaced.

Store Opening and Closing Costs: New store opening costs are charged to expense as incurred. In the event a store is closed before its lease has expired, the total lease obligation, less sublease rental income, is provided for in the year of closing.

Federal Income Taxes: The Company and its wholly-owned subsidiaries file a consolidated Federal income tax return. The tax benefit for dividends on unallocated shares of Series One Convertible ESOP Preference Stock (the "ESOP Preference Stock") is recorded as a credit to retained earnings.

Accounting Changes: Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"), the cumulative effect of which was not material to the consolidated financial statements and is therefore not presented separately. Under the asset and liability method of SFAS No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. Under SFAS No. 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date; this effect was immaterial in 1993.

In 1993, the Company changed its method of determining retail price indices used in the valuation of LIFO inventories.

Effective January 1, 1992, the Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("SFAS No. 106").

Postretirement Benefits: The annual cost of postretirement benefits is funded as they arise and the cost is recognized over an employee's term of service with the Company.

Earnings Per Share: Primary earnings per share is computed by dividing net earnings, after deducting net preferred dividends on redeemable preferred stock and the ESOP Preference Stock, by the weighted average number of common shares outstanding during the year. The tax benefit of dividends on the ESOP Preference Stock included in the calculation was $10.1 million in 1993 and 1992, and $10.2 million in 1991.

Fully diluted earnings per share is computed based upon the assumed conversion of the ESOP Preference Stock into common stock. Net earnings are reduced by the difference between the current dividend on the ESOP Preference Stock and the common stock, adjusted for certain nondiscretionary expenses based on net earnings. Fully diluted earnings per share is not presented for 1992 since the effect is anti-dilutive.

Reclassifications: Certain reclassifications have been made to the consolidated financial statements of prior years to conform to the 1993 presentation.

ACQUISITIONS AND DISPOSITIONS

During 1993, the Company acquired the assets of 50 prescription drugs, health and beauty aids stores, 31 leather apparel stores and 10 stores selling branded athletic footwear and apparel, for an aggregate of $38.8 million in cash. These acquisitions have been accounted for using the purchase method and resulted in goodwill of $26.1 million. Results of operations are included in

the consolidated financial statements from their respective dates of acquisition.

The Company also acquired all outstanding stock of a chain of nine prescription drugs, health and beauty aids stores in exchange for 387,110 shares of the Company's common stock, which were reissued from treasury. This acquisition was accounted for as a pooling of interests. Previously reported financial statements have not been restated to include results of the acquired company's operations as revenues and earnings prior to acquisition were not material to the consolidated financial results of the Company. The difference between the net book value of the acquired business and the cost of shares reissued has been recorded in capital surplus.

The Company completed the sale of its Chess King, Prints Plus and Accessory Lady divisions effective May 17, May 29 and October 16, 1993, respectively, for aggregate proceeds of $77.1 million, including a note receivable of $29.4 million. The aggregate loss on disposition of $85.0 million, inclusive of goodwill write-offs and losses from operations through the dates of disposition, was provided for as part of the strategic realignment charge recorded in 1992.

Pro forma financial results have not been presented for the effect of these transactions since the operations are not material to the consolidated financial results of the Company.

STRATEGIC REALIGNMENT CHARGE

In 1992, the Company recorded a pre-tax strategic realignment charge of $347.0 million to reflect the anticipated costs associated with a program to close or convert to other formats duplicate or underperforming stores. The charge also included the write-down of fixed assets and other underperforming assets, losses from operations through the expected date of closure or lease settlement, severance and inventory liquidation costs.

ACCOUNTS RECEIVABLE

Accounts receivable at December 31 consisted of the following:

($ in thousands)	1993	1992
Trade accounts	$ 216,062	$ 195,820
Other	60,470	74,515
	276,532	270,335
Less allowance for doubtful accounts	32,534	25,131
	$ 243,998	$ 245,204

INVENTORIES

Inventories at December 31 consisted of the following:

($ in thousands)	1993	1992

Finished goods	$1,849,651	$1,790,780
Work-in-process	1,616	1,143
Raw materials and supplies	7,505	14,627
	$1,858,772	$1,806,550

Prior to 1993, the Company used the U.S. Bureau of Labor Statistics indices to measure inflation or deflation in the valuation of its LIFO inventories. In 1993, internally developed indices were used to more accurately measure price fluctuations. The net earnings impact of this change on prior years, individually and cumulatively, is not determinable. The change increased 1993 net earnings by $10.0 million.

