

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal quarter ended May 1, 2004.

FEDERATED DEPARTMENT STORES, INC.

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

Delaware
(State of Incorporation)

1-13536
(Commission File No.)

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

The Registrant has filed all reports required to be filed by Section 12, 13 or 15 (d) of the Act during the preceding 12 months and has been subject to such filing requirements for the past 90 days.

Indicate by checkmark whether registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).
Yes ☒ No ☐

179,806,099 shares of the Registrant's Common Stock, \$.01 par value, were outstanding as of May 29, 2004.

PART I -- FINANCIAL INFORMATION

FEDERATED DEPARTMENT STORES, INC.

Consolidated Statements of Income
(Unaudited)

(millions, except per share figures)

13 Weeks
Ended
May 1, 2004

13 Weeks
Ended
May 3, 2003

Net sales	\$3,517	\$3,291
Cost of sales	<u>2,105</u>	<u>2,002</u>
Gross margin	1,412	1,289
Selling, general and administrative expenses	<u>1,196</u>	<u>1,143</u>
Operating income	216	146
Interest expense	(63)	(73)
Interest income	<u>3</u>	<u>3</u>
Income before income taxes	156	76
Federal, state and local income tax expense	<u>(60)</u>	<u>(30)</u>
Net income	<u>\$ 96</u>	<u>\$ 46</u>
Basic earnings per share	<u>\$.53</u>	<u>\$.24</u>
Diluted earnings per share	<u>\$.52</u>	<u>\$.24</u>

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

FEDERATED DEPARTMENT STORES, INC.

Consolidated Balance Sheets **(Unaudited)**

(millions)

	May 1, 2004	January 31, 2004	May 3, 2003
ASSETS:			
Current Assets:			
Cash	\$ 913	\$ 925	\$ 744
Accounts receivable	3,100	3,213	2,876
Merchandise inventories	3,498	3,215	3,502
Prepaid expenses and other	121	22	122

Supplies and prepaid expenses	121	99	128
Deferred income tax assets	=	<u>-</u>	<u>11</u>
Total Current Assets	7,632	7,452	7,261
Property and Equipment - net	6,081	6,174	6,249
Goodwill	262	262	262
Other Intangible Assets - net	378	378	378
Other Assets	<u>270</u>	<u>284</u>	<u>266</u>
Total Assets	<u>\$14,623</u>	<u>\$14,550</u>	<u>\$14,416</u>

LIABILITIES AND SHAREHOLDERS'
EQUITY:

Current Liabilities:

Short-term debt	\$ 916	\$ 908	\$ 939
Accounts payable and accrued liabilities	2,754	2,613	2,657
Income taxes	<u>152</u>	<u>362</u>	<u>92</u>
Total Current Liabilities	3,822	3,883	3,688

Long-Term Debt	3,149	3,151	3,406
Deferred Income Taxes	1,025	998	1,005
Other Liabilities	581	578	649
	<u>6,046</u>	<u>5,940</u>	<u>5,668</u>

Total Liabilities and Shareholders' Equity	<u>\$14,623</u>	<u>\$14,550</u>	<u>\$14,416</u>
--	-----------------	-----------------	-----------------

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

FEDERATED DEPARTMENT STORES, INC.

Consolidated Statements of Cash Flows
(Unaudited)

(millions)

13 Weeks Ended	13 Weeks Ended
<u>May 1, 2004</u>	<u>May 3, 2003</u>

Cash flows from operating activities:

Net income	\$ 96	\$ 46
------------	-------	-------

Adjustments to reconcile net income to net cash provided by operating activities:

Depreciation and amortization	176	179
Amortization of financing costs	1	-
Amortization of unearned restricted stock	1	1
Changes in assets and liabilities:		
Decrease in accounts receivable	113	73
Increase in merchandise inventories	(282)	(143)
Increase in supplies and prepaid expenses	(22)	(4)
Increase in other assets not separately identified	-	(1)
Increase in accounts payable and accrued liabilities not separately identified	128	49
Increase (decrease) in current income taxes	(209)	21
Increase in deferred income taxes	29	6
Increase (decrease) in other liabilities not separately identified	<u>3</u>	<u>(23)</u>
Net cash provided by operating activities	<u>34</u>	<u>204</u>

Cash flows from investing activities:

Purchase of property and equipment	(72)	(41)
Capitalized software	(17)	(13)
Collection of note receivable	17	-
Disposition of property and equipment	<u>1</u>	<u>2</u>
Net cash used by investing activities	<u>(71)</u>	<u>(52)</u>

Cash flows from financing activities:

Debt issued	9	-
Debt repaid	(2)	(7)
Dividends paid	(22)	-
Increase in outstanding checks	9	1
Acquisition of treasury stock	(90)	(120)
Issuance of common stock	<u>121</u>	<u>2</u>
Net cash provided (used) by financing activities	<u>25</u>	<u>(124)</u>

(Continued)

FEDERATED DEPARTMENT STORES, INC.

Consolidated Statements of Cash Flows
(Unaudited)

(millions)

	13 Weeks Ended <u>May 1, 2004</u>	13 Weeks Ended <u>May 3, 2003</u>
Net increase (decrease) in cash	(12)	28
Cash at beginning of period	<u>925</u>	<u>716</u>
Cash at end of period	<u>\$913</u>	<u>\$744</u>
Supplemental cash flow information:		
Interest paid	\$ 79	\$ 79
Interest received	4	3
Income taxes paid (net of refunds received)	240	6

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

FEDERATED DEPARTMENT STORES, INC.

Notes to Consolidated Financial Statements
(Unaudited)

1. Summary of Significant Accounting Policies

A description of the Company's significant accounting policies is included in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2004 (the "2003 10-K"). The accompanying Unaudited Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto in the 2003 10-K.

Because of the seasonal nature of the retail business, the results of operations for the 13 weeks ended May 1, 2004 and May 3, 2003 (which do not include the Christmas season) are not necessarily indicative of such results for the fiscal year.

The Consolidated Financial Statements for the 13 weeks ended May 1, 2004 and May 3, 2003, in the opinion of management, include all adjustments (consisting only of normal recurring adjustments) considered necessary to present fairly, in all material respects, the consolidated financial position and results of operations of the Company and its subsidiaries.

In December 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities - - an

interpretation of ARB No. 51 (revised December 2003)." This interpretation addresses the consolidation by business enterprises of variable interest entities that contain certain characteristics and was fully effective May 1, 2004. The adoption of this interpretation did not impact the Company's consolidated financial position, results of operations or cash flows.

In May 2004, the FASB issued Staff Position 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003." On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") was signed into law. The Act introduced both a Medicare prescription drug benefit and a federal subsidy to sponsors of retiree healthcare plans. The accumulated postretirement benefit obligation at May 1, 2004 and the net postretirement benefit expense for the first quarter of 2004 do not reflect the effects of the Act on the Company's postretirement benefit plans. The Company has not yet determined the impact of this position on the Company's consolidated financial position, results of operations and cash flows.

The Company accounts for its stock-based employee compensation plans in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. No stock-based employee compensation cost related to stock options is reflected in net income, as all options granted under the plan have an exercise price at least equal to the market value of the underlying common stock on the date of grant.

The following table illustrates the effect on net income and earnings per share as if the Company had applied the fair value provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," for stock options granted. The Company estimates the fair value of each employee stock option grant on the date of grant using the Black-Scholes option-pricing model.

	<u>13 Weeks Ended</u> <u>May 1, 2004</u>	<u>13 Weeks Ended</u> <u>May 3, 2003</u>
	(millions, except per share data)	
Net income, as reported	\$ 96	\$ 46
Deduct total stock-based employee compensation cost determined in accordance with SFAS No. 123, net of related tax benefit	(10)	(11)
Pro forma net income	<u>\$ 86</u>	<u>\$ 35</u>
Earnings per share:		
Basic - as reported	<u>\$.53</u>	<u>\$.24</u>
Basic - pro forma	<u>\$.48</u>	<u>\$.19</u>
Diluted - as reported	<u>\$.52</u>	<u>\$.24</u>
Diluted - pro forma	<u>\$.47</u>	<u>\$.19</u>

2. **Restructuring Accruals**

During the first quarter of 2004, the Company recorded certain costs and expenses in selling, general and administrative ("SG&A") expenses related to store closings and consolidations, including accruals of \$5 million for severance and \$2 million of lease termination costs.

During the fourth quarter of 2002, the Company recorded certain costs and expenses associated with the Rich's-Macy's consolidation, including \$6 million of accrued severance costs, in SG&A.

The Company recorded restructuring charges in 2001 and 2000, including accrued long-term lease obligations related to the disposition of properties associated with the closing of its Stern's department store division.

The following table shows the beginning and ending balances of, and the activity associated with, the

restructuring accruals for the 13 weeks ended May 1, 2004:

	January 31, <u>2004</u>	<u>Expense</u>	<u>Payments</u>	May 1, <u>2004</u>
	(millions)			
Long-term lease obligations	\$ 11	\$ -	\$ (1)	\$ 10
Lease termination costs	\$ -	\$ 2	\$ -	\$ 2
Severance costs	\$ -	\$ 5	\$ -	\$ 5

The Company still expects to pay out the \$10 million accrual related to long-term lease liabilities associated with the disposition of a Stern's property. The lease termination and severance costs that remain accrued at May 1, 2004 are expected to be paid prior to January 29, 2005.

The following table shows the beginning and ending balances of, and the activity associated with, the restructuring accruals for the 13 weeks ended May 3, 2003:

	February 1, <u>2003</u>	<u>Expense</u>	<u>Payments</u>	May 3, <u>2003</u>
	(millions)			
Long-term lease obligations	\$ 14	\$ -	\$ (1)	\$ 13
Severance costs	\$ 6	\$ -	\$ (4)	\$ 2

The Rich's-Macy's severance costs that remained accrued at May 3, 2003 was paid prior to November 1, 2003.

3. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	13 Weeks Ended			
	May 1, 2004		May 3, 2003	
	<u>Income</u>	<u>Shares</u>	<u>Income</u>	<u>Shares</u>
	(millions, except per share data)			
Net income and average number of shares outstanding operations and average number of shares outstanding	\$ 96	179.9	\$ 46	188.4
Shares to be issued under deferred compensation plans	<u>-</u>	<u>.6</u>	<u>-</u>	<u>.8</u>
	\$ 96	180.5	\$ 46	189.2
Basic earnings per share	<u>\$.53</u>		<u>\$.24</u>	
Effect of dilutive securities - -				
stock options	<u>-</u>	<u>3.7</u>	<u>-</u>	<u>.3</u>
	\$ 96	184.2	\$ 46	189.5

Diluted earnings per share	<u>\$.52</u>	<u>\$.24</u>
----------------------------	---------------	---------------

In addition to the stock options reflected in the foregoing table, stock options to purchase 0.5 million shares of common stock at prices ranging from \$51.94 to \$79.44 per share were outstanding at May 1, 2004 and stock options to purchase 28.9 million shares of common stock at prices ranging from \$27.31 to \$79.44 per share were outstanding at May 3, 2003 but were not included in the computation of diluted earnings per share because the exercise price thereof exceeded the average market price and their inclusion would have been antidilutive.

4. Benefit Plans

The Company has a defined benefit plan ("Pension Plan") and a defined contribution plan which cover substantially all employees who work 1,000 hours or more in a year. The Company also has a defined benefit supplementary retirement plan which includes benefits, for certain employees, in excess of qualified plan limitations.

In addition, certain retired employees currently are provided with special health care and life insurance benefits ("Postretirement Obligations"). Eligibility requirements for such benefits vary by division and subsidiary, but generally state that benefits are available to eligible employees who were hired prior to a certain date and retire after a certain age with specified years of service. Certain employees are subject to having such benefits modified or terminated.

The actuarially determined components of the net periodic benefit cost (benefit) are as follows:

	<u>13 Weeks Ended</u> <u>May 1, 2004</u>	<u>13 Weeks Ended</u> <u>May 3, 2003</u>
<u>Pension Plan</u>		
Service cost	\$ 11	\$ 10
Interest cost	25	24
Expected return on assets	(35)	(36)
Recognition of net actuarial loss	<u>5</u>	<u>-</u>
	<u>\$ 6</u>	<u>\$ (2)</u>
 <u>Supplementary Retirement Plan</u>		
Service cost	\$ 2	\$ 2
Interest cost	4	3
Recognition of net actuarial loss	<u>4</u>	<u>3</u>
	<u>\$ 10</u>	<u>\$ 8</u>
 <u>Postretirement Obligations</u>		
Service cost	\$ -	\$ -
Interest cost	4	4
Amortization of prior service cost	(1)	(1)

Recognition of net actuarial gain

=

(1)

\$ 3

\$ 2

FEDERATED DEPARTMENT STORES, INC .