Had the FIFO method been used, the carrying value of inventories valued on a LIFO basis would have increased by $22.4 million and $33.7 million at December 31, 1993 and 1992, respectively.

PREPAID EXPENSES

Prepaid expenses at December 31 consisted of the following:

($ in thousands)	1993	1992
Deferred income taxes	$133,362	$167,834
Other	81,287	76,946
	$214,649	$244,780

ACCRUED EXPENSES

Accrued expenses at December 31 consisted of the following:

($ in thousands)	1993	1992
Taxes other than Federal income taxes	$114,627	$136,194
Rents	74,985	85,781
Strategic realignment reserve	3,570	100,905
Other	392,815	286,286
	$585,997	$609,166

SHORT-TERM BORROWING ARRANGEMENTS

At December 31, 1993, $90.0 million in commercial paper borrowings were outstanding bearing interest at a rate of 3.3%. There were no short-term borrowings outstanding at December 31, 1992.

The Company has available lines of credit with various banks which permit borrowings at prime or other negotiated interest rates. There were no short-term borrowings

outstanding under these lines of credit at December 31, 1993 and 1992. Lines of credit available at December 31, 1993 and 1992, including lines available for letters of credit, were $630.0 million and $600.4 million, respectively. Letters of credit outstanding against these lines were approximately $323.4 million and $288.1 million as of December 31, 1993 and 1992, respectively.

The Company can also obtain short-term financing through the issuance of commercial paper and bank loan participation notes, and is not obligated under any formal or informal compensating balance agreements.

LONG-TERM DEBT

Long-term debt at December 31 consisted of the following:

($ in thousands)	1993	1992
Guaranteed ESOP note, 8.60%, payable in various installments through 2008*	$340,100	$343,500
Other notes and mortgages payable	8,944	10,001
	349,044	353,501
Less current installments	7,281	4,488
	$341,763	$349,013

*See Employee Stock Ownership Plan footnote.

The aggregate long-term debt maturing during each of the next five years is as follows: $7.3 million in 1994, $10.4 million in 1995, $13.8 million in 1996, $17.5 million in 1997 and $21.7 million in 1998.

Interest costs excluding the guaranteed ESOP note were $25.8 million in 1993, $26.7 million in 1992, and $31.2 million in 1991, which included interest costs recognized in connection with the Company's contribution to the ESOP. Interest income and capitalized interest totaled $2.0 million in 1993, $1.3 million in 1992 and $1.7 million in 1991.

OTHER LONG-TERM LIABILITIES

Other long-term liabilities at December 31 consisted of the following:

($ in thousands)	1993	1992
Strategic realignment reserve	$ 6,996	$ 142,242
Other	170,177	141,592
	$177,173	$ 283,834

LEASES

The Company and its subsidiaries lease retail stores and warehouse, plant and office facilities over periods generally ranging from 5 to 25 years with options to renew such terms ranging from 5 to 15 years.

Leased property under capital leases at December 31 included:

($ in thousands)	1993	1992
Retail facilities	$ 25,262	$ 33,198
Warehouse, plant and office facilities	22,603	22,508
	47,865	55,706
Less accumulated amortization	33,188	38,538
	$ 14,677	$ 17,168

At December 31, 1993, the future minimum lease payments under capital leases, rental payments required under operating leases, and the future minimum sublease rentals excluding lease obligations for closed stores were as follows:

	Capital	Operating

($ in thousands)	Leases	Leases
1994	$ 6,176	$ 473,748
1995	5,790	444,389
1996	5,458	404,558
1997	4,990	371,487
1998	4,376	365,228
Thereafter	16,594	1,326,055
Total	$ 43,384	$3,385,465
Less amount representing interest	17,228	
Present value of minimum lease payments	$ 26,156	
Total future minimum sublease rentals	$ 1,862	$ 25,865

Net rental expense for all operating leases for the years ended December 31 was as follows:

($ in thousands)	1993	1992	1991
Minimum rentals	$ 496,555	$ 480,505	$ 447,779
Contingent rentals	192,905	207,106	198,584
	689,460	687,611	646,363
Less sublease rentals	6,286	5,085	3,860
	$ 683,174	$ 682,526	$ 642,503

Contingent rentals are principally those for leased shoe departments operated under license agreements with Kmart Corporation. These agreements are for terms of 25 years, provide for rental payments based on sales and profits and require certain performance standards. The remaining terms of license agreements in existence at December 31, 1993 ranged from 6 to 25 years.

The balance of contingent rentals relate to other Company operations and are based only on sales.

CONTINGENCIES

In connection with dispositions completed in 1991, 1992 and 1993, including Chess King, Melville Realty Company, Inc. ("MRC"), a wholly owned subsidiary of the Company, continues to guarantee rental and other lease-related charges on 720 leases for retail stores and warehouse and office facilities. The present value of these minimum rental payments at December 31, 1993 was approximately $189.0 million. See subsequent event footnote regarding guarantees of Chess King leases.

REDEEMABLE PREFERRED STOCK

The Company is required to provide $279,000 annually, on December 1, as a sinking fund to repurchase shares of Series B preferred stock at prices not to exceed $100 per share. Any balance not so applied within one year is returned to the general funds of the Company. The difference between the cost of shares repurchased and par value is reflected in capital surplus.

STOCK INCENTIVE PLANS

The Company's 1990 Omnibus Stock Incentive Plan (the "Plan") provides for the granting of options, restricted stock and other stock-based awards for a maximum of 5,000,000 shares of common stock to key employees. The Plan replaced the Company's 1973 and 1987 Stock Option Plans and the 1980 Restricted Stock Plan ("Previous Plans").

Stock options under the Plan are awarded at the fair market value on the date of grant. The right to exercise these options generally commences one year from the date of grant and expires ten years after the grant date.

The 1989 Directors' Stock Option Plan ("Directors' Plan") for nonemployee directors ("eligible directors") provides for the granting of options to purchase a maximum of 150,000 shares of common stock. Any person who becomes an eligible director receives an initial option grant to purchase 2,000 shares of common stock, and, on each January 11 after such initial grant through January 11, 1998, is automatically granted an additional option to purchase 1,000 shares. All options are granted at the fair market value on the date of grant.

The right to exercise options granted under the Directors' Plan generally commences six months from the date of grant and expires ten years after the grant date, provided the director has served continuously during the exercise period.

Information with respect to stock option activity under the Plan, the Previous Plans and the Directors' Plan is as follows:

	Number of Shares	Option Price Range Per Share
Outstanding at December 31, 1990	2,532,148	$ 12.41 / $ 54.75
Granted	667,250	39.75 / 49.31
Exercised	321,108	12.41 / 52.00
Cancelled	63,650	28.69 / 52.00
Outstanding at December 31, 1991	2,814,640	$ 12.41 / $ 54.75
Granted	717,325	44.63 / 48.44
Exercised	460,090	12.41 / 52.00
Cancelled	44,650	36.00 / 52.00
Outstanding at December 31, 1992	3,027,225	$ 18.19 / $ 54.75
Granted	709,650	41.13 / 53.50
Exercised	126,400	18.19 / 52.00
Cancelled	139,875	39.38 / 52.00
Outstanding at December 31, 1993	3,470,600	$ 18.19 / $ 54.75
Exercisable at December 31, 1993	2,787,150	$ 18.19 / $ 54.75

Restricted stock awards granted under the Plan are subject to certain conditions, and restrictions are lifted generally three years after the grant date.

Restricted stock grants under the Plan totaled 2,225 in 1993, 12,265 in 1992 and 39,060 in 1991. The fair market value as of the grant date was $0.1 million, $0.6 million and $1.8 million for 1993, 1992 and 1991, respectively. Additionally, 420 shares, 2,030 shares and 1,520 shares were cancelled in 1993, 1992 and 1991, respectively.

The Plan also permits the granting of performance shares, representing rights to receive cash and/or common stock of the Company based upon certain performance criteria over a three-year performance period, and performance based restricted shares, representing rights to receive common stock of the Company based upon certain performance criteria over a one-year performance period. Compensation expense related to grants under these provisions is based on current market price of the Company's common stock and the extent to which performance criteria are being met.