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

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

For purposes of the following discussion, all references to "first quarter of 2004" and "first quarter of 2003" are to the Company's 13-week fiscal periods ended May 1, 2004 and May 3, 2003, respectively.

The Company is a retail organization operating department stores that sell a wide range of merchandise, including men's, women's and children's apparel and accessories, cosmetics, home furnishings and other consumer goods in 34 states, Puerto Rico and Guam. The highest concentration of stores are on the west coast, in the southeast and northeast. The Company's operations are significantly impacted by competitive pressures from department and specialty stores and all other retail channels, and general consumer-spending levels, including the impact of employment levels.

The Company entered 2004 with a continued strategic focus on four key priorities for improving the business over the longer term: differentiating merchandise assortments; simplifying pricing; improving the overall shopping experience; and communicating better with customers through more brand focused and effective marketing. The Company believes that its recent results indicate that these strategies are working and that the customer is responding in a favorable manner.

In early 2004, the Company announced a further step in reinventing its department stores - - the creation of a centralized organization to be responsible for the overall strategy, merchandising and marketing of home-related categories of business in all of its Macy's - branded stores. The centralized operation is expected to accelerate sales in these categories largely by improving and further differentiating the Company's home-related merchandise assortments.

In 2003, the Company commenced the implementation of a strategy to more fully utilize its Macy's brand. The Company propelled Macy's presence nationwide through successful co-branding with the Company's regional department store nameplates. The co-branding will allow the Company to magnify the impact of marketing on a nationwide basis, as well as leverage major events such as the Macy's Thanksgiving Day Parade. As part of the national co-branding and store consolidations, the seven Macy's stores previously operating in Florida were integrated into the Burdines - - Macy's organization; however, one of the stores is scheduled to close in September 2004. As part of the Rich's-Macy's consolidation in Georgia, certain Macy's stores were closed; however, one location was renovated and partially reopened as a Rich's-Macy's furniture gallery and two locations were renovated and reopened as Bloomingdale's stores. The Company believes that these changes will allow the Company to benefit from the greater leverage of the Macy's brand and should lead to more efficient operations.

Results of Operations

Comparison of the 13 Weeks Ended May 1, 2004 and May 3, 2003

Net income for the first quarter of 2004 totaled \$96 million compared to \$46 million for the first quarter of 2003, reflecting strong sales and gross margin performance in the first quarter of 2004.

Net sales for the first quarter of 2004 totaled \$3,517 million, compared to net sales of \$3,291 million for the first quarter of 2003, an increase of 6.9%. The sales strength was experienced across the entire Company. On a comparable store basis (sales from stores in operation throughout the first quarter of 2003 and the first quarter of 2004), net sales for the first quarter of 2004 also increased 6.9% compared to the first quarter of 2003. By family of business, the strongest sales trends in the first quarter of 2004 were in better sportswear, handbags, jewelry,

women's shoes, men's tailored clothing, men's sportswear and luggage. The weakest business continued to be housewares and to a lesser extent tabletop (china, silver, glass).

Cost of sales was 59.9% of net sales for the first quarter of 2004, compared to 60.8% for the first quarter of 2003. The cost of sales rate for the first quarter of 2004 benefited from strong regular price selling and good inventory management. Included in cost of sales for the first quarter of 2004 were \$4 million of markdowns associated with the Burdines-Macy's integration in Florida. These markdowns are primarily related to merchandise that was being sold at Macy's stores that would not continue to be sold following the conversion to Burdines-Macy's. Merchandise inventories were down slightly at the end of the quarter as compared to the first quarter of 2003. The valuation of merchandise inventories on the last-in, first-out basis did not impact cost of sales in either period.

Selling, general and administrative ("SG&A") expenses were 34.0% of net sales for the first quarter 2004 compared to 34.8% for the first quarter of 2003. SG&A expenses in actual dollars for the first quarter of 2004 were up 4.6% compared to the first quarter of 2003, reflecting higher pension costs, higher sales related expenses and higher costs related to store closings and consolidations. However, due to the higher sales level, SG&A expenses decreased 0.8 percentage points as a percent of net sales. Included in SG&A expenses for the first quarter of 2004 were approximately \$15 million of costs incurred in connection with the store closings, Burdines-Macy's and home store consolidations. These costs are primarily related to severance and lease termination costs. Included in SG&A expenses for the first quarter of 2003 were approximately \$8 million of costs, primarily accelerated depreciation, incurred in connection with the Rich's-Macy's consolidation and other store closings.

Net interest expense was \$60 million for the first quarter of 2004, compared to \$70 million for the first quarter of 2003 primarily due to lower levels of borrowings.

The Company's effective income tax rate of 38.4% for the first quarter of 2004 and 39.9% for the first quarter of 2003 differ from the federal income tax statutory rate of 35.0%, and on a comparative basis, principally because of the effect of state and local income taxes.

Liquidity and Capital Resources

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

Net cash provided by operating activities in the first quarter of 2004 was \$34 million, compared to the \$204 million provided in the first quarter of 2003. Cash provided by operating activities in the first quarter of 2003 benefited from lower income tax payments resulting from the use of Fingerhut net operating losses.

Net cash used by investing activities was \$71 million for the first quarter of 2004, compared to the \$52 million used in the first quarter of 2003. Investing activities for the first quarter of 2004 included purchases of property and equipment totaling \$72 million, capitalized software of \$17 million and the \$17 million collection on a note receivable. Investing activities for the first quarter of 2003 included purchases of property and equipment totaling \$41 million and capitalized software of \$13 million. The Company opened one new department store and one new furniture gallery during the first quarter of 2004 and plans to open three additional department stores and two additional furniture galleries during the remainder of 2004. The Company's budgeted capital expenditures are approximately \$600 million for 2004.

Net cash provided by the Company's financing activities for the first quarter of 2004 totaled \$25 million, compared to a \$124 million use of cash for the first quarter of 2003. The Company's financing activities during the first quarter of 2004 included the issuance of \$121 million of its common stock, primarily related to the exercise of stock options, the acquisition of 1.7 million shares of its common stock at an approximate cost of \$90 million and \$22 million of cash dividends paid. The Company's financing activities during the first quarter of 2003 included the acquisition of 4.4 million shares of its common stock at an approximate cost of \$120 million.

On February 27, 2004, the Company's board of directors approved a \$750 million increase to the Company's existing share repurchase program. This new authorization was additive to the existing repurchase program, which as of May 1, 2004 had approximately \$732 million of authorization remaining. The Company may continue or, from time to time, suspend repurchases of shares under its stock repurchase program, depending on prevailing market conditions, alternate uses of capital and other factors.

On February 27, 2004, the Company's board of directors also declared a quarterly dividend of 12.5 cents per share on Federated Common Stock. The dividend was paid April 1, 2004 to shareholders of record at the close of business on March 15, 2004.

On May 21, 2004, the Company's board of directors declared a quarterly dividend of 13.5 cents per share on Federated Common Stock. This dividend is an increase of eight percent over the previous quarterly dividend rate of 12.5 cents per share, first declared by the Company's board in April 2003. The dividend is payable July 1, 2004 to shareholders of record at the close of business on June 15, 2004.

During the period from May 15, 2004 through June 15, 2004, the holders of the \$250 million 6.79% senior debentures due 2027 may elect to have such debentures repaid on July 15, 2004 at 100% of the principal amount thereof, together with accrued and unpaid interest to the date of repayment. As of June 8, 2004, the Company has not received any such elections.

The Company is party to a 364-Day Credit Agreement, pursuant to which certain financial institutions have provided the Company with a \$200 million revolving loan facility which expires June 25, 2004. Based upon an assessment of the Company's liquidity needs, this agreement is not being renewed. However, the Company's related \$1.2 billion Five-Year Credit Agreement, which expires June 2006, remains effective.

On May 25, 2004, the aggregate size of the commercial paper conduit programs used to finance the Company's non-proprietary credit card receivables was increased from \$700 million to \$750 million.

Management believes that, with respect to the Company's current operations, cash on hand and funds from operations, together with its credit facilities and other capital resources, will be sufficient to cover the Company's reasonably foreseeable working capital, capital expenditure and debt service requirements and capital transactions in both the near term and over the longer term. The Company's ability to generate funds from operations may be affected by numerous factors, including general economic conditions and levels of consumer confidence and demand; however, the Company expects to be able to manage its working capital levels and capital expenditure amounts so as to maintain its liquidity levels. Depending upon conditions in the capital markets and other factors, the Company will from time to time consider the issuance of debt or other securities, or other possible capital markets transactions, the proceeds of which could be used to refinance current indebtedness or for other corporate purposes.

Management believes the department store business and other retail businesses will continue to consolidate. The Company intends from time to time to consider additional acquisitions of, and investments in, department stores and other complementary assets and companies. Acquisition transactions, if any, are expected to be financed through a combination of cash on hand and from operations and the possible issuance from time to time of long-term debt or other securities.

Outlook

The Company is assuming that general economic and other conditions and consumer confidence and demand will be such that comparable store sales will be up 3.0 to 4.0 percent for 2004: up 2.0 to 4.0 percent in the second quarter and up 1.5 to 3.0 percent in the second half of the fiscal year, which ends January 29, 2005. The Company presently expects to achieve earnings per share on a diluted basis of \$3.80 to \$3.90 in 2004 and 57 to 62 cents in the second quarter. For the remaining nine months of the year, these estimates include store closing and consolidation costs of \$89 million, of which a total of \$31 million is expected to be recorded in cost of sales as inventory valuation adjustments. In connection with these estimates, the Company is assuming that the gross margin rate will be down slightly in the second quarter due to \$13 million of markdowns expected to be taken in connection with the home store centralization and Burdines-Macy's integration and relatively flat in the second half of the year due to the estimated \$18 million of home store centralization markdowns. Selling, general and administrative expense dollars are expected to be up during the remaining nine months of the year, due to the previously mentioned costs and higher pension expenses. Store closing and consolidation costs included in selling, general and administrative expenses are expected to total \$27 million in the second quarter and \$31 million in the second half of the year.

The accuracy of the assumptions and the resulting forecasts is subject to uncertainties and circumstances beyond the Company's control. Consequently, actual results could differ materially from the forecasted results. See "Other Information" in Item 5 of Part II of this report for a discussion of matters that could cause actual results to

vary from the Company's expectations.

Item 4. Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have carried out, as of May 1, 2004, an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)). Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission's rules and forms. There were no changes in the Company's internal control over financial reporting that occurred during the Company's most recently completed fiscal quarter that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II -- OTHER INFORMATION

FEDERATED DEPARTMENT STORES, INC.

Item 1. Legal Proceedings.

The Company and certain members of its senior management were named defendants in five substantially identical purported class action complaints filed on behalf of persons who purchased shares of the Company between February 23, 2000 and July 20, 2000. Originally filed in August, September and October 2000, in the United States District Court for the Southern District of New York, the actions were consolidated into a single case (In Re Federated Department Stores, Inc. Securities Litigation, Case No. 00-CV-6362 (RCC)) and a consolidated amended complaint (the "Complaint") was filed. The Complaint alleged violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 thereunder, on the basis of claims that the Company, among other things, made false and misleading statements regarding its financial condition and results of operations and failed to disclose material information relating to the credit delinquency problem at the Company's former subsidiary, Fingerhut Companies, Inc. ("Fingerhut"). The plaintiffs sought unspecified amounts of compensatory damages and costs, including legal fees. The Company filed a Motion to Dismiss the Complaint on January 22, 2002, and on March 11, 2004, the court dismissed the Complaint without prejudice. On May 18, 2004, the plaintiffs filed a second amended complaint, asserting the same claims as in the earlier versions of the complaint. The Company anticipates that it will file a motion to dismiss the second amended complaint.

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

The following table provides information regarding the Company's purchases of Common Stock during the first quarter of 2004:

	Total Number of Shares <u>Purchased (1)</u>	Average Price per <u>Share (\$)</u>	Number of Shares Purchased Under <u>Program (2)</u>	Open Authorization <u>Remaining (2) (\$)</u>
	(thousands)		(thousands)	(millions)
February 1, 2004 - February 28, 2004	5	47.90	- -	820
February 29, 2004 - April 3, 2004	739	51.30	705	783
April 4, 2004 - May 1, 2004	<u>990</u>	<u>52.11</u>	<u>990</u>	732

Total	1,734	51.75	1,695
-------	-------	-------	-------

(1) Includes shares accepted in lieu of cash to pay employee tax liabilities upon lapse of restrictions for restricted stock and upon distribution of Common Stock under the Company's deferred compensation plans.

(2) The Company's board of directors initially approved a \$500 million authorization to purchase Common Stock on January 27, 2000 and approved additional \$500 million authorizations on each of August 25, 2000, May 18, 2001 and April 16, 2003 and an additional \$750 million authorization on February 27, 2004. All authorizations are cumulative and do not have an expiration date.

During the first quarter of 2004, Federated issued approximately 2.8 million shares of its Common Stock pursuant to exercises of options issued to participants in its 1992 Incentive Bonus Plan and 1995 Executive Equity Incentive Plan that it subsequently determined were not issued pursuant to an effective registration statement under the Securities Act or in reliance on an exemption from such registration. The aggregate purchase price for such shares was approximately \$151 million. Although certain purchasers of such shares may have legal rights against Federated with respect to their purchases, Federated does not believe that the assertion, if any, of such rights will have a material impact on its consolidated financial position, results of operations or cash flows.

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

The Annual Meeting of the Company's stockholders was held on May 21, 2004. The Company's stockholders voted on the following items at such meeting:

(a) The stockholders approved the election of four Directors for a three-year term expiring at the 2007 Annual Meeting of the Company's stockholders. The votes for such elections were as follows: Sara Levinson - - 67,785,753 votes in favor and 88,866,017 votes withheld; Joseph Neubauer - 60,858,248 votes in favor and 95,793,522 votes withheld; Joseph A. Pichler - - 62,049,439 votes in favor and 94,602,332 votes withheld and Karl M. von der Heyden - - 67,924,228 votes in favor and 88,727,543 votes withheld.

(b) The stockholders ratified the employment of KPMG LLP as the Company's independent accountants for the fiscal year ending January 29, 2005. The votes for the ratification were 152,371,092, the votes against the ratification were 3,466,194, and the votes abstained were 814,484.

(c) The stockholders approved a proposal to amend the 1995 Executive Equity Incentive Plan to increase the number of shares of common stock of the Company available for issuance thereunder. The votes for the proposal were 103,219,896, the votes against the proposal were 40,726,600, and the votes abstained were 955,953.

(d) The stockholders approved a stockholder's proposal seeking the adoption of a system for the annual election of directors. The votes for the proposal were 126,578,899, the votes against the proposal were 17,245,381, and the votes abstained were 1,078,179.

Item 5. Other Information

This report and other reports, statements and information previously or subsequently filed by the Company with the Securities and Exchange Commission (the "SEC") contain or may contain

forward-looking statements. Such statements are based upon the beliefs and assumptions of, and on information available to, the management of the Company at the time such statements are made. The following are or may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995: (i) statements preceded by, followed by or that include the words "may," "will," "could," "should," "believe," "expect," "future," "potential," "anticipate," "intend," "plan," "think," "estimate" or "continue" or the negative or other variations thereof and (ii) statements regarding matters that are not historical facts. Such forward-looking statements are subject to various risks and uncertainties, including (a) risks and uncertainties relating to the possible invalidity of the underlying beliefs and assumptions, (b) possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions, (c) actions taken or omitted to be taken by third parties, including customers, suppliers, business partners, competitors and legislative, regulatory, judicial and other governmental authorities and officials, and (d) attacks or threats of attacks by terrorists or war. Furthermore, future results of the operations of the Company could differ materially from historical results or current expectations because of a variety of factors that affect the Company, including transaction costs associated with the renovation, conversion and transitioning of retail stores in regional markets; the outcome and timing of sales and leasing in conjunction with the disposition of retail store properties; the retention, reintegration and transitioning of displaced employees; competitive pressures from department and specialty stores, general merchandise stores, manufacturers' outlets, off-price and discount stores, and all other retail channels; and general consumer-spending levels, including the impact of the availability and level of consumer debt, and the effects of the weather. In addition to any risks and uncertainties specifically identified in the text surrounding such forward-looking statements, the statements in the immediately preceding sentence and the statements under captions such as "Risk Factors" and "Special Considerations" in reports, statements and information filed by the Company with the SEC from time to time constitute cautionary statements identifying important factors that could cause actual amounts, results, events and circumstances to differ materially from those reflected in such forward-looking statements.

Item 6. Exhibits and Reports on Form 8-K

A. Exhibits

10.1 1995 Executive Equity Incentive Plan as amended and restated as of May 21, 2004 (incorporated by reference to Appendix D of the Company's Proxy Statement filed April 15, 2004).*

10.2 Amendment Agreement (First Amendment) to Amended and Restated Credit Card Program Agreement dated June 4, 1996, by and among GE Capital Consumer Card Co. ("GE Bank") and Federated Department Stores, Inc. ("FDS"), FDS Bank ("FDS Bank"), FACS Group, Inc. ("FACS"), Macy's East, Inc. ("Macy's East"), Macy's West, Inc. ("Macy's West"), Broadway Stores, Inc. ("Broadway"), Bullock's, Inc. ("Bullock's") and MSS-Delaware, Inc. ("MSS").

10.3 Second Amendment Agreement to Amended and Restated Credit Card Program Agreement dated January 31, 1997, by and among GE Bank and FDS, FDS Bank, FACS, Macy's East, Macy's West, Broadway, Bullock's and MSS.

10.4 Third Amendment to Macy's Amended and Restated Credit Card Program Agreement dated March 1, 1997, by and among GE Bank and FDS, FDS Bank, FACS, Macy's East, Macy's West, Broadway, Bullock's and MSS.

10.5 Amendment No. 4 to the Amended and Restated Credit Card Program Agreement dated July 22, 1998, by and among GE BANK and FDS, FDS Bank, FACS, Macy's East, Macy's West, Broadway, Bullock's and MSS.

10.6 Amendment No. 5 to the Amended and Restated Credit Card Program Agreement, by and among GE Bank and FDS, FDS Bank, FACS, Macy's East, Macy's West and Broadway (for itself and as successor in interest to Bullock's, Inc.).

10.7 Sixth Amendment to Amended and Restated Credit Card Program Agreement dated February 23, 2004, by and among GE Bank and FDS, FDS Bank, FACS, Macy's East, Macy's West and Broadway (for itself and as successor in interest to Bullock's, Inc.).

10.8 Seventh Amendment to Amended and Restated Credit Card Program Agreement dated April 30, 2004, by and among GE Bank and FDS, FDS Bank, FACS, Macy's East, Macy's West and Broadway (for itself and as successor in interest to Bullock's, Inc.).

10.9 Addendum to the June 4, 1996 FACS Credit Services and License Agreement, dated January 1, 2001, by and among GE Bank, General Electric Capital Corporation ("GECC") and FACS.

10.10 Second Addendum to the June 4, 1996 FACS Credit Services and License Agreement, dated November 11, 2001, by and among GE Bank, GECC and FACS.

10.11 Fourth Amendment to Class A Certificate Purchase Agreement, dated as of May 25, 2004, by and among Prime II Receivables Corporation, as Transferor, FDS Bank (successor in interest to FDS National Bank), as Servicer, Market Street Funding Corporation, and PNC Bank, National Association, as Agent.

10.12 Fourth Amendment to Class B Certificate Purchase Agreement, dated as of May 25, 2004, by and among Prime II Receivables Corporation, as Transferor, FDS Bank (successor in interest to FDS National Bank), as Servicer, Market Street Funding Corporation, and PNC Bank, National Association, as Agent.

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a).

31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a).

32.1 Certifications by Chief Executive Officer and Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act.

* Constitutes a compensatory plan or arrangement.

B. Reports on Form 8-K

1. Current report on Form 8-K, dated February 2, 2004, reporting matters under item 12 thereof.

2. Current report on Form 8-K, dated February 24, 2004, reporting matters under item 12 thereof.

3. Current report on Form 8-K, dated April 15, 2004, reporting matters under item 9 thereof.

4. Current report on Form 8-K, dated April 29, 2004, reporting matters under item 5 thereof.

FEDERATED DEPARTMENT STORES, INC.

SIGNATURES

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

FEDERATED DEPARTMENT STORES, INC.

Dated: June 9, 2004

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick

Title: Senior Vice President, General Counsel
and Secretary

By: /s/ Joel A. Belsky

Name: Joel A. Belsky

Title: Vice President and Controller
(Principal Accounting Officer)

AMENDMENT AGREEMENT

AMENDMENT AGREEMENT, dated as of June 4, 1996, by and among GE Capital Consumer Card Co. ("GE Bank"), Federated Department Stores, Inc. ("FDS"), FDS National Bank ("FDS Bank"), Macy's East, Inc. ("Macy's East"), Macy's West, Inc. ("Macy's West"), Bullock's, Inc. ("Bullock's"), Broadway Stores, Inc. ("Broadway"), FACS Group, Inc. ("FACS") and MSS-Delaware, Inc. ("MSS").

WHEREAS, the parties hereto are party to an Amended and Restated Credit Card Program Agreement dated as of June 4, 1996 (the "Agreement").

WHEREAS, the parties hereto desire to amend the Agreement as set forth herein.

NOW THEREFORE, the parties hereto, intending to be legally bound, hereby agree as follows:

1. The definition of "Net Write-Offs" set forth in Article I of the Agreement is hereby deleted and replaced in its entirety with the following:

"Net Write-Offs" means, with respect to any period, (a) the aggregate GE/Macy's Account Balances written-off as losses during such period, less (b) any unpaid finance charges and fees (other than agency and attorneys' fees) on such Account Balances during such period, less (c) the aggregate amount recovered with respect to previously written-off GE/Macy's Account Balances (net of finance charge and fee recoveries and net of agency fees and commissions) during such period.

2. Except as otherwise amended hereby the Agreement shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have entered into this Amendment Agreement as of the day and year first above written.

GE CAPITAL CONSUMER CARD CO.

By: /s/ Kevin Knight

Name: Kevin Knight

Title: Executive Vice President

FEDERATED DEPARTMENT STORES, INC.

By: /s/ Ronald W. Tysoe

Name: Ronald W. Tysoe

Title: Vice Chairman & CFO

FDS NATIONAL BANK

By: /s/ Jack Brown

Name: Jack Brown

Title: President

MACY'S EAST, INC.

By: /s/ John R. Sims

Name: John R. Sims

Title: Vice President

MACY'S WEST, INC.

By: /s/ John R. Sims

Name: John R. Sims

Title: Vice President

BULLOCK'S, INC.

By: /s/ John R. Sims

Name: John R. Sims

Title: Vice President

BROADWAY STORES, INC.

By: /s/ John R. Sims

Name: John R. Sims

Title: Vice President

FACS GROUP, INC.

By: /s/ John R. Sims

Name: John R. Sims

Title: Vice President

MSS-DELAWARE, INC.

By: /s/ John R. Sims

Name: John R. Sims

Title: Vice President

SECOND AMENDMENT AGREEMENT

This SECOND AMENDMENT AGREEMENT, dated as of January 31, 1997, by and among GE Capital Consumer Card Co. ("GE Bank"), Federated Department Stores, Inc., FDS National Bank, Macy's East, Inc., Macy's West, Inc., Bullock's, Inc., Broadway Stores, Inc., FACS Group, Inc. and MSS-Delaware, Inc. Terms used and not otherwise defined herein shall have the respective meanings ascribed thereto in the Amended and Restated Credit Card Program Agreement dated as of June 4, 1996, as amended as of June 4, 1996 (the "Agreement").

WHEREAS, the FDS Companies have requested that the GE/Macy's Credit Card Application and the GE/Macy's Credit Card Agreement that GE Bank uses in respect of any GE/Macy's Account be identical to the credit card application and credit card agreement used by FDS Bank in respect of the FDS/Macy's Accounts (the "Joint Forms").

WHEREAS, as a condition to GE Bank's agreement to use the Joint Forms, GE Bank has requested the FDS Companies to indemnify and hold the GE Indemnified Parties harmless from any Damages relating to, arising out of, or in connection with the use by GE Bank of the Joint Forms;

WHEREAS, pursuant to Section 10.1 of the Agreement, the FDS Companies are required to indemnify and hold harmless the GE Indemnified Parties in respect of certain Damages resulting from, arising out of, or in connection with the circumstances described more specifically in Section 10.1 of the Agreement and the parties hereto desire to amend Section 10.1 of the Agreement as set forth herein.