During 1993, 54,301 performance based restricted share units were awarded at a fair market value of $2.6 million. During 1992 and 1991, 70,745 and 61,970 performance share units were awarded at a fair market value of $3.4 million and $3.1 million, respectively.

At December 31, 1993 2,181,629 shares were available for grant under the Plan and 82,000 shares of stock were available for grant under the Directors' Plan.

POSTRETIREMENT BENEFITS

The Company provides postretirement health benefits at several divisions for retirees who meet certain eligibility requirements.

Effective January 1, 1992, the Company adopted SFAS No. 106, and recorded an accumulated postretirement benefit obligation ("APBO") of $37.6 million for active employees and retirees.

The weighted average discount rate used to determine the APBO was 6.9% and 8.0% at December 31, 1993 and 1992, respectively. The following table reflects the APBO as of December 31:

($ in thousands)	1993	1992
Retirees	$19,400	$16,300
Fully eligible active plan participants	2,800	2,900
Other active plan participants	12,000	10,000
APBO	34,200	29,200
Unrecognized prior service gain	15,200	16,700
Unrecognized net loss	(4,000)	--
Accrued APBO	$45,400	$45,900

Effective December, 1992, the Company amended these plans to terminate certain benefits, resulting in a prior service gain of $16.7 million to be amortized over 13 years. The net periodic cost recorded for the years ended December 31 was as follows:

($ in thousands)	1993	1992
Interest expense	$ 2,200	$ 3,300
Service cost	(1,000)*	2,100
	$ 1,200	$ 5,400

* Net of prior service gain amortization.

For measurement purposes, a 12.0% increase in the cost of covered health-care benefits was assumed for 1993; the rate was assumed to decline gradually to 6.0% in 2010, and remain at that level thereafter. A 1.0% increase in the health-care cost trend rate would increase the APBO at January 1, 1993 by $4.5 million, and the 1993 annual expense by $0.5 million.

401(K) PROFIT SHARING PLAN

The Company has a qualified 401(k) Profit Sharing Plan available to full-time employees who meet the plan's eligibility requirements. This plan, which is also a defined contribution plan, contains a profit sharing component, with tax-deferred contributions to each employee based on certain performance criteria, and also permits employees to make contributions up to the maximum limits allowed by Internal Revenue Code Section 401(k). Under the 401(k) component, the Company matches a portion of the employee's contribution under a predetermined formula based on the level of contribution and years of vesting service. Company contributions to the plan for both profit sharing and matching of employee contributions were $20.3 million, $17.9 million and $15.1 million in 1993, 1992 and 1991, respectively.

EMPLOYEE STOCK OWNERSHIP PLAN

The Company sponsors a defined contribution plan for all full-time employees through its ESOP.

The ESOP Trust (the "Trust") borrowed $357.5 million at an interest rate of 8.6% through a 20-year loan guaranteed by the Company and used the proceeds to purchase 6,688,494 shares of ESOP Preference Stock from the Company. The original liquidation value of the ESOP Preference Stock is guaranteed by the Company. Dividends are cumulative at the stated rate or the common stock rate if higher.

Contributions to the ESOP, plus the dividends paid on the ESOP Preference Stock held by the Trust, are used to repay the loan principal and interest. Dividends paid were $29.6 million, $25.8 million and $25.9 million in December 1993, October 1992 and October 1991, respectively. Cash contributions made by the Company were $7.9 million, $7.4 million and $4.1 million, respectively, in the same periods. Interest costs incurred by the Trust were approximately $29.5 million in 1993, $29.8 million in 1992 and $29.9 million in 1991.

Compensation expense of $5.7 million, $5.5 million, and $5.3 million was recognized in 1993, 1992 and 1991, respectively. The difference between the cash contribution and the expense recognized is credited to the Guaranteed ESOP Obligation.