NOW, THEREFORE, in consideration of the above premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Effective as of the date of this Second Amendment, Section 10.1 (a) is hereby amended by (x) deleting the word "and" appearing at the end of the sub-clause (ix), (y) deleting the period appearing at the end of the sub-clause (x) and inserting in its place a comma and the word "and", and (z) adding a new sub-clause (xi) at the end thereof as follows:

"(xi) any aspect of the Joint Forms that is different from the application and credit card agreement forms used prior to February 14, 1997 by GE Bank, to wit: forms Macy's W-G (7/96) 1059-AN and Macy's E-G (11/96) 1059-AN, such forms being attached hereto as Exhibits A-1 and A-2, respectively; except for (a) the increase in late fees and returned check fees in California, Iowa, Maine, North Carolina, Pennsylvania and Wisconsin, (b) the change in the balance subject to finance charge calculation in Maine, North Carolina and Wisconsin, (c) the change in grace period and minimum finance charge in Maine and North Carolina, and (d) the change in security interest in New York; provided, further, that if FDS requests GE Bank's approval in writing to cease to use the Joint Forms and to use in their place the forms attached hereto as Exhibits A-1 and A-2, respectively, and GE Bank fails to so approve, then the FDS Companies shall not be obligated to provide an indemnity pursuant to this clause (xi)."

2. From and after the date hereof, the Joint Forms shall constitute a part of the Credit and Collection Policy, and shall be subject to and governed by the provisions of the Agreement relating to the Credit and Collection Policy.

3. Except as amended hereby, the Agreement shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have entered into this Second Amendment Agreement as of the day and year first above written.

GE CAPITAL CONSUMER CARD CO.

By: /s/ Kevin T. Knight

Name: Kevin T. Knight

Title: Executive Vice President

FEDERATED DEPARTMENT
STORES, INC.

By: /s/ John R. Sims

Name: John R. Sims

Title: Vice President

FDS NATIONAL BANK

By: /s/ Jack Brown

Name: Jack Brown

Title: President

MACY'S EAST, INC.

By: /s/ John R. Sims

Name: John R. Sims

Title: Vice President

MACY'S WEST, INC.

By: /s/ John R. Sims

Name: John R. Sims

Title: Vice President

BULLOCK'S, INC.

By: /s/ John R. Sims

Name: John R. Sims

Title: Vice President

BROADWAY STORES, INC.

By: /s/ John R. Sims

Name: John R. Sims

Title: Vice President

FACS GROUP, INC.

By: /s/ John R. Sims

Name: John R. Sims

Title: Vice President

MSS-DELAWARE, INC.

By: /s/ John R. Sims

Name: John R. Sims

Title: Vice President

THIRD AMENDMENT TO MACY'S AMENDED AND RESTATED
CREDIT CARD PROGRAM AGREEMENT

THIRD AMENDMENT AGREEMENT, dated as of March 1, 1997, by and among Federated Department Stores, Inc. ("FDS"), FDS National Bank ("FDS Bank"), FACS Group, Inc. ("FACS") (FDS, FDS Bank and FACS being collectively referred to herein as the "FDS Parties"), GE Capital Consumer Card Co. ("GE Bank"), Macy's East, Inc., Macy's West, Inc., Bullock's, Inc., Broadway Stores, Inc., and MSS-Delaware, Inc.

WHEREAS, the parties hereto are parties to an Amended and Restated Credit Card Program Agreement, dated as of June 4, 1996 (the "Agreement");

WHEREAS, in connection with the Agreement, the FDS Parties and General Electric Capital Corporation ("GE Capital") entered into the GE Capital Credit Services and License Agreement, dated as of June 4, 1996 (the "GE Service Agreement");

WHEREAS, Section 9.10 of the GE Service Agreement provides that any replacement of or substitute for any Credit Insurance Programs with respect to GE/Macy's Accounts requires the mutual consent of the FDS Parties and GE Capital; and

WHEREAS, the parties hereto desire to amend the Agreement in order to set forth the terms and conditions applicable to the adoption of replacement or substitute Credit Insurance Programs with respect to GE/Macy's Accounts and to amend certain other terms of the Agreement as provided herein.

(Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Agreement or the GE Service Agreement, as applicable).

NOW THEREFORE, in consideration of the terms and mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Section 1.1 of the Agreement is hereby amended by deleting the definition of "Authorized FDS Person" appearing therein in its entirety and substituting the following therefor:

" "Authorized FDS Person" means the senior vice president - credit operations, or senior vice president - credit services, as agent for FDS Bank and as designated by FDS Bank from time to time."
2. A new Section 9.11 is hereby added to the Agreement which provides as follows:

"9.11 Credit Insurance.

 - a. The FDS Parties, on the one hand, and GE Bank, on the other hand, hereby consent to the offering by FACS from time to time of replacement or substitute Credit Insurance Programs on GE/Macy's Accounts subject to the further terms and conditions of this Section 9.11.
 - b. The terms and conditions of the Credit Insurance Program that FACS proposes to offer on all GE/Macy's Accounts as of the date of this Third Amendment Agreement pursuant to a credit insurance program to be entered into with American Banker's Insurance Group ("ABIG") and of any amended, substituted or replacement Credit Insurance Program offered, or to be offered, on all GE/Macy's Accounts, and any and all contracts and agreements between FACS and ABIG with respect to such Credit Insurance Program, shall be approved in advance by the Policy Committee. In this regard, the following aspects of any Credit Insurance Program offered on all GE/Macy's

Accounts shall be subject to the review and prior approval of the Policy Committee;

- i. any and all terms and conditions applicable to any Credit Insurance Program offered on all GE/Macy's Accounts and all insurance products to be offered pursuant thereto; provided, however, that GE Bank may take any action with respect to the Credit Insurance Program, and any products offered by FACS to GE/Macy's Account Debtors pursuant thereto (including, without limitation, the right not to offer or describe such insurance product in the GE/Macy's Credit Card Applications) without the prior review or approval of the Policy Committee but after prior consultation and discussion with the Policy Committee, which GE Bank believes in good faith, after consultation with counsel, is required by Law. Notwithstanding the foregoing, no product offered pursuant to a Credit Insurance Program offered on all GE/Macy's Accounts shall be implemented which GE Bank believes, in its good faith judgment, would embarrass or disparage GE Bank or any of its Affiliates in any respect or would violate any provision of applicable Law or may result in any enforcement of disciplinary action by any insurance agency or entity having jurisdiction over GE Bank or its Affiliates;
 - ii. any and all advertising with respect to any Credit Insurance Program offered on all GE/Macy's Accounts and all products offered to GE/Macy's Account Debtors pursuant thereto;
 - iii. all accounting methods for a Credit Insurance Program offered on all GE/Macy's Accounts, which accounting methods shall be identical to those implemented under the Credit Insurance Program offered and utilized in connection with the FDS/Macy's Accounts; and
 - iv. any and all marketing expenditures beyond the annual Marketing Services Expense Budget (which will include the Marketing Data Base Development and Use Budget, as such capitalized terms are defined in the FACS Program Agreement dated March 1, 1997 as in effect on the date hereof and previously approved by the Policy Committee).
- c. All disclosures and statements contained in the GE/Macy's Credit Card Applications and any other communications to GE/Macy's Account Debtors regarding the Credit Insurance Program offered on all GE/Macy's Accounts and any and all insurance products offered pursuant thereto to GE/Macy's Account Debtors shall require the prior consent of GE Bank.
- d. FACS shall provide to GE Bank, within 20 days after the end of each fiscal month under the Credit Insurance Program, unaudited monthly profit statements for the Credit Insurance Program offered on all GE/Macy's Accounts and the calculation of GE Bank's share of such revenues. GE Bank and its designees, and their respective officers, employees, attorneys, accountants and/or other representatives shall have the right to audit and inspect the records and operations of the Credit Insurance Program offered on all FDS/Macy's Accounts and GE/Macy's Accounts pursuant to and in accordance with provisions of Section 9.6(a) of this Agreement.
- e. All net revenue from the Credit Insurance Program with respect to GE/Macy's Accounts will be shared equally between GE Bank and FDS Bank; provided, however, that (x) any and all payments by FACS for indemnified acts (as set forth in any and all agreements between FACS and ABIG) shall not reduce the Credit Insurance Program's net revenue and (y) any and all indemnification, penalties or similar payments made by ABIG to FACS or its affiliates shall be included in the Credit Insurance Program's net revenue. Net revenues of the Credit Insurance Program shall also not be reduced by any termination or other penalties that occur in connection with prior existing credit insurance programs between the FDS Parties and third parties. Payment of GE Bank's share of the Credit Insurance Program net proceeds with respect to a fiscal month shall be made no later than the last day of the immediately succeeding fiscal month by wire transfer of immediately available funds to an account specified by GE Bank or in such other manner as specified by GE Bank in writing.

- f. Replacements, amendments or substitutes for any Credit Insurance Program with respect to GE/Macy's Accounts shall require the approval of the Policy Committee.
 - g. The FDS Companies shall indemnify the GE Indemnified Parties against any and all Damages arising from or resulting from any Credit Insurance Program, including without limitation, arising from or resulting from the offer, sale, or any other activities in connection with the implementation of any Credit Insurance Program offered on GE/Macy's Accounts in accordance with this Section 9.11 (whether such Damages arise or result from the acts or omissions of one or more of the FDS Parties or of any agent or representative of any of the FDS Parties), such indemnification to be in accordance with the provisions of Section 10.1, provided that to the extent GE Capital provides services pursuant to the GE Service Agreement in respect of the Credit Insurance Program, nothing herein shall be construed as limiting or amending the indemnification obligations of GE Capital pursuant to Section 7.1(a) of the GE Service Agreement.
 - h. Notwithstanding any provision in this Section 9.11, (i) the parties acknowledge and agree that any Credit Insurance Program offered to holders of FDS/Macy's Accounts shall be the same Credit Insurance Program offered to holders of GE/Macy's Accounts and nothing herein shall be construed to permit any of the FDS Parties to provide any holder of a Macy's Account with a Credit Insurance Program on terms and conditions different from those provided to any other holder of a Macy's Account except to the extent that (x) GE Bank has required that its accounts be treated differently as permitted under Section 9.11(b)(i), (y) FDS Bank has required that its accounts be treated differently for reasons that are the same as the reasons permitted to GE Bank under Section 9.11(b)(i), or (z) as the parties otherwise agree in writing and (ii) the provisions of this Section 9.11 relating to Credit Insurance Programs are applicable only to Credit Insurance Programs offered on Macy's Accounts.
3. Section 3.7 of the Agreement is hereby amended by deleting Section 3.7(b) in its entirety and replacing it with the following provisions:
- "(b) Without limiting the generality of the foregoing, if the FDS Companies receive any payments on GE/Macy's Accounts through computer, electronic payment or any other means of payment ("Other Payments"), the FDS Companies shall have no right, title or interest in or to any Other Payments, and shall take possession of such funds solely as agent on behalf of GE/Macy's Account Debtors for transfer to GE Bank.
- (c) The FDS Companies and GE Bank shall cooperate in designing and implementing as promptly as practicable procedures which will allow Other Payments to be received directly by GE Bank for GE/Macy's Accounts. If in any month Other Payments exceed 5% of aggregate payments on Macy's Accounts received in such month, then, the parties hereto agree to cooperate to ensure the implementation of such procedures within 180 days thereafter or the FDS Companies must immediately cease accepting Other Payments.
- (d) With respect to each Division, on each Business Day during the term of this Agreement, the aggregate amount of In-Store Payments and Other Payments with respect to such Division shall be deducted in computing the Remittance for such Division, as provided in Section 3.1(a) hereof."
4. Section 4.2(a) of the Agreement is hereby amended by adding the following:
- "(xv) training and supervising all applicable personnel in connection with the offering and sale of credit insurance products and programs and ensuring that such offerings and sales comply with the Law."
5. Section 10.1(a) is hereby amended by adding the following:
- "(xi) any and all modifications or amendments to retention policies existing as of the date hereof relating to GE/Macy's Charge Slips, GE/Macy's Credit Slips, and all other GE/Macy's Account Documentation authorized by the Policy Committee at FDS' request."
6. Section 11.6(b) is hereby amended by adding a new subclause (iii) thereto as follows:

"(iii) GE Bank shall have the sole right to make any arrangements it desires with respect to credit insurance offered to, or provided with respect to, GE/Macy's Accounts including, without limitation, terminating and replacing at GE Bank's sole expense any then existing insurance provider arrangements, and FDS agrees to cooperate fully with GE Bank so that GE Bank can promptly implement such arrangements with respect to the foregoing,"

7. GE Capital hereby assigns to GE Bank its right, pursuant to Section 9.10(b) of the GL Service Agreement, to consent to the provisions of Section 9.11 of the Agreement. Future consents are within the purview of the Policy Committee.
8. Except as otherwise amended hereby, the Agreement shall remain unchanged and in full force and effect.
9. The validity, performance and enforcement of this Third Amendment Agreement shall be governed by the Laws of the State of New York, without giving effect to the principles of conflicts of law thereof.
10. This Third Amendment Agreement may be executed in any number of counterparts, each of which, when executed, shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have entered into this Third Amendment Agreement as of the day and year first above written.

GE CAPITAL CONSUMER CARD CO.

By: /s/ Kevin Knight

Name: Kevin Knight

Title: Executive Vice President

FDS NATIONAL BANK

By: /s/ Jack Brown

Name: Jack Brown

Title: President

FEDERATED DEPARTMENT STORES, INC.

By: /s/ John R. Sims

Name: John R. Sims

Title: Vice President

FACS GROUP, INC.

By: /s/ John R. Sims

Name: John R. Sims

Title: Vice President

MACY'S EAST, INC.

By: /s/ John R. Sims

Name: John R. Sims

Title: Vice President

MACY'S WEST, INC.

By: /s/ John R. Sims

Name: John R. Sims

Title: Vice President

BULLOCK'S, INC.

By: /s/ John R. Sims

Name: John R. Sims

Title: Vice President

BROADWAY STORES, INC.

By: /s/ John R. Sims

Name: John R. Sims

Title: Vice President

MSS-DELAWARE, INC.

By: /s/ John R. Sims

Name: John R. Sims

Title: Vice President

The undersigned, General Electric Capital Corporation, hereby executes this Third Amendment Agreement for the sole purpose of the agreement set forth in Section 7 hereof.

GENERAL ELECTRIC CAPITAL
CORPORATION

By: /s/ Kevin Knight

Name: Kevin Knight

Title: Attorney in Fact

**AMENDMENT NO. 4
TO THE
AMENDED AND RESTATED CREDIT CARD PROGRAM AGREEMENT**

This AMENDMENT NO. 4 to the Amended and Restated Credit Card Program Agreement, dated as of June 4, 1996, as amended by Amendment No. 1 dated as of June 4, 1996, Amendment No. 2 dated as of January 31, 1997 and Amendment No. 3 dated as of March 1, 1997 (the "Program Agreement") is made as of this, 22nd day of July, 1998 by and among GE Capital Consumer Card Co. ("GE Bank"), Federated Department Stores, Inc. ("FDS"), FDS National Bank ("FDS Bank"), Macy's East, Inc. ("Macy's East"), Macy's West, Inc. ("Macy's West"), Bullock's, Inc. ("Bullock's"), Broadway Stores, Inc. ("Broadway"), FACS Group, Inc. ("FACS") and MSS-Delaware, Inc. ("MSS").

NOW, THEREFORE, in consideration of the mutual agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency are hereby acknowledged, the parties hereby agree to amend the Program Agreement as follows:

SECTION 1. Amendments.

(a) Section 1.1 of the Program Agreement is hereby amended by deleting the definition of "Authorized FDS Person" in its entirety and replacing it with the following:

"Authorized FDS Person" means the senior vice president-credit operations, or senior vice president-credit services, as agent for FDS Bank and as designated by FDS Bank from time to time, or such other person as may be designated in writing by any such senior vice president from time to time."

(b) Section 1.1 of the Program Agreement is hereby amended by deleting the definition of "Net Write-Offs" in its entirety and replacing it with the following:

"Net Write-Offs" means as of January 1, 1998, with respect to any period, (a) the aggregate GE/Macy's Account Balances written off as losses during such period, minus (b) any unpaid finance charges and fees (other than agency and attorney's fees) on such Account Balances during such period, minus (c) the aggregate amount recovered with respect to previously written-off GE/Macy's Account Balances (net of finance charge and fee recoveries) during such period, including the aggregate amount of any sales tax refunds, rebates, credits or deductions received with respect to previously written-off GE/Macy's Account Balances."

SECTION 2. Effect of Amendment. Except as specifically amended hereby, the Program Agreement, and all terms contained therein, shall remain in full force and effect.

SECTION 3. Binding Effect: Severability. Each reference herein to a party hereto shall be deemed to include its successors and assigns, all of whom shall be bound by this Amendment and in whose favor the provisions of this Amendment shall inure. In the event any one or more of the provisions contained in this Amendment shall be declared invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

SECTION 4. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 5. Counterparts. This Amendment may be executed in separate counterparts, each of which shall constitute an original, but all of which when taken together shall constitute but one agreement.

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

GE CAPITAL CONSUMER CARD CO.

By: /s/ Craig P. Vallerano

Name: Craig P. Vallerano

Title: EVP

FEDERATED DEPARTMENT STORES,
INC.

By: /s/ John R. Sims

Name: John R. Sims

Title: Vice President

FDS NATIONAL BANK

By: /s/ Susan R. Robinson

Name: Susan R. Robinson

Title: Treasurer

MACY'S EAST, INC.

By: /s/ John R. Sims

Name: John R. Sims

Title: Vice President

MACY'S WEST, INC.

By: /s/ John R. Sims

Name: John R. Sims

Title: Vice President

BULLOCK'S, INC.

By: /s/ John R. Sims

Name: John R. Sims

Title: Vice President

BROADWAY STORES, INC.

By: /s/ John R. Sims

Name: John R. Sims

Title: Vice President

FACS GROUP, INC.

By: /s/ John R. Sims

Name: John R. Sims

Title: Vice President

MSS-DELAWARE, INC.

By: /s/ John R. Sims

Name: John R. Sims

Title: Vice President

**AMENDMENT NO. 5
TO THE
AMENDED AND RESTATED CREDIT CARD PROGRAM AGREEMENT**

This AMENDMENT NO. 5 to the Amended and Restated Credit Card Program Agreement dated as of June 4, 1996, as amended by Amendment No. 1 dated as of June 4, 1996, Amendment No. 2 dated as of January 31, 1997, Amendment No. 3 dated as of March 1, 1997 and Amendment No. 4 dated as of July 22, 1998 (the "Program Agreement") by and among GE Capital Consumer Card Co. ("GE Bank"), Federated Department Stores, Inc. ("FDS"), FDS National Bank ("FDS Bank"), Macy's East, Inc. ("Macy's East"), Macy's West, Inc. ("Macy's West"), Bullock's, Inc. ("Bullock's"), Broadway Stores, Inc. ("Broadway"), FACS Group, Inc. ("FACS") and MSS-Delaware, Inc. ("MSS").

Capitalized terms used herein and not otherwise defined have the meaning given in the Agreement.

WHEREAS, the parties desire to permit employees of FDS to cross shop in all FDS stores, using special employee credit cards.

NOW, THEREFORE, in consideration of the mutual promises and subject to the terms and conditions hereinafter set forth, the parties hereby agree as follows:

I. AMENDMENTS TO THE AGREEMENT

1. New Section 9.12 . The following new Section 9.12 is hereby added to the Agreement:

9.12. Employee Cross Shopping . Notwithstanding any provision in the Program Agreement to the contrary, for the sole purpose of permitting employees of FDS and all its subsidiaries to cross shop in all FDS stores, including websites and catalogues, the parties hereby agree that both GE Bank and FDS Bank may issue special employee credit cards. The parties further agree that whenever any employee who holds a GE/Macy's or an FDS/Macy's Account uses the employee credit card in any of the FDS stores, any purchases in these stores shall be charged to the employee's GE/Macy's Account, the FDS/Macy's Account or the employee's FDS/Visa account, as the case may be. The parties also agree that whenever any employee who holds a non-Macy's FDS account uses the employee credit card at any of the Retailer's stores, such purchases will be charged to the employee's FDS account. Without limiting the generality of the foregoing, the parties agree that any charge made by an employee and applied to a GE/Macy's Account will be subject to the same rights, obligations, procedures and rules as any other charge made and applied to a GE/Macy's Account.

II. GENERAL

1. **Authority for Amendment.** The execution, delivery and performance of this Amendment has been duly authorized by all requisite corporate action on the part of FDS, FDS Bank, Macy's East, Macy's West, Inc., Bullocks, FACS and MSS and Bank upon execution by all parties, will constitute a legal, binding obligation thereof.
2. **Effect of Amendment .** Except as specifically amended hereby, the Agreement, and all terms contained therein, remains in full force and effect. The Agreement, as amended by this Amendment, constitutes the entire understanding of the parties with respect to the subject matter hereof.
3. **Binding Effect; Severability.** Each reference herein to a party hereto shall be deemed to include its successors and assigns, all of whom shall be bound by this Amendment and in whose favor the provisions of this Amendment shall inure. In case any one or more of the provisions contained in this Amendment shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.
4. **Further Assurances.** The parties hereto agree to execute such other documents and instruments and to do such other and further things as may be necessary or desirable for the execution and implementation of this amendment and the consummation of the transactions contemplated hereby and thereby.
5. **Governing Law.** This Amendment shall be governed by and construed in accordance with the Laws of the State of New York, without giving effect to the principles of conflicts of law thereof.
6. **Counterparts.** This Amendment may be executed in counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute but one agreement.
7. **Effective Date.** Upon the execution and delivery of this Fifth Amendment by each party hereto, this Fifth Amendment shall be effective as of the day and year first above written.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their duly authorized officers, all as of the day and year first above written.

GE Capital Consumer Card Co.

Federated Department Stores, Inc.

By: /s/ William Ellingwood

By: /s/ Dennis J. Broderick

Name: William Ellingwood

Name: Dennis J. Broderick

Title: President

Title: Senior Vice President, Secretary and
General Counsel

FDS Bank (formerly known as FDS National Bank) Macy's East, Inc.

By: /s/ Ellen R. Dugan

By: /s/ Dennis J. Broderick

Name: Ellen R. Dugan

Name: Dennis J. Broderick

Title: Secretary

Title: Vice President

Macy's West, Inc.

Bullock's, Inc. - merged into Broad Stores, Inc.
1/31/99

By: /s/ Richard C. Fiddes

By:

Name: Richard C. Fiddes

Name:

Title: Vice President and Secretary

Title:

Broadway Stores, Inc.

FACS Group, Inc.

By: /s/ Dennis J. Broderick

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick

Name: Dennis J. Broderick

Title: President

Title: Vice President

MSS-Delaware, Inc. - sold 7/31/98

By:

Name:

Title:

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT CARD PROGRAM AGREEMENT

This Sixth Amendment to Amended and Restated Credit Card Program Agreement (the "Amendment"), dated as of February 23, 2004, is entered into by and among Federated Department Stores, Inc. ("FDS"), FDS Bank, FACS Group, Inc., Macy's East, Inc., Macy's West, Inc., Broadway Stores, Inc. (for itself and as successor in interest to Bullock's, Inc.), and GE Capital Consumer Card company ("GE Bank") in the following circumstances:

- (a) The parties hereto are parties to the Amended and Restated Credit Card Program Agreement, dated as of June 4, 1996 (the "Agreement");
- (b) Section 11.1 of the Agreement specifies the length of the Initial Term of the Agreement, and the manner in which either FDS, on the one hand, or GE Bank, on the other hand, may elect to terminate the Agreement at the expiration of the Initial Term; and
- (c) The parties hereto wish to amend the provisions of Section 11.1 of the Agreement for their mutual benefit.

(Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Agreement).

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Section 11.1 (b) is hereby amended by deleting it in its entirety and substituting the following therefor:

"In order to be effective, any notice of an election to terminate this Agreement at the expiration of the Initial Term must be delivered at least one (1) year, but not more than three (3) years, prior to the expiration of the Initial Term. In order to be effective, any notice of an election to terminate this Agreement at the expiration of any Extended Term must be delivered at least one (1) year prior to the expiration of the Extended Term. For example, in order to terminate this Agreement at the end of the Initial Term (i.e. as of close of business on April 30, 2006), notice must be delivered on or after April 30, 2003 and on or prior to April 30, 2005. In order to terminate this Agreement at the end of any Extended Term, notice must be delivered not later than the first day of such Extended Term.