INCOME TAXES

Effective January 1, 1993, the Company adopted SFAS No. 109. The cumulative effect of this accounting change was not material.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the

amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of December 31, were as follows:

($ in thousands)	1993
Deferred tax assets:	
Inventories	$ 30,852
Other assets	21,920
Employee benefits	53,915
Total deferred tax assets	106,687
Deferred tax liabilities:	
Property, plant and equipment	56,658
Net deferred tax assets	$ 50,029

The provision for income taxes at December 31 consisted of the following:

($ in millions)	1993	1992	1991
Federal	$ 170.2	$ 99.1	$ 189.4
State	50.2	26.6	53.5
	$ 220.4	$ 125.7	$ 242.9

Reconciliations of the effective tax rates to the U.S. statutory income tax rate are as follows:

Percent of pre-tax income	1993	1992	1991
Effective tax rate	36.8	37.5	38.0
State income taxes, net of Federal tax benefit	(5.4)	(5.2)	(5.5)
51% owned subsidiaries excluded from the consolidated Federal income tax return	2.6	4.4	2.2
Goodwill	(0.8)	(3.9)	(0.7)
Other	1.8	1.2	--
Statutory income tax rate	35.0	34.0	34.0

The provision for income taxes includes a net deferred tax benefit of $103.4 million in 1993, and net deferred tax charges of $97.6 million in 1992 and $1.2 million in 1991. For 1992 and 1991, deferred income taxes relate principally to costs associated with the strategic realignment program, the capitalization of inventory costs, depreciation, employee related benefits, and leased property under capital leases.

SUPPLEMENTAL CASH FLOW INFORMATION

During the years ended December 31, the Company had the following non-cash financing and investing activities:

($ in thousands)	1993	1992	1991
Fair value of assets acquired	$ 61,144	$ 26,417	$ 129,306
Fair value of common stock reissued from treasury	--	--	37,754
Cash paid	38,814	25,691	40,480
Liabilities assumed	$ 22,330	$ 726	$ 51,072
Book value of common stock issued in pooling of interests	$ 18,976	$ --	$ --
Notes received for operations sold	29,413	--	19,201

Cash payments for income taxes and interest for the year ended December 31 were as follows:

($ in thousands)	1993	1992	1991
Income taxes	$ 157,240	$ 236,975	$ 223,094
Interest (net of amounts capitalized)	25,747	26,628	30,317

RECENT ACCOUNTING PRONOUNCEMENTS

SFAS No. 112, "Employers' Accounting for Postemployment Benefits" ("SFAS No. 112") which requires the recognition of an obligation for benefits provided to former or inactive employees after employment but before retirement, must be implemented in fiscal 1994. Had the Company adopted SFAS No. 112 in 1993, the impact would have been immaterial to the consolidated financial statements.

SUBSEQUENT EVENT

Included in accounts receivable is a $29.4 million note received in connection with the sale of the Chess King division (the "Note"). Subsequent to year end, the issuer of the Note (the "Purchaser") filed for protection under Chapter 11 of the United States Bankruptcy Code. On March 1, 1994, the Company sold the Note to a third party and realized a loss of approximately $4.0 million, which was recorded in the 1993 consolidated financial statements.

MRC continues to guarantee rental and lease related charges for 423 of the Chess King leases sold, the present value of which is approximately $91.0 million. Pursuant to the terms of sale of the Note, the Company will be indemnified for 52.5% of any costs incurred under these guarantees for the duration of the Purchaser's bankruptcy. As such, the Company's potential liability under the guarantees is uncertain.

SUMMARY OF QUARTERLY RESULTS

(Unaudited; $ in thousands, except per share data)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net Sales				
1993	$ 2,033,011	$ 2,537,395	$ 2,355,376	$ 3,509,619
1992	2,059,351	2,495,073	2,390,584	3,487,835
Gross Profit				
1993	$ 694,749	$ 926,835	$ 853,159	$ 1,296,263
1992	731,520	948,978	892,344	1,330,762
Earnings (Loss) before Cumulative Effect of Change in Accounting Principle				
1993	$ (21,686)	$ 74,525	$ 41,504	$ 237,447
1992	(13,609)	77,077	55,269	37,243
Net Earnings (Loss)				
1993	$ (21,686)	$ 74,525	$ 41,504	$ 237,447
1992	(36,160)	77,077	55,269	37,243
Earnings (Loss) Per Share before Cumulative Effect of Change in Accounting Principle				
1993 Primary	$ (.24)	$ .67	$ .35	$ 2.22
1993 Fully Diluted *	(.24)	.67	.35	2.12
1992 Primary	(.17)	.70	.49	.32
Net Earnings (Loss) Per Share				
1993 Primary	$ (.24)	$ .67	$ .35	$ 2.22
1993 Fully Diluted *	(.24)	.67	.35	2.12
1992 Primary	(.38)	.70	.49	.32

*Dilutive effect in the fourth quarter due to the assumed conversion of the ESOP Preference Stock and the seasonality of earnings.