2. Notwithstanding anything to the contrary contained in the Agreement, including all amendments, modifications, supplements, annexes, exhibits and schedules thereto (collectively, the "Ancillary Agreements"), following the effective date of this Amendment, either GE Bank, on the one hand, or FDS, on the other hand, may elect to terminate the Agreement at the expiration of the Initial Term by delivering a notice of its election to terminate the Agreement in the manner specified in Section 1 of this Amendment, and such notice shall have the effect and consequence under any provision of the Agreement or any Ancillary Agreement of terminating the Agreement as of the last day of the Initial Term.

3. Except as otherwise amended hereby, the Agreement shall remain unchanged and in full force and effect.

4. The validity, performance and enforcement of this Amendment shall be governed by the laws of the State of New York, without giving effect to the principles of conflicts of law thereof.

5. This Amendment may be executed in any number of counterparts, each of which, when executed, shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have entered into this Amendment as of the day and year first above written.

GE CAPITAL CONSUMER CARD CO.

By: /s/ William Ellingway

Name: William Ellingway

Title: President

FDS BANK

By: /s/ Susan R. Robinson

Name: Susan R. Robinson

Title: Treasurer

FEDERATED
DEPARTMENT STORES,
INC.

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick

Title: Senior Vice President, General
Counsel, Secretary

FACS GROUP, INC.

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick

Title: Vice President

MACY'S EAST, INC.

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick

Title: Vice President

-

MACY'S WEST, INC.

By: /s/ Richard C. Fiddes

Name: Richard C. Fiddes

Title: Vice President and Secretary

BROADWAY STORES, INC. (for itself
and as successor in interest to Bullock's,
Inc.)

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick

Title: President

-

SEVENTH AMENDMENT TO MACY'S AMENDED AND RESTATED CREDIT CARD PROGRAM AGREEMENT

AMENDMENT AGREEMENT, dated as of April 30, 2004, by and among Federated Department Stores, Inc. ("FDS"), FDS Bank ("FDS Bank"), FACS Group, Inc. ("FACS") (FDS, FDS Bank and FACS being collectively referred to herein as the "FDS Parties"), GE Capital Consumer Card Co. ("GE Bank"), Macy's East, Inc., Macy's West, Inc., and Broadway Stores, Inc. (for itself and as successor in interest to Bullock's, Inc.).

WHEREAS, the parties hereto are parties to an Amended and Restated Credit Card Program Agreement, dated as of June 4, 1996 (the "Agreement");

WHEREAS, in connection with the Agreement, the FDS Parties and General Electric Capital Corporation ("GE Capital") entered into the GE Capital Credit Services and License Agreement, dated as of June 4, 1996 (the "GE Capital Service Agreement");

WHEREAS, Section 9.10 of the GE Service Agreement provides that any replacement of or substitute for any Credit Insurance Programs with respect to GE/Macy's Accounts requires the mutual consent of the FDS Parties and GE Capital; and

WHEREAS, the parties hereto desire to amend the Agreement in order to set forth the terms and conditions applicable to the adoption of Debt Cancellation Products with respect to GE/Macy's Accounts as provided herein.

(Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Agreement or the GE Capital Service Agreement, as applicable).

NOW THEREFORE, in consideration of the terms and mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Section 1.1. of the Agreement is hereby amended by adding the following definitions:

"AM" means American Modern Insurance Group, Inc.

"AM Agreement" means the agreement between GE Bank and AM, relating to the offering of Debt Cancellation Products by GE Bank on GE/Macy's Accounts, as such agreement may be amended from time to time.

"Debt Cancellation Product" means a loan term or contractual arrangement modifying loan terms under which GE Bank agrees to cancel all or part of a GE/Macy's Accountholder's obligation to repay an extension of credit from GE Bank upon the occurrence of a specified event.

"Debt Cancellation Product Marketing Expenses" means, with respect to any period, the amount spent in such period on marketing the Debt Cancellation Products which amount shall be mutually agreed upon by GE Bank and the FDS Parties.

"Debt Cancellation Product Net Revenue" means, with respect to any period, an amount equal to (x) the sum of (i) the aggregate amount of fees collected from holders of GE/Macy's Accounts for such period with respect to Debt Cancellation Products plus, (ii) any payments made to GE Bank or FDS, as agent for GE Bank by AM pursuant to the AM Agreement, and less (iii) the aggregate amount of credits to holders of GE/Macy's Accounts for such period with respect to Debt Cancellation Products less (y) the sum of (i) any payments made by GE Bank, including any payments made by FDS as agent for GE Bank, to AM pursuant to the AM Agreement, (ii) the amount of Debt Cancellation Product Marketing Expenses for such period and (iii) any fees as determined in accordance with the FACS Services and License Agreement or the GE Capital Services Agreement, as applicable, allocated for such period relating to servicing the Debt Cancellation Products which fees shall include, fulfillment costs, claims adjudication, and customer service calls (the amount allocated for customer service calls shall be equal to the pro rata portion of expenses related to Macy's providing toll free customer service calls for GE/Macy's Accounts participating in Debt Cancellation Products over the expenses related to Macy's providing toll free customer service calls for all GE/Macy's Accounts and FDS/Macy's Accounts). In calculating the Debt Cancellation Product Net Revenue, (a) any and all payments by FDS for indemnified acts with respect to Debt Cancellation Products shall not reduce the Debt Cancellation Product Net Revenue, and (b) any (b) Debt Cancellation Product Net Revenue shall not be reduced by any termination or other penalties payable in connection with prior existing credit insurance programs between the FDS Parties and third parties.

2. A new Section 9.12 is hereby added to the Agreement which provides as follows:

"9.12 Debt Cancellation Products.

(a) The FDS Parties, on the one hand, and GE Bank, on the other hand, hereby consent to the offering by GE Bank from time to time of Debt Cancellation Products on GE/Macy's Accounts subject to the further terms and conditions of this Section 9.12.

(b) The terms and conditions of any Debt Cancellation Products that GE Bank offers on all GE/Macy's Accounts pursuant to this Amendment Agreement (including, without limitation, the third party service provider utilized by GE Bank, the terms and conditions of any and all contracts and agreements between FACS and AM or any third party, if any, with respect to such Debt Cancellation Products), shall be approved in advance by the Policy Committee; provided, however, that GE Bank may take any action with respect to the Debt Cancellation Products without prior review by the Policy Committee, which GE Bank believes in good faith, after consultation with counsel, is required by applicable Law.

(c) Subject to the provisions of 9.12 (b), all Debt Cancellation Product Net Revenue from the Debt Cancellation Products with respect to GE/Macy's Accounts will be shared equally between GE Bank and FDS Bank. FDS shall provide to GE Bank, within 20 days after the end of each fiscal month, an unaudited statement of Debt Cancellation Product Net Revenue for such month (including reasonably detailed back-up). GE Bank and its designees, and their respective officers, employees, attorneys, accountants and/or other representatives shall have the right to audit and inspect the records and operations of FACS in order to confirm any calculations of Debt Cancellation Product Net Revenue. Any such audit or inspection shall be made pursuant to the provisions of Section 9.6(a) of this Agreement.

(d) The FDS Parties shall pay to GE Bank, no later than the last day of each FDS fiscal month, GE Bank's share of the Debt Cancellation Product Net Revenue for the immediately prior fiscal month by wire transfer of immediately available funds to an account specified by GE Bank or in such other manner as specified by GE Bank in writing.

(e) The FDS Companies shall indemnify the GE Indemnified Parties against any and all Damages arising from or resulting from any act or omission by FACS or its affiliates, employees or agents in performing the services described in Subsection (g) below in connection with the offering of the Debt Cancellation Products to the holders of GE/Macy's Accounts, except to the extent (i) the Credit and Collection Policies specifically describe how such act should be implemented and FACS implemented such act in conformity with such description (other than modifications to the Credit and Collection Policy (including the Major Credit and Collection Policies) made by FDS without the approval of the Policy Committee pursuant to Section 4.4 of the Program Agreement), (ii) any such performance, implementation or execution was effected in accordance with specific written instructions from an Authorized GE Person or (iii) the Damages arising out of such act or omission are due solely to the failure of the GE Information Condition to be satisfied. This indemnification obligation shall be provided in accordance with the provisions of Section 10.1, provided that to the extent GE Capital provides services pursuant to the GE Capital Service Agreement in respect of the Debt Cancellation Products, nothing herein shall be construed as limiting or amending the indemnification obligations of GE Capital pursuant to Section 7.1(a) of the GE Capital Service Agreement.

(f) Any and all advertising with respect to Debt Cancellation Products offered on GE/Macy's Accounts and all products offered to GE/Macy's Account Debtors pursuant thereto shall be subject to the review and prior approval by GE Bank.

(g) FACS shall provide the services set forth on the attached Exhibit 1 in support of the Debt Cancellation Products.

3. Except as otherwise amended hereby, the Agreement shall remain unchanged and in full force and effect.

4. The validity, performance and enforcement of this Amendment Agreement shall be governed by the Laws of the State of New York, without giving effect to the principles of conflicts of law thereof.

5. This Amendment Agreement may be executed in any number of counterparts, each of which, when executed, shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have entered into this Amendment Agreement as of the day and year first above written.

GE CAPITAL CONSUMER CARD CO.

By: /s/ William Ellingway

Name: William Ellingway

Title: President

FDS BANK

By: /s/ Teresa Huxel

Name: Teresa Huxel

Title: President

FEDERATED
DEPARTMENT STORES,
INC.

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick

Title: Senior Vice President, General
Counsel, Secretary

FACS GROUP, INC.

By: /s/ Amy Hanson

Name: Amy Hanson

Title: President

MACY'S EAST, INC.

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick

Title: Vice President

-

MACY'S WEST, INC.

By: /s/ Richard C. Fiddes

Name: Richard C. Fiddes

Title: Vice President and Secretary

BROADWAY STORES, INC. (for itself
and as successor in interest to Bullock's,
Inc.)

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick

Title: President

Solely for purposes of any consents
required by Section 9.10 of the GE Service
Agreement:

- GENERAL ELECTRIC CAPITAL CORPORATION

By: /s/ Glenn Marina

Name: Glenn P. Marina

Title: Vice President

EXHIBIT 1

FACS Services For

Debt Cancellation Products

In support of the Debt Cancellation Products, FACS shall provide the following services:

1. Monthly Reconciliation Report. Each month, FACS will provide to GE Bank a monthly reconciliation report that will set forth the calculation of the Debt Cancellation Product Net Revenue, based on data received by FACS from the third party service provider(s) utilized by GE Bank.
2. Monthly Billing. FACS shall activate monthly billing for a GE/Macy's Accountholder who has confirmed enrollment in the Debt Cancellation Product. The billing statement shall include the product description agreed to by GE Bank, and a customer service contact number, which the Accountholder could utilize.
3. Point of Sale. FACS shall invite new account applicants to enroll for, and shall enroll Accountholders who accept such invitation, in the Debt Cancellation Product at the point of sale.
4. Payment of GE Bank's Third Party Service Provider(s). Each month FACS shall receive and pay the invoices for service provided to FACS on behalf of GE Bank by GE Bank's third party service provider(s) in connection with the Debt Cancellation Product. Each month, FACS shall also pay clip premiums due to AM pursuant to the AM Agreement, as communicated to FACS by GE Bank.
5. Cancellation. FACS shall process cancellation requests received from Accountholders or from GE Bank or its third party service provider(s) and provide Accountholders with the appropriate refunds in accordance with the Debt Cancellation Product.
6. Benefits. FACS shall provide information to GE Bank or its third party service provider(s) necessary to process claims for benefits under the Debt Cancellation Product.
7. Marketing Calendar. FACS shall cooperate with GE Bank to develop a mutually agreeable marketing calendar for

the Debt Cancellation Product.

8. Other Services. FACS shall provide other services as may be agreed to by Federated Corporate Services, Inc. and GE Bank.

ADDENDUM TO THE JUNE 4, 1996

FACS CREDIT SERVICES AND LICENSE AGREEMENT

BETWEEN

GE CAPITAL CONSUMER CARD CO. ("GE BANK"),

**GENERAL ELECTRIC CAPITAL CORPORATION ("GE CAPITAL") (COLLECTIVELY, "GE PARTIES")
AND**

FACS GROUP, INC. ("FACS")

This amendment (hereinafter referred to as "Addendum") dated as of January 1, 2001, is made to that certain agreement of June 4, 1996 described above ("Services Agreement"), by and between the GE PARTIES and FACS, pursuant to Section 9.3 of the Services Agreement.

WITNESSETH:

WHEREAS, GE BANK is the owner of the GE/Macy's Accounts;

WHEREAS, the GE PARTIES and FACS have entered into the Services Agreement for purposes of setting forth the terms and conditions that govern the provision of certain services by FACS to the GE PARTIES; and

WHEREAS, the GE PARTIES and FACS intend that all services provided hereunder and under the Services Agreement and the Program Agreement (as defined below) will be performed in accordance with all applicable Law, including, without limitation, Title V, Subtitle A of the federal Gramm-Leach-Bliley Act, 15 USC Sections 6801 *et seq.* (as it may be amended from time-to-time), and its implementing regulations (collectively, the "GLB Act");

NOW THEREFORE, and for the avoidance of doubt, in consideration of the terms and mutual covenants contained herein and in the Services Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned parties hereby agree as follows:

1. Scope. The purpose of this Addendum is to confirm FACS' treatment of nonpublic personal information relating to the GE/Macy's Account Debtors. Reference is made to the Amended and Restated Credit Card Program Agreement by and between GE BANK and certain affiliates of FACS dated June 4, 1996 ("Program Agreement"). Certain capitalized terms used herein, if not defined herein, have the meanings given to them in the Services Agreement and the Program Agreement.
2. Information Security. FACS shall implement appropriate administrative, technical, and physical safeguards to protect the security, confidentiality and integrity of nonpublic personal information relating to the GE/Macy's Account Debtors, including, without limitation, GE/Macy's Account Debtors' names, addresses, and account numbers, in accordance with all applicable Law.
3. FACS Services. (a) The FACS Services shall include the design, production and delivery to GE/Macy's Account Debtors of all notices required to be delivered to GE/Macy's Account Debtors under the GLB Act and other applicable Law ("Required Privacy Notices"). The Required Privacy Notices shall be developed by FACS and approved by GE BANK. FACS shall be responsible for the delivery of the Required Privacy Notices. (b) Notwithstanding any other provision contained herein, in the Services Agreement or the Program Agreement, the FACS Services (including, without limitation, the production of the Required Privacy Notices with content as approved by GE Bank, and the delivery thereof) shall be performed in compliance with the GLB Act and other applicable Law, and in accordance with the Required Privacy Notices. FACS shall pay all costs associated with the design, production and delivery of the Required Privacy Notices.
4. FACS Use of Information. Notwithstanding any other provision contained herein, in the Services Agreement or the Program Agreement, FACS and its Affiliates shall use, maintain and disclose nonpublic personal information relating to GE/Macy's Account Debtors only in compliance with the GLB Act and other applicable Law, and in accordance with the Required Privacy Notices.
5. New Intended FACS Use of Information. FACS shall notify GE BANK of any new intended use or disclosure that FACS and its Affiliates wish to make of nonpublic personal information relating to GE/Macy's Account Debtors and that is new or different from the use or disclosure being made by FACS or its Affiliates as of the date of this Addendum, which use and disclosure are in accordance with the Required Privacy Notices. Such notice shall be delivered to Ed Brandt, [Macy's Program Manager], GE BANK and Nancy Kinahan, Vice President, Privacy, GE Card Services (or such other senior privacy officer as may be designated by GE BANK from time to time), with a copy to GE BANK's legal counsel. FACS and its Affiliates shall not implement any

such new intended use or disclosure, if such intended use or disclosure would require the issuance of a revised Required Privacy Notice, unless and until GE/Macy's Account Debtors receive such a revised Required Privacy Notice and have a reasonable opportunity to exercise their choice regarding the information disclosure as provided in the revised Required Privacy Notice, as applicable under the GLB Act or other applicable Law. FACS shall pay all costs associated with any such revised Required Privacy Notices.

6. No Violation. Notwithstanding anything else contained in this Agreement, neither the GE PARTIES nor FACS (nor any of their respective Affiliates) shall, and none of them shall be obligated to, take any action that any of them (or their respective Affiliates) believes in good faith would violate, or would cause any of them to violate, applicable Law (including, without limitation, the GLB Act) or that would cause any of them to become a "consumer reporting agency" for purposes of the federal Fair Credit Reporting Act (15 USC Sections 1681 *et seq*).
8. FACS Representation. FACS represents and warrants to the GE PARTIES, on behalf of itself and each Affiliate performing any of the FACS Services, that, as of the date of execution of this Addendum, FACS has informed GE BANK of all present and intended uses, disclosures and maintenance of nonpublic personal information relating to GE/Macy's Account Debtors by FACS and its Affiliates, and by any Person to whom FACS and its Affiliates transfer nonpublic personal information relating to the GE/Macy's Account Debtors.
9. Use of the Required Privacy Notices. Any use by FACS and its Affiliates of any Required Privacy Notices developed in connection with GE/Macy's Accounts for any accounts other than GE/Macy's Accounts is the sole responsibility of FACS and its Affiliates. The GE PARTIES make no representations or warranties as to the compliance of any Required Privacy Notices with the GLB Act or other applicable Law.
10. Compliance. The provisions of this Addendum shall apply only with respect to the treatment by FACS and its Affiliates of nonpublic personal information relating to GE/Macy's Account Debtors. In addition, all other terms and conditions of the Services Agreement and the Program Agreement remain in full force and effect, as they may also apply to this Addendum.
11. Term and Termination. The provisions of this Addendum shall commence on the date hereof and shall expire simultaneously with the termination of the Services Agreement, except that the provisions of Sections 2, 4, 6 and 9 hereof shall survive termination or expiration of the Services Agreement (for as long as FACS retains any nonpublic personal information relating to GE/Macy's Account Debtors).
12. Integration and Amendment. This Addendum and the underlying Services Agreement and Program Agreement constitute the entire understanding between the parties with respect to the subject matter hereof and merge and supersede any inconsistent course of conduct, course of performance, course of dealing, usage of trade, previous agreements, representations, understandings, quotations, negotiations and discussions, either oral or written, between the parties hereto with respect to the subject matter hereof, and may not be modified unless done so in writing, signed by GE BANK, GE CAPITAL and FACS representatives authorized to so amend this Addendum. Each party acknowledges that it has not been induced to enter into this Addendum by any representations or promises not specifically stated and/or incorporated herein. In the event of any inconsistency between this Addendum and the Services Agreement or the Program Agreement on the above subject matter, the terms of this Addendum shall prevail and be adhered to by the parties.

IN WITNESS WHEREOF, each of the parties hereto has caused this Addendum to be executed as of the date first written above and to be appended to the Services Agreement as an Addendum to the said June 4, 1996 Services Agreement.

GENERAL ELECTRIC CAPITAL
CORPORATION

FACS GROUP, INC.

By: /s/ Edward Stewart
Name: Edward Stewart
Title: Executive Vice President
Date: 4/18/01

By: /s/ John Sims
Name: John R. Sims
Title: Vice President and Secretary
Date: 4/4/01

GE CAPITAL CONSUMER CARD CO.
By: /s/ Edward Brandt
Name: Edward C. Brandt
Title: Executive Vice President - Macy's
Date: 4/12/01

Agreed and acknowledged:

FEDERATED DEPARTMENT STORES,

INC.

By: /s/ John Sims

Name: John R. Sims

Title: Vice President and Assistant Secretary

Date: 4/4/01

FDS BANK

By: /s/ Susan R. Robinson

Name: Susan R. Robinson

Title: Treasurer

Date: 4/5/01

SECOND ADDENDUM TO THE JUNE 4, 1996

FACS CREDIT SERVICES AND LICENSE AGREEMENT

BETWEEN

GE CAPITAL CONSUMER CARD CO. ("GE BANK"),

**GENERAL ELECTRIC CAPITAL CORPORATION ("GE CAPITAL") (COLLECTIVELY,
"GE PARTIES") AND**

FACS GROUP, INC. ("FACS")

This amendment (hereinafter referred to as "Second Addendum") dated as of November 11, 2001, is made to that certain agreement of June 4, 1996 described above ("Services Agreement"), by and between the GE PARTIES and FACS, pursuant to Section 9.3 of the Services Agreement. Capitalized terms used but not defined herein shall have the meanings assigned to them in the Services Agreement

WITNESSETH:

WHEREAS, GE Capital is the owner of the GE/Macy's Commercial Accounts and GE BANK is the owner of the GE/Macy's Accounts;

WHEREAS, the GE PARTIES and FACS have entered into the Services Agreement for purposes of setting forth the terms and conditions that govern the provision of certain services by FACS to the GE PARTIES; and

WHEREAS, the GE PARTIES and FACS desire to amend the Services Agreement to expand the type of services provided by FACS to the GE PARTIES;

NOW THEREFORE, and for the avoidance of doubt, in consideration of the terms and mutual covenants contained herein and in the Services Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned parties hereby agree as follows:

1. Service Fees. The number "0.7%" in the first sentence of Section 3.4 is deleted and replaced with the number "1.20%".
2. Additional FACS Services. Section I of Exhibit A is amended to add the following new paragraphs:

"7. Billing Statement Production

7.1. Provide billing statement processing services as described below and in accordance with the technical specifications and billing cycle timeframes established between FACS and the GE Parties.

(i) Receive and process the electronic periodic billing statement file.

(ii) Trim, burst and fold all periodic billing statements.

(iii) Insert all periodic billing statements as described in Section 8.2 below.

(iv) Place required postage on all periodic billing statement envelopes.

(v) Presort all qualified mail.

(vi) Seal and deliver all periodic billing statement envelopes to US Postal Service.

8. Billing Statement Mailing

8.1. Insert marketing material approved by the GE Parties and received by FACS in usable form that conforms to materials specifications of FACS into the designated periodic billing statements. The inserts are to be distributed within the periodic billing statement in the following order:

(i) First, any inserts or messages that the GE Parties, in their sole judgment, determine are required by Law to be included in a periodic billing statement shall be included and shall have priority over all other inserts and messages;

(ii) Second, any inserts or messages that any FDS Company is contractually required to include in a periodic billing statement shall be included;

(iii) Third, any inserts or messages that FDS, in its sole discretion, determines should be included in a periodic billing statement shall be included; and

(iv) Fourth, any inserts or messages with respect to programs approved by FDS and GE Bank for inclusion in a periodic billing statement shall be included.

8.2. Mail periodic billing statements within the timeframe required by Section II of this Exhibit A..

8.3. Exercise reasonable quality control review of periodic billing statements.

8.4. In the event of any material disruption in periodic billing statement services, FACS will use commercially reasonable efforts to notify the GE Parties of such disruption on the same business day, and, in any event will provide notice as promptly as practicable.

8.5. Provide the following reporting for the periodic billing statement services:

Daily statement status report by Division of cycles billed, mailed and quantity.

8.6. Notwithstanding the above, FACS will also be responsible for inventory control, warehousing of the periodic billing statements and associated materials.

9. Credit Card Production

9.1. FACS will emboss and encode GE /Macy's Credit Cards and credit cards for other FDS Serviced Accounts as described below and in accordance with the technical specifications and credit card production

schedules established between FACS and GE Bank.

- (i) Receive and process the electronic Credit Card file.
- (ii) Emboss two (2) lines of data unless otherwise specified.
- (iii) Magnetically encode the cards.
- (iv) Print the customer information on the Credit Card card carrier form.
- (v) Data match the Credit Cards and the Credit Card card carriers.
- (vi) Insert as described in Section 10.2 below.
- (vii) Trim, burst and fold the Credit Card card carriers.
- (viii) Insert the Credit Card card carriers into the Credit Card card carrier envelopes.
- (ix) Place required postage on the Credit Card card carrier envelopes.
- (x) Seal and deliver all Credit Card card carrier envelopes to US Postal Service.

9.2. GE/Macy's Credit Cards shall be in the design and format jointly established by GE Bank and FACS and shall include the Macy's Tradename.

10. Credit Card Mailing

10.1. Mail Credit Cards along with terms and conditions and other inserts required by law within the timeframe required by Section II of this Exhibit A.