MARKET INFORMATION

Melville Corporation's common stock is listed on the New York Stock Exchange. Its trading symbol is MES. Information with respect to quarterly trading ranges (based on low/high stock prices) and dividends paid per share is as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year

Market Price Per Share					
1993	$46 3/4--54 3/4	$43 3/4--48 1/4	$42 1/4--47 1/8	$38 7/8--45 5/8	$38 7/8--54 3/4
1992	42 1/2--52	43 1/2--51 1/4	44 1/4--50 7/8	47 1/2--55	42 1/2--55
Dividends Paid Per Share					
1993	$ .38	$ .38	$ .38	$ .38	$ 1.52
1992	.37	.37	.37	.37	1.48

SEGMENT INFORMATION

The Company is a specialty retailer conducting business through retail stores in four business segments: prescription drugs, health and beauty aids; apparel; footwear; and toys and household furnishings. Information about operations for each of these segments is summarized as follows:

($ in thousands)	1993	1992	1991
Prescription Drugs, Health and Beauty Aids			
Net sales	$ 3,948,197	$ 3,632,066	$ 3,526,401
Operating profit (a)	195,670	149,182	206,106
Identifiable assets at December 31	1,592,964	1,492,471	1,525,541
Depreciation and amortization	56,883	60,233	55,985
Additions to property, plant, equipment and leasehold improvements	104,592	111,802	74,281
Apparel			
Net sales	3,395,926	3,486,065	3,243,159
Operating profit (a)	181,922	125,893	222,968
Identifiable assets at December 31	1,348,385	1,378,091	1,308,957
Depreciation and amortization	75,963	78,566	69,898
Additions to property, plant, equipment and leasehold improvements	154,247	105,037	117,626
Footwear			
Net sales	1,713,093	1,840,022	1,747,415
Operating profit (a)	168,979	91,984	161,876
Identifiable assets at December 31	568,015	572,344	582,858
Depreciation and amortization	20,937	22,293	19,198
Additions to property, plant, equipment and leasehold improvements	45,924	26,973	18,908
Toys and Household Furnishings			
Net sales	1,378,185	1,474,690	1,369,208
Operating profit (a)	89,138	2,926	91,439
Identifiable assets at December 31	655,290	639,764	632,133
Depreciation and amortization	34,797	37,454	30,832
Additions to property, plant, equipment and leasehold improvements	70,948	47,191	41,031
Consolidated			
Net sales	$10,435,401	$10,432,843	$ 9,886,183
Operating profit before corporate expenses (a)	635,709	369,985	682,389
Corporate expenses excluding depreciation and amortization (b)	9,364	6,629	11,582
Corporate depreciation and amortization	3,008	2,462	1,197
Interest expense, net	23,810	25,398	29,512
Earnings before income taxes and minority interests	$ 599,527	$ 335,496	$ 640,098
Identifiable assets at December 31	$ 4,164,654	$ 4,082,670	$ 4,049,489
Corporate assets	107,746	131,392	35,746
Total assets at December 31	$ 4,272,400	$ 4,214,062	$ 4,085,235
Depreciation and amortization	$ 191,588	$ 201,008	$ 177,110
Corporate additions to property, plant, equipment and leasehold improvements	11,013	13,342	1,226
Total additions to property, plant, equipment and leasehold improvements	$ 386,724	$ 304,345	$ 253,072

<FN>
Operating profit is defined as total revenues less operating expenses. Identifiable assets include those assets directly related to each segment's operations.
Capital additions exclude acquisitions.

(a) In 1992, includes the effect of the strategic realignment charge.
(b) Includes general corporate expenses as well as net expenses related to other corporate managed subsidiaries.
</FN>

FIVE-YEAR FINANCIAL SUMMARY

Melville Corporation and Subsidiary Companies

($ in thousands, except per share data)

Results for the Year	1993(a)	1992	1991	1990	1989
Net Sales	$10,435,401	$10,432,843	$ 9,886,183	$ 8,686,765	$ 7,553,971
Wages and Compensation	1,338,881	1,315,564	1,257,756	1,053,440	969,309
Taxes	449,563	329,778	439,272	419,038	400,273
Earnings before Income Taxes, Minority Interests and Cumulative Effect of Change in Accounting Principle	599,527	335,496	640,098	687,338	704,305
Earnings before Cumulative Effect of Change in Accounting Principle	331,790	155,980	346,681	385,261	398,076
Net Earnings	331,790	133,429	346,681	385,261	398,076
Dividends Declared	184,934	180,324	174,517	172,210	164,765
Per Share of Common Stock					
Earnings before Cumulative Effect of Change in Accounting Principle	$ 3.00	$ 1.34	$ 3.20	$ 3.59	$ 3.56
Net Earnings	3.00	1.13	3.20	3.59	3.56
Dividends	1.52	1.48	1.44	1.42	1.30
Book Value	21.33	19.83	20.06	17.99	15.76
End of Year Position					
Current Assets	$ 2,398,390	$ 2,441,672	$ 2,369,993	$ 2,113,235	$ 1,874,530
Current Liabilities	1,328,097	1,380,919	1,330,227	1,147,717	808,863
Current Ratio	1.8	1.8	1.8	1.8	2.3
Total Assets	$ 4,272,400	$ 4,214,062	$ 4,085,235	$ 3,662,157	$ 3,031,767
Total Long-Term Obligations and Redeemable Preferred Stock	365,936	376,417	385,483	396,430	391,361
Percent of Long-Term Obligations to Total Capitalization	14.0	15.3	15.5	17.6	19.4
Property, Plant, Equipment and Leasehold Improvements					
Net of Accumulated Depreciation and Amortization	$ 1,302,200	$ 1,207,871	$ 1,105,287	$ 965,085	$ 766,560
Capital Additions	386,724	304,345	253,072	231,132	202,570
Percent of Net Sales					
Earnings before Income Taxes, Minority Interests and Cumulative Effect of Change in Accounting Principle	5.7	3.2	6.5	7.9	9.3
Earnings before Cumulative Effect of Change in Accounting Principle	3.2	1.5	3.5	4.4	5.3
Net Earnings	3.2	1.3	3.5	4.4	5.3
Return on Beginning Shareholders' Equity	16.0%	6.4%	18.7%	23.8%	23.3%
Number of Stores	7,282	8,213	8,293	7,754	6,930

<FN>
(a) Excludes stores designated to be closed in connection with the 1992 strategic realignment program.
</FN>

EXHIBIT 18

February 10, 1994

The Board of Directors
Melville Corporation, Inc.

Dear Members:

We have audited the consolidated balance sheets of Melville Corporation and subsidiary companies as of December 31, 1993 and 1992 and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the years in the three-year period ended December 31,1993, and have reported thereon under date of February 10, 1994 except as to the Subsequent Event note, which is as of March 1, 1994. The aforementioned consolidated financial statements and our audit report thereon are included in the Company's 1993 Annual Report to Shareholders which is incorporated by reference in the Company's annual report on Form 10-K for the year ended December 31, 1993. As stated on page 41 of the 1993 Annual Report to Shareholders, the Company changed its method of determining retail price indices used in the valuation of LIFO inventories in 1993, and states that the newly adopted method is preferable in the circumstances because the indices used in 1993 more accurately measure inflation or deflation in the Company's own retail prices. In accordance with your request, we have reviewed and discussed with Company officials the circumstances and business judgment and planning upon which the decision to make this change in the method of accounting was based.

With regard to the aforementioned accounting change, authoritative criteria have not been established for evaluating the preferability of one acceptable method of accounting over another acceptable method. However, for purposes of Melville Corporation's compliance with the requirements of the Securities and Exchange Commission, we are furnishing this letter.

Based on our review and discussion, with reliance on management's business judgment and planning, we concur that the newly adopted method of accounting is preferable in the Company's circumstances.