10.2. Insert marketing material approved by GE Bank that conforms to materials specifications of FACS into the envelope carrying the designated Credit Card card carrier. The inserts are to be included with the Credit Card card carrier in the following order:

- (i) First, any inserts or messages that GE Bank, in its sole judgment, determines are required by Law to be included in a Credit Card card carrier shall be included and shall have priority over all other inserts and messages;
- (ii) Second, any inserts or messages that any FDS Company is contractually required to include in a Credit Card card carrier shall be included;
- (iii) Third, any inserts or messages that FDS, in its sole discretion, determines should be included in a Credit Card card carrier shall be included; and
- (iv) Fourth, any inserts or messages with respect to

programs approved by FDS and GE Bank for inclusion in a Credit Card card carrier shall be included.

10.3. Exercise reasonable quality control review of Credit Cards.

10.4. In the event of any material disruption in credit and production or mailing services, FACS will use commercially reasonable efforts to notify the GE Parties of such disruption on the same business day, and, in any event will provide notice as promptly as practicable.

10.5. Provide the following reporting for the Credit Card services:

(i) Daily report giving the status of GE/Macy's Credit Cards produced and mailed.

(ii) Monthly report giving the inventory of all collateral that is specifically identified and used only for or in connection with GE/Macy's Accounts, including reconciliation of any lost and damaged materials; and

(iii) Monthly reporting analyzing GE/Macy's Credit Cards embossed and mailed.

1. Notwithstanding the above, FACS will also be responsible for inventory control, warehousing of the Credit Cards and associated materials, and providing adequate security for all credit cards.

1. Additional Services Standards. Section II of Exhibit A is amended to add the following new paragraphs:

- Billing Statement Production Within the timeframe required by law including Regulation Z.
- Credit Card Production Mailing Within the timeframe required by law including Regulation B.

1. Term and Termination. The provisions of this Addendum shall commence on the date hereof and shall expire simultaneously with the termination of the Services Agreement.
2. Integration and Amendment. This Second Addendum and the underlying Services Agreement constitute the entire understanding between the parties with respect to the subject matter hereof and merge and supersede any inconsistent course of conduct, course of performance, course of dealing, usage of trade, previous agreements, representations, understandings, quotations, negotiations and discussions, either oral or written, between the parties hereto with respect to the subject matter hereof, and may not be modified unless done so in writing, signed by GE BANK, GE CAPITAL and FACS representatives authorized to so amend this Second Addendum. Each party acknowledges that it has not been induced to enter into this Second Addendum by any representations or promises not specifically stated and/or incorporated herein. In the event of any inconsistency between this Second Addendum and the Services Agreement on the above subject matter, the terms of this Second Addendum shall prevail and be adhered to by the parties.

IN WITNESS WHEREOF, each of the parties hereto has caused this Second Addendum to be executed as of the date first written above and to be appended to the Services Agreement as an addendum to the said June 4, 1996 Services Agreement.

GENERAL ELECTRIC CAPITAL
CORPORATION

FACS GROUP, INC.

By:/s/ Edward Brandt

By:/s/ Amy Hanson

Name: Edward C. Brandt

Name: Amy Hanson

Title: Vice President - Macy's

Title: President, Credit Services

Date: November 11, 2001

Date: November 11, 2001

GE CAPITAL CONSUMER CARD
CO.

By: /s/ Edward Brandt

Name: Edward C. Brandt

Title: Executive Vice President

Date: November 11, 2001

Agreed and acknowledged:

FEDERATED DEPARTMENT
STORES, INC.

FDS BANK

By:/s/ John Sims

By:/s/ James Amann

Name: John R. Sims

Name: James J. Amann

Title: Vice President

Title: Chairman and CEO

Date: November 11, 2001

Date: November 11, 2001

**FOURTH AMENDMENT TO
CLASS A CERTIFICATE PURCHASE AGREEMENT**

THIS FOURTH AMENDMENT TO CLASS A CERTIFICATE PURCHASE AGREEMENT (this "Amendment"), dated as of May 25, 2004, is entered into by and among PRIME II RECEIVABLES CORPORATION (the "Transferor"), FDS BANK, formerly known as FDS NATIONAL BANK, (the "Servicer"), MARKET STREET FUNDING CORPORATION (the "Class A Purchaser") and PNC BANK, NATIONAL ASSOCIATION (the "Agent").

RECITALS

WHEREAS, the Transferor, the Servicer, the Class A Purchaser and the Agent are parties to that certain Class A Certificate Purchase Agreement, dated as of July 6, 1999 (as amended, supplemented or otherwise modified from time to time, the "Agreement");

WHEREAS, the parties hereto desire to amend the Agreement as hereinafter set forth.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

SECTION 1. Certain Defined Terms. Capitalized terms that are used herein without definition and that are defined in the Agreement shall have the same meanings herein as therein defined.

SECTION 2. Amendment to Agreement. Pursuant to Section 2.2(a) of the Agreement, the aggregate Commitment of the Class A Purchaser is hereby increased to the amount set forth underneath the signature of the Class A Purchaser hereto.

SECTION 3. Representations and Warranties. In order to induce the parties hereto to enter into this Amendment, each of the parties hereto represents and warrants unto the other parties hereto as set forth in this Section 3:

(a) Due Authorization, Non-Contravention, etc. The execution, delivery and performance by such party of this Amendment are within its powers, have been duly authorized by all necessary action, and do not: (a) contravene its organizational documents; or (b) contravene any contractual restriction, law or governmental regulation or court decree or order binding on or affecting it; and

(b) Validity, etc. This Amendment constitutes the legal, valid and binding obligation of such party enforceable against such party in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights and general equitable principles.

SECTION 4. Effect of Amendment. All provisions of the Agreement, as expressly amended and modified by this Amendment, shall remain in full force and effect. After this Amendment becomes effective, all references in the Agreement to "this Agreement", "hereof", "herein" or words of similar effect referring to the Agreement shall be deemed to be references to the Agreement as amended by this Amendment. This Amendment shall not be deemed, either expressly or impliedly, to waive, amend or supplement any provision of the Agreement other than as set forth herein.

SECTION 5. Effectiveness. This Amendment shall become effective as of the date hereof upon receipt by the Agent of counterparts of this Amendment (whether by facsimile or otherwise) executed by each of the other parties hereto, in form and substance satisfactory to the Agent in its sole discretion.

SECTION 6. Miscellaneous. (a) THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REFERENCE TO PRINCIPLES OF CONFLICTS OF LAW.

(b) Headings used herein are for convenience of reference only and shall not affect the meaning of this Amendment or any provision hereof.

(c) This Amendment may be executed in any number of counterparts, and by the parties hereto on separate counterparts, each of which when executed and delivered shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

[Signature pages follow]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written above.

MARKET STREET FUNDING CORPORATION,
as Class A Purchaser

By: /s/ Evelyn Echvarria
Name: Evelyn Echvarria
Title: Vice President

Commitment: \$222,222,500

PNC BANK, NATIONAL ASSOCIATION,
as Agent

By: /s/ John T. Smathers
Name: John T. Smathers
Title: Vice President

PRIME II RECEIVABLES CORPORATION,
as Transferor

By: /s/ Susan P. Storer
Name: Susan P. Storer
Title: President

FDS BANK (f/k/a FDS National Bank), as Servicer

By: /s/ Susan R. Robinson
Name: Susan R. Robinson
Title: Treasurer

Acknowledged and Agreed,

LLOYDS TSB BANK PLC

By: /s/ Amy Vespasiano
Name: Amy Vespasiano
Title: Director Structured Finance

By: /s/ Kathy Simmons
Name: Kathy Simmons
Title: Director Structured Finance

**FOURTH AMENDMENT TO
CLASS B CERTIFICATE PURCHASE AGREEMENT**

THIS FOURTH AMENDMENT TO CLASS B CERTIFICATE PURCHASE AGREEMENT (this "Amendment"), dated as of May 25, 2004, is entered into by and among PRIME II RECEIVABLES CORPORATION (the "Transferor"), FDS BANK, formerly known as FDS NATIONAL BANK, (the "Servicer"), MARKET STREET FUNDING CORPORATION (the "Class B Purchaser") and PNC BANK, NATIONAL ASSOCIATION (the "Agent").

RECITALS

WHEREAS, the Transferor, the Servicer, the Class B Purchaser and the Agent are parties to that certain Class B Certificate Purchase Agreement, dated as of July 6, 1999 (as amended, supplemented or otherwise modified from time to time, the "Agreement");

WHEREAS, the parties hereto desire to amend the Agreement as hereinafter set forth.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

SECTION 1. Certain Defined Terms. Capitalized terms that are used herein without definition and that are defined in the Agreement shall have the same meanings herein as therein defined.

SECTION 2. Amendment to Agreement. Pursuant to Section 2.2(a) of the Agreement, the aggregate Commitment of the Class B Purchaser is hereby increased to the amount set forth underneath the signature of the Class B Purchaser hereto.

SECTION 3. Representations and Warranties. In order to induce the parties hereto to enter into this Amendment, each of the parties hereto represents and warrants unto the other parties hereto as set forth in this Section 3:

(a) Due Authorization, Non-Contravention, etc. The execution, delivery and performance by such party of this Amendment are within its powers, have been duly authorized by all necessary action, and do not: (a) contravene its organizational documents; or (b) contravene any contractual restriction, law or governmental regulation or court decree or order binding on or affecting it; and

(b) Validity, etc. This Amendment constitutes the legal, valid and binding obligation of such party enforceable against such party in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights and general equitable principles.

SECTION 4. Effect of Amendment. All provisions of the Agreement, as expressly amended and modified by this Amendment, shall remain in full force and effect. After this Amendment becomes effective, all references in the Agreement to "this Agreement", "hereof", "herein" or words of similar effect referring to the Agreement shall be deemed to be references to the Agreement as amended by this Amendment. This Amendment shall not be deemed, either expressly or impliedly, to waive, amend or supplement any provision of the Agreement other than as set forth herein.

SECTION 5. Effectiveness. This Amendment shall become effective as of the date hereof upon receipt by the Agent of counterparts of this Amendment (whether by facsimile or otherwise) executed by each of the other parties hereto, in form and substance satisfactory to the Agent in its sole discretion.

SECTION 6. Miscellaneous. (a) THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REFERENCE TO PRINCIPLES OF CONFLICTS OF LAW.

(b) Headings used herein are for convenience of reference only and shall not affect the meaning of this Amendment or any provision hereof.

(c) This Amendment may be executed in any number of counterparts, and by the parties hereto on separate counterparts, each of which when executed and delivered shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

[Signature pages follow]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written above.

MARKET STREET FUNDING CORPORATION,
as Class A Purchaser

By: /s/ Evelyn Echvarria
Name: Evelyn Echvarria
Title: Vice President

Commitment: \$27,777,500

PNC BANK, NATIONAL ASSOCIATION,
as Agent

By: /s/ John T. Smathers
Name: John T. Smathers
Title: Vice President

PRIME II RECEIVABLES CORPORATION,
as Transferor

By: /s/ Susan P. Storer
Name: Susan P. Storer
Title: President

FDS BANK (f/k/a FDS National Bank), as Servicer

By: /s/ Susan R. Robinson
Name: Susan R. Robinson
Title: Treasurer

Acknowledged and Agreed,

LLOYDS TSB BANK PLC

By: /s/ Amy Vespasiano
Name: Amy Vespasiano
Title: Director Structured Finance

By: /s/ Kathy Simmons
Name: Kathy Simmons
Title: Director Structured Finance

CERTIFICATION

I, Terry J. Lundgren, Chief Executive Officer of Federated Department Stores, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Federated Department Stores, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report on such evaluation; and
 - c. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

June 9, 2004

/s/ Terry J. Lundgren
Terry J. Lundgren

CERTIFICATION

I, Karen M. Hoguet, Chief Financial Officer of Federated Department Stores, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Federated Department Stores, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report on such evaluation; and
 - c. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

June 9, 2004

/s/ Karen M. Hoguet
Karen M. Hoguet

CERTIFICATION UNDER SECTION 906 OF THE SARBANES-OXLEY ACT

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Form 10-Q of Federated Department Stores, Inc. (the "Company") for the fiscal quarter ended May 1, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), of the undersigned officers of the Company certifies, that, to such officer's knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Dated: June 9, 2004

/s/ Terry J. Lundgren

Name: Terry J. Lundgren

Title: Chief Executive Officer

/s/ Karen M. Hoguet

Name: Karen M. Hoguet

Title: Chief Financial Officer