Very truly yours,

/s/KPMG PEAT MARWICK
KPMG Peat Marwick

EXHIBIT 22

PARENTS AND SUBSIDIARIES AS OF DECEMBER 31, 1993

The registrant is the direct parent corporation (owning all of the capital stock) of Footaction, Inc., a Texas corporation and the following Minnesota corporations, all of which, except the first two, also operate specialty retail chain stores; Smart Step H.C., Inc.; Meldisco H.C., Inc.; CVS H.C., Inc.; Bob's H.C., Inc., Rosedale Wilsons, Inc.; Rosedale This End Up, Inc.; Rosedale Open Country, Inc.; Bloomington, MN., L.T., Inc.; Apache-Minnesota Thom McAn, Inc.; Southdale Kay-Bee Toy, Inc. and Marshalls of Roseville, MINN., Inc.

Marshalls of Roseville, MINN., Inc. is the parent corporation (owning all of the capital stock) of 490 subsidiaries, all of which were formed to operate specialty retail stores, all located in the United States selling primarily apparel for men, women and children.

Southdale Kay-Bee Toy, Inc. is the parent corporation (owning all of the capital stock) of 670 subsidiaries, all of which were formed to operate specialty retail stores, all located in the United States or Puerto Rico, selling primarily toys, games and hobby products.

Rosedale Wilsons, Inc. is the parent corporation (owning directly or indirectly all of the capital stock) of 436 subsidiaries, all of which were formed to operate specialty retail stores, all located in the United States, selling primarily leather and suede apparel and accessories for men and women.

Bloomington, MN., L.T., Inc. is the parent corporation (owning all of the capital stock) of 256 subsidiaries, all of which were formed to operate specialty retail stores, all located in the United States, selling quality brand name linens, towels, bath and other household items.

Rosedale This End Up, Inc., is the parent corporation (owning all of the capital stock) of 166 subsidiaries, 154 of which were formed to operate specialty retail stores, located in the United States or Canada selling a distinctive line of casual crate-designed furniture.

CVS H.C., Inc., is the parent corporation (owning all of the capital stock) of 1,143 subsidiaries, all of which were formed to operate specialty retail stores located in the United States, selling prescription drugs, health and beauty aids.

Rosedale Open Country, Inc., is the parent corporation (owning all of the capital stock) of 263 subsidiaries all of which were formed to operate specialty retail stores located in the United States selling brand name athletic footwear and related apparel for men, women and children.

Apache-Minnesota Thom McAn, Inc., is the parent corporation (owning all of the capital stock) of 791 subsidiaries all of which were formed to operate specialty retail stores located in the United States, Puerto Rico or the U.S. Virgin Islands selling men's and women's footwear.

Meldisco H.C., Inc. is the parent corporation of 2,391 subsidiaries(owning 51% of the capital stock of 2,391 subsidiaries and 100% of the capital stock of 474 subsidiaries) all of which were formed to operate leased footwear departments in Kmart or Pay Less Drug Stores all located in the United States Puerto Rico or the Czech Republic and Slovakia.

Bob's H.C., Inc., is the parent corporation (owning all of the capital stock) of twelve subsidiaries which were formed to operate specialty retail stores located in the United States, selling casual clothing and footwear for the entire family.

The registrant is also the direct parent corporation of Thom McAn Manufacturing, Inc., a North Carolina corporation and the indirect parent corporation of Marshall's, Inc., a Massachusetts corporation, Kay-Bee Toy & Hobby Shops, Inc., a Massachusetts corporation, Wilsons House of Suede, Inc., a California corporation, Linens 'n Things, Inc., a New Jersey corporation, T.E.U., Incorporated, a Virginia corporation, This End Up, Inc., a Virginia corporation, This End Up Furniture

Company, a North Carolina corporation, T.E.U. Transportation, Inc. a Virginia corporation, Bob's Inc., a Connecticut corporation, Peoples Drug Stores, Incorporated, a Maryland corporation, CW Kay-Bee, Inc., a New York corporation and K & K Kay-Bee, Inc., a Virginia corporation, all of which are included in the consolidated financial statements of the registrant.

Several of the subsidiaries referred to in this Exhibit have not yet opened their stores for business, and several no longer operate any stores. All of the subsidiaries referred to herein are included in the consolidated financial statements of the registrant.

The names of other subsidiaries are omitted as, considered in the aggregate as a single subsidiary, they would not constitute a significant subsidiary.